Benjamin Paul Heritage, Mullica Hill.
Anna L. Hagstrom, Wanaque.

NEW MEXICO

Horace G. Hubert, Carlsbad.
Evelyn R. Goodner, Jal.
Sybil S. Schlittler, Oil Center.

NEW YORK

Glenn O. Robinson, Adams.
Nicholas J. Graziose, Albertson.
Merlin W. Osterhout, Altamont.
George H. Walter, Annandale-on-Hudson.
Alexander R. Clark, Babylon.
Harold L. Payne, Bainbridge.
James R. Walker, Baldwinsville.
Robert J. Crossen, Basom.
Alonzo Winslow Valentine, Bayville.
Ada J. Dunn, Big Moose.
James W. Trimmingham, Branchport.
Carl S. Chiavetta, Brant.
Carl H. Hamlin, Brushton.
William E. Heady, Buchanan.
Joseph R. Hawn, Buffalo.
Valentine Bubb, Burnt Hills.
Raymond R. Ebersole, Clarence Center.
Milton J. Deuink, Clymer.
Floyd W. English, Corning.
Clarence A. Smith, Cornwallville.
Ruth M. Bohner, Cross River.
Charles A. Winslow, Deansboro.
Gordon M. Pixley, Delevan.
John A. DeFrees, Durhamville.
Edith B. Wright, Elbridge.
Lester H. Sweatt, Essex.
Clyde E. Van Rensselaer, Forestville.
Paul E. Lunt, Fort Ann.
John J. Loughnane, Franklin Square.
Mark S. Western, Herkimer.
Fred D. Adams, Highland Mills.
James W. McArthur, Holland.
Stanley C. Shaw, Ithaca.
Signe H. Halleran, Jericho.
Homer J. Smith, Lake George.
Leslie G. Ross, Lake Placid Club.
Sherman J. Day, Lowville.
Ina E. Tymeson, Maine.
Alton D. Wiggins, Mannsville.
Elnora H. Oakley, Middlesex.
Marion E. Dickens, Middleville.
Scott E. Gage, Morris.
Raymond F. Schermerhorn, New Baltimore.
Ralph P. Sinsabaugh, New Hamburg.
Anthony J. Rivers, New Rochelle.
Anthony J. Keller, Niagara Falls.
Neva B. Quick, Nichols.
Ward C. Hazard, Norwich.
Earl E. Casey, Ontario.
Francis X. Hannigan, Ossining.
Ralph U. Jeffords, Oxford.
Geary H. Whitlock, Patchogue.
Alvin R. Bunce, Pavilion.
Walter E. Davis, Port Jefferson.
Howard L. King, Potsdam.
Henry A. Glasstetter, Poughkeepsie.
Jennie I. Goodale, Quogue.
Doris K. Bartow, Rexford.
Charles Thomas Williams, Rome.
Frank L. Miller, Roslyn Heights.
Mildred S. Worcester, Rotterdam Junction.
Doris J. Barclay, Salisbury Center.
Thomas M. Powers, Scipio Center.
Guy Robert Fisher, Sherman.
Ronald J. Smith, Springville.
Robert L. Hosmer, Star Lake.
Urban C. Everling, Stony Brook.
Alice C. Lenz, Strykersville.
Harold Allen, Tannersville.
Karl F. W. Mowitz, Tonawanda.
Adrian Rumsey, Van Etten.
Elizabeth B. Kenfield, Verona.
Anthony J. Audi, West Albany.
Mabel D. Weidner, West Shokan.
Harold E. Wild, Westtown.

NORTH CAROLINA

Henry G. Williamson, Cerro Gordo.
William B. Johnson, Salemburg.
Lillian B. Spencer, South Mills.

OHIO

Eleanor H. Sanders, Beulah Beach.
Marvin L. Ickes, Dunkirk.
Albert D. Etter, Kingston.
Garnette L. Vallandingham, Midland.
Floyd L. Carey, New Vienna.
Charles W. Swanger, Shelby.
Herbert W. Baker, Jr., Wharton.

OKLAHOMA

Gene Y. Harley, Comanche.
Charles B. Bolar, Gotebo.
Harold S. Howard, McAlester.

OREGON

Theodore R. Willard, Empire.

PENNSYLVANIA

Espy G. Thomas, Boswell.
Elizabeth V. Hixenbaugh, New Eagle.
Harold D. Schildt, Reading.
Fred K. Giesler, Waterford.
Paul E. Trump, York Springs.

SOUTH CAROLINA

Ida B. Feagin, Bonneau.

SOUTH DAKOTA

Edward Keith Welch, Blunt.
Melvin H. Koepsell, Canova.
Joseph M. Jones, Fairview.
Roland D. Schlaht, Gregory.
Chester A. Hattervig, Viborg.

TEXAS

Glen D. Kelley, Aledo.
Edgar M. Jackson, Athens.
Edna Caryl Naugle, Saginaw.
Betty J. Beene, Terminal.
Joe P. Bullion, Truscott.
Jerrold D. Wilkinson, West.

UTAH

Nora R. Hatsis, Kenilworth.
Elmer M. Williams, West Jordan.

VERMONT

Parker C. Risley, Perkinsville.

WASHINGTON

Vivienne I. Cochran, Almira.
Howard J. Wohrle, Deer Park.
Harry L. Thompson, Everson.
Yolande F. Sherman, Farmington.
Thomas H. Hudson, Manson.
William Wayne Maitland, Pateros.
Walter S. Herstrom, Port Townsend.
Peter P. Perry, Raymond.
Margaret Bright, Richmond Beach.
Herbert A. Miller, Stevenson.
Keith S. Marney, Waterville.

WEST VIRGINIA

Elba F. Davidson, Branchland.
Archie W. Dalrymple, Chester.
Bernard R. Osborne, Griffithsville.
Leona E. Miller, Lesage.

WISCONSIN

Herman C. Lawin, Cornucopia.
Howard E. Beaulier, Goodman.
Paul M. Saftig, Kenosha.
Victor H. Braum, Pickerel.
Ervin C. Schroeder, Saukville.
Orville E. Wildes, Warrens.
Karl E. Freitag, Waterloo.

WYOMING

Florence E. Hall, Moorcroft.
Cleo V. Malone, Yoder.

WITHDRAWALS

Executive nominations withdrawn from the Senate July 28 (legislative day of July 2), 1954:

WAR CLAIMS COMMISSION

The following-named persons to be members of the War Claims Commission, which were sent to the Senate on February 15, 1954:

Raymond T. Armbruster, of New York.
Whitney Gillilland, of Iowa.
Mrs. Pearl Carter Pace, of Kentucky.

HOUSE OF REPRESENTATIVES

WEDNESDAY, JULY 28, 1954

The House met at 10 o'clock a. m.

The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

God of all goodness, in the morning hour of this new day may we feel the divine urge to perform our tasks and responsibilities with a full measure of fidelity and devotion.

Grant that in the terrific moral and spiritual struggles of our generation we may never manifest a spirit of surrender or betrayal of lofty principles.

Inspire us daily with that resolute and invincible spirit which knows how to meet great issues with faith and serenity.

Hear us in the name of our blessed Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

MUTUAL SECURITY APPROPRIATION ACT, 1955

The SPEAKER. The unfinished business before the House is the question on the passage of the bill (H. R. 10051) making appropriations for mutual security for the fiscal year ending June 30, 1955, and for other purposes.

The question is on the passage of the bill.

Mr. RAYBURN. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 266, nays 128, not voting 38, as follows:

[Roll No. 120]

YEAS—266

Addonizio
Albert
Allen, Calif.
Allen, Ill.
Andersen, H. Carl
Arends
Aspinall
Auchincloss
Ayres
Baker
Barrett
Bates
Becker
Bender
Boggs
Boland
Bolling
Bolton, Frances P.
Bolton, Oliver P.
Bonin
Bosch
Bowler
Boykin
Brooks, Tex.
Brown, Ga.
Brownson
Broyhill
Buchanan
Burleson
Bush
Byrd
Byrne, Pa.
Campbell
Canfield
Cannon
Carnahan
Carrigg
Celler
Chelf
Chenoweth
Chiperfield
Chudoff
Cole, N. Y.
Condon
Cooley
Cooper
Corbett
Coudert
Cretella
Crosser
Cunningham
Curtis, Mass.
Dague
Davis, Ga.
Dawson, Ill.
Dawson, Utah
Deane
Delaney
Derounian
Devereux
D'Ewart
Dingell
Dodd
Dollinger
Donohue
Donovan
Dorn, N. Y.
Doyle
Durham
Eberharter
Edmondson
Elliott
Ellsworth
Engle
Evins
Fallon
Feighan
Fenton
Fernandez
Fine
Fino
Fogarty
Forand
Ford
Forrester
Fountain
Frazier
Frelinghuysen
Friedel
Fulton
Garmatz
Gary
Gathings
Golden
Goodwin
Gordon
Graham
Granahan
Green
Gregory
Gubser
Hagen, Calif.
Hale
Halleck
Harden
Hardy
Hart
Hays, Ark.
Hays, Ohio
Heselton
Hess
Hill
Hillings
Holifield
Holmes
Holt
Holtzman
Hope
Hosmer
Howell
Hunter
Hyde
Ikard
Jackson
James
Jarman
Javits
Jenkins
Johnson, Calif.

Johnson, Wis.	Moss	Saylor
Jones, Ala.	Multer	Scott
Jones, Mo.	Mumma	Scudder
Judd	Natcher	Seely-Brown
Karsten, Mo.	Norblad	Shelley
Kean	Oakman	Sheppard
Kearney	O'Brien, Ill.	Sieminski
Keating	O'Brien, N. Y.	Simpson, Pa.
Kee	O'Hara, Ill.	Small
Kelley, Pa.	O'Neill	Smith, Miss.
Kelly, N. Y.	Osmers	Spence
Keogh	Ostertag	Springer
Kersten, Wis.	Patman	Staggers
Kilday	Patterson	Stauffer
King, Calif.	Pelly	Steed
Kirwan	Perkins	Sullivan
Klein	Pfost	Taber
Kluczynski	Philbin	Taylor
Lane	Pilcher	Thompson, Tex.
Lanham	Pillion	Thornberry
Lantaff	Poage	Tollefson
Latham	Poff	Trimble
LeCompte	Polk	Vorys
Lesinski	Preston	Vursell
Lipscomb	Price	Wainwright
McCarthy	Prouty	Walter
McConnell	Rabaut	Wampler
McCormack	Radwan	Warburton
McDonough	Rains	Watts
Mack, Ill.	Ray	Westland
Madden	Rayburn	Wharton
Magnuson	Reams	Wickersham
Mahon	Rhodes, Ariz.	Widnall
Marshall	Rhodes, Pa.	Wier
Matthews	Richards	Wigglesworth
Meader	Riehlman	Williams, N. J.
Merrill	Riley	Williams, N. Y.
Merrow	Roberts	Wilson, Calif.
Metcalf	Robsion, Ky.	Wilson, Ind.
Miller, Calif.	Rodino	Wolcott
Miller, Kans.	Rogers, Colo.	Wolverton
Miller, Md.	Rogers, Fla.	Yates
Miller, N. Y.	Rogers, Mass.	Yorty
Mollohan	Rooney	Younger
Morano	Sadlak	Zablocki
Morgan	St. George	

NAYS—128

Abbitt	Dowdy	Nicholson
Abernethy	Fisher	Norrell
Adair	Gavin	O'Hara, Minn.
Alexander	Gentry	O'Konski
Andresen, August H.	George	Passman
Andrews	Grant	Patten
Ashmore	Gross	Phillips
Bailey	Gwinn	Reece, Tenn.
Barden	Hagen, Minn.	Reed, Ill.
Battle	Haley	Reed, N. Y.
Beamer	Hand	Rees, Kans.
Belcher	Harrison, Nebr.	Rivers
Bennett, Fla.	Harrison, Va.	Robeson, Va.
Bennett, Mich.	Harvey	Rogers, Tex.
Bentley	Herlong	Schenck
Berry	Hiestand	Scherer
Betts	Hillelson	Scrivner
Bishop	Hoffman, Ill.	Selden
Bonner	Hoffman, Mich.	Shafer
Bow	Horan	Sheehan
Bramblett	Hruska	Shuford
Bray	Jensen	Sikes
Brown, Ohio	Jonas, Ill.	Simpson, Ill.
Budge	Jonas, N. C.	Smith, Kans.
Burdick	Jones, N. C.	Smith, Va.
Busbey	Kearns	Smith, Wis.
Byrnes, Wis.	King, Pa.	Stringfellow
Carlyle	Knox	Talle
Cederberg	Krueger	Thomas
Church	Laird	Thompson, Mich.
Clardy	Landrum	Tuck
Clevenger	Lovre	Utt
Cole, Mo.	McCulloch	Van Pelt
Colmer	McGregor	Van Zandt
Coon	McIntire	Velde
Crumpacker	McMillan	Whitten
Curtis, Mo.	McVey	Williams, Miss.
Davis, Wis.	Mack, Wash.	Wilson, Tex.
Dempsey	Martin, Iowa	Winstead
Dies	Mason	Withrow
Dolliver	Miller, Nebr.	Young
Dondero	Mills	
Dorn, S. C.	Moulder	
	Neal	

NOT VOTING—38

Angell	Harris	Mailliard
Bentsen	Harrison, Wyo.	Morrison
Blatnik	Hébert	Murray
Brooks, La.	Hinshaw	Nelson
Buckley	Hoeven	O'Brien, Mich.
Chatham	Kilburn	Powell
Cotton	Long	Priest
Curtis, Nebr.	Lucas	Regan
Davis, Tenn.	Lyle	Roosevelt
Gamble	Machrowicz	Secrest
Short	Thompson, La.	Wheeler
Sutton	Vinson	Willis
Teague	Weichel	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Kilburn for, with Mr. Hoeven against.

Mr. Vinson for, with Mr. Bentsen against.

Mr. Roosevelt for, with Mr. Curtis of Nebraska against.

Mr. Hébert for, with Mr. Weichel against.

Mr. Buckley for, with Mr. Harrison of Wyoming against.

Mr. Machrowicz for, with Mr. Lyle against.

Until further notice:

Mr. Angell with Mr. Morrison.

Mr. Hinshaw with Mr. Willis.

Mr. Mailliard with Mr. Thompson of Louisiana.

Mr. Nelson with Mr. O'Brien of Michigan.

Mr. Gamble with Mr. Powell.

Mr. Cotton with Mr. Chatham.

Mr. STAUFFER changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

INTERNAL REVENUE CODE OF 1954

Mr. REED of New York. Mr. Speaker, I call up the conference report on the bill (H. R. 8300) to revise the internal revenue laws of the United States, and I ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. EBERHARTER. Mr. Speaker, reserving the right to object, and it is not my purpose to object to dispensing with reading of the entire report, but, Mr. Speaker, I have in mind making a point of order against the conference report. As I understand it, the proper time to present that is before commencement of the reading of the statement. If that be so I must object at this time.

The SPEAKER. This is the proper time for the gentleman to object if he is going to.

Mr. EBERHARTER. Mr. Speaker, I object to the reading of the statement in lieu of the conference report.

The SPEAKER. What is the gentleman's point of order?

Mr. EBERHARTER. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. EBERHARTER. Mr. Speaker, I think the proper order of business now is the reading of the conference report.

The SPEAKER. The Clerk will read the conference report.

Mr. HALLECK. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. HALLECK. Mr. Speaker, would it be possible for the gentleman's point of order to be in order, even though the reading of the entire report is dispensed with?

The SPEAKER. The Chair may say that without objection the report can be considered read, and the gentleman then may make his point of order. Is there objection to that procedure?

There was no objection.

The conference report and statement are as follows:

CONFERENCE REPORT (H. REPT. No. 2543)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 8300) to revise the internal revenue laws of the United States, having met after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 7, 10a, 12 (4), 41a, 41b, 57a, 67a, 74a, 110, 129a, 141a, 154, 155, 178, 179, 180, 185a, 220a, 271b, 273a, 281a, 413a, 485a, 486 (1), 486 (2), 486 (3), 494, and 551.

That the House recede from its disagreement to the amendments of the Senate numbered 1 (1), 1 (2), 2 (1), 4, 5, 6, 8, 9, 11, 12 (1), 12 (2), 12 (3), 12 (5), 13, 14, 15, 16, 17 (2), 18, 19, 20, 21, 22, 23 (1), 23 (2), 23 (4), 24, 25, 26, 27, 28, 29, 31, 33, 34, 34a, 35, 36, 37, 38, 39, 40, 41, 42, 44, 46, 47, 48, 49, 51, 52, 53, 54, 55, 56, 58, 59, 60, 61, 61a, 62, 63, 64, 65, 66, 67, 67b, 68 (1), 68 (4), 69, 70, 71, 72, 73 (2), 74, 75, 76, 76a, 77, 78, 80, 81, 84, 85 (1), 86, 87, 88, 89, 90, 91, 92, 93 (2), 94, 95, 96 (1), 97, 98, 100, 102 (2), 102a, 103, 105, 105a, 106, 107, 108, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 156 (1), 156 (2), 157, 158, 159, 160, 161, 162, 163 (1), 163 (3), 163 (4), 164, 165 (1), 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 181, 182, 183, 184, 185, 186 (2), 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220 (1), 220 (2), 220 (3), 220 (4), 221, 222, 223, 224, 225, 226, 227 (2), 228, 229, 230, 231, 232, 232a, 232b, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 244, 245, 247, 248, 249, 250, 251, 252, 253, 253a, 254, 255, 256, 257, 260, 261, 262, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 301a, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 379a, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 406a, 407, 408, 409, 410, 411, 412, 413, 414, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 466a, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486 (4), 487, 488, 489, 490, 491, 492, 493, 495, 496, 497, 498, 498a, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545 (1), 545 (3), 545 (4), 546, 547, 548, 549, 550, and 553, and agree to the same.

Amendment numbered 1 (3): That the House recede from its disagreement to the amendment of the Senate numbered 1 (3), and agree to the same with an amendment

as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"Subchapter R. Election of certain partnerships and proprietorships as to taxable status."

And the Senate agree to the same.

Amendment numbered 1 (4): That the House recede from its disagreement to the amendment of the Senate numbered 1 (4), and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following: "or return of surviving spouse"; and the Senate agree to the same.

Amendment numbered 2 (2): That the House recede from its disagreement to the amendment of the Senate numbered 2 (2), and agree to the same with an amendment as follows:

On page 3 of the Senate engrossed amendments, strike out line 1 and all that follows through line 11 on page 4, and insert the following:

"(2) DEFINITION OF HEAD OF HOUSEHOLD.—For the purposes of this subtitle, an individual shall be considered a head of a household if, and only if, such individual is not married at the close of his taxable year, is not a surviving spouse (as defined in section 2 (b)), and either—

"(A) maintains as his home a household which constitutes for such taxable year the principal place of abode, as a member of such household, of—

"(i) a son, stepson, daughter, or stepdaughter of the taxpayer, or a descendant of a son or daughter of the taxpayer, but if such son, stepson, daughter, stepdaughter, or descendant is married at the close of the taxpayer's taxable year, only if the taxpayer is entitled to a deduction for the taxable year for such person under section 151, or

"(ii) any other person who is a dependent of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such person under section 151, or

"(B) maintains a household which constitutes for such taxable year the principal place of abode of the father or mother of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such father or mother under section 151.

For purposes of this paragraph and of section 2 (b) (1) (B), an individual shall be considered as maintaining a household only if over half of the cost of maintaining the household during the taxable year is furnished by such individual."

On page 5 of the Senate engrossed amendments, strike out lines 3 through 6 and insert the following:

"(4) LIMITATIONS.—Notwithstanding paragraph (2), for purposes of this subtitle a taxpayer shall not be considered to be a head of a household—

"(A) if at any time during the taxable year he is a nonresident alien; or

"(B) by reason of an individual who would not be a dependent for the taxable year but for—

"(i) paragraph (9) of section 152 (a),

"(ii) paragraph (10) of section 152 (a), or

"(iii) subsection (c) of section 152."

And the Senate agree to the same.

Amendment numbered 3: That the House recede from its disagreement to the amendment of the Senate numbered 3 and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment, and in lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 2. Tax in case of joint return or return of surviving spouse.

"(a) RATE OF TAX.—In the case of a joint return of a husband and wife under section 6013, the tax imposed by section 1 shall be twice the tax which would be imposed if the taxable income were cut in half. For purposes of this subsection and section 3, a return of a surviving spouse (as defined in subsection (b)) shall be treated as a joint return of a husband and wife under section 6013.

"(b) DEFINITION OF SURVIVING SPOUSE.—

"(1) IN GENERAL.—For purposes of subsection (a), the term 'surviving spouse' means a taxpayer—

"(A) whose spouse died during either of his two taxable years immediately preceding the taxable year, and

"(B) who maintains as his home a household which constitutes for the taxable year the principal place of abode (as a member of such household) of a dependent (i) who (within the meaning of section 152) is a son, stepson, daughter, or stepdaughter of the taxpayer, and (ii) with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 151.

(2) LIMITATIONS.—Notwithstanding paragraph (1), for purposes of subsection (a) a taxpayer shall not be considered to be a surviving spouse—

"(A) if the taxpayer has remarried at any time before the close of the taxable year, or

"(B) unless, for the taxpayer's taxable year during which his spouse died, a joint return could have been made under the provisions of section 6013 (without regard to subsection (a) (3) thereof) or under the corresponding provisions of the Internal Revenue Code of 1939."

And the Senate agree to the same.

Amendment numbered 10: That the House recede from its disagreement to the amendment of the Senate numbered 10 and agree to the same with the following amendments:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 9, in section 34, of the House bill, strike out subsection (a) and insert the following:

"(a) GENERAL RULE.—Effective with respect to taxable years ending after July 31, 1954, there shall be allowed to an individual, as a credit against the tax imposed by this subtitle for the taxable year, an amount equal to 4 percent of the dividends which are received after July 31, 1954, from domestic corporations and are included in gross income."

On page 9, in section 34 (b) (2), of the House bill, strike out subparagraphs (B) and (C) and insert the following:

"(B) 4 percent, in the case of a taxable year ending after December 31, 1954."

On page 9, in section 34 (d), of the House bill, strike out paragraph (1).

On page 9, in section 34 (d) (2), of the House bill, strike out "(2)" and insert the following: "(1)".

On page 9, in section 34 (d) (3), of the House bill, strike out "(3)" and insert the following: "(2)".

And the Senate agree to the same.

Amendment numbered 17 (1): That the House recede from its disagreement to the amendment of the Senate numbered 17 (1), and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment, strike out the matter proposed to be inserted by the Senate amendment, and on page 13, in section 62 (5), of the House bill, after "following)", insert the following: ", by section 212 (relating to expenses for production of income),"; and the Senate agree to the same.

Amendment numbered 23 (3): That the House recede from its disagreement to the amendment of the Senate numbered 23 (3), and agree to the same with an amendment as follows: On page 14 of the Senate engrossed amendments, strike out lines 11 and 12 and insert "amount certificate, as defined in section 2 (a) (15) of the Investment Company Act of 1940 (15 U. S. C., sec. 80a-2), issued after December 31, 1954."; and the Senate agree to the same.

Amendment numbered 30: That the House recede from its disagreement to the amendment of the Senate numbered 30, and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment and after the matter so restored insert the matter proposed to be inserted by the Senate amendment; and the Senate agree to the same.

Amendment numbered 32: That the House recede from its disagreement to the amendment of the Senate numbered 32, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 105. Amounts received under accident and health plans.

"(a) AMOUNTS ATTRIBUTABLE TO EMPLOYER CONTRIBUTIONS.—Except as otherwise provided in this section, amounts received by an employee through accident or health insurance for personal injuries or sickness shall be included in gross income to the extent such amounts (1) are attributable to contributions by the employer which were not includible in the gross income of the employee, or (2) are paid by the employer.

"(b) AMOUNTS EXPENDED FOR MEDICAL CARE.—Except in the case of amounts attributable to (and not in excess of) deductions allowed under section 213 (relating to medical, etc., expenses) for any prior taxable year, gross income does not include amounts referred to in subsection (a) if such amounts are paid, directly or indirectly, to the taxpayer to reimburse the taxpayer for expenses incurred by him for the medical care (as defined in section 213 (e)) of the taxpayer, his spouse, and his dependents (as defined in section 152).

"(c) PAYMENTS UNRELATED TO ABSENCE FROM WORK.—Gross income does not include amounts referred to in subsection (a) to the extent such amounts—

"(1) constitute payment for the permanent loss or loss of use of a member or function of the body, or the permanent disfigurement, of the taxpayer, his spouse, or a dependent (as defined in section 152), and

"(2) are computed with reference to the nature of the injury without regard to the period the employee is absent from work.

"(d) WAGE CONTINUATION PLANS.—Gross income does not include amounts referred to in subsection (a) if such amounts constitute wages or payments in lieu of wages for a period during which the employee is absent from work on account of personal injuries or sickness; but this subsection shall not apply to the extent that such amounts exceed a weekly rate of $100. In the case of a period during which the employee is absent from work on account of sickness, the preceding sentence shall not apply to amounts attributable to the first 7 calendar days in such period unless the employee is hospitalized on account of sickness for at least one day during such period. If such amounts are not paid on the basis of a weekly pay period, the Secretary or his delegate shall by regulations prescribe the method of determining the weekly rate at which such amounts are paid.

"(e) ACCIDENT AND HEALTH PLANS.—For purposes of this section and section 104—

"(1) amounts received under an accident or health plan for employees, and

"(2) amounts received from a sickness and disability fund for employees maintained under the law of a State, a Territory, or the District of Columbia,

shall be treated as amounts received through accident or health insurance.

"(f) RULES FOR APPLICATION OF SECTION 213.—For purposes of section 213 (a) (relating to medical, dental, etc., expenses) amounts excluded from gross income under

subsection (c) or (d) shall not be considered as compensation (by insurance or otherwise) for expenses paid for medical care."

And the Senate agree to the same.

Amendment numbered 43 (1): That the House recede from its disagreement to the amendment of the Senate numbered 43 (1), and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment and on page 37, in section 163 (b) (1), of the House bill, strike out "as including" and insert "for purposes of this section as if they included"; and the Senate agree to the same.

Amendment numbered 43 (2): That the House recede from its disagreement to the amendment of the Senate numbered 43 (2), and agree to the same with an amendment as follows: On page 27, line 14, of the Senate engrossed amendments, strike out "(b)" and insert "(c)"; and the Senate agree to the same.

Amendment numbered 45: That the House recede from its disagreement to the amendment of the Senate numbered 45, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(D) In the case of any sale of real property, if the taxpayer's taxable income for the taxable year during which the sale occurs is computed under an accrual method of accounting, and if no election under section 461 (c) (relating to the accrual of real property taxes) applies, then, for purposes of subsection (a), that portion of such tax which—

"(i) is treated, under paragraph (1) of this subsection, as imposed on the taxpayer, and

"(ii) may not, by reason of the taxpayer's method of accounting, be deducted by the taxpayer for any taxable year,

shall be treated as having accrued on the date of the sale."

And the Senate agree to the same.

Amendment numbered 50: That the House recede from its disagreement to the amendment of the Senate numbered 50, and agree to the same with an amendment as follows: On page 30, of the Senate engrossed amendments, strike out lines 14 through 17 and insert the following:

"(1) the construction, reconstruction, or erection of which is completed after December 31, 1953, and then only to that portion of the basis which is properly attributable to such construction, reconstruction, or erection after December 31, 1953, or

"(2) acquired after December 31, 1953, if the original use of such property commences with the taxpayer and commences after such date."

And the Senate agree to the same.

Amendment numbered 55a: That the House recede from its disagreement to the amendment of the Senate numbered 55a, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"Any contribution made by a corporation in a taxable year to which this section applies in excess of the amount deductible in such year under the foregoing limitation shall be deductible in each of the two succeeding taxable years in order of time, but only to the extent of the lesser of the two following amounts: (i) the excess of the maximum amount deductible for such succeeding taxable year under the foregoing limitation over the contributions made in such year; and (ii) in the case of the first succeeding taxable year the amount of such excess contribution, and in the case of the second succeeding taxable year the portion of such excess contribution not deductible in the first succeeding taxable year."

And the Senate agree to the same.

Amendment numbered 57: That the House recede from its disagreement to the amendment of the Senate numbered 57, and agree to the same with an amendment as follows: On page 32, lines 20 and 21, of the Senate engrossed amendments, strike out "corportation" and insert "corporation"; and the Senate agree to the same.

Amendment numbered 68 (2): That the House recede from its disagreement to the amendment of the Senate numbered 68 (2), and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment, and in lieu of the matter proposed to be inserted by the Senate amendment insert the following: "household (as defined in section 1 (b) (2)) and not a surviving spouse (as defined in section 2 (b))".

And the Senate agree to the same.

Amendment numbered 68 (3): That the House recede from its disagreement to the amendment of the Senate numbered 68 (3), and agree to the same with an amendment as follows: On page 44, line 24, of the Senate engrossed amendments, after "(2))", insert "or a surviving spouse (as defined in section 2 (b))"; and the Senate agree to the same.

Amendment numbered 73 (1): That the House recede from its disagreement to the amendment of the Senate numbered 73 (1), and agree to the same with an amendment, as follows: On page 49, in lines 4 and 5, of the Senate engrossed amendments, strike out "or iron ore"; and the Senate agree to the same.

Amendment numbered 79: That the House recede from its disagreement to the amendment of the Senate numbered 79, and agree to the same with the following amendments:

On page 51, line 13, of the Senate engrossed amendments, strike out "or iron ore".

On page 51, line 14, of the Senate engrossed amendments, strike out "or iron ore".

On page 51, line 16, of the Senate engrossed amendments, after "making", insert "and administering".

On page 51, line 20, of the Senate engrossed amendments, strike out "or iron ore".

And the Senate agree to the same.

Amendment numbered 82: That the House recede from its disagreement to the amendment of the Senate numbered 82, and agree to the same with the following amendments to the Senate engrossed amendments:

On page 61, in line 7, strike out "distribution." and insert "distribution, unless such stock so acquired from the distributee is redeemed in the same transaction."

On page 70, strike out lines 16 and 17, and insert:

"(iii) terminates the entire stock interest of the shareholder in the corporation (and for purposes of this clause, section 318 (a) shall apply)."

On page 71, in line 2, strike out "sale or".

On page 71, in line 16, strike out "section," and insert "subchapter,".

On page 72, in line 16, strike out "if" and insert "to the extent that".

On page 75, in line 1, strike out "is the" and insert "is".

On page 75, in line 22, strike out "June 18," and insert "June 22,".

On page 77, after line 12, strike out "June 18," and insert "June 22,".

On page 83, in line 13, strike out "June 18," and insert "June 22,".

On page 88, in line 19, strike out "June 18," and insert "June 22,".

On page 92, in line 16, strike out "trust." and insert "trust, unless such beneficiary's interest in the trust is a remote contingent interest. For purposes of the preceding sentence, a contingent interest of a beneficiary in a trust shall be considered remote if, under the maximum exercise of discretion by the trustee in favor of such beneficiary, the value of such interest, computed actuarially, is 5 percent or less of the value of the trust property."

On page 94, after line 15, strike out "section 306 (b) (1) (A) (ii)" and insert "section 306 (b) (1) (A)".

On page 99, in line 11, strike out "June 18," and insert "June 22,".

On page 99, in line 23, strike out "August 15, 1950," and insert "January 1, 1954,".

On page 102, beginning in line 4, strike out "August 15, 1950," and insert "December 31, 1953,".

On page 102, in line 13, strike out "August 15, 1950;" and insert "December 31, 1953;".

On page 103, in line 24, strike out "June 18," and insert "June 22,".

On page 104, in line 16, strike out "proper reduction" and insert "under regulations prescribed by the Secretary or his delegate, proper adjustment".

On page 104, in line 19, strike out "liquidation." and insert "liquidation, for any money received, for any liabilities assumed or subject to which the property was received, and for other items."

On page 106, in line 13, strike out "June 18," and insert "June 22,".

On page 107, in line 22, after "paragraph (1)", insert "which is attributable to a trade or business of the corporation".

On page 109, in line 1, strike out "(reduced by any reduction" and insert "(adjusted for any adjustment".

On page 113, in line 24, after "corporation", insert "(and governmental obligations described in section 1221 (5))".

On page 116, beginning in line 7, strike out "June 18," and insert "June 22,".

On page 117, after line 6, insert:

"For purposes of section 562 (b) (relating to the dividends paid deduction) and section 6043 (relating to information returns), a partial liquidation includes a redemption of stock to which section 302 applies."

On page 117, in line 14, strike out "ending on the date of" and insert "immediately before".

On page 119, in line 10, strike out "the other" and insert "such other".

On page 121, in line 12, strike out "whether" and insert "(whether".

On page 122, in line 11, strike out "both," and insert "both (but the mere fact that subsequent to the distribution stock or securities in one or more of such corporations are sold or exchanged by all or some of the distributees (other than pursuant to an arrangement negotiated or agreed upon prior to such distribution) shall not be construed to mean that the transaction was used principally as such a device),".

On page 124, beginning in line 6, strike out "within 5 years of its distribution, in a transaction" and insert "by reason of any transaction which occurs within 5 years of the distribution of such stock and".

On page 125, in line 14, strike out "and".

On page 125, in line 18, strike out "part." and insert "part, and".

On page 125, strike out lines 19 to 25, inclusive, and insert:

"(D) control of a corporation which (at the time of acquisition of control) was conducting such trade or business—

"(i) was not acquired directly (or through one or more corporations) by another corporation within the period described in subparagraph (B), or

"(ii) was so acquired by another corporation within such period, but such control was so acquired only by reason of transactions in which gain or loss was not recognized in whole or in part, or only by reason of such transactions combined with acquisitions before the beginning of such period."

On page 127, in line 13, strike out "and" and insert "but for the fact that".

On page 136, in line 4, strike out "June 18," and insert "June 22,".

On page 137, in line 5, strike out "June 18," and insert "June 22,".

On page 137, in line 11, strike out "June 18," and insert "June 22,".

On page 155, in lines 12 and 13, strike out "unless a change to a different method is approved by the Secretary or his delegate." and insert "unless different methods were used by several distributor or transferor corporations or by a distributor or transferor corporation and the acquiring corporation. If different methods were used, the acquiring corporation shall use the method or combination of methods of taking inventory adopted pursuant to regulations prescribed by the Secretary or his delegate.".

On page 159, in line 2, strike out "(8)" and insert "(7)".

On page 160, after line 19, insert:

"(19) CHARITABLE CONTRIBUTIONS IN EXCESS OF PRIOR YEARS' LIMITATION.—Contributions made in the taxable year ending on the date of distribution or transfer and the prior taxable year by the distributor or transferor corporation in excess of the amount deductible under section 170 (b) (2) in such taxable years shall be deductible by the acquiring corporation in its first two taxable years which begin after the date of distribution or transfer, subject to the limitations imposed in section 170 (b) (2)."

On page 162, after line 25, insert:

"(4) DEFINITION OF PURCHASE.—For purposes of this subsection, the term 'purchase' means the acquisition of stock, the basis of which is determined solely by reference to its cost to the holder thereof, in a transaction from a person or persons other than the person or persons the ownership of whose stock would be attributed to the holder by application of paragraph (3)."

On page 164, after line 21, insert:

"(5) ATTRIBUTION OF OWNERSHIP.—If the transferor corporation or the acquiring corporation owns (immediately before the reorganization) any of the outstanding stock of the loss corporation, such transferor corporation or acquiring corporation shall, for purposes of this subsection, be treated as owning (immediately after the reorganization) a percentage of the fair market value of the acquiring corporation's outstanding stock which bears the same ratio to the percentage of the fair market value of the outstanding stock of the loss corporation (immediately before the reorganization) owned by such transferor corporation or acquiring corporation as the fair market value of the total outstanding stock of the loss corporation (immediately before the reorganization) bears to the fair market value of the total outstanding stock of the acquiring corporation (immediately after the reorganization)."

"(6) STOCK OF CORPORATION CONTROLLING ACQUIRING CORPORATION.—If the stockholders of the loss corporation (immediately before the reorganization) own, as a result of the reorganization, stock in a corporation controlling the acquiring corporation, such stock of the controlling corporation shall, for purposes of this subsection, be treated as stock of the acquiring corporation in an amount valued at an equivalent fair market value."

On page 165, in line 3, strike out "June 18," and insert "June 22,".

On page 165, in line 5, strike out "June 18," and insert "June 22,".

On page 165, in line 10, strike out "June 18," and insert "June 22,".

On page 165, in line 12, strike out "June 18," and insert "June 22,".

On page 166, after line 21, insert:

"(3) PLANS OF LIQUIDATION ADOPTED AFTER DECEMBER 31, 1953, AND BEFORE JUNE 22, 1954.—If the plan of complete liquidation was adopted after December 31, 1953, and before June 22, 1954, then, at the election of the corporation (made at such time and in such manner as the Secretary or his delegate may by regulations prescribe)—

"(A) the 12-month period beginning on the date of the adoption of such plan shall be (i) the period for distribution (in lieu of the requirement in paragraph (1) (A) of this subsection that the assets be distributed before January 1, 1955), and (ii) the period during which, by reason of paragraph (1) of this subsection, gain or loss to the corporation is not recognized (in lieu of nonrecognition of gain or loss during the calendar year 1954); and

"(B) notwithstanding paragraph (2) (A) of this subsection, any determination required by section 337 (b) to be made by reference to the date of the adoption of the plan of liquidation shall be made by reference to such date (and not by reference to January 1, 1954)."

On page 169, in line 7, strike out "June 18," and insert "June 22,".

And the Senate agree to the same.

Amendment numbered 83: That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with the following amendments:

On page 170 of the Senate engrossed amendments, at the end of the table of sections to part I, strike out "annuity plan" and insert "annuity plan and compensation under a deferred-payment plan".

On page 178, beginning in line 18, of the Senate engrossed amendments, strike out "in a year prior to the calendar year in which any such distributions are made," and insert "before the date of enactment of this title,".

And the Senate agree to the same.

Amendment numbered 85 (2): That the House recede from its disagreement to the amendment of the Senate numbered 85 (2), and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment, and in lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(ii) in case the purchase price of the stock under the option is fixed or determinable under a formula in which the only variable is the value of the stock at any time during a period of 6 months which includes the time the option is exercised, the option price (computed as if the option had been exercised when granted) is at least 85 percent of the value of the stock at the time such option is granted; and".

And the Senate agree to the same.

Amendment numbered 93 (1): That the House recede from its disagreement to the amendment of the Senate numbered 93 (1), and agree to the same with an amendment as follows: On page 199, line 2, of the Senate engrossed amendments, strike out "1953," and insert "1953 (whether or not such taxable year ends after the date of enactment of this title),"; and the Senate agree to the same.

Amendment numbered 96 (2): That the House recede from its disagreement to the amendment of the Senate numbered 96 (2), and agree to the same with an amendment as follows: On page 200, line 20, of the Senate engrossed amendments, strike out "made—" and insert "made.—"; and the Senate agree to the same.

Amendment numbered 99: That the House recede from its disagreement to the amendment of the Senate numbered 99, and agree to the same with an amendment as follows: On page 202, line 10, of the Senate engrossed amendments strike out "subtitle" and insert "section"; and the Senate agree to the same.

Amendment numbered 101: That the House recede from its disagreement to the amendment of the Senate numbered 101, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and omit the matter proposed to be inserted by the Senate amendment; and the Senate agree to the same.

Amendment numbered 102 (1): That the House recede from its disagreement to the amendment of the Senate numbered 102 (1), and agree to the same with an amendment as follows: On page 205, in line 12, of the Senate engrossed amendments, strike out "504, or 505" and insert the following: "or 504"; and the Senate agree to the same.

Amendment numbered 104: That the House recede from its disagreement to the amendment of the Senate numbered 104, and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 121, in section 501 (f), of the House bill, strike out "(f)" and insert the following: "(e)"; and the Senate agree to the same.

Amendment numbered 109: That the House recede from its disagreement to the amendment of the Senate numbered 109, and agree to the same with an amendment as follows: On page 207, line 16, of the Senate engrossed amendments, strike out "trust a" and insert "a trust"; and the Senate agree to the same.

Amendment numbered 133a: That the House recede from its disagreement to the amendment of the Senate numbered 133a, and agree to the same with an amendment as follows:

On page 223, of the Senate engrossed amendments, strike out line 14 and all that follows through line 25 and insert:

"(2) a corporation organized and doing business under the banking and credit laws of a foreign country if it is established (annually or at other periodic intervals) to the satisfaction of the Secretary or his delegate that such corporation is not formed or availed of for the purpose of evading or avoiding United States income taxes which would otherwise be imposed upon its shareholders. If the Secretary or his delegate is satisfied that such corporation is not so formed or availed of, he shall issue to such corporation annually or at other periodic intervals a certification that the corporation is not a foreign personal holding company. Each United States shareholder of a foreign corporation which would, except for the provisions of paragraph (2), be a foreign personal holding company, shall attach to and file with his income tax return for the taxable year a copy of the certification by the Secretary or his delegate made pursuant to paragraph (2). Such copy shall be filed with the taxpayer's return for the taxable year if he has been a shareholder of such corporation for any part of such year."

And the Senate agree to the same.

Amendment numbered 156 (3): That the House recede from its disagreement to the amendment of the Senate numbered 156 (3), and agree to the same with the following amendments:

On page 234, line 21, of the Senate engrossed amendments strike out "OR IRON ORE".

On page 234, beginning in line 23, of the Senate engrossed amendments, strike out "or iron ore (if from deposits in the United States),".

On page 235 of the Senate engrossed amendments, in lines 2, 3, 7, 9, 11, and 12, 13, 14, and 15 strike out "or iron ore".

And the Senate agree to the same.

Amendment numbered 156a: That the House recede from its disagreement to the amendment of the Senate numbered 156a, and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 161 of

the House bill, at the end of section 642 (a) (3), insert the following: "For purposes of determining the time of receipt of dividends under section 34 and section 116, the amount of dividends properly allocable to a beneficiary under section 652 or 662 shall be deemed to have been received by the beneficiary ratably on the same dates that the dividends were received by the estate or trust."

And the Senate agree to the same.

Amendment numbered 163 (2): That the House recede from its disagreement to the amendment of the Senate numbered 163 (2), and agree to the same with an amendment as follows: On page 242, line 3, of the Senate engrossed amendments strike out "10" and insert "9;" and the Senate agree to the same.

Amendment numbered 165 (2): That the House recede from its disagreement to the amendment of the Senate numbered 165 (2), and agree to the same with an amendment as follows: On page 243, line 19, of the Senate engrossed amendments, strike out "determined." and insert "determined, except that proper adjustment of such ratio shall be made, in accordance with regulations prescribed by the Secretary or his delegate, for amounts which fall within paragraphs (1) through (4) of section 665 (b)."

And the Sanate agree to the same.

Amendment numbered 177: That the House recede from its disagreement to the amendment of the Senate numbered 177, and agree to the same with the following amendments to the Senate engrossed amendments:

On page 253, lines 1 and 2, strike out "a deduction is allowable" and insert the following: "there is provided a credit under section 34, an exclusion under section 116, or a deduction".

On page 261, strike out lines 23 and 24 and insert "taxable year."

On page 262, strike out lines 3 and 4, and insert the following: ", under regulations prescribed by the Secretary or his delegate, for the period ending with such sale, exchange, or liquidation."

On page 264, strike out line 24, and on page 265, line 1, strike out "section (c)," and insert:

"(1) GENERAL RULE.—For purposes of subsection (a),".

On page 265, line 7, strike out "other disposition" and insert "exchange".

On page 265, strike out lines 9 and 10, and insert:

"(2) SPECIAL RULES.—"

On page 265, line 14, strike out "paragraph (1) (B)," and insert "this section,".

On page 265, beginning in line 24, and in line 1 on page 266, strike out "the purpose of paragraph (1) (B)," and insert "purposes of this section,".

On page 266, strike out lines 3 through 6.

On page 270, strike out lines 4 through 21 and insert:

"(d) SPECIAL PARTNERSHIP BASIS TO TRANSFEREE.—For purposes of subsections (a), (b), and (c), a partner who acquired all or a part of his interest by a transfer with respect to which the election provided in section 754 is not in effect, and to whom a distribution of property (other than money) is made with respect to the transferred interest within 2 years after such transfer, may elect, under regulations prescribed by the Secretary or his delegate, to treat as the adjusted partnership basis of such property the adjusted basis such property would have if the adjustment provided in section 743 (b) were in effect with respect to the partnership property. The Secretary or his delegate may by regulations require the application of this subsection in the case of a distribution to a transferee partner, whether or not made within 2 years after the transfer, if at the time of the transfer the fair market value of the partnership property (other than money) exceeded 110 percent of its adjusted basis to the partnership."

On page 276, strike out lines 14 through 23 and insert:

"(1) increase the adjusted basis of the partnership property by the excess of the basis to the transferee partner of his interest in the partnership over his proportionate share of the adjusted basis of the partnership property, or

"(2) decrease the adjusted basis of the partnership property by the excess of the transferee partner's proportionate share of the adjusted basis of the partnership property over the basis of his interest in the partnership."

On page 277, strike out "only" in line 2 and all that follows through "time." in line 8 and insert "only. A partner's proportionate share of the adjusted basis of partnership property shall be determined in accordance with his interest in partnership capital and, in the case of an agreement described in section 704 (c) (2) (relating to effect of partnership agreement on contributed property), such share shall be determined by taking such agreement into account."

On page 278, strike out lines 10 through 22 and insert:

"(1) GENERAL RULE.—To the extent a partner receives in a distribution—

"(A) partnership property described in subsection (a) (1) or (2) in exchange for all or a part of his interest in other partnership property *including money*, or

"(B) partnership property (including money) other than property described in subsection (a) (1) or (2) in exchange for all or a part of his interest in partnership property described in subsection (a) (1) or (2),

such transaction shall, under regulations prescribed by the Secretary or his delegate, be considered as a sale or exchange of such property between the distributee and the partnership (as constituted after the distribution)."

On page 284, beginning in line 16, strike out "agreed to by all the partners, or" and insert "made prior to, or at, the time prescribed by law for the filing of the partnership return for the taxable year (not including extensions) which are agreed to by all the partners, or which are".

On page 284, in line 22, strike out "distribution" and insert "distribution, or a series of distributions,".

On page 285, strike out lines 8 through 10, and insert:

"(B) any part of a partner's taxable year falling within such partnership taxable year."

On page 285, strike out lines 18 and 19, and insert:

"(B) any part of a partner's taxable year falling within such partnership taxable year."

On page 286, after line 7, insert the following:

"For the purpose of applying this paragraph, section 708 (relating to the continuation of a partnership) shall be effective for taxable years beginning after April 1, 1954."

On page 286, after line 22, insert:

"(4) PARTNER RECEIVING INCOME IN RESPECT OF DECEDENT.—Section 753 (relating to income in respect of a decedent) shall apply only in the case of payments made with respect to decedents dying after December 31, 1954.

"(c) OPTIONAL TREATMENT OF CERTAIN DISTRIBUTIONS.—In the case of a partnership taxable year beginning after December 31, 1953, and before January 1, 1955, a partnership may elect, under regulations prescribed by the Secretary or his delegate, with respect to distributions made during such year to any partner, other than in liquidation of the partner's interest, to apply the rules in sections 731, 732 (a), (c), and (e), 733, 735, and 751 (b), (c), and (d) (and, to the extent applicable, the rules provided in sections 705, 752, and 761 (d)). If a partnership so elects, such rules shall be effective for the partnership and all members of such partnership with respect to such distributions."

And the Senate agree to the same.

Amendment numbered 186 (1): That the House recede from its disagreement to the amendment of the Senate numbered 186 (1), and agree to the same with an amendment as follows: On page 290, line 3, of the Senate engrossed amendments strike out "the exclusion under section 116 and" and insert the following: "the credit under section 34, the exclusion under section 116, and"; and the Senate agree to the same.

Amendment numbered 220 (5): That the House recede from its disagreement to the amendment of the Senate numbered 220 (5), and agree to the same with the following amendments:

On page 299, line 24, of the Senate engrossed amendments, strike out "or iron ore".

On page 300, line 2, of the Senate engrossed amendments, strike out "subsection;" and insert "subsection."

And the Senate agree to the same.

Amendment numbered 227 (1): That the House recede from its disagreement to the amendment of the Senate numbered 227 (1), and agree to the same with an amendment as follows: On page 302, line 7, of the Senate engrossed amendments after "destroyed by" insert "or on account of"; and the Senate agree to the same.

Amendment numbered 243: That the House recede from its disagreement to the amendment of the Senate numbered 243, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment, and in lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(2) TIMBER OR COAL.—Such term includes timber and coal with respect to which section 631 applies."

And the Senate agree to the same.

Amendment numbered 246: That the House recede from its disagreement to the amendment of the Senate numbered 246, and agree to the same with an amendment as follows: On page 311, line 11, of the Senate engrossed amendments strike out "evidenced by" and insert "to"; and the Senate agree to the same.

Amendment numbered 248a: That the House recede from its disagreement to the amendment of the Senate numbered 248a, and agree to the same with the following amendments:

On page 313, in line 22, of the Senate engrossed amendments after "(a)", insert "if the lot or parcel is held by the taxpayer for a period of 10 years and".

On page 314 of the Senate engrossed amendments, strike out lines 9 through 12 and insert:

"(C) the taxpayer elects, in accordance with regulations prescribed by the Secretary or his delegate, to make no adjustment to basis of the lot or parcel, or of any other property owned by the taxpayer, on account of the expenditures for such improvements. Such election shall not make any item deductible which would not otherwise be deductible."

And the Senate agree to the same.

Amendment numbered 258: That the House recede from its disagreement to the amendment of the Senate numbered 258, and agree to the same with an amendment as follows: On page 317, in line 6, of the Senate engrossed amendments, after "section 1503. (c)", insert "without regard to paragraph (2) thereof"; and the Senate agree to the same.

Amendment numbered 259: That the House recede from its disagreement to the amendment of the Senate numbered 259, and agree to the same with the following amendments:

On page 317 of the Senate engrossed amendments, strike out all that follows line 10, down to and including the heading to part II on page 321, and insert:

"Subchapter R—Election of certain partnerships and proprietorships as to taxable status"

On page 322 of the Senate engrossed amendments, at the end of line 15, insert "and".

On page 322 of the Senate engrossed amendments, strike out line 16 through 20.

On page 322, line 21, of the Senate engrossed amendments, strike out "(5)" and insert "(4)".

On page 324, line 12, of the Senate engrossed amendments, strike out "subsections (b) (4) and" insert "subsection".

On page 327 of the Senate engrossed amendments, strike out lines 18 through 21.

And the Senate agree to the same.

Amendment numbered 263: That the House recede from its disagreement to the amendment of the Senate numbered 263, and agree to the same with the following amendments:

On page 335, in lines 23 and 24, of the Senate engrossed amendments, strike out "95" and insert the following: "80".

On page 336, in lines 5 and 6, of the Senate engrossed amendments, strike out "95" and insert the following: "80".

On page 337 of the Senate engrossed amendments, strike out lines 5 and 6, and in line 7 strike out "(8)" and insert "(7)".

On page 338 of the Senate engrossed amendments, immediately before line 6, insert:

"SEC. 1552. Earnings and profits."

On page 339 of the Senate engrossed amendments, after line 17, insert:

"SEC. 1552. Earnings and profits.

"(a) GENERAL RULE.—Pursuant to regulations prescribed by the Secretary or his delegate the earnings and profits of each member of an affiliated group required to be included in a consolidated return for such group filed for a taxable year beginning after December 31, 1953, and ending after the date of enactment of this title, shall be determined by allocating the tax liability of the group for such year among the members of the group in accord with whichever of the following methods the group shall elect in its first consolidated return filed for such a taxable year:

"(1) The tax liability shall be apportioned among the members of the group in accordance with the ratio which that portion of the consolidated taxable income attributable to each member of the group having taxable income bears to the consolidated taxable income.

"(2) The tax liability of the group shall be allocated to the several members of the group on the basis of the percentage of the total tax which the tax of such member if computed on a separate return would bear to the total amount of the taxes for all members of the group so computed.

"(3) The tax liability of the group (excluding the tax increases arising from the consolidation) shall be allocated on the basis of the contribution of each member of the group to the consolidated taxable income of the group. Any tax increases arising from the consolidation shall be distributed to the several members in direct proportion to the reduction in tax liability resulting to such members from the filing of the consolidated return as measured by the difference between their tax liabilities determined on a separate return basis and their tax liabilities (determined without regard to the 2 percent increase provided by section 1503 (a)) based on their contributions to the consolidated taxable income.

"(4) The tax liability of the group shall be allocated in accord with any other method selected by the group with the approval of the Secretary or his delegate.

"(b) FAILURE TO ELECT.—If no election is made in such first return, the tax liability shall be allocated among the several members of the group pursuant to the method prescribed in subsection (a) (1)."

And the Senate agree to the same.

Amendment numbered 271a: That the House recede from its disagreement to the amendment of the Senate numbered 271a, and agree to the same with an amendment as follows: On page 344, line 1, of the Senate engrossed amendments after "termination" insert the following: "before the date prescribed for the filing of the estate tax return"; and the Senate agree to the same.

Amendment numbered 415 (1): That the House recede from its disagreement to the amendment of the Senate numbered 415 (1), and agree to the same with an amendment as follows: On page 375, line 12, of the Senate engrossed amendments, after "(2))", insert "or a surviving spouse (as defined in section 2 (b))"; and the Senate agree to the same.

Amendment numbered 415 (2): That the House recede from its disagreement to the amendment of the Senate numbered 415 (2), and agree to the same with an amendment as follows: On page 375, line 15, of the Senate engrossed amendments, after "(2))", insert "or a surviving spouse (as defined in section 2 (b))"; and the Senate agree to the same.

Amendment numbered 545 (2): That the House recede from its disagreement to the amendment of the Senate numbered 545 (2), and agree to the same with an amendment as follows: On page 410 of the Senate engrossed amendments, strike out lines 6 through 10 and insert:

"(D) Effective with respect to taxable years ending after March 31, 1954, and subject to tax under chapter 1 of the Internal Revenue Code of 1939—

"(i) Sections 13 (b) (3), 26 (b) (2) (C), 26 (h) (1) (C) (including the comma and the word 'and' immediately preceding such section), 26 (i) (3), 108 (k), 207 (a) (1) (C), 207 (a) (3) (C), and the last sentence of section 362 (b) (3) of such Code are hereby repealed; and

"(ii) Sections 13 (b) (2), 26 (b) (2) (B), 26 (h) (1) (B), 26 (i) (2), 207 (a) (1) (B), 207 (a) (3) (B), 421 (a) (1) (B), and the second sentence of section 362 (b) (3) of such Code are hereby amended by striking out 'and before April 1, 1954' (and any accompanying punctuation) wherever appearing therein."

And the Senate agree to the same.

Amendment numbered 552: That the House recede from its disagreement to the amendment of the Senate numbered 552, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"MISCELLANEOUS TITLE

"SEC. 201. (a) Section 3748 (a) of the Internal Revenue Code of 1939 (relating to periods of limitations applicable to criminal prosecutions) is amended by inserting after "within three years next after the commission of the offense," the following: "except that the period of limitation shall be five years for offenses enumerated in section 4047 (e) (relating to unlawful acts of revenue officers or agents) and".

"(b) The amendment made by this section shall be effective with respect to offenses committed on or before the date of enactment of this Act, if on such date prosecution therefor is not barred by provisions of law in effect before such date."

And the Senate agree to the same.

DANIEL A. REED,
THOMAS A. JENKINS,
RICHARD M. SIMPSON,
Managers on the Part of the House.

E. D. MILLIKIN,
EDWARD MARTIN,
WALTER F. GEORGE,
HARRY F. BYRD,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 8300) to revise the internal revenue laws of the United States, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical, clerical, clarifying, or conforming changes (including changes made necessary to conform to the Excise Tax Reduction Act of 1954, Public Law 324, 83d Cong.): 1, 4, 5, 6, 8, 9, 10a, 11, 12 (4), 14, 15, 16, 17, 18, 20, 21, 22, 23 (1), 23 (2), 23 (4), 25, 26, 27, 30, 33, 34, 37, 41, 41a, 42, 43 (2), 44 (2), 47 (1), 52, 53, 54, 56, 57a, 64, 65, 66, 67b, 68, 70, 72, 73, 74, 74a, 76a, 90, 91, 93 (2), 94, 95, 101, 102 (1), 102a (1), 103, 104, 105, 106, 111, 112, 113, 114, 115, 117 (2), 118, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141a, 142, 143, 144, 145, 146, 154, 155, 156a, 158, 160, 161, 164, 168, 170, 173, 183, 184, 185, 185a, 187, 188, 189, 190, 191, 192, 193, 194, 199, 200, 201, 202, 203, 204, 205, 206, 213, 214, 215, 216, 217, 219, 220, 220a, 221, 222, 223, 224, 225, 226, 229, 230, 231, 232, 232b, 233, 234, 235, 236, 237, 239, 240, 241, 242, 243, 249, 250, 255, 256, 257, 260, 270, 271b, 273a, 274, 275, 276, 278, 279, 281a, 282, 283, 284, 285, 286, 287, 288, 289, 290–301, 302–326, 327 (1), 327 (3), 327 (4), 328, 329, 330, 331, 333–347, 348 (1), 349 (1), 349 (2), 349 (4), 350 (2), 351, 353, 354, 355, 356, 357 (2), 358–403, 405, 406, 406a, 408, 409, 410, 411, 412, 413, 413a, 414, 415, 416, 417 (3), 420, 421, 422, 423, 425, 426, 427, 428, 429, 430, 432, 433, 434, 435, 437, 438, 439, 440, 441, 442, 443, 444, 445, 448, 450, 451, 452, 454, 455, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 471, 472, 473, 476, 480, 481, 482, 483, 484, 485, 489, 490, 491, 492, 493, 500, 504, 505 (1), 509, 512, 513, 514, 516, 517, 519, 520, 522, 523, 525, 527, 529, 531, 532, 533, 534, 536, 538, 539, 540, 542, 543, 544, 547, 549, and 553. With respect to these amendments (1) the House either recedes or recedes with amendments which are technical, clerical, clarifying, or conforming in nature, or (2) the Senate recedes in order to conform to other action agreed upon by the committee of conference.

Amendments Nos. 2 and 3: Under the House bill, the benefits of full income splitting were extended to those taxpayers who could qualify as "head of family." In order to qualify, a taxpayer must have supported a son, a daughter, father, mother, brother, or sister, or certain relatives of his wife if she were dead and he had not remarried. It was not necessary for such dependents to live in the taxpayer's household in order to qualify him as head of family.

Under the Senate amendment, the provisions of existing law relating to head of household were restored. Thus, a head of household would continue to receive half (rather than full) benefits of income splitting and the dependents qualifying the taxpayer must actually live in his household. The taxpayer would not be required to support his children and their earnings would not be subject to the $600 limitation (unless such children were married).

The House recedes with amendments. Under the conference agreement, the provi-

sions of the Senate amendment are retained with three exceptions. Under the first exception, a taxpayer may qualify as head of household through his support as a dependent (within the meaning of sec. 151) of either his mother or father even though they do not live in his home, if he maintains a household (by providing more than half the cost of maintenance) for either of them and such household constitutes such parent's principal place of abode.

Under the second exception, a taxpayer may obtain the full benefits of income splitting for a period of 2 years after the year in which occurs the death of his spouse, if he has not remarried and if he maintains as his home a household which is the principal place of abode of a son, stepson, daughter, or stepdaughter and with respect to whom the taxpayer is entitled to a deduction under section 151. If the taxpayer does not qualify as a "surviving spouse", he may still qualify as a "head of household" if he meets the statutory requirements. Thus a taxpayer on the calendar year basis whose spouse died in 1952, may, for the taxable year 1954, qualify as a "surviving spouse". However, in 1955, he must determine whether he can meet the requirements of "head of household".

The third exception adds a limitation that a taxpayer may not be a head of a household by reason of a dependent who would not be a dependent but for the new categories provided under paragraphs (9) and (10) of section 152 (a), and subsection (c) of section 152, of the House bill.

Amendment No. 7: This is a technical amendment relating to the effective date of the corporate tax rate. Under the conference agreement on amendment No. 545 (2), this provision is covered in the effective date section of the title. The Senate recedes.

Amendment No. 10: Section 34 (a) of the House bill provided for a credit against the income tax of an individual of a percentage of the dividends received from certain domestic corporations which are included in gross income. It provided a credit of 5 percent of those dividends received after July 31, 1954, and before August 1, 1955, and a credit of 10 percent after July 31, 1955. Subsection (b) of the House bill, however, limited the credit against tax provided by subsection (a) to 2 percent of the individual's taxable income for his taxable year ending before January 1, 1955, 7 percent for his taxable year ending after December 31, 1954, and before January 1, 1956, and 10 percent for his taxable year ending after December 31, 1955.

Senate amendment No. 10 struck out all of the provisions of section 34 of the House bill and in lieu thereof directed the Secretary of the Treasury to make a study of questions involving the inclusion in gross income of dividends received by individuals and to report to Congress on or before January 15, 1955.

The House recedes with an amendment. The conference agreement, in general, restores the provisions of the House bill, except that the amount of the credit is to be 4 percent of the amount of dividends received to which the section applies, and is to be limited to 2 percent of the individual's taxable income in the case of taxable years ending before January 1, 1955, and to 4 percent of the individual's taxable income for all succeeding taxable years.

Amendments Nos. 12 (1), 12 (2), 12 (3), 12 (5), and 13: These amendments make clarifying, clerical, technical, and conforming changes and also the following substantive changes in the section which allows a credit against tax for retirement income:

(1) The credit is allowed for individuals under age 65 with respect to pensions and annuities received under a public retirement system (as defined in the amendment).

(2) The credit is not reduced on account of income earned after attaining age 75.

(3) The credit is not allowed to nonresident aliens.

The House recedes.

Amendment No. 19: Paragraph (1) of this amendment provides that the provision of the House bill (sec. 71 (a) (2)), relating to the inclusion in gross income of amounts received under a written separation agreement, applies to agreements executed after the date of enactment of the bill. The House recedes.

Paragraph (2) of amendment No. 19 adds a new provision providing that periodic payments received by a wife under a decree (entered after March 1, 1954) requiring the husband to make the payments for her support or maintenance shall be included in the gross income of the wife (the amount so includible in the wife's gross income being allowed as a deduction to the husband under sec. 215). It is the understanding of the committee of conference that in determining whether a decree was entered after March 1, 1954, any decree which is altered or modified by a court order entered after March 1, 1954, shall be treated as a decree entered after March 1, 1954, for purposes of the application of this provision (sec. 71 (a) (3)). The House recedes.

Amendment No. 23 (3): This amendment provides that for purposes of section 72 (relating to annuities and certain proceeds of endowment and life-insurance contracts) face-amount certificates shall be treated the same as endowment contracts. The House recedes with an amendment providing that the section shall be applicable only to face-amount certificates issued after December 31, 1954.

Amendment No. 24: This amendment strikes out section 76 of the House bill which provided specific statutory rules for determining when the discharge of indebtedness results in gross income. The effect of this amendment is that such determination will be made, as under existing law, by applying the general rules for determining gross income. The House recedes.

Amendment No. 28: Section 101 (a) of the House bill exempted in full life-insurance proceeds payable at death on contracts transferred for a valuable consideration. This amendment restores existing law which taxes the amount received to the extent that it exceeds the consideration for the policy and the premiums paid by the transferee except where the policy is transferred in a nontaxable exchange. The amendment further extends the exception of existing law in case of the following types of transfers: The transferee is the insured, a partner of the insured, a partnership in which the insured is a partner, or a corporation in which the insured is a shareholder or officer. The House recedes.

Amendment No. 29: Section 101 (b) (2) (B) of the House bill exempts employee death benefits up to $5,000 if paid under a qualified employee profit-sharing or stock-bonus plan, even though the employee had a nonforfeitable right to receive such amounts while living. Paragraph (1) of this amendment extends the same treatment to lump-sum distributions paid under an exempt employees' pension plan or annuity plan. The House recedes.

Section 101 (d) of the House bill in effect limits the exclusion from gross income of interest earned on life-insurance installment proceeds after the death of the insured to $500 per year for a widow of the decedent and $250 a year for certain other beneficiaries. Paragraph (2) of amendment No. 29 increases the exclusion in the case of a widow to $1,000 a year and provides for no exclusion for other beneficiaries. The House recedes.

Amendment No. 31: This amendment provides that gross income does not include pensions, annuities, or similar allowances for personal injuries or sickness resulting from active service in the Coast and Geodetic Survey or the Public Health Service. The House recedes.

Amendment No. 32: Under existing law amounts received by employees through insured employer accident and health plans are excludable from gross income, while amounts received through noninsured plans are generally considered fully taxable. Section 105 of the House bill provided that amounts received through qualified plans (whether insured or noninsured) would be fully excluded if received as compensation for sickness or injuries, and would be excludable up to $100 a week if received as compensation for loss of wages during a period of absence from work due to sickness or injury. The Senate amendment provided an exclusion from gross income with respect to (1) amounts received as reimbursement for medical expenses, (2) amounts received as compensation for the loss of a bodily member or function, and (3) amounts received (not in excess of $100 a week) as, or in lieu of, wages. The Senate amendment applied to amounts paid out by employee associations and by employer noninsured plans as well as insured plans. The amendment also contained rules for determining when receipt of amounts under section 105 would not make the taxpayer ineligible for a medical deduction under section 213.

The House recedes with an amendment. Under the conference agreement a clarifying change has been made in section 105 (a) in order to make clear that, except as otherwise provided in section 105, amounts received by an employee through accident or health insurance for personal injuries or sickness shall be included in gross income not only when such amounts are attributable to contributions by the employer which were not includible in the gross income of the employee, but also when such amounts are paid by the employer. Section 105 (e) provides that, for purposes of sections 104 and 105, amounts received under an accident or health plan for employees, and amounts received from a sickness and disability fund for employees maintained under the law of a State, Territory, or the District of Columbia, shall be treated as amounts received through accident or health insurance. The phrase "accident or health plan for employees" thus includes a plan of an employer, or of an employee association, or any other plan which pays accident or health benefits to employees.

Section 105 (b) provides that except in the case of amounts attributable to (and not in excess of) deductions allowed under section 213 (relating to medical, etc., expenses) for any prior taxable year, amounts referred to in subsection (a) shall not be included in gross income if they are paid, directly or indirectly, to the taxpayer to reimburse the taxpayer for expenses incurred by him for the medical care of himself, his spouse, and his dependents. Subsection (b) applies only to amounts which are paid specifically to reimburse the taxpayer for the prescribed medical expenses. Such reimbursements are excludable from gross income without limitation as to their amount. An amount will be considered to have been paid indirectly to the taxpayer to reimburse him for medical care if, for example, payment is made to the hospital which rendered the prescribed services to the taxpayer, his spouse, or his dependents. Also, payment to the taxpayer's spouse or dependents will constitute indirect payment to the taxpayer.

Under the conference agreement subsection (c) is identical with the corresponding provision of the Senate amendment. It provides that amounts described in subsection (a) shall not be included in gross income if they constitute payment for permanent loss, or permanent loss of use, of a member or function of the body, or the permanent disfigurement of the taxpayer, his spouse, or a dependent, and the payments are computed with reference to the nature of the injury and without regard to the period the employee is absent from work.

Subsection (d) provides that gross income does not include amounts referred to in subsection (a) if such amounts constitute wages or payments in lieu of wages for a period during which the employee is absent from work on account of personal injuries or sickness, but only to the extent that such amounts do not exceed a weekly rate of $100. It is further provided that, in the case of a period during which the employee is absent from work on account of sickness, the exclusion shall not apply to amounts attributable to the first 7 calendar days in such period unless the employee is hospitalized on account of sickness for at least 1 day during such period. For example, if, on the 10th day of the period during which the employee is absent from work on account of sickness, he is admitted to a hospital on account of sickness, and is discharged from the hospital 2 days later, the employee may exclude from gross income (subject to the $100 per week limitation) any amount to which subsection (a) applies attributable to the entire period of absence from work. On the other hand, if an employee is absent on account of sickness for a period of 3 days, and at no time during such period is hospitalized on account of sickness, he would not be entitled to exclude any amount from gross income under subsection (d) with respect to such 3-day period of absence from work due to sickness. The 7-day waiting period imposed by subsection (d) in the case of absence from work on account of sickness does not apply to any period during which the employee is absent from work on account of personal injury. For example, if the employee is absent from work (without being hospitalized) for 3 days on account of sickness, and on the 4th day he incurs an injury which necessitates his being absent from work for an additional period of 5 days, he would not be entitled to any exclusion for amounts attributable to the 3 days during which he was absent from work on account of sickness, but he would be permitted to exclude (subject to the $100 per week limitation) amounts attributable to the 5-day period during which he was absent from work on account of injury. If amounts to which subsection (d) applies are not paid on the basis of a weekly pay period the Secretary or his delegate shall by regulations prescribe the method of determining the weekly rate at which such amounts are paid.

Subsection (f) provides special rules for the application of section 213 (relating to medical, dental, etc., expenses) and provides that amounts excluded from gross income under subsection (c) or (d) shall not be considered as compensation (by insurance or otherwise) for expenses paid for medical care.

Section 105 does not apply to amounts received under workmen's compensation acts as workmen's compensation. Such amounts are excluded from gross income under section 104. Amounts to which section 105 (a) applies, which are not excluded from gross income under subsections (b), (c), or (d), must be included in gross income.

Amendment No. 34a: The House bill provided that an individual could exclude from gross income the first $50 of dividends received from certain domestic corporations during taxable years ending after July 31, 1954, and before August 1, 1955, and could exclude the first $100 of such dividends received during taxable years ending after July 31, 1955. The Senate amendment reduced the amount of the exclusion to $50 for all taxable years ending after July 31, 1954. The House recedes.

Amendment No. 35: This amendment makes clear that the provisions of section 117 of the House bill, relating to the exclusion from gross income of amounts received as scholarship and fellowship grants, apply to the value of contributed services and accommodations received under a fellowship grant. The House recedes.

Amendment No. 36: The House bill provided that amounts received as scholarships and fellowship grants be excluded from gross income, but the exclusion did not apply to (1) amounts representing compensation for part-time teaching or research services, and (2) amounts received by an individual (not a candidate for a degree) if the annual amount of the grant, plus certain other compensation, equaled or exceeded 75 percent of the recipient's earned income during the prior 12-month period. The Senate amendment provides that in the case of individuals who are candidates for degrees, the exclusion provisions of section 117 (a) shall not apply to any amount which represents payment for teaching, research, or other services in the nature of part-time employment required as a condition to receiving the scholarship or the fellowship grant, other than services required of all degree candidates (whether or not recipients of scholarships or fellowship grants). With respect to nondegree candidates, the Senate amendment provides that the exclusion shall apply (1) only if the grantor is a tax-exempt organization or a governmental body, and (2) only to the extent of $300 a month for a maximum of 36 months. The House recedes.

Amendment No. 38: The House bill provided that there shall be excluded from the gross income of an employee the value of any meals or lodging furnished by the employer (whether or not furnished as compensation) but only if such meals or lodging are furnished at the place of employment, and are required to be accepted at the place of employment as a condition of the employment. The Senate amendment provides that meals or lodging furnished for the convenience of the employer are excluded, but only if (1) such meals are furnished on the business premises of the employer, or (2) the employee is required to accept such lodging on the employer's business premises as a condition of his employment. The Senate amendment also provides that in determining whether meals or lodging are furnished for the convenience of the employer, the provisions of an employment contract or of a State statute fixing the terms of employment shall not be determinative of whether the meals or lodging are intended as compensation. The term "business premises of the employer" is intended, in general, to have the same effect as the term "place of employment" in the House bill. For example, lodging furnished in the home to a domestic servant would be considered lodging furnished on the business premises of the employer. Similarly, meals furnished to a cowhand while herding his employer's cattle on leased lands, or on national forest lands used under a permit, would also be regarded as furnished on the business premises of the employer. Amounts excluded from gross income under this amendment will not, in general, be subject to income-tax withholding. The House recedes.

Amendment No. 39: Under existing law a dependency exemption may be taken for a dependent only if he has gross income of less than $600. The House bill provided that the earnings test would not apply if the dependent is the taxpayer's child who is under the age of 19 or is a full-time student in an educational institution during at least 5 months of the year. This amendment extends the House provision to a child who is pursuing a full-time course of institutional on-farm training. The House recedes.

Amendment No. 40: Under existing law and the House bill a citizen or subject of a foreign country may not qualify as a dependent unless he is a resident of the United States, of a country contiguous to the United States, or of certain other designated countries, even though he is also a citizen of the United States. Under amendment No. 40 the disqualification would apply only to individuals who are not citizens of the United States. The House recedes.

Amendment No. 41b: As under existing law, section 162 of the House bill allows as a deduction all ordinary and necessary expenses, including rentals, paid or incurred during the taxable year in carrying on a trade or business. Senate amendment No. 41b provided, in the case of a lease of property which is owned by a tax-exempt organization described in section 501 (c) (4) (relating to civic leagues or organizations for promotion of social welfare) and which is subject to a mortgage or other similar lien securing indebtedness incurred in the acquisition or improvement of such property, that the deduction for rent could be in annual amounts sufficient to discharge the indebtedness over a 5-year period. The Senate recedes.

Amendment No. 43 (1): This amendment strikes out the provision of the House bill which permitted an interest deduction for carrying charges on installment purchases where the carrying charges were separately stated, but the interest could not be ascertained. Under the conference agreement, the provisions of the House bill are restored with a clarifying amendment.

Amendment No. 44 (1): Under the House bill, taxes assessed against local benefits of a kind tending to increase the value of the property assessed are deductible only to the extent properly allocable to maintenance or interest charges. Amendment No. 44 (1) provides a further exception which allows a deduction of taxes levied by a special taxing district if the district covers the whole of at least 1 county, at least 1,000 persons are subject to the taxes levied by the district, and the district levies its assessments annually at a uniform rate on the same value used for purposes of the real property tax generally. The House recedes.

Amendment No. 45: The House bill provided that, in the case of a sale of real property during any real property tax year, the real property tax be apportioned between the seller and purchaser for purposes of section 164 (a) (relating to allowance of deduction for taxes paid or accrued within the taxable year) on the basis of the period before and after the date of the sale. The Senate amendment provided that this apportionment would not apply in the case of any sale of real property if either of the parties to the transaction computes his taxable income under an accrual method of accounting and has not made the election (provided by Senate amendment No. 96) under section 461 (c) of the House bill to accrue real property taxes ratably over the period to which the tax relates.

The House recedes with an amendment. The conference agreement permits an apportionment of the real property tax between the purchaser and seller in a transaction described in the preceding paragraph, and provides that a party to such a transaction who is on the accrual method and has not made the election under section 461 (c) shall be treated as having accrued on the date of sale that portion of the real property tax which would be allocable to him under the House bill and which he could not deduct

for any taxable year under his method of accounting. If a cash-basis taxpayer, or an accrual-basis taxpayer who has not made the election provided in section 461 (c), has deducted for any taxable year prior to the sale an amount in excess of the portion of the tax treated as imposed upon him under section 164 (d), the excess will be includible in gross income for the year of the sale subject to the provisions of section 111 (relating to recovery of bad debts, prior taxes, and delinquency amounts).

Amendment No. 46: In determining whether a corporation is an affiliated corporation for the purpose of ascertaining the treatment to be given to security losses, the House bill changed the stock ownership requirements specified in existing law from 95 percent to 80 percent. This amendment restores existing law. The House recedes.

Amendment No. 47 (2): This amendment adds to the section on bad debts a subsection which provides that certain payments of part or all of taxpayer's obligations as a guarantor, endorser, or indemnitor on certain noncorporate obligations shall be treated as a debt becoming worthless and deductible as a business bad debt. The House recedes.

Amendment No. 48: This amendment to the House bill makes it clear that a taxpayer may use different methods of depreciation with respect to different properties or classes of property. The House recedes.

Amendment No. 49: This amendment adds to the methods of depreciation provided in 167 (b) of the House bill the "sum of the years-digits method" for property described in section 167 (c). The House bill provided for depreciation under any consistent method which would not result in allowances productive of a reserve greater than would have been accumulated under the declining balance method, at any point in the property's life. The Senate amendment provides that the limitation should apply only during the first two-thirds of the property's life. The Senate amendment also provides specifically that the new methods will in no way restrict or reduce an allowance which is allowable under subsection (a), which subsection in substance is the same as existing law. The House recedes.

Amendment No. 50: Section 167 (c) of the House bill provided that the new methods of depreciation provided in section 167 (b) would apply to property acquired after December 31, 1953, which is new in use after December 31, 1953. In the case of property constructed, reconstructed, or erected by the taxpayer, the House bill provided that the new methods would apply to construction, reconstruction, or erection completed after December 31, 1953, but only to that portion of the basis of such property which is attributable to the period after December 31, 1953. The Senate amendment restricts the liberalized depreciation provided in section 167 (b) to property with a useful life of 3 years or more. This amendment also provided that the methods of depreciation provided in section 167 (b) apply to the entire cost of property which is completed and first put into use after December 31, 1953. The House recedes with an amendment. The conference agreement provides for the limitation of the new methods of depreciation to property with a useful life of 3 years or more but restores the limitation in the House bill that only that portion of the basis of the property which is attributable to the construction, reconstruction, or erection after December 31, 1953, is subject to the new depreciation methods described in section 167 (b) (2), (3), and (4).

Amendment No. 51: The "10-percent leeway" rule contained in section 167 (e) of the House bill has been eliminated by Senate amendment No. 51. This amendment added a new subsection (e) to section 167 of the House bill providing that a taxpayer may change (under regulations prescribed by the Secretary) from the declining-balance method to the straight-line method. The House recedes.

Amendment No. 55: The House bill provided for an increase in the charitable contribution limitation from 20 percent to 30 percent of adjusted gross income, the added 10 percent to be allowed only for charitable contributions to certain hospitals, educational institutions, and churches. A technical amendment is made to insure that the additional 10 percent is to be applied to the aggregate gifts to such charities and not to each gift. An amendment is also made in the definition of churches for purposes of the additional 10 percent limitation. The words "a religious order" in the House bill have been deleted. The House bill also contained a liberalization of the existing unlimited charitable deduction where the taxpayer's charitable contributions and income tax in the current taxable year and in each of the 10 preceding taxable years equals 90 percent or more of his taxable income. Under the House provision this test had to be met in only 9 of the 10 preceding years. The amendment further liberalizes the provision by extending the unlimited deduction if the test is met in the current taxable year and 8 of the 10 preceding taxable years. The House recedes.

Amendment No. 55a: Under the House bill, charitable contributions are deductible by a corporation only to the extent of 5 percent of taxable income (as computed for purposes of this section). Amendment No. 55a permits a carryover to succeeding taxable years of charitable contributions in excess of the limitation. The House recedes with an amendment which limits the carryover to the 2 taxable years next succeeding the taxable year of the excess contribution.

Amendment No. 57: This amendment inserts a new provision providing that contributions to certain nonprofit cemetery and burial companies shall qualify as charitable deductions. The House recedes with a clerical amendment.

Amendments Nos. 58 and 59: These amendments relate to the deduction for amortizable bond premium. Under the House bill the premium on callable bonds (issued after January 22, 1951, and acquired after January 22, 1954) may be amortized to nearest call date only if that date is more than 3 years from date of original issue. Amendment 58 restricts this provision to fully taxable bonds. Amendment 59 (1) permits, in effect, an ordinary loss for the amount of premiums denied under the House bill if the bond is in fact called prior to maturity. Amendment 59 (2) extends the amortizable bond premium provision to bonds which are not issued with interest coupons or in registered form. The House recedes.

Amendments Nos. 60, 61, 61a, 62, and 63: These amendments make certain changes in section 172 (relating to the net operating loss deduction) of the bill as passed by the House. Section 172, as passed by the House, applied only to net operating losses sustained in taxable years beginning after December 31, 1953. Under the Senate amendments, the new net operating loss provisions in section 172 in general are to be applicable to taxable years ending after December 31 1953.

Under the bill as passed by the House (as is likewise the case under existing law), the deduction for depletion, where it is material with respect to the net operating loss provisions, could not exceed the amount which would be allowable if computed without regard to percentage depletion. Under the Senate amendments, this limitation is removed.

Under the bill as passed by the House (as in effect is likewise the case under existing law), no deduction was allowed in connection with the net operating loss provisions for any dividends received by corporations or for dividends paid on preferred stock of public utilities. Under the Senate amendments, the deductions allowed under sections 243 (relating to dividends received by corporations), 244 (relating to dividends received on certain preferred stock of public utilities), 245 (relating to dividends received from certain foreign corporations), and 247 (relating to dividends paid on certain preferred stock of public utilities) will be allowed in computing a net operating loss. The deductions provided in sections 243, 244, and 245, moreover, are to be computed for this purpose without regard to the limitation provided in section 246 (b) on the aggregate amount of the deductions, and the deduction provided in section 247 will be computed without regard to subsection (a) (1) (B) of section 247. In determining the income for any year which must be subtracted from a net operating loss to determine the portion of such loss which will still be available to carry to a subsequent year, however, the deductions allowed by sections 243, 244, and 245 will be computed by taking into account the limitation provided in section 246 (b) and the deduction allowed by section 247 will be computed by taking into account subsection (a) (1) (B) of section 247.

Since section 172, under the Senate amendments, is to apply to losses sustained in taxable years ending after December 31, 1953, instead of only to losses sustained in taxable years beginning after December 31, 1953, as was the case under the House bill, the Senate amendments have added a new subsection (f) to section 172 with respect to losses sustained in taxable years beginning in 1953 and ending in 1954. The net operating loss for any such taxable year shall not be the amount computed under section 172 (c) (relating to the definition of net operating loss), but shall be the sum of (1) that portion of the net operating loss for such taxable year computed under section 172 (c) which the number of days in such taxable year after December 31, 1953, bears to the total number of days in such year, and (2) that portion of the net operating loss for such taxable year computed under section 122 of the Internal Revenue Code of 1939, as if section 172 had not been enacted which the number of days in the loss year before January 1, 1954, bears to the total number of days in such year. The portion of the net operating loss, if any, for any such taxable year which shall be carried to the second preceding taxable year shall be the amount which bears the same ratio to such net operating loss as the number of days in the loss year after December 31, 1953, bears to the total number of days in such year. In determining the income for such second preceding taxable year which must be subtracted from such net operating loss to determine the portion of such loss which will still be available to carry back or carry over to a year subsequent to such second preceding taxable year, such income for such second preceding taxable year shall not exceed the portion of the net operating loss which may be carried back to such second preceding taxable year. Under the Senate amendments, the special transitional rules to take care of the changeover from the Internal Revenue Code of 1939 to the Internal Revenue Code of 1954 have likewise been amended to conform to the fact that section 172 under the Senate amendments will apply to taxable years ending after December 31, 1953, instead of only to taxable years beginning after December 31, 1953.

Technical amendments have also been made to conform to the several substantive Senate amendments.

The House recedes on each of these amendments.

Amendment No. 67: This amendment relates to soil and water conservation expenditures. It makes clarifying changes, eliminates the provisions relating to adjustments to basis, and provides that certain assessments levied by a soil or water conservation or drainage district may be included as deductible expenses subject to the same limitations as apply with respect to soil and water conservation expenditures made directly by the taxpayer. The House recedes.

Amendment No. 67a: This amendment added a new section which would permit a taxpayer engaged in the business of farming to deduct expenditures paid or incurred (after December 31, 1953, and before January 1, 1956) by him during the taxable year to provide a farm grain-storage facility. The Senate recedes.

Amendment No. 69: This amendment provides for the deduction of expenses paid for the care of certain dependents if the purpose of such care is to permit the taxpayer to be gainfully employed. The amendment follows the provisions of the House bill, section 214, relating to expenses for child care, except that (1) the deduction is allowed to women and widowers while the House bill was limited to widows and widowers; (2) the deduction is allowed with respect to care of a dependent who is (a) a child of the taxpayer under the age of 12 or (b) is mentally or physically incapable of caring for himself; and (3) the deduction may be claimed by a working wife only if she files a joint return with her husband. The deduction for the working wife is decreased in the amount by which the adjusted gross income of the taxpayer and her spouse exceeds $4,500. No deduction is allowed if the adjusted gross income of the husband and wife exceeds $5,100. The House recedes.

Amendment No. 71: Under the bill as passed by the House, the deductions allowed by sections 243 (relating to dividends received by corporations), 244 (relating to dividends received on preferred stock), and 245 (relating to dividends received from certain foreign corporations) were not to apply to any dividend received from an insurance company subject to a tax imposed by subchapter L (sec. 801 and following). Under the Senate amendment, this restriction is removed and the deductions allowed by sections 243, 244, and 245 shall apply with respect to such dividends.

Subsection (b) of section 246 provides a limitation on the aggregate amount of the deductions allowed by sections 243, 244, and 245. Under the House bill, the aggregate of such deductions was not to exceed 85 percent of the taxable income of the shareholder corporation computed without regard to the deductions allowed by sections 172, 243, 244, 245, and 247. Under the Senate amendment, the provision of the House bill is retained in paragraph (1) of subsection (b) as the general rule. A new paragraph (2), however, was added to subsection (b) by the Senate amendment. This new paragraph (2) in effect provides that if the shareholder corporation has a net operating loss, as determined under section 172, for any taxable year, then the deductions provided in sections 243, 244, and 245 shall be allowable for all tax purposes to such shareholder corporation for such taxable year without regard to the limitation provided in paragraph (1) of subsection (b). If the shareholder corporation does not have a net operating loss for a given taxable year, however, the limitation provided in paragraph (1) of subsection (b) will be applicable for all tax purposes for such taxable year.

The House recedes.

Amendment No. 75: This amendment adds a new subsection to section 263, relating to capital expenditures, providing that the prohibition against deduction of capital expenditures will not apply to intangible drilling and development costs in the case of oil and gas wells insofar as these expenditures are deducted as expenses under regulations which are to be prescribed under this subtitle corresponding to the regulations which were recognized and approved by the Congress in House Concurrent Resolution 50, 79th Congress. The House recedes.

Amendment No. 76: Section 264 of the House bill extended the rule of section 24 (a) (6) of the 1939 Code (relating to the nondeductibility of interest on indebtedness incurred to purchase a single premium life insurance or endowment contract) to annuity contracts purchased after March 1, 1954. It also provided that a contract shall be treated as a single premium contract if an amount is deposited with the insurer for payment of a substantial number of future premiums on the contract. The Senate amendment limits this rule to amounts deposited after March 1, 1954. The House recedes.

Amendment No. 77: Under the bill as passed by the House, the fact that a substantially disproportionate consideration was paid for the acquisition of a corporation was determinative of the fact that the principal purpose of such acquisition was evasion or avoidance of Federal income tax unless the taxpayer by a clear preponderance of the evidence proved the contrary. Under the Senate amendment, the fact of the substantially disproportionate consideration is made prima facie evidence of the principal purpose of evasion or avoidance of Federal income tax. The House recedes.

Amendment No. 78: Under present law, if losses from a trade or business exceed $50,000 a year for 5 consecutive taxable years, a recomputation for those years must be made and only $50,000 of the annual loss may be offset against income from other sources, any excess being disallowed. Certain deductions are not taken into account in determining the amount of loss; the House bill adds certain other deductions. The Senate amendment provides in addition that the net operating loss deduction is not to be taken into account in determining whether a taxpayer's losses exceed $50,000 in any taxable year. As under existing law, if a recomputation is made, the net operating loss deduction is not allowed. The amendment also makes it clear that the changes made in this provision are applicable only with respect to taxable years in a period of 5 consecutive years one or more of which is a taxable year beginning after December 31, 1953. The House recedes.

Amendment No. 79: This amendment eliminates section 272 (a) of the House bill, which disallowed certain expenses incurred in connection with the holding and quantity measurement of certain timber. Furthermore, under section 272 (b) of the House bill, where the disposal of coal or timber was covered by section 631 (b), no deduction was allowed for expenditures attributable to the making and administering of the contract under which such disposition occurred and to the preservation of the economic interest retained under such contract. This provision of the House bill did not apply to any taxable year during which there was no income under the contract. The Senate amendment made this provision inapplicable to timber, but extended it to apply to iron ore. The amendment also made this provision inapplicable to expenses attributable to the administering of the contract, and provided that it should not apply to any taxable year during which there is no income under the contract. The House recedes with an amendment to make section 272 inapplicable to iron ore and applicable to expenses attributable to the administering of the contract under which disposition of coal occurs.

Amendment No. 80: This amendment strikes out section 274 of the House bill which provided that no deduction should be allowed with respect to amounts paid to States or other governmental units, or to their political subdivisions, for the use of property acquired or improved out of the proceeds of industrial development revenue bonds (as defined in the House bill) authorized after February 8, 1954.

While it is recognized that a serious abuse may be developing where the Federal income tax exemption granted interest on State and local governmental obligations is used for purposes of attracting new industry, the method proposed in the House bill to check this abuse would have had the unintended result of affecting adversely certain proper governmental functions, such as the operation of municipal wharf and storage facilities, municipal airports, and similar operations.

It is believed that further study should be given to this problem so that the solution adopted to prevent the abuse will not prejudice those activities which properly fall within the scope of the local government units.

The House recedes.

Amendment No. 81: This amendment strikes out section 275 of the House bill which denied a deduction for amounts paid with respect to nonparticipating stock. The House recedes.

Amendment No. 82: This amendment, relating to corporate distributions and adjustments, contains a complete substitute for the provisions of subchapter C of chapter 1 of subtitle A of the House bill.

The Senate amendment is designed to carry out the purposes sought to be accomplished in the House bill. However, objections were raised to some of the provisions of the House bill in this area. These objections were in the main directed toward certain new concepts contained in the House bill, such as those seeking to provide precise classification for all instruments issued by corporations and those distinguishing between "publicly held" and "closely held" corporations. The Senate amendment has largely eliminated these new concepts, while at the same time preserving, to the greatest extent possible, the degree of certainty which was sought in the House bill and which is lacking in existing law.

The House recedes and agrees to the Senate amendment numbered 82 with amendments. Except for certain technical, clerical, and conforming amendments, the text of these provisions, as they are proposed to be amended under the accompanying conference report, is the text of the Senate amendment with the following changes:

(a) Constructive ownership of stock: The House bill set forth rules under which the stock of one person would be considered to be the stock of a related person for certain purposes (such as the determination of whether a distribution in redemption of stock would be entitled to capital-gains treatment or would be treated as the receipt of a dividend). In clarifying these rules, the Senate amendment removed the requirement that the stock owned by a beneficiary of a trust would be attributed to the trust only if the beneficiary had an interest of at least 50 percent (computed actuarially) or was the beneficiary with respect to at least 50 percent of the income of the trust. Under the action recommended in the accompanying conference report, section 318 (a) (2) (B) would be amended to make it clear that a trust will not be considered the constructive owner of stock which is owned by one of its beneficiaries, if such beneficiary's interest in the trust is merely a contingent interest which (under the maximum exercise of discretion by the trustee in favor of such beneficiary) does not have a value exceeding 5 percent of the value of the trust property.

Under the action recommended in the accompanying conference report, it is also

made clear that stock owned by a trust will be considered as being owned by its beneficiaries only to the extent of the interest of such beneficiaries in the trust. For such purpose, the interest of income beneficiaries, remainder beneficiaries, and other beneficiaries will be computed on an actuarial basis. Thus, if a trust owns 100 percent of the stock of corporation A, and if, on an actuarial basis, W's life interest in the trust is 15 percent, Y's life interest is 25 percent, and Z's remainder interest is 60 percent, under this provision W will be considered to be the owner of 15 percent of the stock of corporation A, Y will be considered to be the owner of 25 percent of such stock, and Z will be considered to be the owner of 60 percent of such stock.

Under the action recommended in the accompanying conference report, there would also be an amendment to section 302 (c) (2) (B) (ii) to provide that an individual will not be barred from capital-gains treatment on the redemption of all of his stock in a corporation, by reason of stock owned by members of his family to whom he has given or sold part of his stock within the preceding 10 years, if the stock so given or sold to the other members of his family is redeemed in the transaction in which the stock of such person is redeemed.

(b) Preferred stock bailout: Under the House bill the problem of the so-called "preferred stock bailout" was treated by imposing a transfer tax on the corporation on the amount distributed in redemption of certain preferred stock. The Senate amendment changes this approach by providing in general for the imposition of a tax in certain cases on the shareholder at the rates applicable to ordinary income when there is a disposition or redemption of preferred stock issued to him as a dividend. The effect of the action recommended in the accompanying conference report is to accept the Senate provisions in this area with certain technical amendments.

An amendment to section 306 (b) (1) (A) rewrites clause (iii) thereof to make clear that the termination of the interest in the corporation to which that provision relates is only the stock interest. Thus, the terminating shareholder is not prohibited from retaining an interest as a director or employee. The amendment also makes clear that the rules of constructive stock ownership in section 318 (a) apply in determining whether the shareholder has disposed of his stock interest in the corporation.

An amendment to section 306 (b) (3) strikes out the words "sale or". The purpose of this amendment is to make clear that section 306 (b) (3) does not apply to sales of section 306 stock. Furthermore, it is intended that, in the case of exchanges which are all or partly nontaxable in nature (such as exchanges under part III of subchapter C or under sec. 1036 (a)), property received which is of a kind which is permitted to be received in the exchange under the applicable sections without the recognition of gain or loss will not be treated as an amount realized to which section 306 (a) applies. For example: Shareholder X exchanges 100 shares of preferred stock which, in his hands, is section 306 stock and has a basis of $10 per share with shareholder Y for 50 shares of preferred stock in the same company with a value of $10 per share and $600 in cash. The transaction is of such a nature that so much of section 1031 (b) as relates to section 1036 (a) provides for the recognition of gain only with respect to the receipt of money. It is the intent that all of the money (that is, $600) will be treated as received from a disposition to which section 306 (a) applies (without regard to the amount of gain which would otherwise be recognized under sec. 1031 (b)). X may receive the 50 shares of preferred stock without the application of section 306 (a), although such stock becomes section 306 stock by reason of section 306 (c) (1) (C).

Section 306 (c) (1) (B), which relates to the characterization of stock received in a reorganization as section 306 stock, is amended by striking the word "if" from clause (ii) and substituting the words "to the extent that". This amendment is intended to make clear that stock (other than common stock) received in a reorganization may be section 306 stock in part, and the balance may be other than such stock.

(c) Basis of assets received in certain liquidations of subsidiaries: The accompanying conference report contains an amendment to section 334 (b) (2). Under section 334 (b) (2), which relates to the so-called "Kimbell-Diamond" problem, a parent corporation which liquidates its subsidiary (the stock of which was purchased within the time and in the manner prescribed) receives the assets of the subsidiary at the same basis at which the parent held the subsidiary stock, subject to certain adjustments. Under the Senate amendment, the only adjustment expressly provided for was an adjustment for distributions made to the parent with respect to the stock of the subsidiary before the adoption of the plan of liquidation. Under the amendment recommended in the accompanying conference report, it is provided that, under regulations prescribed by the Secretary or his delegate, proper adjustment will be made not only for such distributions, but also for any money received by the parent corporation, for liabilities, and for other items.

(d) Sales during period of complete liquidation: Section 337 of the Senate amendment provided for nonrecognition of gain or loss to a corporation from the sale or exchange of certain property by it within the 12-month period beginning on the date of the adoption of a plan of liquidation. Section 392 (b) of the Senate amendment provided a substantially similar rule applicable (whether or not a plan of liquidation is adopted) with respect to sales or exchanges during the calendar year 1954, but only where the distributions in liquidation are completed before January 1, 1955.

The effect of the action recommended in the accompanying conference report is to adopt these Senate provisions with two changes. The first, which is an amendment to section 337 (b) (2), makes it clear that the sale of inventory (or similar property) will come within the nonrecognition provisions of section 337 if substantially all of such property which is attributable to one trade or business of the corporation is sold to one person in one transaction. For example, if a corporation engages in 2 distinct businesses, it may avail itself of the provisions of section 337 with respect to the inventory attributable to 1 of such businesses by selling such inventory to 1 person in 1 transaction, even though it distributes in kind the inventory which is attributable to the other business.

The second change is contained in an amendment to section 392 (b) and would add a new paragraph (3) thereto. Under this amendment, a corporation which adopts a plan of liquidation after December 31, 1953, and before June 22, 1954, and which elects the nonrecognition of gain or loss for sales or exchanges of property provided by section 392 (b), may make a supplemental election as to the period for nonrecognition. If the supplemental election is not made, the period for nonrecognition will be the calendar year 1954. However, if the supplemental election is made, the period for nonrecognition will be the 12-month period beginning on the date of the adoption of the plan of complete liquidation, and that period will also be the period within which all distributions pursuant to the plan of liquidation must be made.

Section 392 (b) (2) (B) provides that the special rule for sales or exchanges by a corporation being liquidated which is contained in section 392 (b) will not be available if the limitations of section 337 (c) apply (that is, among other limitations, if the liquidation is one to which sec. 112 (b) (6) of the 1939 Code applies, or if the liquidation is one to which sec. 332 of the 1954 Code applies). The limitation of section 392 (b) (2) (B) will, of course, apply whether or not the taxpayer, under section 392 (b) (3), elects the optional 12-month period.

(e) Collapsible corporations: The Senate amendment, in section 341, embodies provisions dealing with the problem of the so-called "collapsible corporation" which are similar to those contained in section 117 (m) of the Internal Revenue Code of 1939, but which contain certain provisions designed to meet more effectively the tax avoidance problems in this area. One of the additional safeguards contained in the Senate amendment, and not contained in existing law, is a presumption that certain corporations holding a large percentage of "section 341 assets" are collapsible corporations. The amendment to section 341 (c) (2) (B) recommended in the accompanying conference report is designed to prevent a corporation from circumventing the new presumption merely by acquiring certain governmental obligations issued on a discount basis which, for purposes of section 341, should be treated the same as cash or capital assets, but which would not (but for this amendment) be so treated.

(f) Distribution of stock of controlled corporation: The accompanying conference report contains an amendment to section 355 (a) (1) (B). Under the Senate amendment, this provision stated that the nonrecognition of gain or loss on distribution of stock or securities of a controlled corporation therein provided would not apply if the transaction was used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation, or both. The amendment provides that the mere fact that subsequent to the distribution stock or securities in one or more of such corporations are sold or exchanged by all or some of the distributees (other than pursuant to an arrangement negotiated or agreed upon prior to such distribution) shall not be construed to mean that the transaction was used principally as such a device.

A new subparagraph (D) is added to section 355 (b) (2) in order to insure the effectiveness of the requirement of that section that the active business of the corporation the stock of which is distributed must, in general, have been conducted by, or held in a corporation controlled by, the distributing corporation for a period of 5 years. The new subparagraph adds a new condition for determining when a corporation is engaged in the active conduct of a trade or business. Under clause (i) of the subparagraph, the corporation will not be considered in the active conduct of a business if control of a corporation, which (at the time of acquisition of control) was conducting such business, was acquired directly (or through one or more corporations) by another corporation within the 5-year period ending on the date of the distribution. This requirement will prevent avoidance of the 5-year rule of the Senate amendment, for example, under the following circumstances: The stock of corporation A which owned all of the stock of a subsidiary which was conducting an active business was purchased by corporation B. Before such purchase, corporation B owned only one active business but had cash and other liquid assets. It desired to distribute the active business under section 355 (a). Without the amendment it might be held that corporation B could merge "downstairs" with corporation A, and A could meet

the test of section 355 (b) (1) by reference to the business formerly held by corporation B and its own business even though one of the businesses had, in effect, been purchased less than 5 years prior to the distribution.

In section 355 (a) (3), the phrase "by reason of any transaction which occurs within 5 years of the distribution of such stock" has been inserted in lieu of the phrase "within 5 years of its distribution, in a transaction". The effect of this change is to make certain that, in addition to treating stock of a controlled corporation purchased directly by the distributing corporation as "other property," similar treatment will be given such stock if it is purchased within 5 years through the use of a controlled corporation or of a corporation which, prior to a "downstairs merger", was in control of the distributing corporation. For example, if the parent corporation has held 80 percent of the stock of an active subsidiary corporation for more than 5 years but purchases the remaining 20 percent of such stock within the 5-year period, and distributes all of the stock, gain or loss will not be recognized nor will dividend treatment be accorded the stock distributed to the extent of 80 percent. The 20 percent of the stock will be treated as "other property" for purposes of section 356. Similarly, under the amendment made, where such parent causes another subsidiary to acquire the 20 percent of the stock and then itself acquires such stock in a liquidation in which no gain or loss is recognized to such parent under section 332, or where the subsidiary having held 80 percent of the stock of its subsidiary for more than 5 years, acquires the 20 percent of the stock which has been purchased by the parent within the 5-year period through a nontaxable "downstairs" merger of the parent into the subsidiary, and all of the stock is distributed, such 20 percent of the stock will in either case be treated as "other property."

In the case in which a parent corporation has held 20 percent of the stock for more than 5 years and purchases the remaining 80 percent, and distributes all of the stock at any time within 5 years after such purchase, it is not intended that either section 355 or 356 shall apply to the distribution.

It is the understanding of the managers on the part of the House, in agreeing to the active business requirements of section 355 and of section 346 (defining partial liquidations), that a trade or business which has been actively conducted throughout the 5-year period described in such sections will meet the requirements of such sections, even though such trade or business underwent change during such 5-year period, for example, by the addition of new, or the dropping of old, products, changes in production capacity, and the like, provided the changes are not of such a character as to constitute the acquisition of a new or different business.

Neither the clarification of section 112 (c) (2) of the 1939 Code by the House in its bill, nor the return to substantially the language of that section by the Senate in its amendment, nor the recession by the managers on the part of the House in conference, shall be considered in interpreting section 112 (c) (2) of the 1939 Code.

(g) Carryovers: Section 381 of the House bill provided for the carryover of 16 specific tax attributes or items from one corporation to another in certain nontaxable reorganizations and liquidations. The Senate amendment made conforming and technical changes in the House provisions and added two additional items to the list of carryover items.

The effect of the action recommended in the accompanying conference report would be to accept the text of section 381, as contained in the Senate amendment, with two amendments. The first amendment is to paragraph (5) of section 381 (c) and authorizes the Secretary or his delegate to issue regulations pursuant to which an acquiring corporation shall adopt a method or combination of methods of taking inventory in those cases where the carryover of the method of taking inventory results in the acquiring corporation having more than one such method.

The second amendment is necessary to conform section 381 to section 170 (b) (2). This amendment (which adds a new paragraph (19) to section 381 (c)) provides for the carryover to the acquiring corporation of the right to deduct, subject to the limitations in section 170 (b) (2), charitable contributions made in the taxable year ending on the date of distribution or transfer, or made in the prior taxable year, by the distributor or transferor corporation in excess of the 5-percent limitation. Such contributions made in the taxable year preceding the taxable year ending on the date of distribution or transfer will be deductible by the acquiring corporation, subject to the limitations in section 170 (b) (2), only in the first taxable year beginning after the date of distribution or transfer. Such contributions made in the taxable year ending on the date of distribution or transfer will be deductible by the acquiring corporation, subject to the limitations in section 170 (b) (2), in the first taxable year and the second taxable year beginning after the date of distribution or transfer. Thus, unlike the carryover of a net operating loss or a capital loss under paragraph (1) or (3) of section 381 (c) (where, if the date of distribution or transfer is on other than the last day of the acquiring corporation's taxable year, the amount deductible in the first taxable year is limited by a ratio), the amount deductible in the first taxable year of the acquiring corporation under paragraph (19) is not limited by a ratio because such first taxable year does not begin until after the date of distribution or transfer. For example, if corporation X merges into corporation Y on July 1, 1955, and corporation X, in its taxable year ending on July 1, 1955, has made charitable contributions exceeding the limitation in section 170 (b) (2) by $5,000, such excess will be deductible by Y, subject to the limitations in section 170 (b) (2), in Y's first and second taxable years beginning after July 1, 1955.

Section 382 of the House bill contained a special limitation reducing the carryover of a corporate net operating loss if, during two consecutive taxable years, there was a 50 percent or more change in the ownership of the participating stock of the corporation by reason of a purchase or redemption of the stock.

The Senate amendment modified the limitation in the House bill and added a new limitation which was applicable in certain nontaxable reorganizations. In the case of a 50 percent or more change of ownership by reason of a purchase or redemption of stock, the Senate amendment completely eliminated the net operating loss carryovers provided the corporation did not continue to carry on a trade or business, substantially the same as that conducted before the change of ownership. If the corporation continued to carry on substantially the same trade or business, the limitation would not be applicable even though the corporation also added a new trade or business. In the case of certain nontaxable reorganizations, the Senate amendment provided for a reduction in the net operating loss carryovers if the stockholders of the loss corporation owned, as a result of owning stock in the loss corporation, less than 20 percent of the stock of the acquiring corporation. The Senate amendment also made some changes to conform section 382 to other changes which it made in the House provisions. These changes included the elimination of the term "participating" from the definition of stock. The definition of stock in the Senate amendment excluded ordinary preferred stock but is intended to include stock having substantially the attributes of common stock even though nonvoting.

The effect of the action recommended in the accompanying conference report would be to accept the text of section 382, as contained in the Senate amendment, with two changes. The first adds to section 382 (a), a paragraph (4), definition of purchase, which is similar to the definition in section 382 of the House bill. The second change adds paragraphs (5) and (6) to section 382 (b). Under paragraph (5), if one of the corporate stockholders of the loss corporation is also a party to a reorganization specified in section 382 (b) (1), even though such stockholder disappears in the reorganization or becomes the acquiring corporation in the reorganization (and hence, in either case, would not own stock in the acquiring corporation immediately after the reorganization), such stockholder will be considered to own a percentage of the stock of the acquiring corporation. Such percentage will be determined by the following ratio:

X (the percentage of stock of the acquiring corporation considered to be owned by such stockholder immediately after the reorganization) is to the percentage of stock of the loss corporation owned immediately before the reorganization as the value of the total outstanding stock of the loss corporation immediately before the reorganization is to the value of the total outstanding stock of the acquiring corporation immediately after the reorganization.

Paragraph (6) added to section 382 (b) permits stockholders of the loss corporation who own, as a result of the reorganization, stock of a corporation controlling the acquiring corporation to treat such stock as if it were an equivalent amount (measured by value) of stock of the acquiring corporation for the purpose of applying the limitation in section 382 (b). This is not intended to permit a corporation desiring the benefits of a net operating loss carryover from another corporation to water down the 20-percent requirement by first combining a subsidiary which can meet the 20 percent test with the loss corporation and then completely liquidating the enlarged subsidiary. The requirement that the shareholders of a loss corporation have a 20 percent continuity of interest is intended to apply to an interest in the corporation desiring to use the net operating loss carryover.

(h) Effective date: The Senate amendment contained a June 22, 1954, effective date for the reorganization provisions. When this was added on the floor of the Senate, the June 18, 1954, effective date for liquidations, for distributions of section 306 stock, and for certain other provisions of subchapter C, was not changed. Because it is imperative that all of the provisions in this highly interrelated field be coordinated and that the transactions, at the corporate and the shareholder level, be provided for to the maximum extent practicable by the same statute, the remaining effective date provisions of subchapter C which heretofore were stated in terms of June 18, 1954, have been changed also to June 22, 1954.

The accompanying conference report also contains three amendments to section 333 (the provision of the bill which corresponds to section 112 (b) (7) of the 1939 Code). The effect of these amendments is to change from August 15, 1950, to January 1, 1954, the date for determining whether a corporate shareholder shall be excluded from the benefits of section 333, and the date for determining whether securities shall be taxed as if cash were distributed.

(i) Liquidation followed by reincorporation: The House bill in section 357 contained

a provision dealing with a device whereby it has been attempted to withdraw corporate earnings at capital gains rates by distributing all the assets of a corporation in complete liquidation and promptly reincorporating the business assets. This provision gave rise to certain technical problems and it has not been retained in the bill as recommended by the accompanying conference report. It is the belief of the managers on the part of the House that, at the present time, the possibility of tax avoidance in this area is not sufficiently serious to require a special statutory provision. It is believed that this possibility can appropriately be disposed of by judicial decision or by regulation within the framework of the other provisions of the bill.

Amendment No. 83: Sections 401, 402, 403, and 501 (e) of the House bill made basic revisions in the provisions of the 1939 Code relating to qualification of stock bonus, pension, and profit-sharing plans; taxability of distributions from employees' trusts; taxability of employee annuities; and deductions for contributions of an employer to an employees' trust or annuity plan. Senate amendment No. 83 restored the provisions of the 1939 Code which govern these areas, with certain exceptions, most of which were contained in the House bill.

The Senate amendment added to section 401, relating to requirements for qualification of an employees' trust, a provision which was not contained in the House bill but which is identical to existing law, relating to certain retroactive changes in a plan (sec. 401 (b) of the Senate amendment). Under this provision, a stock bonus, pension, profit-sharing, or annuity plan is considered as satisfying certain qualification requirements for employees' trusts for the period beginning with the date on which it was put into effect and ending with the 15th day of the 3d month following the close of the taxable year of the employer in which the plan was put in effect, if all provisions of the plan which are necessary to satisfy such requirements are in effect by the end of such period and have been made effective for all purposes with respect to the whole of such period.

The provisions of the House bill relating to the treatment of trusts created or organized outside the United States were retained in the Senate amendment (secs. 401 (a) and 404 (a) (4) of the Senate amendment). In addition, the Senate amendment added a section 402 (c) which provides that, for purposes of taxing the beneficiary, an employees' trust which would qualify for exemption from tax under section 501 (a) except for the fact that it is a trust created or organized outside the United States shall be treated as if it were a trust exempt from tax under section 501 (a).

The House bill retained the provision of existing law which grants capital-gains treatment for lump-sum distributions from employees' trusts on death or other separation from service, and also provided capital-gains treatment for lump-sum distributions from employees' trusts on death after separation from service. Similar capital-gains treatment for lump-sum distributions on death or other separation from service and death after separation from service was provided by the House bill in connection with employee annuities. These provisions were retained by the Senate amendment (secs. 402 (a) (2) and 403 (a) (2)). For purposes of these provisions, the lump-sum distributions entitled to the capital-gains treatment are defined to mean the balance to the credit of an employee which becomes payable to a distributee on account of the employee's death or other separation from the service or on account of his death after separation from the service. This will insure that a partial distribution, for example, annuity payments received after retirement, will not defeat application of the capital-gains treatment to a lump sum received at death. Another example would be a profit-sharing plan which provides that an employee is to receive 50 percent of the amount in his account on separation from service and the balance will be payable to his estate or named beneficiary on death. Capital-gains treatment will be allowed on the distribution made at the employee's death. It should also be noted that the distribution on separation from service would not receive capital-gains treatment since the balance to the credit of the employee means the total amount in his account on separation from service.

The Senate amendment, like the House bill, provided capital-gains treatment in certain cases where distributions are made on termination of a plan if such termination is incident to the complete liquidation of the corporate employer (sec. 402 (e)). However, the Senate amendment restricted the provision so that the provision would apply only in the case of distributions made after December 31, 1953, and before January 1, 1955, as a result of the complete termination of a stock bonus, pension, or profit-sharing plan of an employer which is a corporation, if the termination of the plan is incident to the complete liquidation, occurring in a year prior to the calendar year in which any such distributions are made, of the corporation, whether or not such liquidation is incident to a reorganization as defined in section 368 (a). Under the conference agreement the provision will apply if the complete liquidation of the corporation occurs prior to the date of the enactment of this title.

The Senate amendment contained a provision, which was also in the House bill, relating to the shifting, under certain circumstances, of deductions for contributions among members of an affiliated group of corporations which has a common profit-sharing plan and, in certain cases, a common stock bonus plan (sec. 404 (a) (3) (B) of the Senate amendment). The amendment is identical to the provision in the House bill except (1) it has been extended to stock bonus plans in which contributions are determined with reference to profits, and (2) allocation of the contributions among the profit members are not required where a consolidated return is filed.

The Senate amendment provided, like the House bill, that for purposes of paragraphs (1), (2), or (3) of section 404 (a) an accrual basis taxpayer shall be deemed to have made a payment under a plan on the last day of the year of accrual if the payment is on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (including extensions thereof) (sec. 404 (a) (6) of the Senate amendment).

The Senate amendment contained a provision, which was not in the House bill, providing that if contributions are paid by an employer under a plan under which (1) such contributions are held in a welfare trust providing at least (*a*) payments for medical or hospital care for employees and their families and dependents and (*b*) pensions on retirement or death of employees, and (2) such plan is established prior to January 1, 1954, as a result of an agreement between employee representatives and the Government of the United States during a period of Government operation under seizure powers of a major part of the productive facilities of the industry in which such employer is engaged, then such contribution shall be deductible under section 162 (relating to trade or business expenses) (sec. 404 (c) of the Senate amendment). The enactment of this provision is not intended to have any effect on the interpretation of the 1939 Code.

The expression in the Senate amendment "as a result of an agreement" is intended primarily to cover a trust established under the terms of such an agreement. It will also include a trust established under a plan of an employer, or group of employers, who are in competition with the employers whose facilities were seized by reason of producing the same commodity, and who would therefore be expected to establish such a trust as a reasonable measure to maintain a sound position in the labor market producing the commodity. Thus, for example, if a trust was established under such an agreement in the bituminous coal industry, a similar trust established about the same time in the anthracite coal industry would be covered by this provision.

If any such trust becomes qualified for exemption under section 501 (a), the deductibility of contributions by an employer to such trust on or after the date of such qualification would no longer be governed by this provision, even though the trust may later lose its exemption under section 501 (a).

The Senate amendment contained a provision which was also in the House bill preserving for employers a carryover of unused deductions and contributions in excess of deductible amounts for taxable years to which part I of subchapter D does not apply and which would have been deductible in later years if section 23 (p) of the 1939 Code, providing for such carryovers, were continued in effect in taxable years to which such part applies (sec. 404 (d) of Senate amendment). However, the House bill was changed by the Senate amendment by adding a sentence which will insure that duplicate deductions will not be allowed.

The House recedes with a clerical amendment and with the amendment to section 402 (e) relating to certain plan terminations.

Amendments Nos. 84, 85, 86, 87, and 88: These amendments make clerical and conforming changes in section 421 of the House bill, relating to restricted stock options, and the following substantive changes in such section:

(1) The issuance of a new option, or the assumption of an old option, by the employer corporation, or a parent or subsidiary of such corporation, as a result of certain corporate reorganizations or liquidations will not be treated as a modification of the option, provided the employee does not otherwise benefit from such issuance or assumption. Furthermore, the employment requirement of section 421 (a) is met if the employee is employed when the option is exercised, by a corporation issuing or assuming such option.

(2) The House provision, which permitted certain options to qualify even though the employee owned more than a 10-percent interest in the employer, has been extended to apply to such options if they are exercised within 1 year after the enactment of the new code.

(3) The House provision that options granted after December 31, 1953, must be exercisable only within a 10-year period in order to qualify was changed so that the effective date of such provision is June 18, 1954.

(4) The definitions of "parent corporation" and "subsidiary corporation" have been changed so as to qualify corporations in an unbroken chain where one owns 50 percent or more of the voting rights in another.

(5) When an estate transfers the stock which it acquired by the exercise of a restricted stock option, such transfer is to be treated as a disposition, and the estate will report the gain, if any, required by section 421 (b) to be treated as ordinary income.

(6) The distinction between options which are exercisable after 10 years, and those which are not, has been removed in applying the rules for determining what is a modification, extension, or renewal of the option;

and the higher value test has been restored except in situations in which there has been a prolonged decline in the value of the stock.

(7) The provision, which enables options with a variable price to qualify when granted, was modified so that it was applicable just to options in which the only variable is the value of the stock.

The House recedes with an amendment. Under the conference agreement the provision relating to variable price options has been modified to provide that such options may qualify when granted if the price is determinable by a formula in which the only variable is the value of the stock at any time during a period of 6 months which includes the time when the option is exercised. Under such provision, an option can qualify where the price is determined by reference to the value of the stock on any particular day during such 6-month period, or by reference to an average value of the stock over either the entire 6-month period or over any shorter period included in such 6-month period. Such 6-month period may begin with, end with, or in any other manner span the day on which the option is exercised. The formula for determining the price may depend upon factors other than the value of the stock, but if the formula involves any variable other than the value of the stock at any time during such 6-month period, the option cannot qualify under the new provision. Whether a formula does qualify under such provision is to be determined when the option is granted and does not depend upon the facts as they subsequently develop.

Amendment No. 89: The House bill permits corporations to elect to use as an annual accounting period a fiscal year varying from 52 to 53 weeks. Paragraphs (1) and (2) of the amendment accord the privilege of the election to use a 52–53-week year to any taxpayer. Paragraph (2) also makes the election available with respect to any year ending after the date of enactment. Paragraph (3) is a technical amendment pertaining to computation of the tax when the rates change during a taxable year. The House recedes.

Amendment No. 92: The amendment adds a provision to section 452 of the House bill, relating to prepaid income. Under the amendment prepaid income related to a liability covering an indefinite period may under regulations prescribed by the Secretary or his delegate, be includible in taxable income as it is earned in the year of receipt and subsequent years. The House recedes.

Amendment No. 93 (1): The House bill provides that in the case of sales of real property or casual sales of personal property the installment method of reporting taxable income may be used if in the year the payments were first received such payments do not exceed 30 percent of the selling price. The Senate amendment provides that such sales may qualify for reporting under the installment method if in the year of sale either no payments are received, or the payments in that year do not exceed 30 percent of the selling price. The House recedes with a technical amendment.

Amendment No. 96: The House bill provides that an accrual-basis taxpayer must accrue real property taxes ratably over the period for which the property tax is imposed. Under the Senate amendment this rule is optional with the taxpayer. The House recedes with a clerical amendment.

Amendments Nos. 97 and 98: These amendments relate to the deductions provided in the House bill for additions to reserves for estimated expenses. Section 462 (a) of the House bill provides that there shall be taken into account a reasonable addition to each reserve for estimated expenses to which the section applies. Senate amendment No. 97 adds the words "(in the discretion of the Secretary or his delegate)" after "taken into account". This conforms to the provisions in the House bill and in existing law relating to deductions for additions to reserves for bad debts. Amendments Nos. 98 (1) and (3) are conforming amendments. Amendment No. 98 (2) provides that deductions for estimated expenses must be attributable to income of the taxable year or prior taxable years for which an election to estimate expenses is in effect. Amendment No. 98 (4) clarifies the deductibility of expenses incurred in 1954 and in subsequent years which are related to income of taxable years preceding the first year of election. The House recedes.

Amendment No. 99: This amendment and amendment No. 100 pertain to adjustments required by changes in methods of accounting. The House bill provides that adjustments in the year of change arising out of a change of method of accounting, whether voluntary or involuntary, may be made in order to prevent the omission or duplication of income, as contrasted to certain court decisions under present law which bar any such adjustments on the grounds that they relate to years closed by the statute of limitations. Amendment No. 99 limited transitional adjustments (whether voluntary or involuntary) to those in respect of any taxable year to which the new code applies. The House recedes with a technical amendment.

Amendment No. 100: The House bill in case of a change in method of accounting provided that, if the transitional adjustments increase taxable income by more than $3,000, the net transitional adjustments shall be spread ratably over the year of change and the 2 preceding taxable years, or the year of the change, whichever resulted in the lesser income tax liability. The Senate amendment provides an additional limitation so that if a taxpayer's records are adequate and can support an allocation of the transitional adjustments to years prior to the year of change (but not including any year to which the 1954 Code does not apply) then the tax resulting from the adjustments in the year of change cannot exceed the aggregate of the taxes computed on the taxable income resulting from the allocation of the transitional adjustments to the prior years. The House recedes.

Amendment No. 102 (2): The House bill provides for exemption from income tax of certain corporations and foundations organized and operated exclusively for religious, charitable, scientific, or educational purposes. The Senate amendment extends the exemption to an organization engaged in testing for public safety if it meets the same requirements imposed on tax-exempt scientific, educational, etc., organizations. The House recedes.

Amendment No. 102a (2): The House bill provided that certain organizations (corporations, funds, etc., organized and operated exclusively for religious, charitable, etc., purposes) described in section 501 (c) (3) will lose their tax-exempt status if any substantial part of the activities is carrying on propaganda, or otherwise attempting to influence legislation. The Senate amendment provides that such organizations will lose their tax-exempt status if they participate or intervene (including the publishing or distributing of statements) in a political campaign on behalf of any candidate for public office. The House recedes.

Amendment No. 105a: The Senate amendment provides that the denial under section 503 of the House bill of exemption to organizations which engage in prohibited transactions will not be applicable to an organization whose principal purpose or function is to provide agricultural research. The House recedes.

Amendment No. 107: The House bill provided that an employees' trust would lose its tax-exempt status if the trust engaged in certain specified activities, including the lending of its income or corpus without adequate security and a reasonable rate of interest.

This amendment is consistent with the House provision but allows up to December 31, 1955, to arrange refinancing for a period not extending beyond December 31, 1955, in cases where the employees' trust had such a loan outstanding as of March 1, 1954. In the case of notes payable on demand the continuation of the notes beyond December 31, 1955, without adjusting the terms to meet the requirements of adequate security and reasonable interest will be considered a prohibited transaction. The House recedes.

Amendment No. 108: The House bill placed employees' trusts under the operation of certain rules in existing law which deny exemption to organizations (which would otherwise be tax-exempt) if they unreasonably accumulate income. The Senate amendment restores existing law and thus removes employees' trusts from the provisions dealing with unreasonable accumulations of income. The House recedes.

Amendment No. 109: Under the House bill, paragraph (1) of section 504 (a) which continues present law, specifies as a cause for the denial of exemption accumulations of income which are unreasonable in amount or duration for carrying out the function or purpose of the organization claiming the exemption.

This amendment provides that paragraph (1) of section 504 (a) shall not apply to income attributable to property of a decedent dying before January 1, 1951, which is transferred under his will to a trust. This amendment further provides that in the case of a trust created by the will of a decedent dying on or after January 1, 1951, where income is required to be accumulated under the mandatory terms of the will creating the trust, the rule of paragraph (1) shall apply only to income accumulated during a taxable year of the trust beginning more than 21 years after the date of death of the last life in being designated in the trust instrument. The House recedes.

Amendment No. 110: This amendment strikes out section 505 of the House bill which established rules as to investments which employees' trusts might make. The House recedes.

Amendment No. 110a: This amendment provides for the denial of exemption from the income tax in the case of organizations making donations to subversive organizations or individuals and the disallowance of the charitable deduction for gifts to certain organizations. Subsection (a) (1) defines a subversive organization as any organization which (A) advocates, abets, advises, or teaches the duty, necessity, desirability, or propriety of overthrowing or destroying the Government of the United States by force or violence, or (B) is on the list of organizations furnished by the Attorney General pursuant to section 3 of part III of Executive Order No. 9835 of March 21, 1947, or (C) is registered (or required by final order of the Subversive Activities Control Board to register) with the Attorney General under section 7 of the Subversive Activities Control Act of 1950. Subsection (a) (2) defines a subversive individual.

The organization which the Secretary or his delegate determines has made a donation (other than a donation of necessities, and medical and hospital services) to a subversive organization or individual would have lost its exempt status for at least the taxable year in which the determination is made and the following year. If the donee organization or individual signed a sworn statement that the donee was not subversive, the section would be inapplicable unless one of the donor organization's agents, employees or officers, who actively participated in the making of

the donation, knew or had reason to know that the donee was subversive.

To a large extent this amendment introduced new concepts although present law reaches the same result in many instances. Under section 11 of the Subversive Activities Control Act of 1950 organizations required to register under section 7 of such act (or required by a final order of the Subversive Activities Control Board to register) are not exempt and contributions to these organizations are not deductible for income-tax purposes. Furthermore, an organization devoted to subversive activities would not qualify for the exemption under present law since its objectives would not be charitable or educational (or any of the other listed purposes), and the organization could not meet the test that no substantial part of the activities is carrying on propaganda or otherwise attempting to influence legislation. The practical application of this principle is illustrated by the fact that none of the organizations on the Attorney General's list are on the list of exempt organizations published by the Internal Revenue Service.

The amendment would have introduced two new concepts. The amendment would have removed the tax-exempt status of any organization that makes a donation to any subversive organization or individual. A large foundation could lose its exemption unless every foreign farmer to which it furnished fertilizer signed the sworn statement and all the sworn statements were secured by agents of the foundation who were not themselves subversive. The burden imposed upon the organization of determining who is a "subversive" imposes tremendous difficulties and any mistake, however minor, would seriously curtail the philanthropic activities of the organization.

This amendment also denied tax-exempt status to organizations placed on the Attorney General's list pursuant to Executive Order No. 9835. The standards relied on by the Attorney General in placing organizations on this list are established by the Executive order and not by statute, for the purpose of guiding the executive department in its employee loyalty program. To make the tax-exempt status of an organization dependent upon action by the executive department not guided by statutory standards and safeguarded by court review raises a serious constitutional issue.

The present law may not be the most efficient method of preventing subversive organizations from benefiting from the tax-exempt status conferred on religious, charitable, scientific, and other organizations who contribute so heavily to the general welfare of the country. It is recognized that abuses may exist. A distinct anomaly is presented when an organization actually devoted to antisocial action is able to pay less income tax than legitimate business activities on the ground that the organization professes to be devoted to philanthropic work of a type which Congress has seen fit to give special recognition. The chairman of the Joint Committee on Internal Revenue Taxation has instructed the committee staff to make a study to determine the faults in the present law and to explore the possible ways of removing this loophole. The Senate recedes.

Amendment No. 116: Under the House bill there is imposed a tax on rental income received by certain tax-exempt organizations to the extent that property, subject to a lease for more than 5 years, was obtained with borrowed funds. There is provided an exception for certain leases of more than 5 years, in case of property occupied by more than one tenant under short-term leases. This amendment provides that a lessor coming within the terms of this exception may renew a short-term lease during the last half of its term without having the unexpired portion of the first lease added to the second lease for purposes of determining whether the second lease is for more than 5 years. The House recedes.

Amendments Nos. 117 (1) and (3): The House bill extended the provisions subjecting to tax certain leaseback income received by exempt organizations to exempt pension and profit-sharing trusts. Paragraph (1) of this amendment provides an effective date for the application to employee trusts (or wholly owned exempt holding corporations acquired by such trusts prior to March 1, 1954) of the provisions taxing rental income received by certain tax-exempt organizations to the extent that borrowed funds are used to acquire the property. If such an employees' trust, prior to March 1, 1954, incurs what would otherwise be business-lease indebtedness in connection with real property which is leased before March 1, 1954, such indebtedness shall not be deemed business-lease indebtedness. The amendment further provides that if any indebtedness is incurred by such a trust on or after March 1, 1954, necessary to carry out the terms of a lease made before March 1, 1954, it shall not be deemed business-lease indebtedness.

Paragraph (3) of amendment No. 117 provides a rule regarding amounts borrowed by an exempt pension, profit-sharing, or stock-bonus trust of an employer from another exempt trust of the same employer. These will only be treated as indebtedness of the borrowing trust to the extent that the lending trust was forced to borrow to make the loan. The House recedes.

Amendments Nos. 119, 120, 121, 122, 123, 124, 125, and 126: These amendments apply to part I of subchapter G, which relates to the tax on corporations improperly accumulating surplus. Under the bill as passed by the House, publicly held corporations were exempt from the corporate accumulated earnings tax. This exemption is deleted by the Senate amendment.

The Senate amendment provides that the shift in the burden of proof under section 534 from the taxpayer to the Government applies not only in determining whether the earnings and profits of the corporation have been permitted to accumulate beyond the reasonable needs of the business, but also in determining the extent to which the earnings and profits of a corporation have accumulated during the taxable year beyond the reasonable needs of the business.

In computing accumulated taxable income on which the accumulated earnings tax is imposed, the bill as passed by the House allowed as a deduction the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year (determined without regard to the capital loss carryover provided in sec. 1212). A technical amendment by the Senate allows the capital-gains tax as a deduction in computing accumulated taxable income but reduces the amount of the deduction for capital gains by the taxes attributable to such gains. This amendment conforms to existing law.

Under the Senate amendment, the accumulated earnings credit provided in subsection (c) of section 535 has been amended by increasing from $30,000 (the amount provided in the House bill) to $60,000 the minimum amount of earnings and profits which a corporation may accumulate before being subject to the accumulated earnings tax. The accumulated earnings credit also has been expanded, in general, to include the portion of the earnings for the current year which are retained for the reasonable needs of the business.

A new section 537 has been added by the Senate amendment to provide that for the purposes of part I of subchapter G the term "reasonable needs of the business" includes the reasonably anticipated needs of the business. References to such term in other sections of part I of subchapter G have been deleted. Various other technical amendments were also made by the Senate.

The House recedes.

Amendment No. 127: Section 542 (b) provides that in a case of certain affiliated corporations filing or required to file a consolidated return the personal holding company tax shall not apply to the group or to any member of the group unless the group as a whole meets the gross income requirement. Under present law, this treatment is available only to railroad corporations. Under the House bill, this treatment was extended to other corporations with certain limitations. Under the Senate amendment, this treatment is extended, with two exceptions, to any group of affiliated corporations, filing or required to file a consolidated return. The Senate amendment provides that the consolidated treatment is not available to an affiliated group of corporations other than a railroad group if any member of the group (including the common parent) derives 10 percent or more of its gross income from sources outside the affiliated group and if 80 percent or more of such income from outside sources consists of personal holding company income under section 543. In applying section 543 for this purpose, the income from outside the group shall be treated as if it were the entire income of such corporation. For the purpose of applying these income tests to the common parent corporation, there shall be disregarded dividends from any other corporation in which the common parent owns more than 50 percent of the voting stock if such other corporation is not a personal holding company. The Senate amendment deletes a requirement of the House bill that, in order to qualify for the consolidated treatment, the common parent of an affiliated group of corporations, other than a railroad group, must derive 80 percent or more of gross income from other members of the group for a 3-year period. The Senate amendment also permits a corporation in the group to receive an insignificant amount of personal holding company income from outside the group without disqualifying the group. The House recedes.

Amendment No. 128: This amendment excludes from personal holding company income interest on amounts set aside in a reserve fund under section 511 or 607 of the Merchant Marine Act, 1936. The House recedes.

Amendment No. 129a: This amendment to section 543 (b) of the House bill would have provided a special exclusion from gross income for purposes of determining whether or not 80 percent of a corporation's gross income is personal holding company income and, therefore, whether or not a corporation is a personal holding company. The amendment provided that, for purposes of part II (relating to personal holding companies) of subchapter G, gross income was not to include nonpersonal holding company gross income derived from real property to the extent indebtedness with respect to the real property is secured by stock or securities representing 50 percent or more of the value of the indebtedness. Thus, in effect this income is ignored in determining whether or not a corporation meets the 80 percent test.

The committee of conference recognized that this amendment was intended to block a loophole whereby some companies avoid the personal holding company tax by purchasing sufficient real property (by pledging securities held by the company) so that the gross income from the property brings down to less than 80 percent, the percent of their total gross income which is personal holding company income. While approving of the purpose of the amendment, the managers both on the part of the House and of the Senate were concerned about a number of problems which it raises. It is believed that

the amendment might not only close the loophole with which the Senate was concerned but also subject to the personal holding company tax firms carrying on substantial operating business activities. The reference to income derived from real property, for example, would appear to cover almost any type of business operation. While this phrase appears too broad, a satisfactory substitute has not been evolved. Under the conference agreement, the Senate recedes on this amendment, but the Staff of the Joint Committee on Internal Revenue Taxation has been directed to study this problem with the view toward subsequent legislative action on this subject.

Amendment No. 133a: The Senate amendment provided that the term "foreign personal holding company" shall not include a corporation which is organized and doing business under the banking and credit laws of a foreign country if the Comptroller of the Currency certifies that (except for a prohibition against receiving deposits imposed by the laws of the foreign country) the corporation would, if it were a national bank incorporated and doing business in the District of Columbia, meet in substance the requirements imposed by the laws of the United States on such bank. There was no comparable provision in the bill as passed by the House.

The House recedes with a modification which provides that the term "foreign personal holding company" shall not include a corporation organized and doing business under the banking and credit laws of a foreign country only if it is established to the satisfaction of the Secretary of the Treasury or his delegate that such corporation was not formed or availed of for the purpose of evading or avoiding United States income taxes which would otherwise be imposed upon the shareholders of the corporation. The conference agreement requires the certification at certain intervals that the corporation is not so formed or availed of.

Amendment No. 141: This amendment, for which there is no corresponding provision in the House bill, adds a new section 565 (relating to consent dividends) which provides a method whereby a corporation may obtain a dividends paid deduction without the necessity of making an actual distribution. Section 565 corresponds, in general, to section 28 of the 1939 Code (relating to consent dividends). The House recedes.

Amendment No. 147: Under paragraphs (1), (2), (3), (4), and (5) of section 613 (b) of the House bill, varying rates of percentage depletion were provided for a number of specifically named minerals. In the case of such specifically named minerals, the rates indicated for the particular minerals named applied regardless of the use to which such minerals were put. For example, section 613 (b) (3) of the House bill provided a 15-percent rate of allowance to chemical grade and metallurgical grade limestone and slate; section 613 (b) (4) similarly applied the 10-percent rate to such minerals as brucite, coal, and perlite; and section 613 (b) (5) specified a 5-percent rate in the case of such minerals as granite, marble, and stone. Section 613 (b) (6) of the House bill specified that "all other minerals" (that is, all minerals not otherwise specifically named) are entitled to percentage depletion at a 15-percent rate except that a 5-percent rate was provided for in the case of any other mineral when used or sold for use by the mine owner or operator as riprap, ballast, road material, rubble, concrete aggregates, dimension stone, ornamental stone, or for similar purposes. This is designated as the "general use test". The House bill also provided that the term "all other minerals" does not include minerals from sea water, the air, or from sources which, by commonly accepted economic standards, are regarded as inexhaustible.

Under the Senate amendment, uranium was specifically designated under subsection (b) (2) as entitled to percentage depletion at a 23-percent rate. In addition, a new subparagraph (b) (2) (B) was added which applies a 23-percent rate to the following minerals if from deposits in the United States: anorthosite (to the extent that alumina and aluminum compounds are extracted therefrom), asbestos, bauxite, beryl, celestite, chromite, corundum, fluorspar, graphite, ilmenite, kyanite, mica, olivine, quartz crystals (radio grade), rutile, block steatite talc, and zircon, and ores of the following metals: antimony, bismuth, cadmium, cobalt, columbium, lead, lithium, manganese, mercury, nickel, platinum and platinum group metals, tantalum, thorium, tin, titanium, tungsten, vanadium, and zinc.

The amendment added bentonite to the list of minerals specifically named at the 15-percent rate and the rate of percentage depletion in the case of sodium chloride was increased from 5 percent to 10 percent. The amendment also provided a 15-percent rate of depletion in the case of stone used or sold for use by the mine owner or operator as dimension stone or ornamental stone. In addition, the amendment also placed in subsection (b) (6) within the scope of the term "all other minerals," a list of specific minerals, including such minerals as dolomite, granite, magnesite, marble, limestone, slate, and soapstone, to which a 15-percent rate of depletion is applicable unless used for purposes specified in the "general use test" provided for in that subsection. However, the "general use test" was modified by the amendment so as to exclude from this test the use of minerals as dimension stone or ornamental stone. The amendment also provides that the "general use test" does not apply to a mineral sold on bid in direct competition with a bona fide bid to sell a mineral listed in subsection (b) (3). Thus when limestone is sold for use as road material within an area in which rock asphalt is a competitor and a bid was submitted based on using rock asphalt rather than limestone for road material under the contract, the limestone would be entitled to depletion at the 15-percent rate.

The Senate amendment also removed chemical grade limestone, metallurgical grade limestone and slate from the list of minerals in subsection (b) (3) entitled to a depletion allowance of 15 percent regardless of use and placed those minerals in subsection (b) (6) so that the use thereof will determine whether the 15-percent or the 5-percent rate of depletion applies.

The Senate amendment also made a clarifying change in subsection (b) (6) (A) and (B) relating to the minerals not included within the scope of the term "all other minerals."

The action on this section applies only to years subject to the 1954 Code. No inference can be drawn from the reclassification of certain minerals and other actions as to the meaning of present law.

The House recedes.

Amendment No. 148: The House bill provided the following ordinary treatment processes in the case of coal: Cleaning, breaking, sizing, and loading for shipment. The Senate amendment extends this list to include dust allaying and treating to prevent freezing. The House recedes.

Amendment No. 149: This amendment provides that sintering and nodulizing are ordinary treatment processes in the case of phosphate rock. The House recedes.

Amendment No. 150: Under the House bill, taxpayers were permitted to aggregate certain separate operating mineral interests, but only for the purpose of computing percentage depletion. Paragraph (1) of this amendment provides that such an aggregation shall be effective for all purposes of the income-tax subtitle. Paragraph (2) of amendment No. 150 is a technical amendment. The House recedes.

Amendment No. 151: This amendment eliminates paragraph (4) of section 614 (b) of the House bill which provides a rule for apportioning depletion allowances in cases where there had been an aggregation for purposes of percentage depletion. The House recedes.

Amendment No. 152: The House bill made no provision for the aggregation of nonoperating mineral interests. Under this amendment the Secretary or his delegate may, on showing of undue hardship, permit the taxpayer to aggregate (for all purposes of the income-tax subtitle) certain separate nonoperating mineral interests. The House recedes.

Amendment No. 153: Paragraph (1) of this amendment increases the amount of exploration expenditures which may be deducted or deferred, from $75,000 per annum (as allowed under present law and the House bill) to $100,000 per annum. Paragraph (2) of this amendment contains conforming changes. The House recedes.

Amendment No. 156: The House bill provided that in determining the gain or loss to be recognized upon timber which was cut during the taxable year the deductions disallowed under section 272 of the House bill were to be added to the adjusted depletion basis of such timber. Paragraph (1) of amendment No. 156 eliminates this provision because section 272 has been amended so as to be inapplicable to timber. The House recedes.

Paragraph (2) of amendment No. 156 provides that for purposes of section 631 (a) and (b), the term "timber" includes evergreen trees which are more than 6 years old at the time severed from the roots and are sold for ornamental purposes. The House recedes.

Section 631 (b) of the House bill corresponded to section 117 (k) (2) of the 1939 Code, with certain amendments, and applied to both timber and coal. Paragraph (3) of amendment No. 156 divides section 631 (b) of the House bill into two subsections, the first of which (subsec. (b)) applies to timber. The Senate amendment eliminates the provision of the House bill which provided that in determining the gain or loss from the disposal of timber the expenditures of the owner for which deductions were disallowed under section 272 (b) of the House bill, attributable to the making and administering of the contract under which the timber was disposed of, and attributable to the preservation of the economic interest which such owner retained under the contract, should be added to the adjusted depletion basis of the timber disposed of. The amendment also adds a provision that the date of disposal of such timber shall be deemed to be the date such timber is cut, but if payment is made to the owner under the contract before such timber is cut the owner may elect to treat the date of such payment as the date of disposal of such timber. The amendment also provides that the term "owner" includes a sublessor of timber and a holder of a contract to cut timber.

In section 631 (c) the amendment incorporated the provisions of section 631 (b) of the House bill which applied to coal, and also extended these provisions to iron ore from deposits in the United States. The House recedes with an amendment which limits the applicability of section 631 (c) to coal.

Amendment No. 157: The House bill provided that if upon the termination of an estate or trust there remained any unused capital-loss carryover or net operating-loss carryover or deductions in excess of gross in-

come, such carryovers or deductions would be allowed to beneficiaries succeeding to the estate or trust property. While this provision is in substance retained, this amendment makes clear that the excess of deductions over gross income of the estate or trust to be allowed to the succeeding beneficiaries is only the excess for the last taxable year, i. e., the year of termination, of the estate or trust. For clarity, this amendment also shifts the provision from section 662 to section 642. The House recedes.

Amendment No. 159: This amendment changes the definition of distributable net income to insure that where capital gains must be or are added to principal, they will be taxed to the estate or trust. But where capital gains are paid, credited, or required to be distributed to any beneficiary, or paid, permanently set aside, or to be used for the purposes specified in section 642 (c), such gains are to be included in the computation of distributable net income. This amendment also clarifies the treatment of capital losses and makes other technical and clarifying changes.

The House recedes.

Amendment No. 162: In section 663 the House bill provided rules pertaining to sections 661 and 662 which excluded from the additional deduction allowed a trust or estate for distributions under section 661 and from the corresponding inclusion of amounts in the income of beneficiaries under section 662 certain distributions, such as charitable contributions, final distributions, and gifts or bequests not to be paid at intervals and not paid solely out of income.

This amendment substantially revises section 663. Subsection (a) (1), relating to gifts, bequests, etc., which are excluded from the application of sections 661 and 662, has been clarified in order more clearly to define the distributions which are to be excluded as gifts or bequests. In general, a gift or bequest of a specific sum of money or specific property which is paid in a lump sum or in not more than three installments is excluded unless it can be paid only from income. Technical and clarifying changes are also made in subsections (a) (2) and (a) (3) of the House bill.

Subsection (b) as added by this amendment is new and gives the right to the fiduciaries of certain trusts which were in existence prior to January 1, 1954, to make an irrevocable election to treat amounts properly paid or credited within the first 65 days of any taxable year of a trust as paid or credited on the last day of the preceding taxable year.

Subsection (c) is also new and provides that in the case of a trust which has two or more beneficiaries and is to be administered in well-defined and separate shares, such shares are to be treated as separate trusts for the purpose of determining the amount of distributable net income available for allocation to the beneficiaries.

The House recedes.

Amendment No. 163: This amendment revises section 665 of the House bill.

Paragraph (1) of section 665 (b) is revised so that amounts paid, credited, or required to be distributed to a beneficiary as income accumulated before such beneficiary atttains the age of 21 will not be included in determining whether there has been an accumulation distribution. In this respect, this paragraph of the House bill only excluded income accumulated during minority.

Paragraph (2) of section 665 (b) is revised so that an amount properly paid or credited to a beneficiary to meet the emergency needs of such beneficiary will not be included in determining whether there has been an accumulation distribution. This paragraph of the House bill excluded amounts properly paid or credited for the support, maintenance, or education of the beneficiary.

Section 665 (b) is further revised by this amendment so that amounts properly paid or credited to a beneficiary upon such beneficiary attaining a specified age or ages will not be included in the determination of an accumulation distribution, if the total number of such distributions cannot exceed 4 with respect to such beneficiary, the period between each such distribution is 4 years or more, and as of January 1, 1954, such distributions are required by the specific terms of the governing instrument.

This amendment also adds paragraph (4) to section 665 (b) to provide that a final distribution of a trust shall not be included in the determination of an accumulation distribution if it is made more than 10 years after the date of the last transfer to the trust.

Subsection (d) of section 665 is revised so that this subpart will apply to a preceding taxable year of a trust with respect to which it qualified under subpart B.

This amendment also makes technical changes in section 665.

The House recedes with an amendment changing the period of 10 years in section 665 (b) (4) to 9 years.

Amendment No. 165: This amendment revises the first sentence of section 668 (a) of the House bill so as to make certain that a beneficiary receiving a distribution in a taxable year which is subject to the provisions of this subpart will be subject to the application of this subpart as if such amount had been distributed in any preceding taxable years in accordance with section 666 even though during any of such preceding taxable years such beneficiary would not have been a beneficiary if such distribution had actually been made in such preceding taxable years.

In addition, this amendment adds a sentence at the end of the first sentence of section 668 (a) of the House bill so that it is clear that the total of the amounts treated under section 666 as having been distributed by the trust in preceding taxable years and included in the income of a beneficiary in the taxable year in respect of which the accumulation distribution is determined shall be based upon the same ratio as determined under the second sentence of section 662 (a) (2) for such taxable year.

The House recedes with an amendment providing that proper adjustment of such ratio shall be made, in accordance with regulations prescribed by the Secretary or his delegate, for amounts which are not included in the determination of an accumulation distribution since such amounts fall within paragraphs (1), (2), (3), or (4) of section 665 (b).

Amendment No. 166: Section 668 (b) of the House bill is revised by this amendment to permit the credit provided by this section to be applied against the entire tax imposed on the beneficiaries for the year in which the amounts specified in section 668 (a) are included in the income of such beneficiary, rather than as provided in the House bill to limit the credit to the taxes applicable to such amounts included in the income of such beneficiaries. The House recedes.

Amendment No. 167: This amendment revises section 672 (a) of the House bill so as to insure that a person possessing a general power of appointment over the trust property will be treated as having a beneficial interest in the trust for purposes of determining whether he is an adverse party within the meaning of such section. In addition this amendment deletes the word "clear" from subsection (c) of section 672. The House recedes.

Amendment No. 169: These amendments amend exceptions to the general rule stated in section 674 (a), providing for taxability to the grantor of income of a trust where the beneficial enjoyment of the trust corpus or the income is subject to a power of disposition, exercisable by the grantor or by a nonadverse party or both.

Section 674 (b) (6) (A) of the House bill excepted from the general rule a power to distribute or accumulate income for distribution to the beneficiary provided that any accumulated income must be ultimately payable to the beneficiary from whom the distribution is withheld, to his estate, to his appointees pursuant to a general power of appointment in the beneficiary or to named alternate takers in default of his exercise of the power of appointment. This amendment revises section 674 (b) (6) (A) with respect to the exception for appointees so that the accumulated income may be payable to appointees pursuant to a special power of appointment which does not exclude from the class of possible appointees any person other than the beneficiary, his estate, his creditors, or the creditors of his estate.

Section 674 (b) (8) of the House bill excepted from the general rule a power to allocate receipts between corpus and income even though the power is expressed in broad language. The Senate amendment extends the exception also to a power to allocate disbursements between corpus and income.

This amendment also adds subsection (d), an exception to the general rule that the House bill did not contain. Under this subsection the grantor will not be subject to tax by reason of a power exercisable by a trustee or trustees, other than the grantor or spouse living with the grantor, which enables the trustee to apportion income among a class of beneficiaries, provided that the power is limited by a reasonably definite external standard.

This amendment further adds to the exceptions in subsections (b) (6) and (d) a provision that the exceptions will not apply if any person is enabled to add to the class of beneficiaries except where the action is to provide for after-born or after-adopted children. Under the House bill, only the exceptions in subsection (b) (5) and (7), and in subsection (c) are qualified by this provision. The provision is equally applicable to the powers in subsections (b) (6) and (d). The amendment also makes clarifying changes.

The House recedes.

Amendment No. 171: Section 676 of the House bill provides that the grantor shall be taxable on the income of a trust where either he, or any person without adverse interest (or both), has the power to revest title to the trust property in the grantor, except where the grantor would not be treated as the owner of a trust under section 673 if the power were a reversionary interest to take effect in possession or enjoyment after the expiration of the period specified in section 673. The Senate amendment adds to the House bill a provision to insure that possession of the power after the expiration of this period will subject the grantor to tax in the year in which the power is currently exercisable. The House recedes.

Amendment No. 172: Section 677 (a) of the House bill provided that income of a trust is to be taxed to the grantor by reason of a power to vest the income in him or apply it to his benefit, except in the case of a power the exercise of which can only affect the beneficial enjoyment of the income after the expiration of a period such that the grantor would not be treated as the owner under section 673 if the power were a reversionary interest. This amendment adds a provision which specifies that after expiration of this period the grantor may be treated as the owner of the trust unless the power is relinquished. The House recedes.

Amendment No. 174: This amendment provides that section 681 (c) (1) will not apply in any case to income attributable to property transferred to a trust created under the will of a decedent dying before January 1, 1951. It further provides that in the case of a trust created by the will of a decedent dying on or after January 1, 1951, if the will requires income to be accumulated pursuant to mandatory terms of the will creating the trust, the rule of section 681 (c) (1) applies only to income accumulated during a taxable year beginning more than 21 years after the death of the last life in being designated in the trust instrument. The House recedes with a clerical amendment.

Amendment No. 175: This amendment revises section 683 of the House bill.

The provisions of part I of subchapter J are to be applied only to taxable years beginning after December 31, 1953, and ending after the date of enactment of this title. However, the provisions of part I are not applicable in the case of any beneficiary of an estate or trust with respect to amounts paid, credited, or to be distributed in any taxable year of the estate or trust to which this part does not apply.

This amendment further revises the provisions of the House bill which provided that the 1939 Code would not apply to amounts paid, credited, or required to be distributed within the first 65 days of the first taxable year of an estate or trust to which the new code applies. Under the Senate amendment amounts paid, credited, or required to be distributed within the first 65 days of the first taxable year of an estate or trust with respect to which part I of subchapter J applies will be treated as paid, credited, or required to be distributed on the last day of the preceding taxable year and will be taken into account as provided in the 1939 Code. The House recedes.

Amendment No. 176: This amendment to section 691 (d) of the House bill, relating to recipients of income in respect of decedents, replaces section 72 (j) of the House bill. The House bill provided that in the case of primary annuitants dying after 1953 the system of present law providing a new start for the survivor in a joint and survivor annuity would be discontinued. Instead an additional deduction was to be allowed to the survivor based upon the estate tax attributable to a part of the estate-tax value of the annuity. This amendment differs in substance from the corresponding provision in the House bill only in the manner of computing the part of the estate-tax value. Under the House bill the part would have corresponded to the relative cost of the survivor feature. Under this amendment the part corresponds to that amount which the survivor expects to receive which is, in fact, interest earned during the lifetime of the primary annuitant. The House recedes.

Amendment No. 177: This amendment incorporates a new subchapter K dealing with partners and partnerships, the provisions of which basically retain the analogous provisions of the House bill with a number of substantial changes and several technical and conforming changes.

1. Summary of major Senate changes accepted by managers on the part of the House

(a) Aggregate rule for contributed property (sec. 704). Under present law there is considerable doubt as to the determination of partners' respective shares of partnership gain, loss, depreciation, or depletion with respect to property contributed to the partnership by one of the partners. The House bill, adopting the so-called "entity approach," stated that such items are to be shared by the partners in accordance with the partnership agreement for sharing gain or loss generally.

The Senate amendment adopts the House provision as a general rule, but permits the partners, by agreement, to divide the gain or loss, depreciation, or depletion with respect to contributed property among the partners in a manner which attributes precontribution appreciation or depreciation in value to the contributor. The Senate amendment provides an additional rule which allocates gain, loss, depreciation, or depletion with respect to partnership property in which the partners held undivided interests in the same manner as if there were no partnership, unless the partnership agreement provides otherwise.

(b) Alternative method of determining basis of partner's interest (sec. 705): The House bill contained a relatively detailed computation for the determination of the basis of a partner's interest. The Senate amendment retains the House provision in substance, but adds an alternative method of determination, to be permitted under regulations, by reference to the partner's proportionate share of the adjusted basis of partnership property.

(c) Changing or adopting new taxable years (sec. 706): The House bill provided that a partnership may not adopt, or change to, a taxable year other than the calendar year except with the approval of the Secretary or his delegate. The Senate amendment permits the partnership to adopt, or change to, any taxable year without such permission if all its principal partners change to the same year. The partnership may, however, adopt or change to a taxable year other than that of all its principal partners if a business purpose is established therefor.

(d) Transactions between partners and partnerships (sec. 707): The House provision treated sales of property between a partnership and a partner having an interest of 50 percent or more as a contribution to, and a distribution from, the partnership so that no gain or loss was recognized. In lieu of the House rules, the Senate amendment applies to partnerships the rules used in the case of similar transactions between corporations and controlling shareholders. A deduction for losses is disallowed if the partner has an interest in the partnership of more than 50 percent. Capital gain on the sale of depreciable property is recognized unless the partner has a partnership interest of more than 80 percent, in which case the gain is to constitute ordinary income.

Both the House provisions and the Senate amendment provide for the use of the "entity" approach in the treatment of the transactions between a partner and a partnership which are described above. No inference is intended, however, that a partnership is to be considered as a separate entity for the purpose of applying other provisions of the internal revenue laws if the concept of the partnership as a collection of individuals is more appropriate for such provisions. An illustration of such a provision is section 543 (a) (6), which treats income from the rental of property to shareholders as personal holding company income under certain conditions.

(e) Distributions (secs. 731–735): The House bill provided that in the case of distributions, whether or not in complete liquidation of a partner's interest, the distributed property was in general to have a basis to the distributee equal to its basis to the partnership, and that gain or loss was to be recognized on the difference between the basis of the distributed property and that of the distributee's partnership interest. The Senate amendment retains the use of the carryover basis for nonliquidating distributions, but provides in the case of liquidating distributions that the distributee's basis for the property received is to be equal to the basis of his partnership interest less any money received. The basis of inventory items and unrealized receivables, however, is limited to the basis for such property to the partnership in the case of both liquidating and nonliquidating distributions. Where the partner receives a basis for the property differing from its basis to the partnership, the partnership is permitted to adjust the basis of its assets to reflect this difference.

(f) Payments to a retiring partner or successor of a deceased partner (sec. 736): Under both the House bill and the Senate amendment, payments made by a partnership to a retiring partner or a successor of a deceased partner in excess of the value of his capital interest are treated as income to the recipient and a deduction to the remaining partners. The recipient retired partner, estate, or successor is to be treated in the same manner as a partner and, consequently, the payments, determined with respect to a partnership taxable year, are to be treated as income to the recipient for his taxable year with, or within, which such partnership year ends.

Under the House bill, however, the treatment described above for payments other than for a capital interest was to apply only to payments received within 5 years after death or retirement. If received after this period, they were treated as a gift by the remaining partners to the retiring partner or heirs of the deceased partner. The Senate amendment strikes out the 5-year limitation and treats such payments as income to the recipient and a deduction to the partnership regardless of when paid.

(g) Transfers of an interest in the partnership (secs. 741–743): The House bill provides for an elective adjustment to the basis of partnership property on a transfer of a partnership interest. This adjustment would have resulted in tax benefit or detriment to all the partners. Under the Senate amendment the adjustment, to the extent it represents appreciation or depreciation in the value of partnership assets after their contribution to the partnership, is available only to the transferee partner.

(h) Collapsible partnerships and other provisions common to distributions and transfers (secs. 751–755): Both the House bill and the Senate amendment provide for the treatment as ordinary income of certain gain from the disposition of an interest in a "collapsible partnership." The Senate amendment, however, made several technical changes in the House bill. Among these is the elimination of a special exclusion for a transferee in such a partnership, which under the House bill can be used to offset certain income from unrealized receivables or inventory items subsequently received by the partnership. Under the Senate amendment, the transferee may, if the partnership so elects, obtain a special basis for such partnership assets under the provisions of section 743 (b).

(i) Effective dates (sec. 771): The Senate amendment makes the provisions of subchapter K applicable for partnership years beginning after December 31, 1954, instead of after December 31, 1953, as provided by the House bill. The provisions dealing with collapsible partnerships (sec. 751) and the character of gain or loss on the sale by a partner of unrealized receivables or inventory items distributed to him (sec. 735 (a)) are made effective for transactions after March 9, 1954. The provision dealing with adoption or change of taxable years of partnerships and partners (sec. 706) is made effective for taxable years beginning after April 1, 1954.

2. Modifications of Senate amendment under conference agreement

The House agrees to Senate amendment numbered 177 with amendments. Except for clerical and conforming amendments, the

changes in the Senate amendment proposed under the conference agreement are explained below:

(a) Closing of partnership year (sec. 706 (c)): Section 706 (c) (2), as modified under the conference agreement, makes clear that a partner who sells or exchanges his interest, or who completely retires from a partnership, must include in his return his distributive share of partnership income, gain, loss, or other items described in section 702 (a) for the period ending with the sale, exchange, or liquidation. Thus if the partnership taxable year ends on December 31, 1955, and the partner retires or sells his interest on June 30, 1955, he must, under regulations, include in his taxable income his share of section 702 (a) items accruing to June 30, 1955. In this case, the Secretary may by regulations permit the partner to estimate this share by taking the pro rata part (determined according to the portion of the taxable year of the partnership which has elapsed prior to the sale) of the amount of such items he would have included had he remained a partner until the end of the partnership year, thereby avoiding the necessity of an interim closing of the partnership books.

The application of section 706 (c) (2), as modified under the conference agreement, may be illustrated as follows: Assume that a partner selling his partnership interest on June 30, 1955, has a basis for his interest of $5,000, that his pro rata share of partnership income and gain up to that date is $15,000, and that he sells his interest for $20,000. His partnership year closes at the time of the sale and the $15,000 is includible in his return as ordinary income or capital gain depending on the nature of the gain to the partnership. This recognition of income and gain increases the basis of the partnership interest to $20,000 so that no further gain is recognized on the transfer. The transferee includes in his income only his distributive share for the remainder of the partnership year.

The paragraph, as modified, also provides that the taxable year of a partner whose interest is liquidated upon his death under the partnership agreement is not to close prior to the end of the partnership year.

(b) Continuation of partnership (sec. 708): Section 708 under the conference agreement provides that a sale or exchange within a 12-month period of 50 percent or more of the total interest both in partnership capital and partnership profits will be considered as a termination of a partnership. However, a disposition of such interests by gift or on the death of a partner will not result in such a termination.

(c) Special partnership basis of distributed property to a transferee (sec. 732 (d)): Section 732 (d) under the conference agreement applies only where the partnership has not made an election under section 754 to adjust the basis of partnership property at the time the partner acquired his interest. If such an election were in effect, the transferee would have a special basis adjustment allocable to him for purposes of such a distribution under the provisions of section 743 (b). Under the conference agreement, section 732 (d) permits a transferee partner, receiving a distribution of partnership property (other than money) within 2 years after acquiring his interest, to elect the same treatment he would be accorded if he had a special basis adjustment with respect to the partnership property under section 743 (b) (see the discussion of that section).

The Senate amendment stated that the provisions of section 732 (d) could be made mandatory under regulations when there was a distribution to a transferee partner, whether or not made within 2 years after the transferee acquires his interest, if the fair market value of the distributed property (including money) exceeds 110 percent of its adjusted basis to the partnership immediately before the distribution. Under the conference agreement the provisions of section 732 (d) may be made mandatory only if the fair market value of all the partnership property at the time of the transfer exceeds 110 percent of its adjusted basis at such time.

(d) Optional adjustment to basis of partnership property (sec. 743 (b)): The conference agreement provides a simplified formula for the determination of the elective special adjustment to the basis of partnership property on the transfer of a partnership interest by a partner. Under the rule provided, a purchaser or heir of an interest in a partnership will generally receive the same special basis with respect to the partnership property regardless of which of the interests is acquired.

The Senate amendment made the amount of the adjustment depend on the difference between the transferee's basis for his interest in the partnership and the transferor's adjusted basis for the interest immediately prior to the transfer. The conference agreement provides that in the case of a transfer, the adjusted basis of partnership property is to be increased or decreased by the difference between the transferee's basis for his partnership interest and his proportionate share of the adjusted basis of all partnership property. The amount of the increase or decrease is to constitute an adjustment affecting the transferee partner only. A partner's proportionate share of the adjusted basis of partnership property is to be determined in accordance with his interest in partnership capital. Thus if a partner's interest in such capital is one-third, his proportionate share of the adjusted basis of partnership property will, in general, be one-third of such basis. Where, however, an agreement with respect to contributed property is in effect, the agreement must be taken into account in determining a partner's proportionate share.

The application of section 743 (b), as agreed to by the conferees, may be illustrated as follows, using an example analogous to that in the report of the Finance Committee (S. Rept. 1622, 83d Cong., 2d sess., page 398).

Assume that partner A dies when the balance sheet of the ABC partnership is as follows:

Assets			Liabilities and capital		
	Adjusted basis	Market value		Adjusted basis	Market value
Cash	$5,000	$5,000	Liabilities	$10,000	$10,000
Accounts receivable	10,000	10,000	Capital:		
Property X (inventory)	20,000	21,000	A	12,000	22,000
Property Y (depreciable asset)	20,000	40,000	B	15,000	22,000
			C	18,000	22,000
Total	55,000	76,000	Total	55,000	76,000

Assume further that all partners share equally in profits and that the partnership has made the election to adjust the basis of partnership assets upon the transfer of a partnership interest.

The amount of the adjustment under section 743 (b) is determined by comparing the basis of the transferee for his interest in the partnership with his proportionate share of the adjusted basis of partnership properties. The basis of the transferee's interest is $25,333, the value of his capital interest on A's death, $22,000, plus his proportionate share of partnership liabilities, $3,333 ($10,000, the total partnership liabilities, divided by 3). The transferee partner's proportionate share of the adjusted basis of the partnership property is $18,333 ($55,000, the total adjusted basis of partnership property, divided by 3). Thus, the amount to be added to the basis of partnership property under section 743 (b) is $25,333 less $18,333, or $7,000. It should be noted that the amount of the adjustment is not dependent on the basis of the transferor's interest in the partnership. Under the conference agreement, the amount of the adjustment under section 743 (b) is the same whether the transferee acquired his interest from A, B, or C, either as an heir or as a purchaser.

The manner of allocating the $7,000 among the partnership properties and the effect of the transferee's special basis for purposes of computing gain upon the sale of partnership property, depreciation or depletion and for determining the basis of property distributed to the transferee, is the same as under the Senate amendment.

The provision in subsection (b) that a partner's proportionate share of the adjusted basis of partnership property is to be determined by taking into account a partnership agreement described in section 704 (c) (2) with respect to contributed property may be illustrated by the following examples:

(A) Assume that A and B form a partnership AB to which A contributes property X, a depreciable asset worth $1,000, with an adjusted basis to him of $400 and to which B contributes $1,000 in cash. Assume further that during the partnership's first taxable year property X appreciates in value to $1,200, and A sells his half interest in the partnership to C for $1,100.

Under the rule stated in section 743 (b) (1), if there is no agreement under section 704 (c) (2) in effect at the time of the sale, the adjusted basis of the partnership property will be increased by the excess of the transferee partner's basis for his partnership interest, $1,100, over his proportionate share of the adjusted basis of the partnership property, $700 ($400, the basis of property X, plus $1,000, the money, or a total partnership basis of $1,400, divided by 2). The amount of the adjustment therefore is $400, to be applied as an increase in the basis of partnership property. This amount will be allocated to property X with respect to the transferee only. If X is sold for $1,400, the gain to the partnership is $1,000 ($1,400 received, less the partnership basis of $400 for property X). Thus, each partner has gain of $500 on the sale. C, the transferee, however, has special basis with respect to X of $400, which will decrease his gain to $100.

If C purchased his interest from B (the partner contributing cash), C's adjustment under section 743 (b) would also be $400, computed in exactly the same manner as in the case of a purchase from A.

(B) If, in the above example, the original partnership AB had a special agreement with respect to property X, stating that upon the sale of that property, any gain, to the extent attributable to precontribution appreciation, was to be allocated entirely to the contributing partner, A, the computation of C's

special basis would differ from that indicated in example A. Under the partnership agreement, A had, in effect, a basis of only $400 in the partnership assets (his basis for property X prior to its contribution to the partnership) and B had a basis of $1,000 (the full basis of his investment). C, who is A's successor, has a proportionate share in the adjusted basis of partnership property of $400 (A's share of partnership basis). The amount of the increase in the adjusted basis of partnership property under section 743 (b) (1) is $700 (the excess of $1,100, C's basis for his interest, over $400, C's share of partnership basis). This amount constitutes an adjustment to the basis of partnership property with respect to C only.

If X is sold by the partnership for $1,400, the gain is $1,000 ($1,400 received, less the partnership basis of $400). Under the partnership agreement, $600 of this gain is allocable to C as A's successor. The remaining $400 gain is not subject to the agreement, and is allocable to B and C equally, i. e., $200 each. However, C has a special basis of $700 under section 743 (b) which reduces his gain from a total of $800 to $100. B has a gain of $200, and is unaffected by the transfer of A's interest.

(C) If in the preceding illustration C purchased his interest from B instead of from A, his special basis in partnership property would differ from that where he purchased it from A because of the agreement under section 704 (c) (2). In this case, C is a successor to B whose proportionate share of the basis of partnership property is $1,000, instead of A whose proportionate share of the partnership basis is $400. As a result the adjustment under section 743 (b) (1) is the excess of C's basis for his interest, $1,100, over his proportionate share of the basis of partnership property, $1,000, or an adjustment of $100.

In this case, if property X is sold for $1,400, the partnership gain is $1,000 ($1,400 received, less the partnership basis of $400). Six hundred dollars of the gain is allocable to A under the partnership agreement as precontribution appreciation. The remaining $400 is allocable in the amount of $200 to A and $200 to C. Since C has a special transferee basis of $100 under section 743 (b), his gain is reduced to $100.

As indicated by the above examples, where a partnership agreement, described in section 704 (c) (2), with respect to contributed property is in effect, the special adjustment available to a transferee partner will vary depending on which partner's interest he obtained. This treatment perserves the positions of the nontransferee partners with respect to precontribution appreciation or depreciation as provided under the partnership agreement.

Under the Senate amendment, the special section 743 basis adjustment, described above, for a transferee is used in the case of distributions as well as for purposes of determining depreciation, depletion, or gain or loss. This rule is continued under the conference agreement whether the basis adjustment under section 743 (b) is computed by reference to an agreement under section 704 (c) (2), relating to contributed property, or without reference to such an agreement. Accordingly, where a section 704 (c) (2) agreement is in effect, the basis of partnership property for purposes of distributions will be computed in the manner shown in examples (B) and (C) above. The agreement under section 704 (c) (2) is also given effect in determining the basis of distributed property if the provisions of section 732 (d) are applicable, since this subsection provides the same basis for distributed property as would be obtained under section 743 (b). If neither section 743 (b) nor section 732 (d) is applicable, the basis of property distributed to a transferee partner is not affected by a partnership agreement under section 704 (c) (2) with respect to contributed property.

If property with respect to which the transferee has a special basis under section 743 (b) is distributed to a partner other than the transferee, then the transferee partner's special basis allocable to such property is shifted to other property remaining in the partnership (or distributed to the transferee in the same transaction) in the same manner as is described on page 400 of the report of the Committee on Finance with respect to the Senate amendments (S. Rept. 1622, 83d Cong., 2d sess.).

(e) Unrealized receivables and inventory items (sec. 751): Section 751 (b) of the Senate amendment provides that certain distributions to a partner are to be treated as a sale or exchange of property between the partner and the partnership (as constituted after the distribution).

Under the conference agreement, it is made clear that section 751 (b) (1) applies only where a partner receives a distribution of unrealized receivables or substantially appreciated inventory items and such property is received in exchange for the distributee partner's interest in other partnership property. Such a transaction is considered a sale by the partnership (as constituted after the distribution) to the distributee partner of unrealized receivables and inventory items owned by the partnership. The partnership (as constituted after the distribution) realizes ordinary income from such a distribution since it is treated as having exchanged unrealized receivables or inventory items. The distributee partner realizes capital gain (or loss from such a distribution since he is treated as having exchanged property other than unrealized receivables or inventory items.

It should be noted that section 751 (b) (1) is not applicable to a distribution to a partner of his proportionate share of partnership inventory items or unrealized receivables where such a distribution is not in exchange for his interest in other partnership property. If the distribution is, in part, a distribution of the distributee partner's proportionate share of unrealized receivables or inventory and, in part, is a distribution in exchange for the distributee partner's interest in other partnership property, an allocation must be made, under regulations, between the two categories, both for the purposes of the distributee partner and the partnership.

The conference agreement makes clear that section 751 (b) (2) applies to the converse situation, i. e., a distribution which is equivalent to a disposition by the distributee partner of his interest in unrealized receivables or substantially appreciated inventory items in exchange for other partnership property. The distributee partner realizes ordinary income for the interest in unrealized receivables or inventory items which he gives up. The amount of this gain is determined by reference to his proportionate share of the basis to the partnership of the unrealized receivables or inventory items and the fair market value of the property received in exchange. The partnership realizes capital gain (or loss) with respect to the property distributed to the partner in exchange for his interest in unrealized receivables or inventory items. The gain or loss to the partnership is attributable to the partnership as constituted after the distribution, i. e., to the partners other than the distributee.

(f) Definitions (sec. 761): Section 761 contains definitions applicable to subchapter K. The conference agreement with respect to section 761 (c), which relates to the definition of a partnership agreement, makes clear that a partnership agreement with respect to a particular taxable year may be made or modified subsequent to the close of the taxable year, but not later than the date prescribed by law for the filing of the partnership return for such year (not including any extension of time). Accordingly, a partnership agreement under section 704 (c) (2) which makes a special allocation among the partners of depreciation, depletion, or gain or loss with respect to contributed property, may be adopted at any time prior to, and including, the day prescribed by law (not including any extension of time) for the filing of the partnership information return. The authorization to revise or amend the partnership agreement subsequent to the close of the taxable year is subject, of course, to the provisions of section 704 (b), relating to distributive shares of partnership items of gain, loss, etc.

The conference agreement with respect to section 761 (d), defining the term "liquidation of a partner's interest," indicates that the term includes a liquidation made by means of a series of distributions as well as a single distribution. A series of distributions in pursuance of a plan to terminate the interest of a partner, whether occurring in one or more taxable years, is subject to the provisions of subchapter K which pertain to liquidations. In such a case, the basis to the distributee of the distributed properties will be determined by reference to the basis of the distributee for his interest in the partnership under section 732 (b), rather than under the provisions of section 732 (a), relating to nonliquidating distributions.

(g) *Effective date* (sec. 771): Section 771 of the Senate bill contains a general effective date for the application of subchapter K, and special provisions relating to the application of certain sections of subchapter K.

Section 771 (a), as amended by the Senate, provided that, in general, subchapter K would be effective as to (A) partnership taxable years beginning after December 31, 1954, and (B) taxable years of partners in which or with which such partnership years end. The 1939 Code was applicable to preceding taxable years of partnerships and partners.

Section 771 (a) under the conference agreement provides that subchapter K is applicable to any part of a taxable year of a partner falling within a partnership taxable year beginning after December 31, 1954. Thus, if the partnership and the partners are on different taxable years, the provisions of subchapter K will become effective at the same time both for the partnership and the partners. Accordingly, any distribution by the partnership or transaction between the partners and the partnership will be subject to the rules of sections 731–736, and section 707 respectively, both for the partner and the partnership, if the partnership taxable year begins after December 31, 1954, even though the taxable year of the partner affected may commence at a date subsequent to the beginning of such partnership taxable year.

Section 771 (b) (1) of the Senate amendment provides that section 706 (b) (relating to the adoption of a taxable year by a partnership or partner) is to apply to the adoption of, or change to, a taxable year beginning after April 1, 1954. Under the conference agreement, an additional sentence in section 771 (b) (1) provides that, in applying section 706 (b), the rules of section 703 (relating to the continuation of partnerships) are to be applicable without regard to the general effective date for subchapter K. Thus, in the case of a merger of two or more partnerships, the resulting partnership will be a continuation of the dominant partnership under section 708 (b) (2) (A), and may continue to use the taxable year of such predecessor partnership because it is not "adopting" or "changing" a taxable year.

Under the conference agreement a paragraph (4) has been added to section 771 (b) of the Senate amendment. The paragraph restricts the application of section 753 to decedents dying after December 31, 1954, and leaves unchanged the treatment of payments made with respect to prior decedents. No inference is intended as to the inclusion of the value of the right to such payments in the gross estate of decedents dying prior to January 1, 1955.

Under the conference agreement, a subsection (c) has been added to section 771 of the Senate amendment. Subsection (c) provides that in the case of a partnership taxable year beginning after December 31, 1953, and prior to January 1, 1955, a partnership may elect to apply certain rules of subchapter K with respect to nonliquidating distributions. The election is to be made under regulations prescribed by the Secretary or his delegate and is binding on the partnership and all its members.

If an election is made under section 771 (c) of the rules of sections 731 (relating to recognition of gain or loss on distributions), 732 (a), (c), and (e) (relating to the basis of distributed property), 733 (relating to the basis of a distributee partner's interest), section 735 (relating to character of gain or loss on disposition of distributed property), and 751 (b), (c), and (d) (relating to unrealized receivables and inventory items) will be applicable to all nonliquidated distributions made during the taxable year. In addition to the sections referred to, the distribution will be subject to the rules of sections 705 (relating to the basis of a partner's interest), 752 (relating to liabilities), and 761 (d) (relating to the definition of the liquidation of a partner's interest) to the extent such sections are applicable to nonliquidating distributions.

Amendments Nos. 178, 179, and 180: Under existing law, in the case of life insurance companies, the definitions and rules for determining such items as gross income, interest paid, and taxable income refer only to items of income received or items of deductions paid. The House bill modified those definitions to permit such items to be treated as "received or accrued" or "paid or accrued" so that insurance companies may conform to the method used in the approved statement for life insurance companies promulgated by the National Association of Insurance Commissioners. The Senate amendment restored the language of existing law. The Senate recedes.

Amendments Nos. 181 and 182: Amendment 182 amends section 851 (e) of the House bill to permit regulated investment companies furnishing capital to development corporations, to include, under certain conditions, among their diversified assets those securities the value of which exceeds 5 percent of the value of the total assets of the taxpayer. Amendment 181 is a conforming amendment necessitated by Amendment 182. The House recedes.

Amendment No. 186 (1): This amendment amends section 854 (b) (2) of the House bill to provide that the amount of any distribution by a regulated investment company which may be treated as a dividend, for the purposes of section 854 (b) (1), shall not exceed the amount so designated by the company in a notice to its shareholders mailed not more than 30 days after the close of the company's taxable year. Section 854 (b) (2), as amended by the Senate, conforms in general to the notice requirements applicable under present law to capital-gains dividends. The House recedes with a conforming amendment.

Amendment No. 186 (2): This amendment amends section 854 (b) (3) (B) of the House bill, relating to the definition of the term "aggregate dividends received." It provides that an investment company is to treat as dividend income only dividends which would quality for the dividends received exclusion in the hands of a shareholder who is an individual. The rules of section 116 (b) and (c) are therefore made applicable in determining the total dividend income of the investment company. The amount treated as dividend income to the investment company may, upon distribution to the shareholders of the investment company, be considered by them as dividends for purposes of computing the credit under section 34, the exclusion under section 116, and the deduction under part VIII of subchapter B. However, any amounts, such as foreign dividends, which would not qualify for the exclusion are not to be treated as dividends when distributed to the shareholders of the investment company. The House recedes.

Amendment No. 195: This amendment, together with amendment No. 200, relating to allowance of credit for taxes paid or accrued to foreign countries and United States possessions, restores the provisions of present law and eliminates changes in the House bill which permitted a taxpayer to credit a "principal tax" for each separate trade or business paid or accrued to the national government of a foreign country or a United States possession. The House recedes.

Amendments Nos. 196, 197, and 198: These amendments (1) eliminate changes made by the House bill with respect to the allowance of credit to a domestic corporation for "principal taxes" paid or accrued to the national governments of foreign countries and United States possessions by certain related foreign corporations and (2) restore the provisions of existing law, as contained in section 131 (f) of the 1939 Code. The House recedes.

Amendment No. 207: This amendment strikes out section 923 of the House bill, pursuant to which there would have been allowed against the tax of certain domestic corporations a credit of 14 percent of the taxable income derived from sources within any foreign country (1) as branch income includible in gross income under part IV of subchapter N of the bill, (2) as compensation for the rendition of technical, engineering, scientific, or like services, and (3) under specified circumstances, as dividends and interest from a foreign corporation.

The Senate amendment deleted these provisions on the ground that they raised a number of difficult problems for which a satisfactory solution could not be evolved in the time available.

It is the opinion of the managers on the part of the House that in view of the numerous objections raised to the specific provisions of the House bill, the large amount of revenue involved (approximately $145 million), and the difficulty of working out a satisfactory provision in conference, the foreign income provisions should be omitted from the bill and postponed for a more thorough study. The House recedes.

Amendments Nos. 208, 209, 210, and 211: These amendments revise subpart E of subchapter N of the House bill, relating to China Trade Act corporations, so as to include Hong Kong (in addition to Formosa) within its provisions, and to confine the benefits to taxable income from sources within Formosa and Hong Kong. The House recedes.

Amendment No. 212: This amendment deletes in its entirety part IV of subchapter N of the House bill. Under part IV certain domestic corporations were permitted to elect to defer tax on income allocable to certain foreign branches until such income was withdrawn, thus equating, in general, the tax treatment of foreign branches with that of foreign subsidiaries. To be eligible to elect the deferral of tax on branch income under part IV, the foreign branch was required to be engaged in the active conduct of a trade or business which met tests similar to those prescribed in section 923 of the House bill for foreign corporations whose dividends would be entitled to the 14 percent foreign income credit. These provisions of the House bill raised the same problems as those discussed in regard to amendment No. 207. The House recedes.

Amendment No. 218: The House bill contained additional provisions relating to the basis of property acquired from a decedent. The principal effect of these additional provisions is to extend the basic rules applicable under existing law in the case of property acquired from a decedent by bequest, devise, or inheritance, to virtually all property acquired from a decedent by reason of death, form of ownership, or other conditions if, by reason thereof, the property would be required to be included in the decedent's gross estate for estate tax. In the application of these rules property acquired by the taxpayer by virtue of or subject to the exercise or nonexercise of a power of appointment possessed by the decedent shall be considered to have been acquired from the decedent if the property covered by the power would be includible in the decedent's gross estate.

The Senate amendment made certain clarifying changes relative to the application of these additional rules. In addition, the amendment provides that in case any property to which the additional rules apply was acquired from the decedent prior to death, the basis otherwise provided for shall be reduced by the amount allowed to the taxpayer as deductions for exhaustion, wear and tear, obsolescence, amortization, and depletion on such property before the decedent's death. The House recedes.

Amendment No. 227: This amendment changes section 1033 of the House bill, relating to involuntary conversions, by adding two new subsections. Subsection (d) provides that the sale or other disposition of property lying within an irrigation project will be deemed an involuntary conversion if the sale is made in order to conform to the acreage limitation provisions of Federal reclamation laws.

Subsection (e) provides that if livestock are destroyed by disease, or are sold or exchanged because of disease, such destruction or sale shall be treated as an involuntary conversion.

The House recedes with a clarifying amendment to specifically include within subsection (e) livestock destroyed because of disease.

Amendment No. 228: This amendment strikes out section 1035 of the House bill, relating to foreclosures on property held as security. The House recedes.

Amendment No. 232a: This amendment to section 1081 of the House bill extends the rule in present law which provides for nonrecognition of gain on exchanges or distributions in obedience to orders of the SEC. Under the amendment, in the case of distributions of rights to acquire certain stock in accordance with an arrangement forming a ground for an order of the SEC that the distributing corporation is exempt from the Public Utility Holding Company Act of 1935, no gain will be recognized. This amendment applies only to distributions completed before January 1, 1958. The House recedes.

Amendment No. 238: Section 1223 (1) of the House bill provides that the holding period of property acquired in certain tax-free exchanges may include the period during which the property exchanged was held, but only if both the property acquired and that exchanged were capital assets. There is no such restriction in present law. The Senate amendment also allows the adding of holding periods if the property exchanged was property used in the trade or business. The House recedes.

Amendment No. 244: Section 1232 of the House bill provides a new rule for treating as ordinary income a portion of gain realized on bonds and other evidences of indebtedness issued at a discount. This amendment removes from the operation of the rule, and from its necessary calculations, certain cases in which the ordinary income part of the gain is likely to be nonexistent or very small. These cases include any buyer who acquires one of these original discount bonds at a premium, and any bond issued at certain relatively small discounts.

The amendment also clarifies the operation of the discount rule in connection with a particular type of security known as a face-amount certificate. In addition clerical changes are made. The House recedes.

Amendment No. 245: This amendment applies the substance of the rule developed in the House bill for dealing with bonds originally issued at a discount, to cases where there is a sale of a long-term bond from which there have been detached coupons for a number of future years. The House recedes.

Amendment No. 246: This amendment completely rewrites the provision in the House bill dealing with patents. Under the House bill an inventor could sell his interest in a patent under an arrangement whereby his price would be contingent on the profitability or productivity of the patent in the hands of the buyer provided that he received his full payment within 5 years of the date of sale.

This amendment makes three substantive changes. First, the 5-year limitation is eliminated with the effect that all income from an exclusive license of all the substantial rights under a patent will be a capital gain. Second, the requirement of a 6-month holding period is dropped. Third, as under the House bill, the professional inventor is accorded the same treatment as the amateur inventor but the amendment extends this favorable treatment to any individual who purchases an interest in the invention before the time it is actually "reduced to practice." The employer of the inventor and an individual closely related to the inventor, however, are made ineligible for this treatment.

The House recedes with an amendment to make it clear that the section applies to transfers prior to the issuance of the patent.

Amendment No. 247: This amendment strikes section 1237 of the House bill which provided that under certain circumstances a dealer in real estate could obtain long-term capital gains on real property held in a specially designated investment account. The House recedes.

Amendment No. 248: Section 1238 of the House bill (sec. 1237 of Senate bill) provided circumstances under which an individual who held real property for investment could subdivide the property to dispose of it and yet not thereby be held to be a dealer in real property and taxable at ordinary income rates on the entire gain. This amendment clarifies the restriction in the House bill which provides that the taxpayer must not have made substantial improvement on the property he subdivides and sells. The amendment specifies that to disqualify a property the improvement must substantially enhance the value of the particular lot sold and must have been made, directly or indirectly, by the taxpayer or related persons. The House recedes.

Amendment No. 248a: This amendment adds a new paragraph to subsection (b) of section 1238 of the House bill, dealing with real property subdivided for sale by other than real-estate dealers. It provides an exception to the general rule in the bill that only property held by the taxpayer for 5 years and on which the taxpayer makes no substantial improvement is within the scope of the section. Under the amendment the taxpayer could install water or sewer facilities or roads if the lot or parcel would not have been marketable at the prevailing local price for similar building sites without such improvement and if the taxpayer made no adjustment to the basis of the property or other property for the cost of such improvements.

The House recedes with two amendments. The first amendment requires the taxpayer, if he makes such improvements, to hold the property involved for 10 years after his acquisition of it before this exception to the substantial improvement rule will apply. The second amendment requires the taxpayer to make the election implicit in the Senate amendment in accordance with regulations and specifically denies any deductibility, under such election, of the cost of such improvements with respect to the real property in question.

Amendment No. 251: This amendment strikes from the bill those provisions added by the House that would have attempted to settle some conflicting court decisions dealing with the transfer of property in exchange for a private annuity. To provide an opportunity for further study of this matter, the House recedes.

Amendment No. 252: This amendment adds a provision not in the House bill but having the effect of restoring the provision of present law which allows capital-gains treatment on distributions on the termination of certain employment contracts. It is provided that this provision will only apply, however, to contracts entered into before the date of enactment of this provision. The House recedes.

Amendment No. 253: This amendment adds a section not appearing in the House bill, with respect to the treatment of gain on the cancellation of certain contracts as capital gains. The items covered are (1) the receipt by a lessee of a payment for the cancellation of a lease, and (2) the receipt by a distributor of goods of a payment for the cancellation of his distributor's agreement, but the latter applies only if he has a substantial capital investment in the distributorship. The House recedes.

Amendment No. 253a: The House bill provided that where an individual receives in a single year 80 percent of his compensation for a particular job in which he, or a partnership of which he is a member, was engaged for more than 36 months, he may, in computing his tax, spread this compensation over the period during which the job was performed. A member of a partnership was entitled to the benefits of this provision under the House bill only if he was such a member continuously for a period of 36 months, or for the period during which the job was performed, prior to receipt or accrual of the compensation. A partner who qualifies by being a partner for 36 months prior to receipt or accrual of the compensation, although not a partner for the full period during which the job was performed, may spread such compensation only over the period in which he was a partner.

This amendment provides that for the purpose of applying the above rules, a partner shall be deemed to have been a member of the partnership for any period immediately prior to becoming a partner in which he was an employee of the partnership, if he receives or accrues compensation during the current year attributable to a job performed by the partnership during the period when he was an employee. The House recedes.

Amendment No. 254: The House bill provided for the spreading, subject to certain restrictions, of income received with respect to a particular invention or artistic work on which the taxpayer worked for 36 months or more. The Senate amendment reduces to 24 months the minimum period during which the taxpayer must have worked on the invention or artistic work, and also makes clerical changes. The House recedes.

Amendment No. 258: Under the House bill section 1341 (claim of right) does not apply to sales or other dispositions of stock in trade or of inventories. This amendment provides that the exception for refunds arising from inventory sales will not apply to refunds or repayments made by a regulated public utility (as defined in sec. 1503 (c)) if such refunds or repayments are required to be made by the regulatory agency. The House recedes with a technical amendment.

Amendment No. 259: This amendment adds a new subchapter R, consisting of section 1351 which gives certain corporations an election to be treated as partnerships for tax purposes, and section 1361 which allows certain proprietorships an election to be taxed as corporations.

The election permitting corporations to be treated as partnerships applies only in the case of corporations, having only one class of stock, organized after December 31, 1953, owned by not more than 10 shareholders, all of whom are active in the business, and all of whom consent to the election. The election, once made, may not be revoked unless there is a change in stock ownership of more than 20 percent. Shareholders of an electing corporation who are also employees may not participate in tax-exempt pension or profit-sharing plans.

The election permitting proprietorships and partnerships to be taxed as corporations applies only in the case of business enterprises where capital is a material income-producing factor, or where 50 percent or more of its income is derived from trading as a principal or from certain types of brokerage commissions. Partnerships with more than 50 members may not qualify for the election. A proprietor or a member of a partnership subject to this election will nevertheless be taxed in his individual capacity with respect to any personal holding company income and such income will not be taxed to the business enterprise. The election, once made, is irrevocable unless there is a change of ownership of more than 20 percent.

The House recedes with the following amendments:

Section 1351 which gives certain corporations an election to be treated as partnerships is stricken.

Amendments Nos. 261 and 262: These amendments require the withholding of tax at source upon certain specified amounts which are considered to be gains from the sale or exchange of capital assets and which, under amendments Nos. 188 and 190, are subject to tax when received by nonresident alien individuals not engaged in trade or business within the United States and by nonresident foreign corporations. The House recedes.

Amendment No. 263: The House bill combined the rules stated in section 141 of the Internal Revenue Code of 1939 and in the consolidated returns regulations (Regulations 129) with conforming changes. In addition the House bill (1) lowered the stock ownership affiliation test from 95 to 80 percent; (2) provided that the expiration of a provision of law would have the same effect as an amendment in determining whether an affiliated group gets a new election to join in the filing of a consolidated return; (3) contained four alternative elective methods for determining the reduction in the accumulated earnings of each member of the affiliated group because of the tax imposed on the group; (4) contained a provision (similar to section 15 (c) of the Internal Revenue Code of 1939) for the disallowance of the $25,000 surtax exemption in certain cases, and a provision for the disallowance of the $30,000 accumulated earn-

ings credit provided in section 535 (c) of the House bill in similar situations.

The Senate amendment eliminated the consolidated returns regulations from the statute and thus returned substantially to the provisions of section 141 of the 1939 Code. A provision was added which would eliminate the 2-percent tax on the consolidated taxable income attributable to those members of the affiliated group which are regulated public utilities. The term "regulated public utility" is defined as a corporation engaged in the furnishing of electric energy, gas, water, etc., whose rates are established or approved by a governmental agency. The term also includes certain lessor railroad corporations and certain common parent corporations which are common carriers subject to part I of the Interstate Commerce Act. In addition (1) the 95-percent stock ownership affiliation test of existing law is restored; (2) businesses electing, under subchapter R of chapter 1, the alternative partnership or corporate tax treatment are not allowed to join in the filing of a consolidated return; and (3) a conforming change is made in the provision disallowing the accumulated earnings credit in certain cases to reflect the increase from $30,000 to $60,000 in the amount of such credit made by the Senate amendment to section 535 (c).

The House recedes with the following amendments: (1) The stock ownership affiliation requirement is lowered to 80 percent as provided in the House bill. (2) For purposes of allocating the tax on the consolidated taxable income in determining the earnings and profits of each member of the affiliated group, the four alternative elective methods provided in the House bill will apply.

Amendment No. 264: This amendment clarifies section 2013 (a) of the House bill to make certain that the benefits of the section apply to property passing to the decedent as a result of the exercise or nonexercise of a power of appointment when the property is includible in the gross estate of the donee of the power. The amendment also modifies this section to cover property transferred to the decedent by a person who died within 2 years subsequent to the death of the decedent. The House recedes.

Amendment No. 265: This amendment makes a clerical change in the heading of subsection (c) (2) of section 2013 of the House bill and completely revises subsection (d) of that section so as to provide that the value of property transferred to the decedent shall be determined in the same manner as the value of property interests passing to a surviving spouse under section 2056. This amendment is designed to provide for greater certainty in the provision of the House bill. This amendment also makes it clear that the term "property" denotes any beneficial interest in property transferred to the decedent. The House recedes.

Amendment No. 266: This amendment clarifies section 2015 of the House bill so that the section only applies where an election is made under section 6163 (a) to postpone payment of the estate tax attributable to a reversionary or remainder interest. The House recedes.

Amendment No. 267: This amendment adds to section 2016 of the House bill a provision that no interest shall be assessed or collected on any amount of tax due as the result of the recovery by an executor of death taxes paid to a foreign country where credit has been previously allowed under section 2014 for any period before the receipt of such refund. This provision, however, specifies that interest may be assessed and collected to the extent interest was paid by such foreign country on such refund. The House recedes.

Amendment No. 268: This amendment removes the limitation provided by the House bill which would have restricted the right of the executor to elect the benefits of section 2032 to cases where the aggregate value of all items in gross estate declined to 66⅔ percent of the value of the aggregate of all such items as of the date of the decedent's death. The House recedes.

Amendment No. 269: This amendment amends section 2039 of the House bill by revising subsection (a) so as to make it clear that the provisions of section 2039 apply not only to cases where an annuity was payable to a decedent but also to contracts or agreements under which a lump-sum payment is payable to the decedent or the decedent possesses the right to receive such a lump-sum payment in lieu of an annuity.

This amendment also make a change in subsection (c) of that section as stated in the House bill so as to provide that the exemption will apply not only to an annuity or other payment payable under a qualified employees' trust but also under a contract purchased by such an employees' trust. This subsection is further revised so that the exemption will apply if the particular plan under which the annuity or other payment is made meets the requirements of section 401 (a) at the time the plan terminates if occurring prior to the decedent's separation from employment. In addition, this amendment revises subsection (c) to more clearly indicate that the exemption is denied only in the proportion that the total payments made by the decedent under a plan bear to the total payments or contributions made thereunder. Subsection (c) is made applicable to estates of decedents dying after December 31, 1953. The House recedes.

Amendment No. 271: This amendment makes technical changes in section 2055 (a) of the House bill and adds a new paragraph (4) which would allow a deduction for transfers to or for the use of any veterans' organization incorporated by an act of Congress or of its departments or local chapters or posts, no part of the net earnings of which inure to the benefit of any private shareholder or individual. The House recedes.

Amendment No. 271a: This amendment adds to section 2055 (a) of the House bill a provision under which the complete termination, prior to exercise, of a power to consume, invade, or appropriate property for the benefit of an individual shall be treated in the same manner for the purposes of the deduction as though it were an irrevocable disclaimer made by such beneficiary.

The House recedes with an amendment making it clear that the termination must occur before the date prescribed for the filing of the estate tax return in order for the transfer of the property subject to the power to qualify for the charitable deduction.

Amendment No. 272: This amendment makes two clerical changes in section 2056 (b) of the House bill, and, in addition, amends paragraph (3) so that the provisions of that paragraph apply equally to all of the terminable interest rules in section 2056 (b). The House recedes.

Amendment No. 273: This amendment strikes out subsection (b) (7) of section 2056 which would have specifically excepted from the terminable interest rule generally applicable to the estate tax marital deduction payments for the support of the surviving spouse within 1 year of the decedent's death. In repealing the deduction for support of dependents formerly allowed by section 812 (b) and providing that such amounts will be allowable as a marital deduction, the report of the Committee on Ways and Means on the Revenue Act of 1950 (Rept. No. 2319, 81st Cong.) stated:

"Under existing law amounts expended in accordance with the local law for support of the surviving spouse of the decedent are * * * not allowable as a marital deduction under section 812 (e) of the Code. However, as a result of the amendment made by this section, such amounts heretofore deductible under section 812 (b) will be allowable as a marital deduction subject to the conditions and limitations of section 812 (e)."

Many of these "widows' allowances" should qualify for the marital deduction under present law without regard to the time of payment. Therefore, the added complications of this section are largely unnecessary. The House recedes.

Amendment No. 277: This amendment adds at the end of section 2503 (b) of the House bill a provision which would prevent the disallowance of the exclusion in a case where there is a possibility that the present interest may be decreased by the exercise of a power if no part of such interest can pass to another person. This amendment also makes clarifying amendments in section 2503 (c) of the House bill. The House recedes.

Amendment No. 280: This amendment amends section 2515 of the House bill in order that the provisions of this section will also be applicable to joint tenancies in real property between husband and wife with right of survivorship as well as to tenancies by the entirety. The House recedes.

Amendment No. 281: This amendment strikes from section 2516 of the House bill the provision that the section will not apply unless the property settlement was "incident to divorce" and substitutes for the provision that the property settlement must be followed by divorce "within a reasonable time" a provision that the divorce must occur within 2 years. The House recedes.

Amendment No. 301a: Section 4082 (c) of the House bill provided that if a producer or importer uses (otherwise than in the production of gasoline) gasoline sold to him free of tax, or produced or imported by him, such use shall be considered a sale for purposes of the provisions imposing the tax on gasoline sold by the producer or importer. Senate amendment No. 301a exempts from this rule gasoline used in the production of special motor fuels referred to in section 4041 (b); namely, benzol, benzene, naphtha, liquefied petroleum gas, or any other liquid (other than kerosene, gas oil, fuel oil, or diesel fuel) of a kind sold for use as, or used as, a fuel for the propulsion of a motor vehicle, motorboat, or airplane. The House recedes.

Amendment No. 327 (2): This amendment exempts from tax admissions to athletic games or exhibitions between teams composed of students from colleges if the entire gross proceeds from the game or exhibition inure to the benefit of a hospital for crippled children. The House recedes.

Amendment No. 332: This amendment to section 4233 of the House bill, relating to exemptions from the admissions tax, conforms the section to the changes made by the Excise Tax Reduction Act of 1954 and grants exemption from tax to two new categories of admissions. The new provisions added by the Senate amendment exempt: (1) admissions to baseball games if all the players who participate have amateur or semiprofessional standings, and (A) the game is not conducted primarily for profit; (B) the teams involved do not regularly play for profit; and (C) no part of the net earnings from the game inures to the benefit of any private stockholder or individual; and (2) admissions to rodeos or historical pageants, if the proceeds are used exclusively for the improvement, maintenance, and operation of the rodeo or pageant, and if no part of the net earnings inures to the benefit of any private individual or shareholder. The House recedes.

Amendments Nos. 348 (2) and 349 (3): Under the House bill, strip stamps for distilled spirits were required to be sold by the Internal Revenue Service to persons entitled thereto at a price of 1 cent for each stamp, except that in the case of stamps for con-

tainers of less than one-half pint, it was provided that the price be one-fourth cent for each stamp. Under the Senate amendments, no charge would be made for such stamps. The House recedes.

Amendment No. 350 (1): The House bill, provided that stamps for distilled spirits withdrawn for exportation be charged for at the rate of 10 cents per stamp except that, in the case of certain packages or cases withdrawn for export, the charge was 5 cents. The Senate amendment provides that such stamps be furnished free of charge. The House recedes.

Amendment No. 352: The House bill provided that rice wine (saké) be taxed as wine, rather than as fermented malt liquor as under existing law. Senate amendment No. 352 provides that rice wine be taxed as fermented malt liquor. The House recedes.

Amendment No. 357 (1): Section 5055 of the House bill changed the requirements of existing law relating to taxpayment of beer by stamp and provided for payment by return. Further provision was made authorizing the Secretary or his delegate to require stamps or other devices to be affixed to hogsheads, barrels, or kegs of beer at the time of removal, and to make a charge to brewers for the stamps sufficient to defray the expense of preparation. Senate amendment No. 357 deleted that part of the second sentence of the House bill authorizing the Secretary or his delegate to make a charge for such stamps. The House recedes.

Amendment No. 404: Section 5703 (b) of the House bill changed the requirements of existing law relating to the taxpayment of manufactured tobacco articles, and provided for the payment by return. Further provision was made that if stamps were required for manufactured tobacco articles, they should be furnished to manufacturers and importers of tobacco articles at a sum sufficient to defray the cost of preparation. The Senate amendment deletes the provision for sale of such stamps and adds a provision authorizing the Secretary or his delegate to regulate the issuance and use of such stamps for manufactured tobacco articles. The House recedes.

Amendment No. 407: Section 5862 (a) of the House bill provides for the seizure and forfeiture of certain gangster-type firearms made or transferred in violation of chapter 53 of the House bill. The Senate amendment provides for the seizure and forfeiture of such firearms involved in any violation of chapter 53, or regulations promulgated thereunder. The House recedes.

In H. R. 8300 as it was reported by the Ways and Means Committee, as it passed the House, and as it passed the Senate, sections 3108 (a), 3070 (a), and 3072 of the Internal Revenue Code of 1939 were reenacted as sections 5310 (a), 5331, and 5647 of H. R. 8300. As stated in the report of the committees of both the House and the Senate, these provisions, along with all other provisions dealing with distilled spirits, are to be studied further in the light of an anticipated report from the Internal Revenue Service based on a study now being made jointly by a task force of the Service and industry.

In the Ways and Means Committee report, it was specifically stated with respect to section 5331 of H. R. 8300:

"This section is intended to apply to alcohol produced at industrial alcohol plants and withdrawn for denaturation."

In connection with section 5310 of H. R. 8300, the Ways and Means Committee report contained the following statement:

"The term 'existing law' in subsection (a) is intended to include section 5331."

It is now understood that there is pending in the courts litigation involving those questions, i. e., whether section 3070 (a) of the Internal Revenue Code of 1939 (now proposed as sec. 5331 (a) of H. R. 8300) is applicable to alcohol produced in industrial alcohol plants and withdrawn for denaturation, and also whether the term "existing law" in section 3108 (a) of the Internal Revenue Code of 1939 (now proposed as sec. 5310 (a) of H. R. 8300) includes section 3070 (a) of the Internal Revenue Code of 1939 (now proposed as sec. 5331 (a) of H. R. 8300).

It is the purpose of the committee of conference, including the managers on the part of the Senate as well as the managers on the part of the House, to make it clear that the reenactment of all of the aforesaid provisions of the 1939 Internal Revenue Code, pending the expected Treasury report to the next Congress, is to be given no consideration in pending litigation as to the meaning or interpretation of those provisions in the 1939 Code.

Amendment Nos. 417 (1), (2), and (4): These amendments extend from January 15 to January 31, the due date prescribed in section 6015 (f) of the House bill for filing an income-tax return in lieu of a final declaration of estimated tax. The House recedes.

Amendment No. 418: This amendment adds subsection (i) to section 6015 of the House bill (relating to declarations of estimated income tax by individuals) making the section applicable only with respect to taxable years beginning after December 31, 1954, and the pertinent sections of the 1939 Code applicable with respect to taxable years beginning before January 1, 1955. The House recedes.

Amendment No. 419: This amendment changes the filing requirement for declarations of estimated income tax by corporations in section 6016 of the House bill. Under the House bill no declaration would have been required if the estimated tax liability was not more than $50,000; the amendment increases that amount to $100,000. The House recedes.

Amendment No. 424: This amendment adds an exception to section 6033 (a) of the House bill (relating to returns by exempt organizations) providing that, in the discretion of the Secretary or his delegate, the pension and profit-sharing trusts described in section 401 (a) of the bill as agreed to in conference may be relieved from stating in their returns any information which is reported in the returns of the employers establishing such trusts. The House recedes.

Amendment No. 431: This amendment to section 6041 of the House bill restores the provisions of section 147 (a) of existing law (relating to information at source on certain payments) to the extent of requiring information returns from persons engaged in a trade or business with respect to payments made in the course of such trade or business. The House recedes.

Amendment No. 436: This amendment requires that gift-tax returns shall be filed on or before April 15 instead of March 15 as provided in the House bill. The House recedes.

Amendment No. 446: This amendment, which adds section 6316 to the House bill, authorizes the Secretary or his delegate in such cases as he may deem proper, and under such regulations and subject to such conditions as the Secretary or his delegate may prescribe, to accept foreign currency in payment of taxes. The House recedes.

Amendment No. 447: This amendment conforms the language of section 6321 of the House bill (relating to liens for taxes) to the language of existing law by deleting the parenthetical phrase "(including the interest of such person as tenant by the entirety)". The House recedes.

Amendment No. 449: Subsection (c) of section 6323 of the House bill provided certain specific rules with respect to the validity of the tax lien, without the filing of notice thereof, as against mortgagees, pledgees, purchasers, and judgment creditors. The Senate amendment strikes out this subsection, thereby continuing in effect the existing law, including applicable rules which have been developed by judicial construction. The House recedes.

Amendment No. 453: This amendment adds a provision to section 6325 (b) of the House bill expressly providing that, if the Secretary or his delegate determines the interest of the United States in a particular piece of property subject to lien to be valueless (considering any prior liens), he may issue a certificate discharging such property from the lien. The House recedes.

Amendment No. 456: The Senate amendment adds arms for personal use, livestock, and poultry to the property exempt from levy under the limitations of section 6334 of the House bill. The House recedes.

Amendment No. 457: The Senate amendment provides that, in cases where the tax is in jeopardy and levy is made without regard to the 10-day period after notice and demand provided in section 6331 (a) of the House bill, public notice of sale shall not be made within such 10-day period unless the property is perishable property described in section 6336 of the House bill. The House recedes.

Amendment No. 466a: This amendment adds a new provision to section 6416 (b) (2) of the House bill specifying that the tax paid on gasoline shall be considered an overpayment where such tax-paid gasoline is used for the production of special fuels which are taxable under section 4041 (b). The House recedes.

Amendment No. 470: This amendment restores existing law by striking out the provisions of section 6501 (c) (2) of the House bill which extended to income, estate, and gift taxes the rule, applicable to all other taxes, that there would be no limitation on assessment in the case of a willful attempt in any manner to defeat or evade the tax. The House recedes.

Amendment No. 474: This amendment to section 6501 (g) of the House bill provides that, if a taxpayer determines in good faith that it is an exempt organization for a taxable year and files a return as such under section 6033, such return shall be deemed the return of the corporation for purposes of measuring the running of the period of limitation on assessment and collection. The House recedes.

Amendment No. 475: Section 6503 (b) of the House bill provided that the period of limitation on collection after assessment shall be suspended during the period the assets of a taxpayer are in the control or custody of a court, and for 6 months thereafter. The Senate amendment provides that such suspension will not apply where the assets in the control or custody of the court are those of a decedent or incompetent. The House recedes.

Amendments Nos. 477, 478, and 479: These amendments to section 6511 of the House bill (relating to limitations on credit or refund) provide that the 3-year period (as distinguished from the 2-year period after payment) for filing claims for credit or refund shall run from the due date of the return (determined without regard to any extension of time for filing) instead of from the date the return was filed. The House recedes.

Amendment No. 485a: This amendment to section 6531 of the House bill provided that the general period of limitations on prosecutions for criminal offenses under the Internal Revenue Code of 1954 shall be 5 years instead of 3 years. The Senate recedes.

Amendments Nos. 486 (1), (2), and (3): These amendments to section 6531 of the House bill removed from the listed criminal offenses to which the 6-year period of limitations applies under the bill the following offenses: (1) The offense of willfully failing to pay the tax or make any tax return at the time or times required by law or regulations; (2) the offenses described in section 7206 (1) and 7207, relating to false statements and fraudulent documents; (3) the offense

described in section 7212 (a), relating to intimidation of officers or employees of the United States; and (4) the offenses described in section 7214 (a) committed by officers and employees of the United States. The Senate recedes.

Amendment No. 486 (4): This amendment applies that part of section 6531 of the House bill which provides that the period of limitations on criminal prosecution shall be suspended during the period of time the taxpayer is outside of the territorial limits of the United States (instead of outside the judicial district where the offense was committed), to offenses committed under the Internal Revenue Code of 1939 with respect to which the statute of limitations has not expired prior to the effective date of this section. This provision shall be deemed an amendment to section 3748 (a) of the Internal Revenue Code of 1939, except that if the period of limitations provided in this section would expire prior to 3 years after the date of enactment of the Internal Revenue Code of 1954 solely by reason of such amendment, it shall not expire prior to the end of such 3-year period. The House recedes.

Amendment No. 487: This amendment to section 6532 (b) of the House bill restores existing law by reducing from 6 years to 5 years the period in which the United States may bring suit to recover an erroneous refund if it appears that any part of such refund was induced by fraud or misrepresentation of a material fact. The House recedes.

Amendment No. 488: This amendment to section 6601 (f) of the House bill (relating to interest on underpayments) provides that if notice and demand is made for payment of tax, and if the amount demanded is paid within 10 days after such notice and demand, interest will not be imposed upon such amount for the period subsequent to the date of the notice and demand. The House recedes.

Amendment No. 494: This amendment to section 6653 (a) of the House bill provided that the addition to the tax of 5 percent of an underpayment of income tax or gift tax due to intentional disregard of rules or regulations shall not be made where a taxpayer in good faith intentionally disregards rules or regulations because he reasonably believes the rules or regulations are invalid and attaches to his return an adequate statement which sets forth the rules or regulations disregarded and the grounds for believing them invalid. The Senate recedes.

Amendments Nos. 495, 496, 497, 498, and 498a: These amendments make the following changes in section 6654 of the House bill (relating to failure by individuals to pay estimated income tax):

(1) Amendment No. 495 amends subsection (d) to provide that no additional charge shall be applied with respect to any installment where the total amount of tax paid by the installment date is not less than 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid (as if such months constituted a taxable year). The House recedes.

(2) Amendment No. 496 adds subsection (e) providing that for the purposes of this section the estimated tax shall be computed without any reduction for the amount which the taxpayer estimates as his credit under section 31 (relating to tax withheld at source on wages). Subsection (e) also provides that, for the purposes of this section, the amount of the credit allowed under section 31 for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amount shall be deemed paid on each installment date (determined under section 6153) for such taxable year. However, if the taxpayer establishes the dates on which all amounts were actually withheld, the amounts so withheld shall be deemed payments of estimated tax on the dates on which such amounts were actually withheld. The House recedes.

(3) Amendment No. 497 redesignates subsection (e) of the House bill as subsection (f) and as such it is amended to provide that the term "tax", for the purposes of subsections (b) and (d), means the tax imposed by chapter 1 reduced by the credits against tax allowed by part IV of subchapter A of chapter 1 other than the credit against tax provided by section 31. The House recedes.

(4) Amendment No. 498 adds subsection (g) providing that the application of this section to taxable years of less than 12 months shall be only in such manner as may be prescribed by regulations. The House recedes.

(5) Amendment No. 498a adds subsection (h) providing that this section shall apply only with respect to taxable years beginning after December 31, 1954, and that section 294 (d) of the 1939 Code shall apply with respect to taxable years beginning before January 1, 1955. The House recedes.

Amendments Nos. 499 and 501: These amendments make the following changes in section 6655 of the House bill (relating to failure by corporations to pay estimated income tax):

(1) Amendment No. 499 (1) amends section 6655 (d) (1) to provide that an installment of estimated tax will be deemed sufficient if it is based on the tax shown on the return of the corporation for the preceding taxable year reduced by $100,000, if a return showing a liability for tax was filed by the corporation for the preceding taxable year and such preceding year was a taxable year of 12 months. The House recedes.

(2) Amendment No. 499 (2) amends section 6655 (d) (3) of the House bill to provide that, in computing the tax on an annualized basis by reference to the months in the taxable year before the installment date, the income to be annualized may be either that for the months immediately preceding the month of the installment date, or for a period ending 2 months earlier, whichever will result in no charge being made. The House recedes.

(3) Amendment No. 501 adds subsection (f) to section 6655 of the House bill, providing that the application of this section to taxable years of less than 12 months shall be only in such manner as may be prescribed by regulations. The House recedes.

Amendment No. 502: Section 6863 (a) of the House bill (relating to stay of collection of jeopardy assessments) provided, like existing law, that the amount of the bond required to stay collection of a jeopardy assessment might be as much as double the amount of the tax the collection of which was sought to be stayed. The Senate amendment provides that the amount of the bond shall be equal to the amount of the tax, including any additions thereto, collection of which is sought to be stayed. The House recedes.

Amendment No. 503: This amendment, for which there is no corresponding provision in the House bill, provides for the stay of sale of property seized under a jeopardy assessment of income, estate, or gift tax during the period a petition may be filed with the Tax Court and, if such petition is filed, until the decision of the Tax Court becomes final. The provision does not apply if the taxpayer consents to the sale, or if the Secretary or his delegate determines that the expenses of conservation and maintenance of the property seized will greatly reduce the proceeds, or if the property is perishable goods as defined in section 6336 of the House bill. The House recedes.

Amendment No. 505 (2): Section 6901 (d) (1) of the House bill provided that, if a transferee or fiduciary agreed to an extension of the period for assessment, the period for filing claim for credit or refund of tax paid by him is also extended for the period of the agreement and 6 months thereafter. The Senate amendment provides that, where the statute of limitations is extended for an overpayment made by the transferee or fiduciary, it will be extended for a like period with respect to an overpayment made by the transferor in those cases where the transferee or fiduciary is legally entitled to credit or refund of such overpayment. The House recedes.

Amendments Nos. 506 and 507: These amendments eliminate the provisions of the House bill which would change existing law by treating a willful failure to make a tax return as a felony rather than a misdemeanor. Under the amendments, as under existing law, a willful attempt in any manner to evade or defeat tax or the payment thereof will be treated as a felony and the willful failure to file a tax return will be treated as a misdemeanor. The House recedes.

Amendment No. 508: The Senate amendment reduces the punishment imposed for offenses under section 7206, relating to fraud and false statements, from a fine of not more than $10,000 or imprisonment for not more than 5 years, or both, as contained in the House bill, to a fine of not more than $5,000, or imprisonment of not more than 3 years, or both. The House recedes.

Amendment No. 510: This amendment to section 7212 of the House bill defines threats of force as meaning threats of bodily harm to the officer or employee of the United States or to a member of his family, and provides that if an offense is committed only by threats of force it is to be punishable by a fine of not more than $3,000, or imprisonment for not more than 1 year, or both. The House recedes.

Amendment No. 511: This amendment to section 7232 of the House bill reduces the maximum fine for failure to register or give bond, or for making false statement, by a manufacturer or producer of gasoline or lubricating oil from $10,000 to $5,000, which corresponds to the maximum fine imposed under existing law. The House recedes.

Amendment No. 515: The House bill contained a specific provision that the assessment of the tax upon which the lien of the United States is based shall be conclusively presumed to be valid for purposes of adjudication in an action to enforce the lien of the United States or to subject property of the delinquent to the payment of the tax. The Senate amendment eliminated this provision, thereby restoring existing law. The elimination of this provision is not designed to change the effect under existing law given to the assessment in such an adjudication. The House recedes.

Amendment No. 518: Section 7422 (e) of the House bill provided for a stay of proceedings in cases where there is concurrent jurisdiction in a district court (or the Court of Claims) and in the Tax Court of the same case. The Senate amendment provides that such a stay shall not apply to a suit by a taxpayer which, prior to date of enactment of the 1954 Code, is commenced, instituted, or pending in a district court or the Court of Claims for recovery of any income tax, estate tax, or gift tax (including penalties). The House recedes.

Amendment No. 521: This amendment deletes the provision of the House bill (also contained in existing law) which required the Secretary or his delegate to provide the Tax Court with suitable rooms in courthouses or other buildings when necessary for hearings by the Tax Court outside the District of Columbia. The House recedes.

Amendment No. 524: This amendment provides that if a retired judge of the Tax Court is recalled to duty he will receive, during his period of duty, the same compensation as is then being paid to other judges of the Tax

Court but will not receive retirement pay for such period. The House recedes.

Amendment No. 526: The Senate amendment provides that the clerk of the Tax Court or his deputies may administer oaths without designation in writing by the chief judge. The House recedes.

Amendment No. 528: The House bill provided that, if one party to a proceeding in the Tax Court files a petition for review, an additional month to file a petition for review will be available to the adverse party to the proceeding. The Senate amendment extends this provision to any party to the proceeding, whether or not such party is an adverse party. The House recedes.

Amendment No. 530: Section 7494 of the House bill provided specific rules for determining venue in criminal prosecutions for offenses under the internal revenue laws. The House bill provided, among other things, that tax would be deemed to have been paid (and a return filed) in the judicial district where a taxpayer resides if the mails were used, or at the office of the internal revenue officer if delivered in any other manner. The Senate amendment strikes out this section of the House bill. The House recedes.

Amendment No. 535: The Senate amendment restores the provisions of existing law which exempt consular officers and employees of foreign states from payment of internal-revenue taxes on imported articles. The House bill contained no similar provisions. The House recedes.

Amendment No. 537: This amendment to section 7621 of the House bill restores the prohibition contained in existing law that parts of two different States may not be combined into one internal-revenue district. The House recedes.

Amendment No. 541: The Senate amendment to section 7701 (a) (20) of the House bill, relating to definitions, extends the application of the term "employee" as it relates to certain full-time life-insurance salesmen, to include those sections of the income tax laws which relate to accident and health insurance, or accident and health plans, or to employees' death benefits. The House recedes.

Amendment No. 545 (1): The House bill provided that chapter 3 of the House bill (relating to withholding of tax on nonresident aliens, foreign corporations, and tax-free covenant bonds), and chapter 5 of the House bill (relating to transfers to avoid income tax), applied to payments and transfers occurring after the date of enactment of the bill. The Senate amendment makes these provisions applicable to payments and transfers occurring after December 31, 1954. The House recedes.

Amendment No. 545 (2): The Senate amendment added a new sentence at the end of section 7851 (a) (1) (C) to the effect that the provisions of the 1939 Code which are superseded by the provisions of subtitle A (relating to the income taxes) of the 1954 Code, the applicability of which is stated in terms of a specific date occurring after December 31, 1953, shall be deemed to be included in subtitle A of the 1954 Code (thus making them applicable to taxable years beginning after December 31, 1953), but shall be applicable only with respect to the period prior to the taking effect of the corresponding provision of such subtitle A. The Senate amendment likewise added a new subparagraph (D) which provided that in the case of a taxable year beginning after March 31, 1954, sections 244 (relating to dividends received on certain preferred stock), 247 (relating to dividends paid on certain preferred stock of public utilities), and 922 (relating to deduction for Western Hemisphere trade corporations) of the 1954 Code shall apply without regard to whether such taxable year ended before, on, or after the date of enactment of the 1954 Code.

The House recedes with an amendment which revises subparagraph (D) of section 7851 (a) (1). The new subparagraph (D) is applicable with respect to taxable years ending after March 31, 1954, which are subject to tax under chapter 1 of the 1939 Code. The new subparagraph (D) makes amendments to various provisions of the 1939 Code which are necessary to carry into effect the extension of the corporate tax rate and credits which under the 1939 Code were applicable only with respect to taxable years beginning before April 1, 1954, and to repeal the reduction in the corporate tax rate and prevent the changes in credits which under the 1939 Code were to take effect with respect to taxable years beginning after March 31, 1954.

Amendment No. 545 (3): This amendment, by an addition to section 7851 (a) (4) of the House bill, provides that provisions having the same effect as section 6416 (b) (2) (H) of the bill (see the explanation under Senate amendment No. 466a) and so much of section 4082 (c) of the bill as refers to special motor fuels (see the explanation under Senate amendment No. 301a) shall be considered to be included in the Internal Revenue Code of 1939 effective as of May 1, 1954. The Senate amendment also removes whatever ambiguity may have existed under the Excise Tax Reduction Act of 1954 with respect to the rate of tax on diesel fuel for the month of April 1954 by expressly providing that section 2450 (a) of the internal Revenue Code of 1939, as amended by the Excise Tax Reduction Act of 1954, applies to the period beginning on April 1, 1954, and ending on December 31, 1954. The effect of this latter provision of the Senate amendment is to make it clear that the rate of tax on diesel fuel for the month of April 1954 is 2 cents per gallon, rather than 1½ cents per gallon. The House recedes.

Amendment No. 545 (4): The House bill provides an effective date of January 1, 1955, with respect to subtitle E of the 1954 Code, relating to alcohol, tobacco, and certain other excise taxes. The Senate amendment provides an exception with respect to chapter 53 of the House bill (relating to taxes on machineguns and certain other firearms), the provisions in section 5411 of the House bill permitting the use of a brewery for the purpose of producing and bottling soft drinks under regulations, and the provisions of section 5554 of the House bill (relating to pilot-plant operations), so as to make these provisions effective beginning with the day after the date of enactment of this title. The House recedes.

Amendment No. 546: The House bill provided that subtitle F of the bill (relating to procedures and administration) applies on and after the day after the enactment of the 1954 Code, except that certain provisions of the 1939 Code will continue to apply to taxes imposed by that code. The Senate amendment provides that the provisions of chapter 63 of the 1954 Code relating to assessment (other than those relating to deficiency procedures in the case of income, estate, and gift taxes), chapter 64, relating to collection, and chapter 65, relating to abatements, credits, and refunds (other than the provisions of sec. 6405, relating to reports of refunds and credits to the Joint Committee on Internal Revenue Taxation) shall not be effective until January 1, 1955, when they shall apply to taxes under both the 1939 Code and the 1954 Code. Before January 1, 1955, the corresponding provisions of the 1939 Code shall remain in effect with respect to taxes under both the 1939 Code and the 1954 Code. The House recedes.

Amendment No. 548: Subsection (b) of section 7851 of the House bill contained provisions that all offices, positions, appointments, employments, boards, or committees authorized by the 1954 Code shall not be abolished by repeal of the pertinent provisions of the 1939 Code. The Senate amendment makes clarifying changes and makes the provision also applicable to internal-revenue districts. The Senate amendment is designed to continue (despite repeal of the 1939 Code and enactment of the 1954 Code) all offices, positions, boards, and committees, all appointments and employments of officers and employees, and all internal-revenue districts, existing immediately before enactment of the 1954 Code, the continuance of which is not manifestly inconsistent with any provision of the 1954 Code. The amendment also makes clear that, in every such case, the authority to make changes shall not be restricted by this provision of the 1954 Code. The Senate amendment also adds a provision that, notwithstanding the repeal of the 1939 Code, any delegation of authority (including redelegations thereunder) pursuant to the provisions of Reorganization Plan No. 26 of 1950 or Reorganization Plan No. 1 of 1952, and in effect immediately preceding enactment of the 1954 Code, shall remain in effect for purposes of the 1954 Code, unless clearly inconsistent therewith. The provision does not limit in any manner the power to amend, modify, or revoke such delegations or redelegations of authority. The House recedes.

Amendment No. 550: The House bill provided that no provision of the 1954 Code is to apply where its application would be contrary to any treaty obligation. The Senate amendment limits this prohibition to treaties in effect on the date of enactment of the 1954 Code. The House recedes.

Amendment No. 551: This amendment added section 201 of the Miscellaneous Title to the House bill to authorize the Attorney General and the Federal Bureau of Investigation to investigate any violation of title 18, United States Code, involving Federal employees and requiring the head of every department or agency to report to the Attorney General all information relating to such violations received in his department or agency, unless responsibility for performing such investigation has been specifically otherwise assigned by existing law or the Attorney General otherwise directs. Existing authority of all agencies to investigate matters conferred upon them was not to be limited.

Existing law authorizes the Secret Service to detect and arrest any person violating any law concerning matters administered by and under the direct control of the Treasury Department. This amendment also added section 202 to the bill, striking the provision in section 3056 of title 18, United States Code, which confers such authority. The Senate recedes.

Amendment No. 552: This amendment added section 203 of the Miscellaneous Title to the bill amending section 3748 (a) of the 1939 Code (relating to periods of limitation for prosecution of offenses committed under the internal revenue laws) and section 3282 of title 18 of the United States Code (relating to periods of limitation for prosecution of certain noncapital criminal offenses) so as to extend the period of limitation under each section from 3 years to 5 years. The amendments were to be effective as to all offenses committed on or after the date of enactment of this bill and as to offenses committed prior thereto prosecution of which was not barred on the date of enactment. The House recedes with an amendment which eliminates the amendment to section 3282 of title 18, and limits the extension of the period of limitations under section 3748 (a) of the 1939 Code to offenses under section 4047 (e) of the 1939 Code, thereby confining it to certain offenses of officers and agents appointed and acting under authority of the revenue laws.

DANIEL A. REED,
THOMAS A. JENKINS,
RICHARD M. SIMPSON,
Managers on the Part of the House.

Mr. EBERHARTER. Mr. Speaker, the first point of order I wish to offer to the

conference report is that a copy of the House bill is not before the House.

The SPEAKER. A copy of the report is not before the House?

Mr. EBERHARTER. A copy of the House bill, H. R. 8300, is not before the House. Members cannot obtain a copy of the House bill.

The SPEAKER. The subject matter before the House is the conference report, rather than the bill as such.

Mr. EBERHARTER. Mr. Speaker, if I may discuss the matter, under section 6518, chapter 527, I think it is, volume 5 of Cannon's Precedents, it is stated that the House bill with the Senate amendments must be on the floor of the House for consideration. As I see it, the Members are unable to obtain copies of the House bill.

The SPEAKER. The Chair will say that both the bill and the conference report are here. The precedent in volume 5, section 6518, of Hinds Precedents requires the official papers—the House bill and the Senate amendment—to be here. They are here at the desk at this moment, and there is no requirement that each Member have a copy. The point of order is overruled.

Mr. EBERHARTER. Will the Chair indulge me in the making of my point of order until I obtain a copy and until other Members may obtain a copy of the House bill?

The SPEAKER. The Chair will say that the copy is here.

Mr. EBERHARTER. Mr. Speaker, a further point of order. In the CONGRESSIONAL RECORD and in the printing of the report there are differences in the printing of the report in the RECORD as compared with the conference report as printed here.

The SPEAKER. Will the gentleman outline those differences?

Mr. EBERHARTER. Mr. Speaker, in the RECORD which I have before me, page 12399, third column, second paragraph in the conference report the RECORD reads "110a" whereas the conference report reads "110."

The SPEAKER. Are there any other differences?

Mr. EBERHARTER. Mr. Speaker, I have on the way over from my office other instances where the RECORD and printing do not agree.

The SPEAKER. In reference to the point of order, the Chair will say that the conference report states that the House should recede from disagreement to amendment No. 110 and the RECORD, in the third column of page 12399, also indicates a recommendation that the House recede from its disagreement to amendment No. 110. Therefore, the Chair must overrule the point of order. Are there any other points of order?

Mr. EBERHARTER. Mr. Speaker, inasmuch as it is necessary for me to await the arrival of some papers, I will object to the reading of the statement in lieu of the report. I ask that the conference report be read.

The SPEAKER. The conference report has been considered as read.

Mr. EBERHARTER. Mr. Speaker, a point of order.

The SPEAKER. The gentleman will state it.

Mr. EBERHARTER. I object to the reading of the statement in lieu of the report.

The SPEAKER. The House, by unanimous consent, gave permission for the report to be considered as read, with the understanding that the gentleman could make his point of order. The report has now been considered as read.

The gentleman from New York [Mr. REED] is recognized for 1 hour.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. Reed of New York. Mr. Speaker, I hope that I may have the attention of the House. It is not often, if ever, that I have asked the House to listen to what I have to say. But, we are dealing here with a very important and carefully prepared piece of legislation.

Mr. Speaker, I call up the conference report on the bill (H. R. 8300) to revise the internal-revenue laws of the United States and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

Mr. Speaker, the conference report on H. R. 8300 culminates one of the most monumental legislative tasks ever undertaken by the Congress. It represents the fruit of hundreds of thousands of man-hours of work, spread over many months of intensive staff study, many weeks of public hearings, and many long weeks of executive consideration. In addition, thousands of private individuals throughout the United States have given unstintingly of their time and effort to this great undertaking. Their suggestions and their constructive criticisms have played a large part in the tax-revision project.

Above all, I must pay tribute to each of the 25 members of the Ways and Means Committee. Their devotion to this task has been without parallel in my experience. Certainly no job could be more exacting than that of technical tax revision. The members of our committee—both the majority and minority—measured up to the task in magnificent fashion.

As the bill was reported by the Ways and Means Committee and passed by the House, it was recognized that much technical work of a perfecting nature still needed to be done. This was particularly true in view of the fact that our committee did not hold public hearings on the finished bill. The public, especially the members of the tax profession, received the opportunity to be heard in the other body.

As a result, 553 amendments were adopted by the Senate. The large numbers of these amendments is evidence of the tremendous scope of the bill. However, the great bulk of the Senate amendments are merely clerical, technical, or conforming in nature, and only 173 of the amendments can be considered truly substantive. These are all explained fully in the conference report which has already been printed in the RECORD.

Many of the Senate amendments represent needed improvements in the House bill. A number represent further liberalizations in certain of the relief provisions—for example, in the provision pertaining to working mothers. A number of the Senate amendments represent a return to present law in certain areas where it was felt further study was needed. This was true, for example, with respect to the provisions of the House bill pertaining to foreign income and to certain of the provisions pertaining to corporate reorganizations. All of these amendments were considered with great care by your conferees.

I believe that the bill as modified by the Senate and by the conference agreement represents a splendid achievement. It makes the year 1954 truly a landmark in our tax history.

I will not attempt to explain generally the various agreements reached in conference. These have already been placed in the RECORD. However, I know that there is one provision of great interest to the House—that pertaining to the double taxation of dividends. You will recall that the House bill provided partial relief from the double taxation of dividends in two successive steps. Under the House bill, taxpayers would have been entitled in the first year to exclude entirely $50 of dividends and to have a tax credit equal to 5 percent of any dividends in excess of that amount. In the second and succeeding years, the exclusion was raised to $100 and the tax credit to 10 percent. The Senate eliminated all but the $50 exclusion. I am gratified to be able to report that the conferees agreed to a 4-percent tax credit for dividends received after July 31, 1954. This is, indeed, a very modest approach to the double-taxation problem, and I regret that more substantial relief could not be agreed upon. In this connection, I would like to point out that Canada already provides a 20-percent tax credit for dividends—twice the relief provided in the House bill and 5 times the relief agreed upon by the conferees. I believe it to be far more than coincidence that American dollars have been pouring into Canada in recent years to the detriment of our own economic expansion. So long as we retain discriminatory double taxation in our own tax system, we can expect to discourage investment in our own enterprise, thus stifling our own economic growth and preventing the creation of jobs for our own workers.

Contrary to what some would have us believe, there is nothing new in the proposal to give relief from double taxation of dividends. I have already pointed out the substantial relief which Canada grants today. Moreover, Great Britain has given such relief for over 100 years. The fact is that the United States has been backward in this regard.

Much has been said in certain quarters to the effect that the proposed relief from double taxation of dividends means that investors will pay lower taxes than wage earners. Of course, nothing could be further from the truth. The fact

is that income derived from equity investment today bears a far higher burden of taxation—because of the doubling up of the corporate and individual income taxes—than does any other form of income. All we are now proposing is a relatively minor reduction in that additional burden. Investment income will still bear a far higher tax burden than earned income. One can imagine the clamor in this House—and rightly so—if wages were taxed to the corporation prior to their distribution to its employees and then taxed again in the hands of its employees. That would be double taxation with a vengeance. Fortunately, our tax laws have never permitted such an injustice to arise. On the other hand, we have blindly permitted an identical injustice to continue to exist with respect to investment income. H. R. 8300, as agreed to by the conferees, makes a very small reduction in that unjust and discriminatory burden. The proposed 4 percent credit will relieve investors of approximately one-thirteenth—I repeat, only one-thirteenth—of the tax already paid by the corporation. That is very modest relief, indeed.

I would also like to point out that under the conference agreement, as under the House bill, each taxpayer, no matter what his tax bracket, will receive exactly the same amount of relief with respect to a given amount of dividend income. For example, at the present time, the lowest bracket taxpayer, paying a 20-percent rate, must pay a tax of $200 on $1,000 of dividends. Under the conference proposal, he will receive a $40 reduction in that $200 tax. A wealthy taxpayer, paying an 80-percent rate, must today pay a tax of $800 on the same $1,000 of dividends. Under the conference proposal, this taxpayer will receive the identical $40 reduction in his $800 tax. Of course, while their tax reductions are identical in dollar amount, the lower-bracket taxpayer will receive a 20-percent reduction in his tax, while the upper-bracket taxpayer, in the case I have just given, will receive only a 5-percent reduction in his tax.

Finally, I would like to point out that the cost of the bill as agreed to in conference falls somewhat short of the cost of the bill as it passed the House. The House bill, after taking into consideration the extension of the present 52-percent corporate tax rate, contained a net loss in revenue of $170 million. The Senate bill would have lost $116 million. The conference bill involves a net reduction in Federal tax receipts of $163 million—$7 million less than the House bill.

Mr. Speaker, I cannot emphasize too strongly the importance of the immediate adoption of this conference report. To individual taxpayers throughout the country, this bill means an end to numerous inequities and hardships which have grown up over the years. Moreover, let us not forget that the bill also closes many loopholes through which skillful taxpayers can avoid paying their just share of the tax burden. Enactment of this bill will serve as an immediate stimulus to the entire economy. It will be a go-ahead signal to economic growth—new businesses and new jobs. Let us give that green light to the American economy today by prompt adoption of this conference report.

Comparison of the estimated revenue effects of H. R. 8300 for the fiscal year 1955 as passed by the House, Senate, and as agreed to by the conferees

[Millions of dollars]

	Estimated revenue loss or gain (+)		
	House bill	Senate bill	Conference agreement
Individuals:			
Head of family:			
(a) Full split income	50		
(b) Full split income for 2 years after death of spouse and ½ split income for taxpayers who support parents regardless of their place of abode			11
Dividends received:			
Exclusion:			
$50 in 1954 and $100 thereafter	45		
$50 in 1954 and subsequent years		46	46
Tax credit:			
5 percent August 1954–July 1955 and 10 percent thereafter	195		
4 percent of taxable dividends received after July 31, 1954			158
Total, dividends received	240	46	204
Taxation of annuities on life expectancy	10	10	10
Deduction for dependents regardless of earnings	75	75	75
Dependent deduction for members of taxpayer's household who meet the support test	10	10	10
Retirement income credit	125	141	141
Deduction of interest charge on installment contracts	10		10
Deduction for construction of grain storage facilities		36	
Medical expense deduction:			
Increase in maximum limitation	10	10	10
Reduction in exclusion from 5 to 3 percent	115	115	115
Limitations on drugs and medicines to excess of 1 percent of adjusted gross income	+45	+45	+45
Total, medical expense deduction	80	80	80
Child care deduction	40	130	130
Exemption for distributable trusts (increased from $100 to $300)	3	3	3
Premium payment test on life insurance	25	25	25
Increase charitable contribution limitation from 20 to 30 percent	25	25	25
Deduction for soil and water conservation expenditures	10	10	10
Depreciation	75	77	73
Partnerships and proprietorships taxed as corporations		20	20
Effect on individuals	778	688	827

	Estimated revenue loss or gain (+)		
	House bill	Senate bill	Conference agreement
Corporations:			
Natural resources: [1]			
Depletion	[2] 27	[2] 34	[2] 34
Allow capital gains treatment for iron ore royalties		10	
Total, natural resources	27	44	34
Foreign income:			
Treatment of branch profits	95		
14 percent differential rate	55		
Denial of differential rate on manufactured products imported	+5		
Removal of overall limitation on foreign tax credit	2	2	2
Total, foreign income	147	2	2
Depreciation:			
Allow declining balance at 200 percent of straight line	300	300	300
Allow declining balance on full cost of construction completed after Dec. 31, 1953		32	
Restrict declining balance to assets with useful life of 3 or more years		+9	+9
Total, depreciation	300	323	291
Net operating loss:			
Extend carryback to 2 years	90	90	90
Adjustments for dividends received and depletion	10	30	30
Total, net operating loss	100	120	120
Denial of dividends-received credit for dividends from insurance companies	[3] +27		
Removal of 2-percent surtax on consolidated return of regulated public utilities		35	35
Tax on earnings improperly accumulated		10	10
Allow corporations with 10 or less stockholders to file as partnerships		50	
Continuation of 26-percent capital-gains rate to Apr. 1, 1955		+9	+9
Accounting provisions	45	47	47
Declarations and payment of estimated tax	[4]	[4]	[4]
Alcohol, distilled spirits strip stamps		6	6
Effect on corporations, exclusive of rate extension	592	628	536
Extension of 52-percent corporate rate	+1,200	+1,200	+1,200
Grand total	170	116	163

[1] A small part of this estimate applies to individuals but cannot be clearly segregated.

[2] Excludes estimate for uranium, thorium, and vanadium. Data confidential.

[3] Not included in House report.

[4] No revenue effect in fiscal year 1955.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

I want to say another word: I understand there is going to be a motion to recommit. To say that I am astonished that one should be made is putting it very lightly. If you will look through the history of legislation and parliamentary procedure, I doubt whether you can find a single precedent where the conferees, having followed the instructions of the House, and agreed to a compromise, the House then voted to recommit, and to repudiate its own conferees and its own instructions to the conferees.

There is no such precedent. Why such an extraordinary procedure should be attempted in this particular case with a great monumental bill of this kind which reaches into every home in the United States is very difficult for me to understand. Yet that is the attempt which is being made today. I certainly hope we will return to a proper situation as far as motions to recommit are concerned.

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

Mr. REED of New York. I yield.

Mr. COOPER. I am sure the distinguished gentleman will recall that this very thing happened in 1951, when a motion to recommit the conference report was made and was adopted by the House.

Mr. REED of New York. That may have been so, but I am talking about this case where the House has instructed the conferees and the conferees have followed the instructions of the House to the best of their ability.

Mr. COOPER. The same situation prevails today, as it did in 1951. The conferees brought in a conference report. The gentleman from Pennsylvania [Mr. EBERHARTER] made a motion to recommit the conference report and the House adopted his motion.

Mr. REED of New York. My recollection is that Mr. EBERHARTER's motion in 1951 is in no sense a precedent for the action here proposed. In that case there had not previously been an unsuccessful motion to recommit on the same point when the bill was initially considered by the House.

Mr. Speaker, I hope the House will vote overwhelmingly for the conference report.

Mr. BOGGS. Mr. Speaker, will the gentleman yield for a question?

Mr. REED of New York. I yield.

Mr. BOGGS. I should like to address a technical question to my distinguished chairman. I understand that there is a provision in the bill that prohibits the use of a tax carry-forward in another business unless that business is related to the one with the tax carry-forward. I have in mind a newspaper which has a tax carry-forward and they wish to acquire a TV station or a motion picture producing company. Since all three of these businesses are in the field of instructing and entertaining the public, would be chairman care to express the intent of this language as to whether a tax carry-forward could be used by the newspaper company in the television operation or in the motion picture producing company.

Mr. REED of New York. I will be very glad to. If I understand your question correctly, a newspaper corporation with a net operating loss carry-forward wishes to purchase a television station or a motion picture business which is expected to show a profit and you wish to know whether the newspaper corporation will be able to use its loss carry-forward to offset the anticipated profits from its new activities. I would say that there is nothing in the bill which, in an appropriate case, would preclure the newspaper corporation from using its net operating loss carry-forward to offset the profits from its new lines of activity. I am assuming, of course, that all the activities in question are conducted by the same corporate entity.

Mr. BOGGS. I thank the gentleman very much.

Mr. REED of New York. The gentleman is very welcome.

Mr. Speaker, I yield 10 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include a table.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. COOPER. Mr. Speaker, I had the privilege of being a conferee on the proposed Internal Revenue Code of 1954, H. R. 8300. I did not sign the conference report. My reason for not signing this report is well known to the Members of the House, from the speech which I made when H. R. 8300 was being considered in the House on March 17 of this year. I objected at that time not only to the fact that the proposed revision of the Internal Revenue Code granted favored treatment to income from dividends while no relief whatever was being provided to income taxpayers generally, I also objected to the principle of providing more favorable treatment for unearned income than for earned income.

It was my feeling then and it is still my feeling that if tax relief can be provided without endangering the fiscal affairs of the Government, sole reliance cannot be put on the methods recommended and sponsored by the present administration and leadership. One of the main arguments advanced for tax relief for dividend income is that the economy of the country demands an expansion in plant capacity. It is my belief that the economy at this time should be bolstered by an increase in purchasing power through tax reductions for individuals generally. Statistics on our productive capacity bear out the fact that we already, in many instances, have unused productive capacity. At the same time, we all know that tax burdens on low-income taxpayers are so great that they have difficulty making ends meet, even as to the necessities of life.

We on this side of the aisle when the bill was originally considered in the House came within four votes of providing fair and equitable tax relief by deleting the exclusion and tax credit for dividend income from the bill and inserting a $100 increase in individual income tax exemptions. The Senate deleted entirely the provision for a credit against tax for dividend income, and called for a study of this subject by the Treasury Department, to be submitted to the Congress by January 15, 1955, but still provided for a $50 exclusion of dividend income from gross income for taxpayers. As a matter of principle, I still believe that it is wrong to provide any more favorable tax treatment for unearned income than earned income; however, since both the House and the Senate passed the bill containing a $50 exclusion of dividend income for tax purposes, that provision was not in conference.

It will be recalled that under the House provision, in the first year of operation, $50 of dividend income would have been excluded from tax, by an exclusion from gross income, and a 5 percent credit against tax for the remaining amount of dividend income would have been allowed. In the second year of operation, $100 would have been excluded from tax and a 10 percent credit against tax of the remaining amount would have been allowed. The House Republican Members on the conference voted to provide a 4 percent credit against tax for dividend income, after the $50 exclusion, which was not in conference, had been taken into account. It was primarily this action on the part of the majority members of the House conferees which caused us Democratic conferees—the gentleman from Michigan [Mr. DINGELL] and me—to decide not to sign the conference report.

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

Mr. COOPER. I yield to the gentleman from Indiana.

Mr. HALLECK. Can the gentleman tell us about the action of the conferees in the other body in respect to signing the report?

Mr. COOPER. My recollection is that most of them signed it.

Mr. FORAND. Mr. Speaker, a point of order.

Last Saturday we were told we could not refer to the other body. I do not think it permissible for the majority leader any more than any other Member of the House.

Mr. COOPER. I am afraid our distinguished friend from Indiana inadvertently and unintentionally may have slightly transgressed the rules on that point, but in any event, as I understand it, it was not signed by all of the conferees in the other body, and I think one of them was a member of the gentleman's party.

I fully realize that in our free enterprise system, investment in productive capacity and businesses must be encouraged, but this does not mean that investment income should be given a tax advantage over other types of income. Dividends are running at an all-time high, and in addition profits are being plowed back into businesses in record-breaking amounts. With our economy already suffering from a lack of purchasing power rather than capacity, I

firmly believe that favorable tax treatment for investment income at this time cannot possibly be justified. Only a small fraction of individual-income taxpayers will benefit from the proposed tax credit and exclusion for dividend income. Only a little over 4 percent of the people in the whole country own any publicly held stock. Putting it another way, 92 percent of American families own no publicly held stock whatever. Of the remaining 8 percent of American families, only six-tenths of 1 percent own 80 percent of such stock.

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

Mr. COOPER. I yield to the gentleman from Texas.

Mr. DIES. I wonder if the gentleman could tell us how much revenue the Treasury is going to lose under this bill as now agreed upon by the conferees.

Mr. COOPER. The distinguished gentleman has anticipated my remarks, because I will cover that in just a moment or two.

It is being argued that since the provisions on dividend income in the pending conference report do not lose as much revenue as the provisions would have when it was originally before the House, it is not as objectionable as it was originally. It is estimated that the total loss from the present 4-percent tax credit and $50 exclusion will be $362 million in a full year of operation, compared to $814 million in the bill as it was presented to, and passed by, the House. The $50 exclusion in the conference report will lose $46 million and the 4-percent credit will lose $316 million, a total of $362 million. There is still a loss of $362 million in a full year of operation.

Mr. DIES. In that connection, does the gentleman have information as to the total loss of revenue by the bill as a whole?

Mr. COOPER. My recollection is that the total loss will be about $1,363,000,000. The continuation of the corporate rate at 52 percent for another year brings in $1,200,000,000. These are the estimates for fiscal 1955.

There is still embodied in the conference report a matter of tax principle and philosophy which, regardless of the loss of revenue, I must oppose; namely, the selection of a small group of taxpayers-investors for tax relief on their unearned income.

The present administration and leadership in the Congress, despite the many promises which we heard 2 years ago of both tax reductions and a balanced budget, have endorsed deficit financing in their tax program. Whether or not this is advisable at this time, it is still a fact. I do take strong exception to the reversal of our present principles of taxation, in which our basic philosophy is taxation on ability to pay, resulting from the treatment proposed for dividend income.

In the case of a married couple with two dependents with an income of $3,000 from salaries and wages, their tax bill is now $60. In the case of the married couple with two dependents with $3,000 of income from dividends, their tax bill is only $40 under the proposed provision in the conference report. This amounts to a reduction of over 33 percent for the family with the dividend income, compared to the wage earner. Comparable figures for such a family with $10,000 of income from wages is $1,372, and with dividend income, only $1,099, amounting to a percentage reduction of 19.9 percent.

A table which I am inserting at this point in the RECORD, under permission to revise and extend my remarks, gives a more detailed comparison of tax liabilities:

Comparison of the tax liability of a person with all-salary income and a person with all-dividend income under H. R. 8300 as agreed to by the conferees, when fully effective—Married couple, 2 dependents

Income [1]	Tax liability on—[2]		Percentage reduction in tax for individual with dividend income	Percentage increase in take-home pay for individuals with dividend income
	Salary income (earned)	Dividend income [3] (unearned)		
$3,000	$60	$40	33.3	0.7
$4,000	240	184	23.3	1.5
$5,000	420	328	21.9	2.0
$8,000	976	775	20.6	2.9
$10,000	1,372	1,099	19.9	3.2
$15,000	2,486	2,031	18.3	3.6
$20,000	3,800	3,163	16.8	3.9
$25,000	5,318	4,497	15.4	4.2
$50,000	15,976	14,246	10.8	5.1
$100,000	44,724	41,188	7.9	6.4
$300,000	194,804	184,058	5.5	10.2
$500,000	356,956	339,009	5.0	12.5
$1,000,000	766,456	730,509	4.7	15.4

[1] Income before dividend exclusion, personal deductions and exemptions.
[2] Assuming personal deductions of 10 percent of income.
[3] Assumes 1 spouse has dividend income.

I doubt that our friends on the other side of the aisle would have admitted during the last presidential campaign that this was the sort of tax reductions which they were promising us. The long-awaited and long-promised tax relief for individuals and businesses generally is still to materialize. I believe that relief from taxation for dividend income is not only wrong at this time, but also wrong in principle in face of the economic conditions facing the country today.

I intend to offer a motion to recommit the conference report to conference, with instructions that the House conferees accept the Senate amendment deleting entirely any percentage credit against tax for dividend income.

Mr. MILLER of Nebraska. Mr. Speaker, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Nebraska.

Mr. MILLER of Nebraska. I want to ask about the dividends. Are the dividends that the individual received taxed before he gets the dividends?

Mr. COOPER. No.

Mr. MILLER of Nebraska. Is he paying the tax on them twice? Is the business taxed before he receives them?

Mr. COOPER. I am sure the distinguished gentleman from Nebraska understands the long-standing argument based on the point that the corporation pays a tax, then after the dividends are distributed to individuals, the individual pays a tax on the income received from dividends.

Mr. MILLER of Nebraska. And in connection with the corporation tax, is that a tax upon the dividends that are paid to individuals?

Mr. COOPER. No; that is a tax on the income of the corporation.

Mr. REED of New York. Mr. Speaker, I yield 4 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Speaker, I should like to reply fully, if I have time, to what my good friend from Tennessee [Mr. COOPER] has said. I am surprised at what he has said since he was so splendidly cooperative in bringing this bill through the conference. In substance, he said he is going to make a motion to send this back to the committee of conference and instruct the conferees to accept an item that the Senate had passed upon favorably and that the Senate conferees had yielded on in conference. Now, let me repeat that: He wants to send this bill back to the committee of conference and ask the conferees to accept what the Senate had passed, when the two Senators on the committee both voted and yielded up what the Senate had passed and took what is in this bill. Now, that would be a strange situation, would it not? I believe I have a right to say who the Senators on the committee of conference were: They were two of the most popular Members of the Senate. I mean Senator GEORGE and Senator BYRD. Now then, if we follow Mr. COOPER's advice we will send this bill back and in effect tell these two distinguished Senators that they did not know what they were doing when they yielded it up in conference. This would be very unusual and very useless.

I just want to impress on you one thing more, if I may. Everybody who speaks about this great bill wants to say how big and how important it is and how expansive it is in its scope and how much time it took in its preparation. But, do you not know that when we went into the conference on this bill the Senate had sent our bill back with 553 amendments? And, do you not know that we, the 5 House and 5 Senate conferees, worked on it only about 3 days? We had the most harmonious session in conference that I have ever seen or ever even thought about. One of the finest things about that conference was the fact that the two Democrats on our side cooperated remarkably with us and the votes of the House Members were unanimous most of the time. I know of only a few instances in which they voted contrary to the rest of us. The Democrats were very loyal and cooperative in every way.

Now then, let us think about this matter seriously. What are we going to do about this legislation? They want to send it back. They want to recommit it. I do not know what they would do with it if they got it recommitted. If and when they went back into conference, with the Senators they would find out that their work was in vain.

Mr. Speaker, this important tax bill is a historical event in the annals of con-

gressional legislation. Lawyers, and I being one of them can speak for them, have always been glad to base their authority for their arguments back to the Constitution. In other words, the Constitution is the bedrock of all our law and of all our legal practice. With this tax legislation there seems to be a different situation. We recognize that the power to tax is an inherent power of the Government. However, when we approved the 16th amendment to the Constitution providing for the levy of income taxes we started a fountain from which blessings have trickled to every branch of the Government and to almost every country in the world. Lawyers, therefore, do not build up from the fountain as they do from the Constitution. The tax laws had become very confusing, and it was very difficult for the average lawyer or the average accountant to tell what the law was and what its applications were. The tax laws overlapped, and were badly in need of a complete revision.

The Treasury of the United States has always retained a number of tax experts in its employment. The Ways and Means Committee and the Finance Committee of the Senate, realizing the expansive extent of the tax law ramifications, decided to set up for their use and use in the committee, generally a joint committee staff. This staff has now become a staff that has in its membership quite a large number of very capable men and women. Mr. Colin Stamm is at the head of this staff, and of him I think I can say he is one of the best posted men on taxes that could be found anywhere in the country. The members of the staff of the Ways and Means Committee consist of a number of very capable men and women. As I have already stated the Treasury staff, likewise, has generally been a very capable staff, and it is now probably more capable than it has ever been. The tax lawyers, the tax collectors, and the people, generally, realized that something should be done to recodify and simplify the tax laws, and to prevent taxpaying from becoming such a terrible scourge to so many of our people. In order to relieve this situation the Ways and Means Committee 2 years ago, when the Republicans came into power, decided that it would ask the joint staff of the House and Senate to make an exhaustive study, with reference to how best to make this decided improvement.

Mr. Stamm and his group, together with the members of the Ways and Means Committee, arranged for, and did have, public hearings extending over several months. Hundreds of prominent men, representing all groups of people, came before these tax experts and gave their views with reference to how this situation could be remedied. The Treasury Department took an active interest in these hearings, with the result that when the present session of Congress convened the Ways and Means Committee had a bill ready for introduction. This bill has been known all over the country as H. R. 8300. This has been a very voluminous bill, containing nearly 500 pages. It deals with practically every subject that relates in any way to Federal taxation. The preparation of this bill in the Ways and Means Committee was participated in by all of the Republican and Democratic members on the committee. All members, regardless of politics, felt that this bill was needed, and we should all cooperate together to produce a bill that would meet the needs of the people.

In due course, the bill was presented to the House of Representatives and was passed by an overwhelming vote.

Th bill then went to the Senate. The Finance Committee of that great body decided to give the bill a thorough study, with the result they called in the same joint committee staff to which I have heretofore referred and also the same staff from the Treasury Department. While this bill was being considered in the Senate these experts, by reason of their exhaustive studies, easly found a number of improvements which they thought should be included in the Senate bill. This was done, and the Senate passed a bill largely similar to the House bill, but at the same time the Senate bill contained over 500 amendments. Many of these amendments were technical and clerical in their nature, while quite a number were substantive.

When the bill had passed the Senate, it was referred as usual to a conference committee, which committee consisted of our distinguished chairman, Mr. REED of New York, 4 ranking members, including myself, of the Ways and Means Committee of the House, and 5 members who were the ranking members of the Finance Committee of the Senate. When we conferees met it was feared that the differences between the two Houses of Congress would be so numerous and so substantial that an agreement between the conferees would be very difficult to accomplish. However, a very different situation developed—the House Members took the position that they had prepared a bill of which they were proud, and the Members of the Senate took the same viewpoint, but the two groups together realized that the House bill was not a bill for the House only, and the Senate bill likewise was not a bill for the Senate only, but that from both of these bills taken together the committee on conference should evolve a bill that would be for the best interests of the people of the country. The Senate yielded their views on a number of occasions, and likewise, Members of the House did the same with the result that practically a new bill was produced. This bill represents the best work that the experts were capable of rendering, and, likewise, the best work that the members of the committee of conference could turn out.

So, Mr. Speaker, I am glad that the two Houses with their able staffs have given to the people a bill that is not for the express benefit of any group or any class, but a bill that is for the best interests of the people, generally, and the country as a whole.

I am proud of the opportunity I had to collaborate with these capable experts, and with the fine statesmanship represented by the other members of the committee on conference.

Mr. REED of New York. Mr. Speaker, I yield to the gentleman from Michigan [Mr. DINGELL] to extend his remarks.

Mr. DINGELL. Mr. Speaker, I, too, refused to sign the conference report. I am going to vote against it.

Mr. Speaker, I endorse everything which has been said by the gentleman from Tennessee [Mr. COOPER]. As he stated, Mr. COOPER and I, as the two Democratic conferees on the part of the House, did not sign the pending conference report, primarily because of our opposition to the violation of the ability-to-pay principle of taxation involved in giving the "coupon clippers" favored tax treatment.

I have spoken out many times opposing the traditional Republican trickle-down philosophy of taxation. Nowhere is that philosophy more openly manifested than in the proposal sponsored by the present Republican administration and its leadership in the Congress to give the coupon clippers a tax break, while in the words of the present Secretary of the Treasury, strenuously opposing any relief for individual income taxpayers generally.

The Republicans have been attempting to hoodwink the public by taking full credit for tax reductions which have taken place since they have been in office. This is downright dishonest. We as Members of the House know that the $3 billion reduction in individual income taxes effective on January 1, 1954, had already been scheduled by the Democrats and was contained in the Revenue Act of 1951 as we wrote it when the Democrats were in control in 1951. The same is true of the $2 billion reduction in corporation taxes which took place by reason of the expiration of the Excess Profits Tax Act. As a matter of fact, the Republicans continued the excess-profits tax 6 months beyond its June 30, 1953, expiration date. By these statements, I do not mean that I believe that the excess-profits tax should have expired earlier than it did, but I do want to put the record clear on just what the Republicans have really done about tax reductions.

The Revenue Act of 1951, written while the Democrats were in control, provided for the termination on April 1, 1954, of the increases in the excise taxes which were increased to finance the defense preparations necessary on account of the Korean incident. The Republicans not only did not permit these reductions to take place as scheduled, but planned to make these increases in excise taxes permanent until the Democrats, with the threat of a motion to recommit providing for a temporary extension of only 1 year, forced them to back down and agree to such an extension. In an attempt to defeat Democratic efforts to increase individual income tax exemptions, the Republicans also provided in the same bill continuing the increased collections of $1.077 billion in excise tax revenues for 1 year, a reduction in excise taxes of $999 million. The net effect still was an increase of $78 million in excise taxes. Again I want to warn the public that the procedure used by the

Republicans in reducing excise taxes, whereby those above 10 percent were reduced to 10 percent, is a big step toward an eventual flat Federal sales tax.

In order to sell the pending revision in taxes, the Republicans in their own words are continuing with reluctance the present 52 percent corporate tax for 1 more year. Here again, this increase in corporate tax was scheduled by law to expire on April 1, 1954.

Mr. Speaker, we all recall the rich man's tax bill of the Republican 80th Congress. You would think that the fate which the Republicans met at the polls as a result of their actions in the 80th Congress would have taught them a lesson. Apparently they have not learned. They are back again with a bill designed to take care of coupon clippers.

As a matter of principle, equity, and fairness, and reality in face of present-day economic conditions, I hardly see how even the Republicans, despite their traditional attitude on taxes, can so wholeheartedly support the tax favoritism embodied in this bill. I have already manifested my displeasure by not signing the conference report, and I am joining with the gentleman from Tennessee [Mr. COOPER] in his vote to send the conference report back to conference and delete the tax credit provision for dividend income. I only regret that we are not in a position of being able to send the report back to conference to delete also the $50 exclusion for dividend income.

Mr. REED of New York. Mr. Speaker, I yield 4 minutes to the gentleman from Pennsylvania [Mr. SIMPSON].

Mr. SIMPSON of Pennsylvania. Mr. Speaker, I thank the distinguished chairman of the Ways and Means Committee [Mr. REED] for the opportunity of urging House support of the conference report. This presents an opportunity for me to express that which we all have within our hearts, a kindly feeling for the distinguished chairman of the committee through whose untiring and unyielding efforts the monumental revision of our tax laws now before us has been performed. Mr. REED has completely devoted the past year and a half to this very important work, which he did on behalf of this Congress and the American people. It is a monumental work. The impetus, the driving force, if you please, was the chairman of our committee, whom we honor and to whom we extend our thanks.

I am sure that the mere fact that a motion will be made shortly to recommit this conference report does not reflect more than wishful thinking on the part of certain leaders of the Democratic Party—it cannot represent their concern about the merits of the legislation, for the sponsor of the motion to recommit gave his support very completely to a vast portion of the bill.

In considering this conference report we must not forget that H. R. 8300 is in fact but one of several bills in the Eisenhower tax-reduction program for the 83d Congress. H. R. 8300 is not to be considered alone, but as a part of the whole—other bills in the series have given relief in the personal income area and the excises. H. R. 8300 combines tax reduction for both individuals and corporations, and with respect to the item under controversy at the moment, it will be the subject of the recommital motion, the matter of a 4-percent credit against dividend receipts by the taxpayer. It is this small area involving only about $350 million out of a tax reduction program for this Congress totaling $7 billion, that the Democratic dictatorship questioned and would use as a basis for killing this great and monumental excise-tax reduction program. The fact is that if the Democratic measure to recommit this conference report should succeed the chance for favorable action thereafter on H. R. 8300 would be slim. As a matter of practical legislative procedure, the adoption of the Democratic recommital motion will mean that the millions of taxpayers who will profit under H. R. 8300 will be denied relief.

This $350 million which will not be taken from the taxpayers, if the Democratic recommital motion is defeated, will remain in the hands of taxpayers who have already invested their funds in American business, for the $350 million is the proceeds of a tax levied against earnings represented by dividends paid on account of stock ownership of American productive enterprises.

This is only a part of the story, however, for in addition to decreasing money available for further expansion through the purchase of more stocks, H. R. 8300 seeks to remove grievous inequities presently in our tax laws. If an American citizen sees fit to invest some of his money in stock in American business he thus becomes a part owner of the business and helps to provide jobs for his fellow citizens. He could, of course, put his money in a safe deposit box where it would help no one and provide no jobs, or he could invest it in Government bonds where it probably would provide no worthwhile, productive, or creative job. Our taxpayer, however, puts his in a business and provided a job for an American workman.

Under these circumstances our tax laws tax the product of his labor not once but twice—once to the corporation which provides the job, and then if any money is paid in dividends these dividends are taxed again. Thus, if $100 before taxes are earned by a corporation, the corporation may pay from $52 to $80 in taxes, and thus from the remaining $20 to $48 the corporation may pay a dividend of, for example, $10 to $20. This income to the corporation, now called a dividend, would then be taxed in the hands of the individual taxpayer at whatever rate that taxpayer pays, anywhere from 20 percent to 80 percent.

This is wrong and should be removed from our law. What H. R. 8300 does is to provide a small measure of relief, namely, 4 percent relief is provided.

I think this should remain in H. R. 8300 and believe that by doing so we will greatly encourage individuals to invest their capital in American business.

If we do not limit this double taxation and strike it from our books, the next step would be triple taxation, for there is no reason why, if it is proper to tax income twice, it would not be proper to tax it 3 or 4 times. We should firmly announce the policy of taxing income but once and do it by adopting the conference report now under consideration.

Our whole economy will be strengthened by the action of Congress in the granting of this small measure of relief from double taxation of dividends. I hope the measure will be expanded in years to come so that eventually corporate income will be taxed but once, just as are the earnings of a worker. I believe this policy will greatly strengthen the free-enterprise system and lead to the expansion of business, and bring about a gradual and continuous increase in the American standard of living.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent that all Members of the House have 5 legislative days in which to extend their remarks at this point in the RECORD on this conference report.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. PHILBIN. Mr. Speaker, I have greatest admiration for our distinguished friend from New York, the able chairman of the committee [Mr. REED]. He is one of the great Americans of our times. I must commend him for his outstanding work on this bill so characteristic of all his efforts in the House. I also commend the committee which has labored earnestly on these matters.

However, there are provisions as well as omissions in this measure which appear to me to go to fundamental principles and I cannot subscribe to it as a whole, though there are many provisions which I could support.

I believe in and seek to follow certain definite principles of taxation. Frankly in these complex matters it is often difficult to apply them but nevertheless it is incumbent on me to strive to sustain them.

Basically, the principle of ability to pay is the foundation of our present system of taxation. But any tax measure must be equitable, fair, and nondiscriminatory. It must promote even handed justice for every class and segment of our American society. It should impose no harsh, unreasonable exactions upon any group. Such a measure should not soak the rich and it should not gouge the poor. It should not inequitably exact from small business and the middle classes. It should not extend preferential treatment to any individual or class.

The power to tax is the power to destroy. If we place too heavy a burden upon business, large or small, our vaunted system of free enterprise to which we largely owe our greatness as a Nation cannot thrive. In time it could be taxed to death and the tendency appears to be in that direction. If we tax the ordinary working men and women more than their just share, we cut purchasing power and reduce our prized high American standard of living. No tax bill should be voted by this Congress which tends to these results.

We are becoming a tax-ridden people at every level—local, State, and Na-

tional. We must find a way to cut down all tax levies generally and relieve our people and our businessmen from stultifying and repressive effects threatening to paralyze incentive and disrupt the fine social standards our Nation enjoys.

While this bill is a monumental tax law revision with many good features, it also contains great inequity, great favoritism, great discrimination, and great penalization of virtually every class. To apply a rule which extends great relief to unearned than to earned income is not only unconscionable but unsound and as a matter of policy very unwise.

I favor relief for business and investors. But I also favor relief for the workers and the farmers and the professional people of the country, for the great rank and file who make up the strength, vitality, and power of this great land. If there is to be relief for investors there should likewise be relief for the people in the homes, larger exemptions for those who raise families and keep this country great and strong. That strikes me not only as sound morality but sound economics. I think the bill should be revised and rewritten to accord with the foregoing principles and views and I hope the House will so act.

Mr. MILLER of California. Mr. Speaker, I am opposed to amendment No. 10 of the conference report on the Internal Revenue Code of 1954, H. R. 8300, on the grounds that it is discriminatory.

It provides for "a credit against income tax of an individual of a percentage of the dividends received from certain domestic corporations which are included in gross income." The quotation is from page 22 of the conference report, No. 2543.

I could accept the arguments made by the proponents of the proposition that income derived from stock dividends of private corporations be given limited exemption if they included with it a like exemption for income derived from United States Government bonds or the bonds of the States and other political subdivisions.

The majority leader, the gentleman from Indiana [Mr. HALLECK], argues that the money invested in corporations the dividends of which will be partially exempted represents money saved and channeled into avenues of trade and commerce. It is an implied reward for thrift.

Are not moneys invested in United States Government savings bonds that make possible expenditures for defense or important public functions equally the results of moneys set aside or accumulated through thrift?

Why should a person who invests money to earn interest with a private corporation be treated more favorably than one who lends his money to Government?

Why discriminate against those who have been encouraged to invest in war bonds?

Mr. CURTIS of Missouri. Mr. Speaker, I should like to call the attention of my colleagues to certain sections of the measure now before us, principally section 6016, which beginning in September 1955, require certain corporations to estimate their income tax in advance and also to make partial advance payments.

Under this proposal, some 20,000 corporations will be required to pay 5 percent of the estimated tax due for 1955 in the third and fourth quarters of next year. Such advance payments will increase by 5 percent a year and, at the end of 5 years, these corporations will be paying 25 percent of their estimated tax due in each of the third and fourth quarters of the year for which the taxes are incurred. The reason that this plan will apply to only about 20,000 corporations is that the bill contains an exemption of $100,000 of tax liability.

This plan was proposed by the administration largely because next year corporations will be required to pay 50 percent of their tax due in the first and second quarters of the year. Obviously, this creates a heavy imbalance in the flow of corporate taxpayments, which the Treasury Department wishes to correct. In addition, it is felt that with many corporations already purchasing tax anticipation certificates this new method would create no great hardship.

However, like many other Members of the House, I have received a substantial volume of correspondence protesting this new plan. These protests have come from all types of firms, including some that would not be affected because of the $100,000 exemption. My own view is that the proposal is a good one and in the end will prove to be of benefit to business by putting their tax accounts on a more even keel. However, I cannot be unmindful of these protests.

Since this new method will become only partially effective in September 1955, I believe that Congress might wish to study it again early next year, particularly since many of the protests have claimed that it will have a harmful effect on working capital. Business critics have also claimed that such a radical departure in the method of paying corporate taxes should have full and public hearings in order that both its advantages and disadvantages can be properly weighed. In view of the delayed effective date of this proposal, I would like to suggest that early next year the Committee on Ways and Means consider holding brief public hearings in order that both the Treasury Department and the business community may have an opportunity to comment fully on this innovation in the method of paying corporate taxes.

Mr. SADLAK. Mr. Speaker, this conference report on the tax revision bill of 1954 is another step in the legislative process of enacting into law, a "monumental work" as it was so aptly termed by the great chairman of the Committee on Ways and Means, the gentleman from New York [Mr. REED] at the outset of his remarks today. Having attended the extended hearings on this proposal which became H. R. 8300 and having actively participated in the numerous executive sessions before the bill was originally passed in the House on March 18, 1954, I want to attest to the terminology of it being a monumental bill and go further to state that when ultimately it is approved by the President, the first overall revision of the Tax Code in 70 years will be a monument to the untiring, indefatigable and unswayed determination of Mr. REED to undertake what at times must have seemed to be an insuperable task and guide it to a successful conclusion. That such a bill was needed to overhaul, in many instances, outmoded sections of the Tax Code no one would deny but each urged that it be undertaken realizing its necessity and its vital import to our economy. It was a challenge to the gentleman from New York who, after many years of continuous service in the House became the chairman of the Ways and Means Committee. Accepting the challenge, fighter that he has been for his convictions and beliefs, he went to work with a zest that characterized his previous pursuits, recruited the assistance of capable staff workers and set out toward the objective with a committee membership that immediately sensed the epochal job that was being started and gave the chairman great cooperation throughout the months of its labor.

Mr. Speaker, this tax bill will, in fact, be the keystone in the transition from a wartime to a peacetime economy. One of its most important and immediate results will be the encouragement to private enterprise to go forward in building a stronger and better America. It will assure that from now on each American worker will be secure in the knowledge that his job is a peacetime job and does not depend upon the sacrifice of some other member of his family on the battlefield for his security.

Mr. MILLS. Mr. Speaker, undoubtedly the popular thing to do by any Member of the House during an election year is to vote for any bill that proposes to reduce anyone's taxes. However, I am concerned over the fiscal affairs of the Government and the present policy of enlarging our debt even at a time when we are not engaged in a shooting war.

I for one believe that we, as Members of the House, should face up to our responsibilities as legislators and not in effect, short-change the taxpayers. Running the financial affairs of the Government is no different, except as a matter of degree, than running our own financial affairs. If we in either case are going further into debt, we must face the day of reckoning at some time in the future.

The tax reductions in H. R. 8300 mean a further increase in our deficit, and in turn our national debt. The taxpayers in the long run are going to have to pay this debt if democratic processes are to continue to exist in America. Countries in the past that have repudiated internal governmental debt have experienced changes in government. At best, this reduction in taxes now just postpones the time that we can eventually pay off our public debt. It also means that future generations will bear a greater share of our present debt, and we and they will

pay more interest on it out of taxes collected in each succeeding fiscal year. Interest now being paid is above $40 per capita per year.

I am particularly concerned that the reductions in revenue provided for in this bill amount to $1.363 billion, while at the same time the administration has asked that the ceiling on the public debt be increased because the debt itself is again rising.

I am also concerned over increasing our deficit by granting tax reductions in a very selective manner to businesses and individuals. If tax reductions are properly spread, so as to bolster our economy generally, they may in net effect increase revenues to the Government. The ones proposed in H. R. 8300 are so selective that very few corporations, businesses, and individuals will be benefited, since they must be in a particular circumstance in order to take advantage of the proposed reductions. For instance, more favorable tax treatment of annuitants, working dependents, retirement income, and so on—while very meritorious—in and of themselves still will benefit relatively few individuals compared to the total of our taxpayers. In the case of corporations, the major reduction is that due to the adoption of new depreciation methods. Unless a corporation plans large investments in plant and equipment, it will not be benefited from this change.

The type of tax reductions proposed in this bill would be much more commendable if they benefited individuals, corporations, and businesses generally, such as would be the case from reductions in rates and increases in exemptions. Certainly this type of tax reduction would be fair and equitable to all.

I realize that there are many meritorious provisions in the bill that are appealing to the Members of the House, including me, and many outside the Congress. However, the selective manner in which these provisions apply will mean little to taxpayers generally.

A typical example of the selectiveness of the tax reductions proposed in H. R. 8300 is the exclusion and credit against tax for dividend income. This certainly cannot be considered as benefiting the average taxpayer. Even if it should be admitted that some tax relief should be provided for dividend income, I question whether the approach of a dividends-received credit is the proper one. In my statement on the floor of the House on March 18, 1954, I set forth an example of how the dividends-received credit would work. That example shows that, carried to its logical conclusion, the proposal for dividend income in the bill would amount to not only a complete elimination of personal income tax on dividends received by individuals, but an actual reduction in taxes for individuals on other types of income which they may also receive.

The claims which are being made that about $7 billion in tax relief has already been provided are very misleading, since the impression is being given that businesses and individuals generally have already benefited from this tax relief.

In the first place, most of these reductions came about by terminations contained in the law and without affirmative action on the part of the present Congress. In the case of the excess-profits tax which expired on December 31, 1953, only about 50,000 of the 450,000 corporations in the country were paying such taxes. In the case of individuals, the $3 billion increase in taxes provided for in the Revenue Act of 1951 terminated on December 31, 1953, as provided for by that act. Low-income individuals got no real benefit from this termination, because of an increase of one-half of 1 percent in social-security taxes on January 1, 1954. In the case of a family of 4 where the taxpayer earns less than $3,500 a year, taxes were actually increased due to the increase in the social-security taxes. I was not opposed to the social-security tax increase as provided for on January 1; however, the effect on low-income individuals, as far as their take-home pay was concerned, amounted to a decrease. If any group is entitled to tax relief, they are the ones who should be first considered.

I cannot conscientiously vote to reduce taxes on a selective basis, while at the same time leaving millions to pay more and in the process increasing the deficit of the Government. In the first place, such reductions actually disproportionately increase the burden on taxpayers generally and, in the second place, we are neither being fair with ourselves or the public since these are not even true selective reductions for all time to come but merely add to our public debt which all must eventually pay.

I cannot escape the conclusion that H. R. 8300 does not meet the needs of individuals and businesses generally in the way of tax relief. We must continue to strive for that type of relief which is needed and do so at an early date.

Mr. REED of New York. Mr. Speaker, I yield the balance of my time to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Speaker, I fear I have been burdening the Members too often and at too great length here on the floor, but certainly I feel compelled to speak on this particular proposition before us because this great tax bill which has been referred to in this body and in the other body and by Members of both bodies as a monumental task just must not be defeated in these closing days of this session of the Congress.

It has been a long, hard row that this bill has followed. It has taken a lot of work. I commend the members of the committee particularly on the great job they have done.

If you had the time to do it and could look through the CONGRESSIONAL RECORD and read the speeches made in the other body by members of the party of my friends on the right, you would see that this bill is praised in the most lavish terms as one of the greatest accomplishments of recent years. If you will look at the conference report you will see there affixed the names of the Members of the other body who favor this report as it is submitted, and I say that it includes from the Democratic side two of the most outstanding Members of the other body.

Now, then, look. We crossed this bridge before. For the life of me I cannot see why this motion to recommit is to be made. I do not know about all the precedents but I know that it does look just a bit ridiculous, when we voted on a motion to recommit before to take out more of a liberalization with respect to double taxation on dividends, that we are to be asked to vote on it again when the relief that is to be granted is of even lesser degree.

I say the House spoke on that proposition. It has already been pointed out that, as we had the bill before us before, 210 Members of this body voted against the motion to recommit, which provided for a $50 initial exemption and for stepping up to 10 percent in the second year. Now this report is back with the $50 retained but the lesser amount of 4 percent to be continued on through. I say to you in all frankness and candor, Why should we change our position at this time?

Let me point out another thing to you in connection with this motion to recommit. If you have a motion to recommit on a bill that is before the House with instructions to the committee to report back the bill forthwith with an amendment, the committee reports back the bill immediately and the House adopts the amendment that is reported. But if you vote to recommit this conference report you stop the whole thing. The whole conference is out the window and conferees must to go back to conference. No one knows what would happen in that event.

I say we are getting on down to the end of this session. We want to conclude the session with the accomplishment of the program that is before us. One of the things certainly that must be done is to get this tax bill passed.

Some have referred to this bill as a rich man's tax bill. Let us remember first of all that the 52-percent tax on corporations is continued in this bill. It would have expired, but for the enactment of this bill. When you refer to the meager amount of relief with respect to double taxation on dividends that does not accrue to the benefit of the corporation. That accrues to the benefit of the 7 million stockholders of this country who receive dividends. I must say I am just getting a little put out with these comparisons of the few dollars difference between the tax paid on what is referred to as unearned income of $3,000 and earned income of $3,000. In the first place, before any person could buy enough stock to get $3,000 of income in dividends from that stock, he had to earn that money and save the money and invest the money—at least somebody had to do that. So I think it is still earned income. Let us not forget that the person who received $3,000 in dividends already was clipped $3,000 from what he would have had, but for the 52-percent tax on the corporation's income to begin with. So he had to have upward of $6,000 in order to have $3,000 left.

We are solicitious of the farmer's welfare. If a farmer invests $10,000 in a farm, we all want to protect that investment and we want to see that the farmer gets a fair return on it. But, if 1 of 7 million people invests $10,000 in stock, then all at once he becomes an enemy of society. I just do not happen to believe in that doctrine and I doubt if there are very many people here who do. It takes about $15,000 of somebody's capital to put one man to work in this great productive machine of America. Where is that money coming from? I want to say to you in the last few years 75 percent of it has been coming from borrowing. That is not the place to get that money. It ought to come in equity and investments of capital. That is the way to expand America. Everybody recognizes that who has really considered this problem. So let us not get too concerned about that phase of the issue.

I am a little amazed at the action of my good friend, the gentleman from Tennessee [Mr. COOPER]—and he is my good friend. You know after the war, we here in the Congress appointed a committee which was called the Committee on Postwar Economic Policy and Planning. We created that committee under the chairmanship of our good friend, the gentleman from Mississippi, BILL COLMER. To do what? To take a look at our situation as we would find it after the war and to advocate those things which would be calculated to bring us through a transition period. The gentleman from Tennessee [Mr. COOPER] was the chairman of one of those subcommittees, and they submitted a report. I do not know whether he concurred in that report or not, but it was submitted by his subcommittee and adopted by the then Democratic committee. Here is what the Colmer committee said in 1944:

> Consideration should be given to the elimination of the present double taxation of dividend income either by treating the tax on corporate income as a withholding tax or exempting dividends from the personal normal tax or by some equivalent provision. Dividend income should, of course, continue to be the subject of a surtax. This tax reform would not only correct an inequity in the present tax structure, but would also provide an important stimulant to risk capital.

That was sound doctrine then. It was Democratic doctrine then. Why is it not sound doctrine today, even if it is Republican doctrine?

In 1946, the committee made a further report and this is what they said:

> It feels that as conditions permit, there should be reduction in present corporation income taxes to avoid a serious deterrent to business expansion, and that further consideration be given to the dissemination of double taxation of dividends.

There it is again. Then in 1947, the minority members—that was in the 80th Congress—the minority members of the great Committee on Ways and Means filed a minority report on the tax bill, and, lo and behold, what do you suppose they said? First of all, I want to tell you who signed this. These are House Members so we can read their names—Jerry Cooper, John Dingell, Noble Gregory, Sid Camp, Walter Lynch, Aime Forand, and Herman P. Eberharter.

Here is what they said:

> Important structural administrative and procedural tax problems have been accumulating for 5 years since the Revenue Act of 1942, the last comprehensive revision of the Internal Revenue Code. Many needed amendments would result in substantial losses in tax revenue. Tax problems now under study by the Treasury Department—

And that was a Democratic Treasury Department.

> Tax problems now under study by the Treasury Department or the joint committee staff include such important matters as the double taxation of dividends.

Why this sudden and abrupt reversal? Then you were saying we ought to do something like this, and now you are saying exactly the opposite.

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

Mr. HALLECK. I yield.

Mr. FORAND. That report does not say that we were favoring it. We were referring to studying it.

Mr. HALLECK. If I must say so, the gentleman can equivocate about the language all he wants to, but anyone who can understand the English language knows when you said that you recognized that it was a problem, and you would not have had it under consideration if you had not thought we ought to do something about it.

I think that is just commonsense.

Mr. FORAND. Mr. Speaker, will the gentleman yield further?

Mr. HALLECK. I yield.

Mr. FORAND. Is it not the proper thing for Congress to consider things that are brought up, regardless of where they come from, in order to make a proper decision?

Mr. HALLECK. That is exactly right. May I say to the gentleman you ought to be considering it even though at this time it happens to be a Republican proposal.

This dividend income is the only type of income that is taxed twice, and no one here is advocating doing away with it altogether. The 4 percent is a meager beginning. If an investor buys bonds, he has got the first call on the assets of the corporation. When that interest is paid to him it is paid to him without any double taxation. But the fellow who is willing to risk his capital, to put it into a venture, is subject to double taxation.

Again, I say we must proceed cautiously in this sort of matter. Country after country that is doing very well has applied this same principle; and may I say again that as we hear people talk about jobs and the need for an expanding economy in this country—and that is what we need—we must just realize that the capital and savings of the people must be invested in order that we can expand our economy.

I studied some economics a long time ago and I remember the definition of "wealth" was "ability to satisfy wants." And I guess that is what it is. But capital is wealth devoted to further production. Now, here is a proposition that will stimulate investments, will lead people to put their money in, to take the risks that make this country great. I say, let us not strangle it unless you want the day to come when the Government of the United States provides all the capital and perhaps beyond that owns all the production facilities of this great country of ours.

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

Mr. HALLECK. I yield.

Mr. REED of New York. There seems to be a misapprehension about the motion to recommit. It does not provide for an increase in the personal exemption.

Mr. HALLECK. No. I do not think it could include the $100 exemption, because that was in the bill as it passed both Houses. But the motion to recommit will simply be on this matter of double taxation of dividends with respect to which we have already crossed the bridge; and it is such a meager amount that there is no sound reason for supporting this motion to recommit.

I sincerely trust that without regard to party we will vote down this motion to recommit and send this conference report to the other body where it will be overwhelmingly adopted, without any questions of this sort being raised at all, and go on about the business of the 83d Congress.

Mr. REED of New York. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the conference report.

Mr. COOPER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the report?

Mr. COOPER. I certainly am, Mr. Speaker.

The SPEAKER. The gentleman qualifies. The Clerk will report the motion.

The Clerk read as follows:

> Mr. COOPER moves to recommit the conference report on the bill H. R. 8300 to the committee of conference, with instructions to the managers on the part of the House to agree to Senate amendment No. 10.

Mr. REED of New York. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. COOPER. Mr. Speaker, on that motion to recommit, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 169, nays 227, not voting 36, as follows:

[Roll No. 121]

YEAS—169

Abbitt	Blatnik	Chelf
Abernethy	Boland	Chudoff
Addonizio	Bolling	Condon
Albert	Bonner	Cooley
Alexander	Bowler	Cooper
Andersen, H. Carl	Brooks, Tex.	Crosser
Andrews	Brown, Ga.	Dawson, Ill.
Ashmore	Buchanan	Deane
Aspinall	Burleson	Delaney
Bailey	Byrd	Dies
Barden	Byrne, Pa.	Dingell
Barrett	Cannon	Dodd
Battle	Carlyle	Dollinger
Bennett, Fla.	Carnahan	Donohue
	Celler	Donovan

Dorn, S. C.
Dowdy
Doyle
Eberharter
Edmondson
Elliott
Engle
Evins
Feighan
Fernandez
Fine
Fogarty
Forand
Fountain
Frazier
Friedel
Garmatz
Gary
Gentry
Gordon
Granahan
Green
Hagen, Calif.
Hardy
Harrison, Va.
Hart
Hays, Ark.
Hays, Ohio
Holifield
Holtzman
Howell
Ikard
Jarman
Javits
Johnson, Wis.
Jones, Ala.
Jones, Mo.
Jones, N.C.
Karsten, Mo.
Kee
Kelley, Pa.
Kelly, N. Y.
Keogh
Kilday
King, Calif.
Kirwan
Klein
Kluczynski
Landrum
Lane
Lanham
Lesinski
McCarthy
McCormack
Mack, Ill.
Madden
Magnuson
Mahon
Marshall
Matthews
Metcalf
Miller, Calif.
Miller, Kans.
Mills
Mollohan
Morgan
Moss
Moulder
Multer
Natcher
Norrell
O'Brien, Ill.
O'Brien, N. Y.
O'Hara, Ill.
O'Konski
O'Neill
Passman
Patman
Perkins
Pfost
Philbin
Pilcher
Poage
Polk
Preston
Price
Rabaut
Rains
Rayburn
Reams
Rhodes, Pa.
Riley
Roberts
Robeson, Va.
Rodino
Rogers, Colo.
Rogers, Tex.
Rooney
Selden
Shelley
Sheppard
Shuford
Sieminski
Sikes
Smith, Miss.
Smith, Va.
Spence
Staggers
Steed
Sullivan
Teague
Thompson, Tex.
Thornberry
Trimble
Tuck
Watts
Whitten
Wickersham
Wier
Williams, Miss.
Williams, N. J.
Winstead
Yates
Yorty
Zablocki

NAYS—227

Adair
Allen, Calif.
Allen, Ill.
Andresen, August H.
Arends
Auchincloss
Ayres
Baker
Bates
Beamer
Becker
Belcher
Bender
Bentley
Berry
Betts
Bishop
Boggs
Bolton, Frances P.
Bolton, Oliver P.
Bonin
Bosch
Bow
Boykin
Bramblett
Bray
Brown, Ohio
Brownson
Broyhill
Budge
Burdick
Busbey
Bush
Byrnes, Wis.
Campbell
Canfield
Carrigg
Cederberg
Chenoweth
Chiperfield
Church
Clardy
Clevenger
Cole, Mo.
Cole, N. Y.
Colmer
Coon
Corbett
Coudert
Cretella
Crumpacker
Cunningham
Curtis, Mass.
Curtis, Mo.
Dague
Davis, Ga.
Davis, Wis.
Dawson, Utah
Dempsey
Derounian
Devereux
D'Ewart
Dolliver
Dondero
Dorn, N. Y.
Durham
Ellsworth
Fallon
Fenton
Fino
Fisher
Ford
Forrester
Frelinghuysen
Fulton
Gamble
Gathings
Gavin
George
Golden
Goodwin
Graham
Grant
Gregory
Gross
Gubser
Gwinn
Hagen, Minn.
Hale
Haley
Halleck
Hand
Harden
Harvey
Herlong
Heselton
Hess
Hiestand
Hill
Hillelson
Hillings
Hinshaw
Hoffman, Ill.
Hoffman, Mich.
Holmes
Holt
Hope
Horan
Hosmer
Hruska
Hunter
Hyde
Jackson
James
Jenkins
Jensen
Johnson, Calif.
Jonas, Ill.
Jonas, N. C.
Judd
Kean
Kearney
Kearns
Keating
Kersten, Wis.
King, Pa.
Knox
Krueger
Laird
Lantaff
Latham
LeCompte
Lipscomb
Lovre
McConnell
McCulloch
McDonough
McGregor
McIntire
McMillan
McVey
Mack, Wash.
Martin, Iowa
Mason
Meader
Merrill
Merrow
Miller, Md.
Miller, Nebr.
Miller, N. Y.
Morano
Mumma
Neal
Nelson
Nicholson
Norblad
Oakman
O'Hara, Minn.
Osmers
Ostertag
Patterson
Pelly
Phillips
Pillion
Poff
Prouty
Radwan
Ray
Reece, Tenn.
Reed, Ill.
Reed, N. Y.
Rees, Kans.
Rhodes, Ariz.
Richards
Riehlman
Rivers
Robsion, Ky.
Rogers, Fla.
Rogers, Mass.
Sadlak
St. George
Saylor
Schenck
Scherer
Scott
Scrivner
Scudder
Seely-Brown
Shafer
Sheehan
Simpson, Ill.
Simpson, Pa.
Small
Smith, Kans.
Smith, Wis.
Springer
Stauffer
Stringfellow
Taber
Talle
Taylor
Thomas
Thompson, Mich.
Tollefson
Utt
Van Pelt
Van Zandt
Velde
Vorys
Vursell
Wainwright
Walter
Wampler
Warburton
Westland
Wharton
Widnall
Wigglesworth
Williams, N. Y.
Wilson, Calif.
Wilson, Ind.
Wilson, Tex.
Withrow
Wolcott
Wolverton
Young
Younger

NOT VOTING—36

Angell
Bennett, Mich.
Bentsen
Brooks, La.
Buckley
Chatham
Cotton
Curtis, Nebr.
Davis, Tenn.
Harris
Harrison, Nebr.
Harrison, Wyo.
Hébert
Hoeven
Kilburn
Long
Lucas
Lyle
Machrowicz
Mailliard
Morrison
Murray
O'Brien, Mich.
Patten
Powell
Priest
Regan
Roosevelt
Secrest
Short
Sutton
Thompson, La.
Vinson
Weichel
Wheeler
Willis

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Morrison for, with Mr. Short against.

Mr. O'Brien of Michigan for, with Mr. Kilburn against.

Mr. Machrowicz for, with Mr. Hoeven against.

Mr. Bentsen for, with Mr. Hébert against.

Mr. Lyle for, with Mr. Cotton against.

Mr. Patten for, with Mr. Chatham against.

Until further notice:

Mr. Weichel with Mr. Priest.

Mr. Mailliard with Mr. Thompson of Louisiana.

Mr. Harrison of Wyoming with Mr. Willis.

Mr. Curtis of Nebraska with Mr. Vinson.

Mr. Bennett of Michigan with Mr. Brooks of Louisiana.

Mr. Angell with Mr. Long.

Mr. Harrison of Nebraska with Mr. Wheeler.

Mr. CANNON changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

RECESS

The SPEAKER. The Chair declares the House in recess, subject to the call of the Chair.

Accordingly (at 12 o'clock and 2 minutes p. m.) the House stood in recess subject to the call of the Chair.

JOINT MEETING OF THE TWO HOUSES OF CONGRESS TO HEAR AN ADDRESS BY SYNGMAN RHEE, PRESIDENT OF THE REPUBLIC OF KOREA

The SPEAKER of the House of Representatives presided.

At 12 o'clock and 16 minutes p. m. the Doorkeeper announced the Vice President and Members of the United States Senate, who entered the Hall of the House of Representatives, the Vice President taking the chair at the right of the Speaker, and the Members of the Senate the seats reserved for them.

The SPEAKER. On the part of the House the Chair appoints as members of the committee to escort the President of the Republic of Korea into the Chamber, the gentleman from Indiana, Mr. HALLECK; the gentleman from Texas, Mr. RAYBURN; the gentleman from Illinois, Mr. CHIPERFIELD; and the gentleman from Illinois, Mr. GORDON.

The VICE PRESIDENT. On the part of the Senate the Chair appoints as members of the committee to escort the President of the Republic of Korea the Senator from California, Mr. KNOWLAND; the Senator from Texas, Mr. JOHNSON; the Senator from Wisconsin, Mr. WILEY; and the Senator from Georgia, Mr. GEORGE.

The Doorkeeper announced the following guests, who entered the Hall of the House of Representatives and took the seats reserved for them:

The Ambassadors, Ministers, and chargés d'affaires of foreign governments.

The members of the President's Cabinet.

At 12 o'clock and 30 minutes p. m. the Doorkeeper announced Syngman Rhee, the President of Korea.

The President of Korea, escorted by the committee of Senators and Representatives, entered the hall of the House of Representatives and stood at the Clerk's desk. [Applause, the Members rising.]

The SPEAKER. Members of the Congress, it is my distinguished honor to present to you the President of an ancient people, a great, patriotic and stalwart fighter for freedom, and one for whom the people of the United States have a great admiration, the President of the Republic of Korea. [Applause, the Members rising.]

ADDRESS OF SYNGMAN RHEE, PRESIDENT OF THE REPUBLIC OF KOREA

President SYNGMAN RHEE. I thank you.

Mr. Speaker, Mr. President, honorable Senators and Representatives, ladies, and gentlemen, I prize this opportunity of speaking to this august body of distinguished citizens of the United States.

You have done me great honor by assemblying in this historic Chamber. I shall try to reciprocate in the only way I can—by telling you honestly what is in my mind and heart. That is part of the great tradition of American democracy and free government, and it is a tradition that I have believed in for more than half a century. Like you, I have been inspired by Washington, Jefferson, and Lincoln. Like you, I have pledged myself to defend and perpetuate the freedom your illustrious forefathers sought for all men. I am Korean, but by sentiment and education I am an American.

I want first of all to express the unbounded appreciation of Korea and Koreans for what you and the American people have done. You saved a helpless country from destruction, and in that moment the torch of true collective security burned brightly as it never had before. The aid you have given us financially, militarily, and otherwise in defense of our battlefront and for the re-

lief of the refugees and other suffering people of Korea is an unpayable debt of gratitude.

We owe much also to former President Truman, whose momentous decision to send armed forces to Korea saved us from being driven into the sea, and General Eisenhower, the latter as President-elect and now as Chief Executive, for their help and knowledge of the enemy peril.

The President-elect came to a Korea which for 40 years had been under a cruel Japanese subjugation. Few foreign friends had ever been permitted on our soil. Yet here, for the first time in history, because your military might alone regained our freedom, came the great man you had chosen as President. He came to see what could be done to help the Koreans.

I cannot bear to pass this occasion without mentioning our deep and heartfelt thanks to the American war mothers. We thank them for sending their sons, their husbands, and their brothers in the American Army, Navy, and Air and Marine Corps to Korea in our darkest hours. We shall never forget that from our valleys and mountains the souls of American and Korean soldiers went up together to God. May the Almighty cherish them as we cherish their memory.

Ladies and gentlemen of the Congress, these noble compatriots of yours had magnificent leadership in Generals MacArthur, Dean, Walker, Almond, Ridgway, Clark, Hull, and Taylor. Then, too, in 1951 General Van Fleet arrived in Pusan to command the Eighth Army. It was he who discovered the soldierly spirit of the Korean youths and their fervent desire for rifles with which to fight for their homes and their nation. Without much ado he gathered them together in Cheju Do, Kwang Ju, Nonsan, and other places and sent Korean military advisory group officers to train them almost day and night. Within a few weeks they were sent to the front line and they performed marvelously.

Today this army is known to be the strongest anti-Communist force in all Asia. [Applause.] This force is holding more than two-thirds of the entire frontline. So General Van Fleet is known in Korea as the father of the Republic of Korea Army, the hard ROK's as the GI's called them. Now, if the United States could help build up this force, together with the air and sea strength in adequate proportion, I can assure you that no American soldier would be required to fight in the Korean theater of action. [Applause.]

Yet many, many Americans gave all they had to give to the good cause; but the battle they died to win is not yet won. The forces of Communist tyranny still hold the initiative throughout the world. On the Korean front, the guns are silent for the moment, stilled temporarily by the unwise armistice which the enemy is using to build up his strength. Now that the Geneva Conference has come to an end with no result, as predicted, it is quite in place to declare the end of the armistice. The northern half of our country is held and ruled by a million Chinese slaves of the Soviets. Communist trenches, filled with troops, lie within 40 miles of our national capital. Communist airfields, newly constructed in defiance of armistice terms and furnished with jet bombers, lie within 10 minutes of our national assembly.

Yet death is scarcely closer to Seoul than to Washington, for the destruction of the United States is the prime objective of the conspirators in the Kremlin. The Soviet Union's hydrogen bombs may well be dropped on the great cities of America even before they are dropped on our shattered towns.

The essence of the Soviet's strategy for world conquest is to lull Americans into a sleep of death by talking peace until the Soviet Union possesses enough hydrogen bombs and intercontinental bombers to pulverize the airfields and productive centers of the United States by a sneak attack. This is a compliment to the American standard of international morality; but it is a sinister compliment. For the Soviet Government will use the weapons of annihilation when it has enough to feel confident that it can eliminate America's power to retaliate. We are obliged, therefore, as responsible statesmen, to consider what, if anything, can be done to make certain that when the Soviet Government possesses those weapons, it will not dare to use them.

We know that we cannot count on Soviet promises. Thirty-six years of experience have taught us that Communists never respect a treaty if they consider it in their interest to break it. They are not restrained by any moral scruple, humanitarian principle or religious sanction. They have dedicated themselves to the employment of any means, even the foulest—even torture and mass murder—to achieve their conquest of the world. The Soviet Union will not stop of its own volition. It must be stopped.

Does this necessarily mean that the United States and its allies must either drop bombs now on the Soviet factories or stand like steers in a slaughterhouse awaiting death?

The way to survival for the free peoples of the world—the only way that we Koreans see—is not the way of wishfully hoping for peace when there is no peace; not by trusting that somehow the Soviet Government may be persuaded to abandon its monstrous effort to conquer the world; not by cringing and appeasing the forces of evil; but by swinging the world balance of power so strongly against the Communists that, even when they possess the weapons of annihilation, they will not dare use them. [Applause.]

There is little time. Within a few years the Soviet Union will possess the means to vanquish the United States. We must act now. Where can we act?

We can act in the Far East. Ladies and gentlemen, the Korean front comprises only one small portion of the war we want to win—the war for Asia, the war for the world, the war for freedom on earth.

Yet the Republic of Korea has offered you its 20 equipped divisions and the men to compose 20 more. A million and a half young Koreans ask for nothing better than to fight for the cause of human freedom, their honor and their nation. [Applause]. The valor of our men has been proved in battle and no American has doubted it since General Van Fleet's statement that a Korean soldier is the equal of any fighting man in the world. [Applause.]

The Government of the Republic of China in Formosa also has offered you 630,000 men of its Armed Forces and additional reserves.

The Communist regime on the mainland of China is a monster with feet of clay. It is hated by the masses. Although the Reds have murdered 15 million of their opponents, thousands of free Chinese guerrillas are still fighting in the interior of China. Red China's army numbers 2,500,000, but its loyalty is not reliable, as was proved when 14,369 of the Communist Chinese army captured in Korea chose to go to Formosa, and only 220 chose to return to Red China. [Applause.]

Furthermore, the economy of Red China is extremely vulnerable. Sixty percent of its imports reach it by sea and seaborne coastal traffic is its chief means of communication from north to south. A blockade of the China coast by the American Navy would produce chaos in its communications.

The American Air Force, as well as the Navy, would be needed to insure the success of the counterattack on the Red Chinese regime, but, let me repeat, no American foot soldier.

The return of the Chinese mainland to the side of the free world would automatically produce a victorious end to the wars in Korea and Indochina, and would swing the balance of power so strongly against the Soviet Union that it would not dare to risk war with the United States. Unless we win China back, an ultimate victory for the free world is unthinkable.

Would not the Soviet Government, therefore, launch its own ground forces into the battle for China, and its air force as well? Perhaps. But that would be excellent for the free world, since it would justify the destruction of the Soviet centers of production by the American Air Force before the Soviet hydrogen bombs had been produced in quantity.

I am aware that this is hard doctrine. But the Communists have made this a hard world, a horrible world, in which to be soft is to become a slave.

Ladies and gentlemen of the Congress, the fate of human civilization itself awaits our supreme resolution. Let us take courage and stand up in defense of the ideals and principles upheld by the fathers of American independence, George Washington and Thomas Jefferson, and again by the great Emancipator, Abraham Lincoln, who did not hesitate to fight in defense of the Union which could not survive half free and half slave.

Let us remember, my friends, that peace cannot be restored in the world half Communist and half democratic. Your momentous decision is needed now

to make Asia safe for freedom, for that will automatically settle the world Communist problems in Europe, Africa, and America. [Applause.]

At 12 o'clock and 58 minutes p. m., the President of Korea, accompanied by the committee of escort, retired from the Chamber.

The Doorkeeper escorted the invited guests from the Chamber in the following order:

The members of the President's Cabinet.

The Ambassadors, Ministers, and chargés d'affaires of foreign governments.

JOINT MEETING DISSOLVED

The SPEAKER. The purposes of the joint meeting having been accomplished, the Chair declares the joint meeting of the two Houses now dissolved.

Thereupon (at 1 o'clock p. m.) the joint meeting of the two Houses was dissolved.

The Members of the Senate retired to their Chamber.

AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 1 o'clock and 2 minutes p. m.

RECESS

The SPEAKER. The Chair declares the House in recess until 2 o'clock.

Accordingly (at 1 o'clock and 3 minutes p. m.) the House stood in recess until 2 o'clock p. m.

AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 2 o'clock p. m.

PROCEEDINGS DURING THE RECESS

Mr. ARENDS. Mr. Speaker, I ask unanimous consent that the proceedings had during the recess be printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

INTERNAL REVENUE CODE OF 1954

The SPEAKER. The question is on the conference report on the bill H. R. 8300.

Mr. REED of New York. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 315, nays 77, answered "present" 1, not voting 39, as follows:

[Roll No. 122]

YEAS—315

Adair	Andresen, August H.	Auchincloss
Addonizio	Arends	Ayres
Alexander	Ashmore	Bailey
Allen, Calif.	Aspinall	Baker
Allen, Ill.		Barden
Barrett	Gregory	O'Konski
Bates	Gross	O'Neill
Beamer	Gubser	Osmers
Becker	Gwinn	Ostertag
Belcher	Hagen, Minn.	Passman
Bender	Hale	Patterson
Bentley	Haley	Pelly
Berry	Halleck	Pfost
Betts	Hand	Phillips
Boggs	Harden	Pillion
Boland	Hart	Poage
Bolton, Frances P.	Harvey	Poff
	Hays, Ark.	Polk
Bolton, Oliver P.	Hays, Ohio	Preston
	Herlong	Price
Bonin	Heselton	Prouty
Bosch	Hess	Radwan
Bow	Hiestand	Ray
Bowler	Hill	Reece, Tenn.
Boykin	Hillelson	Reed, Ill.
Bramblett	Hillings	Reed, N. Y.
Bray	Hinshaw	Rees, Kans.
Brooks, Tex.	Hoffman, Ill.	Rhodes, Ariz.
Brown, Ga.	Hoffman, Mich.	Richards
Brown, Ohio	Holmes	Riehlman
Brownson	Holt	Riley
Broyhill	Holtzman	Rivers
Budge	Hope	Roberts
Burleson	Horan	Robsion, Ky.
Busbey	Hosmer	Rodino
Bush	Howell	Rogers, Colo.
Byrne, Pa.	Hruska	Rogers, Fla.
Byrnes, Wis.	Hunter	Rogers, Mass.
Campbell	Hyde	Rogers, Tex.
Canfield	Ikard	Sadlak
Carlyle	Jackson	St. George
Carnahan	James	Saylor
Carrigg	Jarman	Schenck
Cederberg	Javits	Scherer
Chelf	Jenkins	Scott
Chenoweth	Jensen	Scrivner
Chiperfield	Johnson, Calif.	Scudder
Chudoff	Jonas, Ill.	Seely-Brown
Church	Jonas, N. C.	Selden
Clardy	Jones, Mo.	Shafer
Clevenger	Jones, N. C.	Sheehan
Cole, Mo.	Judd	Shelley
Cole, N. Y.	Karsten, Mo.	Sheppard
Colmer	Kean	Shuford
Coon	Kearney	Sieminski
Corbett	Keating	Sikes
Coudert	Kersten, Wis.	Simpson, Ill.
Cretella	Kilday	Simpson, Pa.
Crumpacker	King, Calif.	Small
Cunningham	King, Pa.	Smith, Kans.
Curtis, Mass.	Kluczynski	Smith, Wis.
Curtis, Mo.	Knox	Springer
Dague	Krueger	Staggers
Davis, Ga.	Laird	Stauffer
Davis, Wis.	Landrum	Steed
Dawson, Ill.	Lane	Stringfellow
Deane	Lantaff	Sullivan
Delaney	Latham	Taber
Dempsey	LeCompte	Talle
Devereux	Lipscomb	Taylor
D'Ewart	Lovre	Thomas
Dodd	McCarthy	Thompson, Mich.
Dolliver	McConnell	
Dondero	McCulloch	Thompson, Tex.
Donohue	McDonough	Thornberry
Dorn, N. Y.	McGregor	Tollefson
Dorn, S. C.	McIntire	Utt
Dowdy	McMillan	Van Pelt
Doyle	McVey	Van Zandt
Durham	Mack, Ill.	Velde
Elliott	Mack, Wash.	Vorys
Ellsworth	Mahon	Vursell
Engle	Martin, Iowa	Wainwright
Fallon	Mason	Walter
Fenton	Matthews	Wampler
Fernandez	Meader	Warburton
Fino	Merrill	Watts
Fisher	Merrow	Westland
Fogarty	Miller, Kans.	Wharton
Ford	Miller, Md.	Widnall
Forrester	Miller, Nebr.	Wigglesworth
Fountain	Miller, N. Y.	Williams, Miss.
Frelinghuysen	Morano	Williams, N. J.
Friedel	Moss	Williams, N. Y.
Fulton	Moulder	Wilson, Calif.
Gamble	Mumma	Wilson, Ind.
Garmatz	Natcher	Wilson, Tex.
Gathings	Neal	Withrow
Gavin	Nelson	Wolcott
Gentry	Nicholson	Wolverton
George	Norblad	Yates
Golden	Norrell	Yorty
Goodwin	Oakman	Young
Gordon	O'Brien, Ill.	Younger
Graham	O'Brien, N. Y.	Zablocki
Granahan	O'Hara, Ill.	
Grant	O'Hara, Minn.	

NAYS—77

Abbitt	Evins	Miller, Calif.
Abernethy	Feighan	Mills
Albert	Fine	Mollohan
Andersen, H. Carl	Forand	Morgan
	Frazier	Multer
Andrews	Gary	Patman
Battle	Green	Patten
Bennett, Fla.	Hagen, Calif.	Philbin
Blatnik	Hardy	Pilcher
Bolling	Harrison, Va.	Rabaut
Bonner	Holifield	Rains
Buchanan	Johnson, Wis.	Rayburn
Burdick	Jones, Ala.	Reams
Byrd	Kee	Rhodes, Pa.
Cannon	Kelley, Pa.	Robeson, Va.
Celler	Kelly, N. Y.	Rooney
Condon	Keogh	Smith, Miss.
Cooley	Kirwan	Smith, Va.
Cooper	Klein	Spence
Crosser	Lanham	Teague
Dawson, Utah	Lesinski	Trimble
Dies	McCormack	Tuck
Dingell	Madden	Whitten
Dollinger	Magnuson	Wickersham
Eberharter	Marshall	Wier
Edmondson	Metcalf	Winstead

ANSWERED "PRESENT"—1

Donovan

NOT VOTING—39

Angell	Harrison, Wyo.	Perkins
Bennett, Mich.	Hébert	Powell
Bentsen	Hoeven	Priest
Bishop	Kearns	Regan
Brooks, La.	Kilburn	Roosevelt
Buckley	Long	Secrest
Chatham	Lucas	Short
Cotton	Lyle	Sutton
Curtis, Nebr.	Machrowicz	Thompson, La.
Davis, Tenn.	Mailliard	Vinson
Derounian	Morrison	Weichel
Harris	Murray	Wheeler
Harrison, Nebr.	O'Brien, Mich.	Willis

So the conference report was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Derounian for, with Mr. Donovan against.

Mr. Hoeven for, with Mr. O'Brien of Michigan against.

Mr. Kearns for, with Mr. Buckley against.

Mr. Brooks of Louisiana for, with Mr. Powell against.

Mr. Bentsen for, with Mr. Roosevelt against.

Mr. Lyle for, with Mr. Machrowicz against.

Until further notice:

Mr. Short with Mr. Willis.

Mr. Cotton with Mr. Thompson of Louisiana.

Mr. Bishop with Mr. Perkins.

Mr. Weichel with Mr. Long.

Mr. Harrison of Nebraska with Mr. Priest.

Mr. Mailliard with Mr. Regan.

Mr. Harrison of Wyoming with Mr. Wheeler.

Mr. Bennett of Michigan with Mr. Harris.

Mr. Angell with Mr. Secrest.

Mr. DONOVAN. Mr. Speaker, I have a live pair with the gentleman from New York, Mr. DEROUNIAN. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote present.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

ENROLLMENT OF THE BILL H. R. 8300, REVISING INTERNAL REVENUE LAWS

Mr. REED of New York. Mr. Speaker, I ask unanimous consent for the im-

mediate consideration of the concurrent resolution (H. Con. Res. 263) relating to the enrollment of H. R. 8300.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the concurrent resolution, as follows:

Resolved by the House of Representatives (the Senate concurring), That the Clerk of the House of Representatives in the enrollment of the bill (H. R. 8300) to revise the internal revenue laws of the United States, is authorized and directed—

(1) In subsection (b) of the first section, to strike out "with an appendix and index; but without marginal references" and insert in lieu thereof the following: "with a comprehensive table of contents and an appendix; but without an index or marginal references".

(2) In section 34 (c) (1), to insert after "imposed by" the following: part I or II of

(3) In section 104 (a) (3), to strike out "such amounts" and insert "such amounts (A)" and to strike out "employee);" and insert in lieu thereof the following: "employee, or (B) are paid by the employer);".

(4) In the heading to section 213 (f), to strike out "For Child Care" and insert in lieu thereof the following: "For Care of Certain Dependents".

(5) In section 421 (d) (1) (D), in lieu of inserting "on or after June 18, 1954" to insert the following: "on or after June 22, 1954".

(6) In section 503 (b) (3), to strike out "section 501 (c) (3)" and insert in lieu thereof the following: "section 501 (a)".

(7) In the table of sections to part III on page 143 of the House engrossed bill, to strike out "foreign personal company" and insert in lieu thereof the following: "foreign personal holding company".

(8) In section 601, to strike out "section 545 (b) (7)" and insert in lieu thereof the following: "section 545 (b) (6)".

(9) In section 681 (a), to strike out "exempt under section 501 (c) (3) from taxation" and insert in lieu thereof the following: "exempt from tax under section 501 (a) by reason of section 501 (c) (3)".

(10) In section 1492 (1), to strike out "section 501 (e), relating to pension trusts" and insert in lieu thereof the following: "section 401 (a)".

(11) In section 3121 (k) (2), to strike out "of this chapter" each place it appears and insert in lieu thereof the following: "applicable with respect to the taxes imposed by this chapter".

(12) To strike out subsection (c) of section 3302 and insert in lieu thereof the following:

"(c) LIMIT ON TOTAL CREDITS.—

"(1) The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.

"(2) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act, and if any balance of such advance or advances has not been returned to the Federal unemployment account as provided in that title before December 1 of the taxable year, then the total credits (after other reductions under this section) otherwise allowable under this section for such taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

"(A) in the case of a taxable year beginning with the fourth consecutive January 1 on which such a balance of unreturned advances existed, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

"(B) in the case of any succeeding taxable year beginning with a consecutive January 1 on which such a balance of unreturned advances existed, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

For purposes of this paragraph, wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State."

(13) In section 3304 (a) (4), to strike out all that follows "3305 (b);" and insert in lieu thereof the following: "except that—

"(A) an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration; and

"(B) the amounts specified by section 903 (c) (2) of the Social Security Act may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices;"

(14) In section 3305 (b), to strike out "subsection (c)," and insert in lieu thereof the following: "subsection (c))".

(15) In section 3306 (f), to strike out all that follows "3305 (b);" and insert in lieu thereof the following: "except that—

"(1) an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration; and

"(2) the amounts specified by section 903 (c) (2) of the Social Security Act may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices."

(16) In section 4233 (a) (1) (A)—

(A) in clause (ii), to strike out "which is exempt under section 501 (c) (3)" and insert in lieu thereof the following: "described in section 501 (c) (3) which is exempt from tax under section 501 (a)".

(B) in clause (iii), to strike out "exempt under section 501 (c) (3)" and insert in lieu thereof the following: "described in section 501 (c) (3) which is exempt from tax under section 501 (a)".

(C) in clause (v), to strike out "which is exempt under section 501 (c) (3)" and insert in lieu thereof the following: "described in section 501 (c) (3) which is exempt from tax under section 501 (a)".

(17) In section 6014 (a), to insert after the last sentence thereof the following: "In the case of a head of household (as defined in section 1 (b)) or a surviving spouse (as defined in section 2 (b)) electing the benefits of this subsection, the tax shall be computed by the Secretary or his delegate without regard to the taxpayer's status as a head of household or as a surviving spouse.".

(18) In section 6044 (c), to strike out "exempt from taxation under section 501 (c) (12) or (15)" and insert in lieu thereof the following: "described in section 501 (c) (12) or (15) which is exempt from tax under section 501 (a),".

(19) In section 6334 (a) (1), to strike out "household" and insert in lieu thereof the following: "family".

(20) In section 6334 (a) (2), to strike out "head of a household" and insert in lieu thereof the following: "head of a family".

(21) In section 6334 (a) (2), to strike out "such household" and insert in lieu thereof the following: "his household".

(22) In section 7482 (c), to strike out paragraph (2) and insert in lieu thereof the following:

"(2) TO MAKE RULES.—Rules for review of decisions of the Tax Court shall be those prescribed by the Supreme Court under section 2074 of title 28 of the United States Code. Until such rules become effective the rules adopted under authority of section 1141 (c) (2) of the Internal Revenue Code of 1939 shall remain in effect."

(23) In section 7651, to strike out "marihuana)—" and insert in lieu thereof the following: "marihuana), and except as otherwise provided in section 28 (a) of the Revised Organic Act of the Virgin Islands and section 30 of the Organic Act of Guam (relating to the covering of the proceeds of certain taxes into the treasuries of the Virgin Islands and Guam, respectively)—"

(24) At the end of section 7951, to insert the following:

"(5) VIRGIN ISLANDS.—

"(A) For purposes of this section, the reference in section 28 (a) of the Revised Organic Act of the Virgin Islands to 'any tax specified in section 3811 of the Internal Revenue Code' shall be deemed to refer to any tax imposed by chapter 2 or by chapter 21.

"(B) For purposes of this title, section 28 (a) of the Revised Organic Act of the Virgin Islands shall be effective as if such section had been enacted subsequent to the enactment of this title."

(25) At the end of section 7652 (b), to insert the following:

"(3) DISPOSITION OF INTERNAL REVENUE COLLECTIONS.—Beginning with the fiscal year ending June 30, 1954, and annually thereafter, the Secretary or his delegate shall determine the amount of all taxes imposed by, and collected during the fiscal year under, the internal revenue laws of the United States on articles produced in the Virgin Islands and transported to the United States. The amount so determined less 1 percent and less the estimated amount of refunds or credits shall be subject to disposition as follows:

"(A) There shall be transferred and paid over to the government of the Virgin Islands from the amounts so determined a sum equal to the total amount of the revenue collected by the government of the Virgin Islands during the fiscal year, as certified by the Government Comptroller of the Virgin Islands. The moneys so transferred and paid over shall constitute a separate fund in the treasury of the Virgin Islands and may be expended as the legislature may determine: *Provided*, That the approval of the President or his designated representative shall be obtained before such moneys may be obligated or expended.

"(B) There shall also be transferred and paid over to the government of the Virgin Islands during each of the fiscal years ending June 30, 1955, and June 30, 1956, the sum of $1,000,000 or the balance of the internal revenue collections available under this paragraph (3) after payments are made under subparagraph (A), whichever amount is greater. The moneys so transferred and paid over shall be deposited in the separate fund established by subparagraph (A), but shall be obligated or expended for emergency purposes and essential public projects only, with the prior approval of the President or his designated representative.

"(C) Any amounts remaining shall be deposited in the Treasury of the United States as miscellaneous receipts.

If at the end of any fiscal year the total of the Federal contribution made under subparagraph (A) at the beginning of that fiscal year has not been obligated or expended for an approved purpose, the balance shall continue available for expenditure during any succeeding fiscal year, but only for approved emergency relief purposes and essential public projects as provided in subparagraph (B). The aggregate amount of moneys available for expenditure for emergency relief purposes and essential public projects only, including payments under subparagraph (B), shall not exceed the sum of $5,000,000 at the end of any fiscal year. Any unobligated or unexpended balance of the Federal contribution remaining at the end of a fiscal year which would cause the moneys available for emergency relief purposes and essential public projects only to exceed the sum of $5,000,000 shall thereupon be transferred and paid over to the Treasury of the United States as miscellaneous receipts."

(26) In section 7809 (a), to insert after "4762," the following: "7651,".

(27) In section 1034 (h), to strike out "subsection (c) (5)" and insert in lieu thereof the following: "subsection (c) (4)".

Mr. REED of New York (interrupting the reading). Mr. Speaker, I ask unanimous consent that the further reading of the concurrent resolution be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. EBERHARTER. Mr. Speaker, reserving the right to object, I would like to call the attention of the Speaker to the fact that at the time the request was made to dispense with the reading of the conference report, I made a point of order and called attention to the fact that the printing of the conference report in the RECORD differed from the printing of the conference report itself. I call attention, Mr. Speaker, now to the fact that in the second paragraph of the conference report, reference is made that the Senate receded from its amendment to 110a whereas in the printing in the RECORD, it says that the Senate receded from the amendment 110. Mr. Speaker, the point of order was made that the RECORD was incorrect. That is the reason I made the point of order. It was my further intention at that time to make a further point of order that in the printing of the report on page 12402 of the CONGRESSIONAL RECORD, there is contained the word "on" which is materially different from the printing in the conference report, which contains the word "and." Mr. Speaker, I make this explanation under my reservation of objection so that the RECORD may show the disposition by the Speaker of my points of order and it is my further contention that in disposing of the point of order, there was some slight misunderstanding, perhaps, either on the part of the Speaker or myself in presenting the point of order. But I want the RECORD to show that the point of order, in my opinion, was sustained by the decisions of the previous Congresses.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. REED] that the further reading of the concurrent resolution be dispensed with?

There was no objection.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to insert an explanation of the concurrent resolution upon which we are now acting.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. EBERHARTER. Mr. Speaker, further reserving the right to object, the action that has just been taken shows conclusively that it has been necessary to correct what has already been done by the House by unanimous consent.

Mr. Speaker, I feel constrained to object to the last request.

The SPEAKER. The Chair wishes to state that this resolution corrects some things that the conferees could not do in the conference.

Mr. EBERHARTER. I object to the last request of the gentleman from New York.

The SPEAKER. The gentleman objects to the request of the gentleman from New York to extend his remarks.

The question is on the resolution.

The resolution was agreed to, and a motion to reconsider was laid on the table.

TO AMEND THE ATOMIC ENERGY ACT OF 1946, AS AMENDED

Mr. COLE of New York. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 9757) to amend the Atomic Energy Act of 1946, as amended, and for other purposes, with Senate amendments, disagree to the Senate amendments, and request a conference.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York? [After a pause.] The Chair hears none and appoints the following conferees: Mr. COLE of New York, Mr. HINSHAW, Mr. VAN ZANDT, Mr. DURHAM, and Mr. HOLIFIELD.

MUTUAL SECURITY ACT—EXTENSION OF REMARKS

Mr. TABER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill under consideration yesterday, providing appropriation for the Mutual Security Agency.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Ast, one of its clerks, announced that the Senate had passed, with an amendment in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 9757. An act to amend the Atomic Energy Act of 1946, as amended, and for other purposes.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 3522) entitled "An act for the relief of Arthur S. Rosichan."

The message also announced that the Vice President has appointed Mr. CARLSON and Mr. JOHNSTON of South Carolina members of the joint select committee on the part of the Senate, as provided for in the act of August 5, 1939, entitled "An act to provide for the disposition of certain records of the United States Government," for the disposition of executive papers referred to in the report of the Archivist of the United States, numbered 55–3.

COMMITTEE ON EDUCATION AND LABOR

Mr. McCONNELL. Mr. Speaker, I ask unanimous consent that the Committee on Education and Labor may sit and act today during general debate.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

THE LATE MRS. RUTH BRYAN ROHDE

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

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. ROGERS of Florida. Mr. Speaker, I regret to announce the death of Mrs. Ruth Bryan Rohde, who died on July 26, 1954, in Copenhagen, Denmark, where she had returned this month to thank King Frederik for the Medal of Merit which he bestowed upon her earlier this year.

Mrs. Rohde was a former Member of this House from my congressional district. She ably represented, what was then, the Fourth Congressional District of Florida in the House of Representatives from 1929 to 1933. She rendered outstanding service and was the first woman representative from the Old South.

She was the first woman envoy of the United States to a foreign power, having served as United States Minister to Denmark from 1933 to 1936 after her appointment by President Franklin D. Roosevelt. Her appointment as Minister to Denmark marked a milestone in the emergence of women into the diplomatic service.

It will be remembered that she was the daughter of the great commoner, William Jennings Bryan, who was thrice nominated for President of the United States by the Democratic Party, and was the standard bearer of the Democratic Party for three times.

Mrs. Rohde was born in Jacksonville, Ill., in 1885. Her father moved to Lincoln, Nebr., when she was a child and

she attended public schools there and then the University of Nebraska.

She taught public speaking at the University of Miami, Fla., from 1926 through 1928 and was teaching at the time she ran successfully for United States Representative.

When she served in the House of Representatives she was then known as Mrs. Ruth Bryan Owen. She was the widow of Maj. Reginald Owen, a major in the British Army's Royal Engineers, whom she had married in 1910. During World War I she followed him to Egypt where she served as a voluntary nurse.

During the time she was serving as United States Minister to Copenhagen she married Boerge Rohde, a captain in the palace guard of the late King Christian X. After her marriage to Captain Rohde, the couple returned to the United States and she resumed her writing and lecturing career.

Mrs. ROGERS of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. ROGERS of Florida. I am happy to yield to the gentlewoman from Massachusetts.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I am shocked to hear of the passing of our former colleague, Mrs. Ruth Bryan Owen Rohde. She was a personal friend of mine for many years, and I always admired her for her many fine accomplishments even before she came to Congress. I remember well her services here, her brilliance of mind, her charm. There was not anything that Ruth Bryan Rohde could not do. I know the gentleman from Florida remembers well only last year when she revisited us and sat over there on that side and discussed various matters involving Denmark. We all know how much she has done in cementing the friendship of the two countries—the United States and Denmark.

She was a great woman, a great diplomat, and a great statesman.

Mr. ROGERS of Florida. Mr. Speaker, I yield to the gentlewoman from Ohio [Mrs. FRANCES P. BOLTON].

Mrs. FRANCES P. BOLTON. Mr. Speaker, the death of Ruth Bryan Rohde in Copenhagen, Denmark, on yesterday brings to those of us of her generation many warm memories.

Ruth Bryan Owen, as she was during her service in this House, was lovely to look at and good to listen to. Daughter of the never-to-be-forgotten orator, William Jennings Bryan, although she did not have his extraordinary power to sway an audience as his silver tongue had done, she had a charm and a grace all her own. With this she combined a fine ethic which I remember with especial pleasure, as it touched my life and my husband's.

At one time when she came to speak for the Democrats she stayed with us. When asked to criticize my husband who was then running for reelection, she said, "Oh, I could not do that. I never speak against a colleague."

Only a few weeks ago I met her on Madison Avenue in New York. We visited for some little time, talking of Jamaica, where she had a lovely home, and of her anticipated trip to Denmark. Though I thought she looked worn I was truly shocked to learn her days among us had ended.

Interesting daughter of an illustrious father she has left a record many could well envy. Wife, mother and grandmother, lecturer, author, Representative in this great House, the first woman to hold the post of Minister to a foreign country, a charming and intelligent woman, Ruth Bryan Rohde will long live in the hearts of all who knew her. Nor will the ink fade upon her record in this House and in the files of the Foreign Service of the United States.

May the Infinite take her to His heart.

Mr. ROGERS of Florida. Mr. Speaker, I yield to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Speaker, it was my privilege to come to the Congress at the same time the distinguished gentlewoman from Florida came here and to enjoy a very warm friendship during her period of service as a Member of this House.

It was with very deep regret that I heard she had passed away and I join with the distinguished gentleman from Florida and other colleagues in expressing my deep sympathy to her bereaved family.

Mr. ROGERS of Florida. Mr. Speaker, I yield to the gentleman from Texas [Mr. RAYBURN].

Mr. RAYBURN. Mr. Speaker, had I time to have prepared some remarks about our late colleague, I could not have done better nor as well as the gentlewoman from Ohio in the remarks she has made about this wonderful woman, Ruth Bryan Rohde. She was truly a distinguished daughter of a distinguished sire. She knew how to give friendship and how to keep friends. Her record and her accomplishments were outstanding. I doubt if we have many other women in our lifetime who will adorn the positions she occupied or be a greater tribute to womanhood than was Ruth Bryan Rohde.

Mr. ROGERS of Florida. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks in the RECORD on the life and character of the late Ruth Bryan Rohde.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. BENNETT of Florida. Mr. Speaker, it was my privilege many years ago as a student at the University of Florida to meet, for the first time, Mrs. Ruth Bryan Rohde and to hear her speak. In the years which followed, I have had the privilege of talking with her and corresponding with her on a number of occasions. She once represented Jacksonville, my hometown, in the Congress of the United States.

She graciously cooperated with my request that her father's prize possession of a beautiful old portrait of Thomas Jefferson be presented to the University of Florida as a token of her father's great interest in the university. At my request, the officials of the university named the main lounge in the student union building in honor of William Jennings Bryan. He had been active in raising funds for that building many years ago and it was during my administration as president of the student body that the final funds were raised and the project was begun. Just as her father had done, Mrs. Rohde maintained a keen interest in young people and in strengthening our country through strengthening them.

It is a privilege to say of Mrs. Rohde that she was truly one of this country's most able stateswomen. She was not only able in her leadership, she was at all times kindly in her actions and sweet and gracious in her efforts to help all those to whom she could be of assistance.

CONVEYANCE OF CERTAIN REAL PROPERTY TO BEAUFORT, N. C.

Mr. HOFFMAN of Michigan. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 9406) to provide for the conveyance of certain real property to the town of Beaufort, N. C.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Administrator of General Services is authorized and directed to convey to the town of Beaufort, N. C., upon payment by such town of $1, all of the right, title, and interest of the United States in and to that certain piece or parcel of land lying and being in such town, bounded and particularly described as follows:

Beginning at a point which is south twenty-three degrees twenty minutes west fifty feet from the center of the Beaufort-Lennoxville Road, which point also is north sixty-six degrees fifty-five minutes west fifty feet from the centerline of the road connecting Front Street and Lennoxville Road, and running thence north sixty-six degrees fifty-five minutes west one hundred and fifty feet; thence south twenty-three degrees twenty minutes west four hundred sixteen and seven-tenths feet, more or less, to the high-water line of Taylor's Creek; thence southeastwardly, with and along the high-water line of Taylor's Creek one hundred fifty and five-tenths feet, more or less, to a point fifty feet in the direction north sixty-six degrees fifty-five minutes west from the centerline of the road connecting Front Street and the Lennoxville Road projected to Taylor's Creek; thence north twenty-three degrees twenty minutes east four hundred forty-two and four-tenths feet, more or less, to the point of beginning, excepting from the foregoing description that portion of Front Street embraced therein, the same being described as follows: Beginning at a point which is south twenty-three degrees twenty minutes west three hundred ninety-two and four-tenths feet from the centerline of the Beaufort-Lennoxville Road, which point also is north sixty-six degrees fifty-five minutes west fifty feet from the centerline of the road connecting Front Street and Lennoxville Road, and runs thence north sixty-one degrees twenty-five minutes west one hundred fifty and five-tenths feet; thence south twenty-three degrees twenty minutes west sixty feet; thence south sixty-one degrees twenty-five minutes east one

hundred fifty and five-tenths feet; thence north twenty-three degrees twenty minutes east sixty feet to the point of beginning, being shown on map entitled "Property of United States Coast Guard and/or United States Navy Department, Beaufort, N. C."

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.

INTERNAL REVENUE ACT

Mr. REED of New York. Mr. Speaker, I ask unanimous consent that the RECORD be corrected to conform to the concurrent resolution.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

INTERNATIONAL CONVENTION FOR THE HIGH SEAS FISHERIES

Mr. TOLLEFSON. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 3713) to give effect to the International Convention for the High Seas Fisheries of the North Pacific Ocean, signed at Tokyo, May 9, 1952, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That this act may be cited as the "North Pacific Fisheries Act of 1954."

SEC. 2. As used in this act, the term—

(a) "Convention" means the International Convention for the High Seas Fisheries of the North Pacific Ocean with a protocol relating thereto signed at Tokyo May 9, 1952;

(b) "Commission" means the International North Pacific Fisheries Commission provided for by article II of the convention;

(c) "United States section" means the United States Commissioners to the Commission;

(d) "Convention area" means all waters, other than territorial waters, of the North Pacific Ocean which for the purposes of this act shall include the adjacent seas;

(e) "Fishing vessel" means any vessel engaged in catching fish or processing or transporting fish loaded on the high seas, or any vessel outfitted for such activities.

SEC. 3. The United States shall be represented on the Commission by not more than four Commissioners to be appointed by the President, to serve as such during his pleasure, and to receive no compensation for their services as Commissioners. Of such Commissioners—

(a) one shall be an official of the United States Government; and

(b) each of the others shall be a person residing in a State or Territory, the residents of which maintain a substantial fishery in the convention area.

SEC. 4. (a) The United States section shall appoint an advisory committee composed of not less than 5 nor more than 20 members and shall fix the terms of office thereof, such members to be selected both from the various groups participating in the fisheries covered by the convention and from the fishery agencies of the States or Territories, the residents of which maintain a substantial fishery in the convention area.

(b) Any or all members of the advisory committee may attend all sessions of the Commission except executive sessions.

(c) The advisory committee shall be invited to all nonexecutive meetings of the United States section and at such meetings shall be granted opportunity to examine and to be heard on all proposed programs of study and investigation, reports, and recommendations of the United States section.

(d) The members of the advisory committee shall receive no compensation for their services as such members. On approval by the United States section, not more than three members of the committee, designated by the committee, may be paid for transportation expenses and per diem incident to attendance at meetings of the Commission or of the United States section.

SEC. 5. Service of any individual appointed from private life as a United States Commissioner pursuant to section 3 or as a member of the advisory committee appointed pursuant to section 4 (a), shall not be considered as service or employment bringing such individual within the provisions of sections 281, 283, 284, and 434 of title 18 of the United States Code, and section 190 of the Revised Statutes (5 U. S. C. 99), except insofar as such provisions of law may prohibit any such individual from acting or receiving compensation in respect to matters directly relating to the convention, this act, or regulations issued pursuant to this act.

SEC. 6. The President is authorized to (a) accept or reject, on behalf of the United States, recommendations made by the Commission in accordance with the provisions of article III, section 1, of the convention, and recommendations made by the Commission in pursuance of the provisions of the protocol to the convention; and (b) act for the United States in the selection of persons by the contracting parties to compose the special committee provided by the protocol to the convention.

SEC. 7. Any agency of the Federal Government is authorized, upon request of the Commission, to cooperate in the conduct of scientific and other programs, and to furnish, on a reimbursable basis, facilities and personnel for the purpose of assisting the Commission in carrying out its duties under the convention. Such agency may accept reimbursement from the Commission.

SEC. 8. (a) The provisions of the convention and this act relating to abstention from fishing in certain areas by the nationals and vessels of one or more of the contracting parties shall be enforced by the Coast Guard in cooperation with the Fish and Wildlife Service and the Bureau of Customs.

(b) For such purposes any Coast Guard officer, any officer of the Fish and Wildlife Service, or any other person authorized to enforce the provisions of the convention and this act referred to in subsection (a) of this section may go on board any fishing vessel of Canada or Japan found in waters in which Canada or Japan has agreed by or under the convention to abstain from exploitation of one or more stocks of fish, and, when he has reasonable cause to believe that such vessel is engaging in operations in violation of the provisions of the convention, may, without warrant or other process, inspect the equipment, books, documents, and other articles on such vessel and question the persons on board, and for these purposes may hail and stop such vessel, and use all necessary force to compel compliance.

(c) Whenever any such officer has reasonable cause to believe that any person on any fishing vessel of Canada or Japan is violating, or immediately prior to the boarding of such vessel was violating, the provisions of the convention referred to in subsection (a) of this section, such person, and any such vessel employed in such violation shall be detained and shall be delivered as promptly as practicable to an authorized official of the nation to which they belong in accordance with the provisions of the convention.

(d) Any officer of the Coast Guard, any officer of the Fish and Wildlife Service, or any other person authorized to enforce the provisions of the convention and this act referred to in subsection (a) of this section, may be directed to attend as witnesses and to produce such available records and files or duly certified copies thereof as may be necessary to the prosecution in Canada or Japan of any violation of the provisions of the convention or any Canadian or Japanese law for the enforcement thereof when requested by the appropriate authorities of Canada or Japan respectively.

SEC. 9. The Secretary of the Interior may designate officers of the States and Territories of the United States to enforce the provisions of the convention and this act insofar as they pertain to fishing vessels of the United States and the persons on board such vessels.

SEC. 10. (a) It shall be unlawful for any person or fishing vessel subject to the jurisdiction of the United States to engage in the catching of any stock of fish from which the United States may agree to abstain in the waters specified for such abstention as set forth in the annex to the convention, or to load, process, possess, or transport any such fish or fish products processed therefrom in the said waters, or to land in a port of the United States any fish so caught, loaded, possessed, or transported or any fish products processed therefrom.

(b) It shall be unlawful for any person or fishing vessel subject to the jurisdiction of the United States knowingly to load, process, possess, or transport any fish specified in subsection (a) of this section or any fish products processed therefrom in the territorial waters of the United States or in any waters of the convention area in addition to those specified in subsection (a) of this section, or to land in a port of the United States any such fish or fish products.

(c) It shall be unlawful for any person or fishing vessel subject to the jurisdiction of the United States knowingly to load, process, possess, or transport in the convention area or in the territorial waters of the United States any fish taken by a national of Canada or Japan from a stock of fish from which Canada or Japan respectively has agreed to abstain as set forth in the annex to the convention or any fish products processed therefrom, or to land such fish or fish products in a port of the United States.

(d) It shall be unlawful for any person subject to the jurisdiction of the United States to aid or abet in the taking of fish by a national or fishing vessel of Canada or of Japan from a stock of fish from which Canada or Japan has respectively agreed to abstain as set forth in the annex of the convention.

(e) It shall be unlawful for the master or owner or any person in charge of any fishing vessel of the United States to refuse to permit the duly authorized officials of the United States, Canada, or Japan to board such vessel or inspect its equipment, books, documents, or other articles or question the persons on board in accordance with the provision of the convention, or to obstruct such officials in the execution of such duties.

SEC. 11. (a) Any person violating subsection (a), (b), or (c) of section 10 of this act shall upon conviction be fined not more than $10,000, and for such offense the court may order forfeited, in whole or in part, the fish concerned in the offense, or the fishing gear involved in such fishing, or both, or the monetary value thereof. Such forfeited fish or fishing gear shall be disposed of in accordance with the direction of the court.

(b) Any person violating subsection (d) of section 10 of this act shall upon conviction be fined not more than $10,000.

(c) Any person violating subsection (e) of section 10 of this act shall upon conviction be fined nor more than $10,000 and be imprisoned for not more than 1 year or both, and for such offense the court may order forfeited, in whole or in part the fish and fishing gear on board the vessel, or both, or the monetary value thereof. Such fish and fishing gear shall be disposed of in accordance with the direction of the court.

(d) Section 10 of the Northwest Atlantic Fisheries Act of 1950 (64 Stat. 1067; 16 U. S. C. 989) shall not apply to violations for which penalties are provided in this section.

SEC. 12. For the effective execution of this act, sections 7 (a) and (b), 9, 10, and 11 of the Northwest Atlantic Fisheries Act of 1950 (64 Stat. 1067; 16 U. S. C. 986, 988, 989, 990) shall be deemed to be incorporated herein in haec verba as long as Alaska shall remain a Territory provided that regulations authorized by section 7 (a) of the Northwest Atlantic Fisheries Act shall be adopted by the Secretary of the Interior on consultation with the United States section and shall apply only to stocks of fish in the convention area contiguous to the territorial waters of Alaska.

SEC. 13. (a) There is hereby authorized to be appropriated from time to time such sums as may be necessary for carrying out the purposes and provisions of the convention and this act, including—

(1) necessary travel expenses of the United States Commissioners without regard to the Standardized Government Travel Regulations, as amended, the Travel Expense Act of 1949, or section 10 of the act of March 3, 1933 (U. S. C., title 5, sec. 73b); and

(2) the United States share of the joint expenses of the Commission; provided that the Commissioners shall not, with respect to commitments concerning the United States share of the joint expenses of the Commission, be subject to the provisions of section 262 (b) of title 22 of the United States Code insofar as they limit the authority of United States representatives to international organizations with respect to such commitments.

(b) Such funds as shall be made available to the Secretary of the Interior for research and related activities shall be expended to carry out the program of the Commission in accordance with recommendations of the United States section.

SEC. 14. If any provision of this act or the application of such provision to any circumstances or persons shall be held invalid, the validity of the remainder of the act and the applicability of such provision to other circumstances or persons shall not be affected thereby.

Mr. TOLLEFSON. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TOLLEFSON: On page 9, lines 15 and 16, strike out the words "as long as Alaska shall remain a Territory."

The amendment was agreed to.

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

FOREIGN MERCHANT VESSEL ACQUISITION

Mr. TOLLEFSON. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2371) to extend emergency foreign merchant vessel acquisition and operating authority of Public Law 101, 77th Congress, and for other purposes.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That during any period in which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936, as amended, the President is authorized and empowered through the Secretary of Commerce to purchase, or to requisition, or for any part of such period to charter or requisition the use of, or to take over the title to or possession of, for such use or disposition as he shall direct, any merchant vessel not owned by citizens of the United States which is lying idle in waters within the jurisdiction of the United States, including the Canal Zone, and which the Secretary finds to be necessary to the national defense. Just compensation shall be determined and made to the owner or owners of any such vessel in accordance with the applicable provisions of section 902 of the Merchant Marine Act, 1936, as amended. Such compensation hereunder, or advances on account thereof, shall be deposited with the Treasurer of the United States in a separate deposit fund. Payments for such compensation and also for payment of any valid claim upon such vessel in accord with the provisions of the second paragraph of subsection (d) of such section 902, as amended, shall be made from such fund upon the certificate of the Secretary of Commerce.

SEC. 2. During any period in which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936, as amended, the President is authorized through the Secretary of Commerce to acquire by voluntary agreement of purchase or charter the ownership or use of any merchant vessel not owned by citizens of the United States.

SEC. 3. (a) Any vessel not documented under the laws of the United States, acquired by or made available to the Secretary of Commerce under this act, or otherwise, may, notwithstanding any other provision of law, in the discretion of the Secretary of the Treasury be documented as a vessel of the United States under such rules and regulations or orders, and with such limitations, as the Secretary of the Treasury may prescribe or issue as necessary or appropriate to carry out the purposes and provisions of this act, and in accordance with the provisions of subsection (c) hereof, engage in the coastwise trade when so documented. Any document issued to a vessel under the provisions of this subsection shall be surrendered at any time that such surrender may be ordered by the Secretary of the Treasury. No vessel, the surrender of the documents of which has been so ordered, shall, after the effective date of such order, have the status of a vessel of the United States unless documented anew.

(b) The President may, notwithstanding any other provisions of law, by rules and regulations or orders, waive compliance with any provision of law relating to masters, officers, members of the crew, or crew accommodations on any vessel documented under authority of this section to such extent and upon such terms as he finds necessary because of the lack of physical facilities on such vessels, and because of the need to employ aliens for their operation. No vessel shall cease to enjoy the benefits and privileges of a vessel of the United States by reason of the employment of any person in accordance with the provisions of this subsection.

(c) Any vessel while documented under the provisions of this section, when chartered under this act by the Secretary of Commerce to Government agencies or departments or to private operators, may engage in the coastwise trade under permits issued by the Secretary of Commerce, who is hereby authorized to issue permits for such purpose pursuant to such rules and regulations as he may prescribe. The Secretary of Commerce is hereby authorized to prescribe such rules and regulations as he may deem necessary or appropriate to carry out the purposes and provisions of this section. The second paragraph of section 9 of the Shipping Act, 1916, as amended, shall not apply with respect to vessels chartered to Government agencies or departments or to private operators or otherwise used or disposed of under this act. Existing laws covering the inspection of steam vessels are hereby made applicable to vessels documented under this section only to such extent and upon such conditions as may be required by regulations of the Secretary of the department in which the Coast Guard is operating: *Provided*, That in determining to what extent those laws should be made applicable, due consideration shall be given to the primary purpose of transporting commodities essential to the national defense.

(d) The Secretary of Commerce without regard to the provisions of section 3709 of the Revised Statutes may repair, reconstruct, or recondition any vessels to be utilized under this act. The Secretary of Commerce and any other Government department or agency by which any vessel is acquired or chartered, or to which any vessel is transferred or made available under this act may, with the aid of any funds available and without regard to the provisions of said section 3709, repair, reconstruct, or recondition any such vessels to meet the needs of the services intended, or provide facilities for such repair, reconstruction, or reconditioning. The Secretary of Commerce may operate or charter for operation any vessel to be utilized under this act to private operators, citizens of the United States, or to any department or agency of the United States Government, without regard to the provisions of title VII of the Merchant Marine Act, 1936, and any department or agency of the United States Government is authorized to enter into such charters.

(e) In case of any voyage of a vessel documented under the provisions of this section begun before the date of termination of an effective period of section 1 hereof, but is completed after such date, the provisions of this section shall continue in effect with respect to such vessel until such voyage is completed.

(f) When used in this act, the term "documented" means "registered", "enrolled and licensed", or "licensed."

Mr. TOLLEFSON. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. TOLLEFSON: On page 2, line 3, strike out the word "Secretary" and in lieu thereof insert the word "President."

The amendment was agreed to.

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

UNITED STATES MERCHANT MARINE ACADEMY

Mr. ALLEN of California. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and include the report of the 11th Congressional Board of Visitors to the United States Merchant Marine Academy.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. ALLEN of California. Mr. Speaker, I present herewith the 1954 report of the Board of Visitors to the United States Merchant Marine Academy.

On May 8, 1954, the Board met at the United States Merchant Marine Academy at Kings Point, N. Y. There were present the gentleman from New York [Mr. KEOGH] and the gentleman from North Carolina [Mr. BONNER] and myself, who was elected to serve as chairman.

Each of the Board members present having approved the report I submit it to the Congress. The report is as follows:

REPORT OF THE BOARD OF VISITORS TO THE UNITED STATES MERCHANT MARINE ACADEMY, 1954, KINGS POINT, N. Y., MAY 10, 1954

THE PRESIDENT OF THE SENATE.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

GENTLEMEN: Pursuant to Public Law 301, 78th Congress, approved May 11, 1944, the following Senators and Members of the House of Representatives were designated to constitute the 1954 Board of Visitors to the United States Merchant Marine Academy:

By the President of the Senate: Senator IRVING M. IVES (Republican), New York.

By the chairman, Senate Committee on Interstate and Foreign Commerce: Senator ANDREW W. SCHOEPPEL (Republican), Kansas; Senator A. S. MIKE MONRONEY (Democrat), Oklahoma.

By the Speaker of the House of Representatives: Congressman STUYVESANT WAINWRIGHT II (Republican), New York; Congressman EUGENE J. KEOGH (Democrat), New York.

By the chairman, House Committee on Merchant Marine and Fisheries: Congressman JOHN J. ALLEN, JR. (Republican), California; Congressman TIMOTHY P. SHEEHAN (Republican), Illinois; Congressman EDWARD J. HART (Democrat), New Jersey.

Ex-officio members: Senator JOHN W. BRICKER (Republican), Ohio (chairman, Senate Committee on Interstate and Foreign Commerce); Congressman ALVIN F. WEICHEL (Republican), Ohio (chairman, House Committee on Merchant Marine and Fisheries).

The meetings of this Board, which is the 11th such Board to visit the United States Merchant Marine Academy, were held on Saturday, May 8, 1954.

Congressman JOHN J. ALLEN., JR., of California, and EUGENE J. KEOGH, of New York, were present for both the morning and afternoon meetings. Congressman HERBERT C. BONNER, of North Carolina, attended both meetings in lieu of and at the request of Congressman EDWARD J. HART, of New Jersey. Congressman STUYVESANT WAINWRIGHT, of New York, sent a telegram expressing disappointment at being unable to attend and reiterating his unqualified approval of the work being carried on at the United States Merchant Marine Academy, and his hope that it would soon be placed on the same basis as the other Service Academies.

FIRST MEETING OF THE BOARD

The Board convened at Wiley Hall, Kings Point, at 1000, May 8, 1954, where they were welcomed by the Superintendent of the United States Merchant Marine Academy, Rear Adm. Gordon McLintock, and his staff.

The Board elected Congressman JOHN J. ALLEN, JR., of California, as Permanent Chairman and confirmed the appointments of Comdr. Clifford W. Sandberg, Lt. Comdr. Francis A. Litchfield, and, and Lt. (jg.) John A. Walsh as Secretary and Assistant Secretaries, respectively.

The Superintendent then introduced department heads and administrative personnel to the Board. Following previous procedures, the Board then continued in session until it was time to witness the formal regimental review in O'Hara Hall.

Congressman ALLEN. on behalf of the Board, accepted the salute of the regiment and the entire Board formed the inspection party to troop the line. The Board was greatly impressed by the smart appearance, military bearing, and precision of the cadet-midshipmen under the regimental commander, Cadet-Midshipman Harry B. Smith, of Ohio. The Board desires to compliment the regiment on an excellent review and to say that by noting the caliber of the young men and their obvious physical and mental fitness, the Board feels that our future merchant-marine officers are second to none and will be of the greatest value to our merchant marine and to our Navy in peace or in war.

The Board also singled out the drill team under Acting Company Commander Harold M. Janinda, of Connecticut, for praise, and for its outstanding display of precision drill.

The Board accepted the invitation of Cadet-Midshipman Regimental Commander Harry B. Smith and Cadet-Midshipman Regimental Adjutant Joseph D. Cerchione, of Idaho, to lunch with the regiment.

MEETING WITH THE REGIMENT OF CADET-MIDSHIPMEN

Congressman JOHN J. ALLEN, Jr., addressed the regiment at luncheon on behalf of the Board. At the conclusion of the luncheon the members of the Board met with the cadet-midshipmen from their districts and States. In addition, the last group of Philippine cadet-midshipmen to be trained at Kings Point under the Philippine Rehabilitation Act of 1946 were invited by Congressman ALLEN to join with the California cadet-midshipmen during this meeting.

SECOND MEETING OF THE BOARD

The Board sat in executive session with the secretary and assistant secretaries at 1330 in Wiley Hall. The results of these deliberations appear in this report under the General Comments and Specific Recommendations.

GENERAL COMMENTS

The Board was especially pleased to note the high morale present at Kings Point in spite of the difficult period through which the Academy has just passed. There can be no doubt that the single most pressing need at Kings Point is legislation putting this important institution on a permanent basis. The Board strongly recommends such legislation and will support it fully in the Congress.

The Board has not forgotten that the cadet-midshipmen's monthly allowance was discontinued in 1952 and because of the difficulties this has entailed for the cadets, it recommends that this allowance be restored as at the other Federal Academies. The Board found that the cadets are working at cutting lawns, painting, helping on boats, and doing odd jobs in the neighborhood in their very limited "free" time on Saturday afternoons and Sundays to the detriment of their studies, but made necessary if they are to pay their way in cleaning, pressing, getting haircuts, incidental dues for small pleasures. These small expenses fall very heavily on young men who cannot call upon their parents for incidental money. They add to their worries and the Board feels that the allowance originally set up for this purpose should be included in all future budgets.

Also in connection with this, the Board noted with some concern that budgetary limitations have made it necessary to use the cadets for work in the kitchens and as waiters, messengers, and boiler-room firemen during the academic week. The Board recommends, therefore, that budget figures should be estimated with the thought in mind of eliminating or reducing such interference with academic studies because while many students work their way through college by performing such work which is in itself good, in the academic plus regimental schedule required at Kings Point, as at the other Federal Academies, there is no time for the student to perform such duties, except for a limited part of the weekend. Consequently, he is under a great pressure and many cadets are unable to cope with the extra load and fall back in their studies and eventually are lost to the Government. It is thus false economy to save a small amount on help and lose a greater amount in the loss of the cadet. The Board is cognizant of the fact that at West Point, Annapolis, and at New London the cadets and midshipmen do not perform these extra duties.

The Board learned with some concern that a recent question has arisen concerning the Naval Reserve status of the cadet-midshipmen of Kings Point. The Board urges those in the Department of Defense and the Department of Commerce concerned with this matter make every effort to make certain that the demonstrated superiority of the Kings Pointer is not lost to the Naval Reserve forces. Past naval records of Kings Pointers have convinced the Board that these young officers make up an extremely valuable reservoir of Naval Reserve officers and this status should be retained.

The Board desires to enter upon the record the fact that there exists a service obligation for the graduate of the United States Merchant Marine Academy which compares favorably with the service obligations of the graduates of the other Federal Academies and officer-training programs. The graduates of the Coast Guard Academy are required to serve 4 years on active duty immediately following graduation and retain their commissions for a further 4 years for a total of 8 years obligated service. Graduates of Annapolis and West Point are required to serve 3 years on active duty immediately following graduation and retain their commissions for a further 5 years for a total of 8 years obligated service. Graduates of the NROTC program are required to serve 3 years on active duty, if so ordered, and to retain their commissions for a total period of 8 years. Graduates of the United States Merchant Marine Academy are required to serve 2 years on active duty, if so ordered, and to retain their commissions for a total period of 8 years of obligated service. This is in addition to service in the United States Merchant Marine, which is the primary goal of these young officers, and in which service they have morally obligated themselves to serve as a continuing profession.

On the matter of an annual budget, the Board thoroughly believes that a stable budget should be the goal sought. It seems reasonable to provide, for the present, a minimum budget which would permit the graduation of 100 deck officers and 100 engineer officers annually. Provision should also be provided to permit the Academy to conduct such occasional special classes as the industry requests and which are in the national interest.

The Board was happy to learn that active seamen who desire to enter Kings Point are given an advantage of 5 credits on their entrance examination and an additional advantage of a 2-year extension in the maximum age requirement limitation in an effort to encourage young, qualified seamen to enter Kings Point.

The Board noted with concern the relatively small appropriation for upkeep and maintenance of the entire physical plant.

While it is recognized that much of the repair and maintenance work has been accomplished by station personnel and cadet-midshipman assistance, the Board strongly recommends to those responsible for setting the Kings Point budget that provision be made for sufficient funds for the proper maintenance of this excellent institution.

The Board notes with particular interest that the value of the land, buildings, and equipment is considerably more than $10 million. The Board urges that a careful study be made of comparable institutions in order to ascertain what constitutes a nominal expenditure for maintenance, repairs and replacements. It is the opinion of the Board that a sum of approximately $200,000 is needed at this time to make certain that the buildings and equipment are not allowed to fall into a condition which would necessitate expensive repair and replacement at a later date. The Board bases its recommendations on the following expenditures for maintenance, repairs, and replacements during the last 5 years:

1954	$73,044
1953	112,695
1952	36,668
1951	65,707
1950	77,065

The above represents an average annual amount over the past 5 years of $73,040, or only seven-tenths of 1 percent of the value of the total inventories has been expended on maintenance, repairs, and replacement.

The Board again notes that over $300,000 stands in a fund for the purpose of constructing a chapel. This sum has been raised through private contribution and represents well over one-half of funds necessary for the construction of this memorial chapel. The Board strongly urges that the Congress approve the necessary funds to permit construction of this chapel.

SPECIFIC RECOMMENDATIONS

1. The Board specifically recommends that enabling legislation be enacted, setting up the United States Merchant Marine Academy, Kings Point, N. Y., as a permanent institution.

2. The Board specifically recommends that the budget for Kings Point be stabilized at a peacetime complement at an amount, making due allowance for attrition, which will permit the graduation of 100 deck officers and 100 engineer officers annually.

3. The Board specifically recommends, for reasons stated in the body of this report, and verified in actual practice, that the monthly allowance in cash previously issued to cadets be restored. There is simply not enough time in the cadet's schedule for doing outside work. The Board feels this allowance should be the same as that at the other Federal Academies.

4. The Board specifically recommends that the annual budget for Kings Point include sufficient funds for the proper maintenance of the entire physical plant and the replacement of obsolescing equipment.

5. The Board specifically recommends that the Congress appropriate enough to complete the chapel fund drive in accord with the language of the bill, Public Law 485, 80th Congress, approved April 17, 1948, which reads:

"SEC. 3. The Maritime Commission is authorized to accept private contributions to assist in defraying the cost of construction of the chapel and library provided for herein. Such contributions shall be received and accounted for under such regulations as the Comptroller General of the United States may prescribe."

CONCLUSION

The Board desires to enter upon the record its full support of the program being carried on at Kings Point. The Superintendent, his staff, the Regiment of Cadet-Midshipmen and all personnel at Kings Point are to be commended for their outstanding performance of duty in the face of considerable adversity. The Board desires, therefore, to extend its sincere appreciation of this outstanding performance to the Superintendent, Rear Adm. Gordon McLintock, and through him to all hands at Kings Point.

The Board offers its sincere thanks to its secretaries, Comdr. Clifford W. Sandberg, Lt. Comdr. Francis A. Litchfield, and Lt. (jg) John A. Walsh for their assistance, and to Rear Adm. Hollie J. Tiedemann for his assistance to us in Washington in making the arrangements for the travel of the Board between Washington and the Academy.

Approved:

JOHN J. ALLEN, Jr.
EUGENE J. KEOGH.
HERBERT C. BONNER.

APPENDIX

The Board of Visitors feels that it is important at this particular time to include a copy of the recent Academic Advisory Board report as an appendix in order that the opinions of these eminent educators with regard to Federal responsibility may be cited:

REPORT OF THE ACADEMIC ADVISORY BOARD TO THE UNITED STATES MERCHANT MARINE ACADEMY, 1954, KINGS POINT, N. Y.

MARCH 10, 1954.

Rear Adm. GORDON MCLINTOCK,
Superintendent, United States Merchant Marine Academy.

SIR: The seventh annual meeting of the Academic Advisory Board convened at Kings Point at 10 a. m., March 8, 1954.

Present: Dr. George Stuart Benson, president, Harding College; Vice Adm. Wilfrid N. Derby, United States Coast Guard (retired), former Superintendent, United States Coast Guard Academy; Vice Adm. Harry W. Hill, United States Navy (retired), former Superintendent, United States Naval Academy; Dr. Martin A. Mason, dean of engineering, George Washington University; Dr. Frank Hugh Sparks, president, Wabash College; Mr. E. E. Wilson, assistant to the chancellor, Vanderbilt University.

Prof. John E. Burchard, a member of the Board, was unable to attend. Dr. Sparks was present the first day only, and did not participate in the preparation of this report. Dr. Benson left after the deliberations of the Board, but before the final drafting of its conclusions.

President John Cranford Adams, of Hofstra College, the Chairman of last year's Board, attended the first day and reviewed the accomplishments of previous boards, as well as the history of accreditation of the Merchant Marine Academy for the conferring of a bachelor of science degree.

The Board was particularly pleased to have all open sessions attended by the Maritime Administrator, Mr. Louis S. Rothschild, and Mr. Eldon C. Upton, Jr., a member of the Federal Maritime Board. It wishes to emphasize the high value it puts on having direct contact with the highest authority in control of merchant marine officer training.

During the current session of the Board, full opportunity has been taken of the presence of the Maritime Administrator and Mr. Upton to discuss many problems inherent to the Academy, and the steps being taken to meet those problems. These discussions have proven extremely valuable to all the members of the Board, and have provided a much better understanding of many administrative problems at the Washington level relating to this Academy.

Because of the great percentage of time devoted to these fruitful discussions, the opportunities for the members of the Board to examine in detail the progress of changes and improvements in the curriculum and administration have been more limited than usual.

The Board desires to express its appreciation to the Superintendent and to the members of the staff for the excellent facilities provided for its work and for the generous attention to the comfort of its members. The courteous and hospitable spirit of the faculty and staff was noteworthy.

By having meals in the cadet messhall and visiting laboratories while students were at work, the members of the Board were able to form a very favorable impression of the general appearance and spirit of the cadet-midshipmen as a group.

The Board was generally well satisfied with the reports of the Superintendent and the several faculty committees on their activities and feels that appropriate action is being taken on the recommendations of previous boards within the power of the Superintendent.

The curriculum now appears to be in accord with acceptable standards required for maintenance of accreditation. The attention of the Superintendent and the faculty may now be given more critically to the scope and content of the individual courses and to the competence of the instruction in those courses. A continuing scrutiny by the dean, department heads, and faculty committees should be maintained to insure that the content and presentation of each course is improved whenever practicable. Every attention should be given to the interrelation of courses without the introduction of undue duplication.

The shift from two incoming classes a year to annual entrances has, the Board recognizes, introduced some difficulties in curriculum schedules which will persist for the next 3 or 4 years.

Previous recommendations have been made by this Board relative to the question of admission, which at present is considered unsatisfactory because of the lack of knowledge or control of prospective entrants and their educational and cultural background. It is again recommended that more of this control be vested in the Academy organization, similar to existing university practice.

It is suggested that a possible field for recruitment might exist in families of our merchant marine personnel.

A study is also suggested of the existing entrance requirements, with a view to determining whether higher standards could be established without seriously affecting the availability of desirable entrants.

Events of the past few months relative to the status of Kings Point necessarily have engaged the attention of the Board. In its consideration of the problem the Board has attempted to appraise two questions: What is the Federal interest in the training of merchant marine officers? What responsibility is implicit in the Federal interest?

The Board finds clear, unequivocal evidence on these questions in the language and intent of the Merchant Marine Act, 1936 (49 Stat. 1985). Additionally, over a period of time, the Federal Government has developed a very large investment in the physical equipment of a merchant marine. It is an axiom that ships are only so good as the men that man them. Prudent judgment then recognizes that the investment already made and now continuing must be protected by providing adequately trained and competent officers to man the ships. The Board concludes there is a Federal interest in the training of merchant marine officers and that this interest justifies the assumption of responsibility by the Federal Government for such training.

It seems clear to the Board that this responsibility cannot be delegated to a lower level but must be assumed and discharged at the Federal level. The common defense is a

Federal responsibility, and the officers participating in that defense must owe their allegiance to the Federal unity. The discipline, the loyalty, and the training of merchant marine officers therefore must be Federal in character, philosophy, and unity of purpose.

The Board recognizes the essential value of a merchant marine officer training establishment as a standby facility capable of rapid expansion in times of emergency. It is noted that among all the educational establishments of this nature Kings Point alone has existing classroom, laboratory, messing, and berthing facilities adequate to the probable emergency demand.

The requirements for merchant marine training demand school facilities and teaching personnel of an order approximating those of our recognized technical schools whose standards and facilities are subject to critical evaluation. The United States Merchant Marine Academy is outstanding, in fact, unique in this respect. The Board believes beyond question that Kings Point is an educational establishment without peer in its field.

It has been the Board's observation that despite the most deleterious effects potential in the situation of the last few months, the inherent strength of Kings Point has enabled it to survive what could well have been a fatal blow to a less dedicated school.

The Board takes this opportunity to commend the administration and staff of the school and the Corps of Cadet-Midshipmen for their exemplary behavior during this period of stress.

The necessity for an early assurance of a stable future for the Academy is apparent. In the view of the Board the Academy is a sound establishment of great potential and a bright future.

Prior to the completion of its duties, the Board elected Dean Mason to serve as Chairman during the ensuing year.

The Board wishes to express its thanks to Lt. Comdr. Litchfield and Lt. Comdr. Fish for their invaluable assistance in providing for their needs during this visit and for their unfailing courtesy and diligence in looking out for the Board's comfort during its stay at Kings Point. It is also deeply appreciative of the efforts of W. O. John Kiszenik and his clerical assistant who have assisted in the preparation of this report.

WILFRID N. DERBY.
HARRY W. HILL.
MARTIN A. MASON.
E. E. WILSON.

BITUMINOUS COAL INDUSTRY MENACED BY IMPORTS OF FOREIGN NATURAL GAS

Mr. VAN ZANDT. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. VAN ZANDT. Mr. Speaker, the coal industry, which has been a bulwark of the American economic system for over 150 years, faces another serious threat to its welfare in proposals to throw open our borders to unrestricted imports of natural gas, most of which would come from Canada.

Proposals to bring Canadian natural gas into the United States ignore the woeful unemployment situation that already has struck the bituminous coal industry; unemployment that has hit my State of Pennsylvania especially hard. The proposals ignore the fact that the United States has sufficient coal to last many centuries, enough coal to meet every energy need that can arise. They also ignore the very obvious fact that by putting our dependence on foreign natural gas, we take a chance of having that gas supply cut off, just when we need it most.

Coal production in 1953 was only 453 million tons, a 28 percent drop from the record 630 million tons produced in 1947 and experts anticipate only 400 million tons in 1954, which would be 12 percent less than last year.

This fall in production reflects only too vividly the effects of widespread use of our own domestic natural gas in competition with coal, as well as the competition of foreign residual oil.

Legislation has been introduced in the House and in the Senate intended to restrain imports of natural gas whenever such deliveries threaten economic dislocation, unemployment, or injury to competing fuel industries. These proposals have drawn fire, not only from those who seek to bring natural gas in from Canada, but from the Department of State, as well.

Objections have been raised by the State Department on the ground that such legislation would place an unnecessary barrier in the way of trade with Canada and Mexico. The State Department says there is no need for such legislation. I would like to ask on whose opinion was this decision based? Did they ask the coal producers? Did they ask the out-of-work miners in my State of Pennsylvania?

The State Department takes the position that in the case of natural gas imports the question already has been settled and any legislation seeking to protect a vital segment of American industry would threaten a status quo. This is not so.

Proposals contained in bills introduced in Congress during this 83d Congress in no way represent any change in United States foreign policy, as the State Department contends. Nor are these proposals to limit imports of natural gas in any way inimical to our own best interests.

The State Department ignores the fact that no real reciprocity exists in the matter of fuel relations between Canada and the United States. The Dominion imposes an import tax of 50 cents a ton on all coal crossing the border. Canadian coal comes into the United States duty free.

If we put our dependence on Canadian natural gas, as I said before, we would be taking a chance. Dominion law permits exports or imports of natural gas to be cut off arbitrarily without any standard of guidance, such as our own Natural Gas Act. Furthermore, the Province of Alberta—source of most Canadian natural gas—has passed legislation permitting stoppage of exports of natural gas to the United States without stating a reason and without prior notice.

Can the United States take such a chance?

No really significant volume of Canadian gas is yet being imported, so this is the time for Congress to consider carefully these proposals to import natural gas and legislation to safeguard the United States coal industry. There need be no cutoff of supplies, no loss of heavy investments, and no adjustments in trade or tariffs.

The coal industry needs its friends in Congress. It has been hit hard these past few years by loss of markets to domestic natural gas and foreign residual oil. To permit unrestricted imports of foreign natural gas at the expense of coal would be inimical to the best interests of a major segment of our industry; it would be inimical to the safety of our Nation.

The United States cannot put its dependence on foreign sources of fuel. It cannot take the chance of having those sources cut off by enemy action in time of war.

FRYINGPAN-ARKANSAS PROJECT, COLORADO

Mr. ELLSWORTH. Mr. Speaker, I offer a privileged resolution (H. Res. 626) from the Committee on Rules and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That 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. 236) to authorize the construction, operation, and maintenance by the Secretary of the Interior of the Fryingpan-Arkansas project, Colorado. 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 Interior and Insular Affairs, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill 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.

Mr. ELLSWORTH. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ELLSWORTH: Page 1, line 8, strike out "2 hours" and insert "1 hour."

The SPEAKER. Without objection, the amendment will be agreed to.

Mr. HOSMER. Mr. Speaker, I object.

Mr. ELLSWORTH. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. ELLSWORTH. Does not an amendment to a resolution require that a motion for its passage be put?

The SPEAKER. Does the gentleman desire to put that now or after debate on the resolution?

Mr. ELLSWORTH. I think it would be desirable to have it now before we adopt the rule.

Mr. SMITH of Virginia. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. SMITH of Virginia. What is the status of the amendment offered by the

gentleman from Oregon [Mr. ELLSWORTH]?

The SPEAKER. The amendment is pending. The purpose of the amendment is to limit general debate to 1 hour instead of 2 hours. The question is whether the amendment will be agreed to.

Mr. SMITH of Virginia. Mr. Speaker, is not the amendment subject to debate?

The SPEAKER. The gentleman from Oregon has 1 hour.

Mr. ELLSWORTH. Mr. Speaker, I move the previous question on the amendment.

Mr. SMITH of Virginia. Mr. Speaker, I ask for a vote on the previous question.

Mr. ELLSWORTH. Mr. Speaker, I withdraw the amendment.

The SPEAKER. The gentleman from Oregon is recognized for 1 hour.

Mr. ELLSWORTH. Mr. Speaker, I yield 30 minutes to the gentleman from Virginia [Mr. SMITH] and I yield myself now such time as I may require.

Mr. Speaker, I urge the adoption of House Resolution 626, which will make in order the consideration of the bill (H. R. 236) to authorize the construction, operation, and maintenance by the Secretary of the Interior of the Fryingpan-Arkansas project, Colorado.

House Resolution 626 provides for an open rule with 2 hours of general debate on the bill.

H. R. 236 is designed to provide supplemental irrigation water, municipal water, flood control, power, and other benefits for the section of country around Colorado Springs, Pueblo, and the general Arkansas Valley area in Colorado.

As far as the supplemental irrigation water is concerned, about 185,000 acre-feet would be made available for 322,000 acres of land in this section, through transmountain diversion of about 69,000 acre-feet, the conservation of flood flows, reregulation of winter flow, and the reuse of return flows.

It has been estimated, Mr. Speaker, that if this project is carried through about 66 percent of the usual annual flood damage between Pueblo and the John Martin Reservoir would be eliminated. This flood damage alone usually costs about $890,000 annually.

The report on this bill emphasizes the fact that about one-half billion kilowatt-hours of electric energy would be produced annually from the power facilities included in the plan.

The report further shows that there is a serious shortage of water in this area due to the fact that Arkansas River waters cannot take care of all the supplemental water needs of this section. As a result there is a constant loss in crop production on the presently irrigated farmlands.

Mr. Speaker, I understand that the Subcommittee on Irrigation and Reclamation held 4 days of hearings on this project before us today. The bill was reported favorably and the reporting committee is convinced that it is sound from an engineering, economic, and financial standpoint.

The Bureau of the Budget has voiced no objection to this bill, it has the approval of the administration and the Department of the Interior has commented favorably upon it.

I feel that the 2 hours of general debate that would be given if the rule is adopted will allow an adequate time for the full discussion of this project. I hope that the rule will be adopted and that the House will proceed expeditiously to the consideration of H. R. 236.

Mr. SMITH of Virginia. Mr. Speaker, I yield 5 minutes to the gentleman from California [Mr. YORTY].

CALL OF THE HOUSE

Mr. HAYS of Ohio. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] One hundred and eighty-three Members are present, not a quorum.

Mr. HALLECK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 123]

Angell	Harrison, Wyo.	O'Neill
Bailey	Hart	Perkins
Bentsen	Hébert	Powell
Brooks, La.	Hoeven	Priest
Buckley	Kearns	Rains
Celler	Kilburn	Regan
Chatham	Long	Roosevelt
Cotton	Lucas	Secrest
Curtis, Nebr.	Lyle	Short
Davis, Tenn.	McConnell	Sutton
Derounian	Machrowicz	Thompson, La.
Dodd	Mailliard	Vinson
Elliott	Morrison	Weichel
Gubser	Murray	Wheeler
Harris	Nelson	Willis
Harrison, Nebr.	O'Brien, Mich.	Wilson, Tex.

The SPEAKER. On this rollcall 375 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

INTERNAL REVENUE CODE OF 1954

Mr. ELLSWORTH. Mr. Speaker, I yield to the gentleman from New York [Mr. REED] for two unanimous-consent requests.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to correct the printing in the RECORD of the conference report on H. R. 8300 to conform to the conference report.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. EBERHARTER. Mr. Speaker, reserving the right to object, is this the matter to which I called the attention of the House previously?

The SPEAKER. The Chair suggests to the gentleman from New York [Mr. REED] that he withdraw his request.

Mr. REED of New York. Mr. Speaker, I withdraw my request. I made it only because the leader on that side asked me to do so.

The SPEAKER. The gentleman from New York withdraws his request.

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to insert in the RECORD an explanation of House Concurrent Resolution 263 at the appropriate place.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. REED of New York. Mr. Speaker, the concurrent resolution provides for the making of necessary corrections in the bill to conform to acts that have been presented to the President within the past few days:

First. The Unemployment Compensation Administrative Act.

Second. The Revised Organic Act for the Virgin Islands.

Third. An act authorizing the Supreme Court to prescribe rules for review of decisions of the Tax Court.

The resolution provides for the making of a correction to include—for purposes of the dividends-received credit—dividends from certain stock fire and casualty insurance companies.

The resolution also provides for the correction of cross references, for technical conforming changes, and for printing with a comprehensive table of contents in lieu of an index.

FRYINGPAN-ARKANSAS PROJECT, COLORADO

Mr. SMITH of Virginia. Mr. Speaker, when the rollcall came, I had yielded 5 minutes to the gentleman from California [Mr. YORTY].

Mr. YORTY. Mr. Speaker, this bill has a rather misleading name, Fryingpan-Arkansas project. It probably sounds strange to many of the Members, and I imagine it sounds rather unimportant. Actually the bill involves a revision of the reclamation law and is a pilot bill which, if it establishes a precedent, may saddle untold billions of dollars of debt on the taxpayers of all States of the United States for the benefit of a small number of people.

It is difficult for a Californian to speak on a Colorado River matter because there is always the possibility of the thought in the minds of the Members that it is because we are from California that we are against the bill, and only for that reason. But actually I would be compelled to oppose this bill no matter what State I came from.

I have been envious of the objective position of my friend, the gentleman from Pennsylvania [Mr. SAYLOR] who has done a tremendous amount of work on this bill and other bills involving the same cost principle. He is more fortunate than I in that it cannot be said that his objections stem from the fact that he comes from one of the States on the Colorado River.

I well remember my thoughts when I once picked up a folder dealing with this river. On the title page it said, "The Colorado River, River of Controversy." Certainly it has been, dating away back in our history. As of now 4 million people in the State of California are dependent upon water from the Colorado

River. This is indeed an important river, and this project is important because it sets some precedents that are far reaching in effect.

I suppose essentially the controversies on the river stem from the fact that you cannot plan projects on the river as just a part of the United States with the great river flowing down through it, and say that we will pick out projects that are the best irrespective of State lines. The law of the river compels us to divide it for project purposes into the lower basin and the upper basin. In the lower basin, nature has made it more feasible economically to put the water to use. Some of those in the upper basin who wish to use Colorado River water have been compelled to resort to a sort of tortured formula of financing to try to justify projects which involve huge Federal subsidies and a raid on the Treasury of the United States. For some years, under a ruling by the Department of the Interior, the interest money added into the power rate to reimburse the Treasury of the United States for its interest cost to develop power, instead of going to the Treasury of the United States was actually diverted to the Bureau of Reclamation and from there back to the beneficiaries of these projects. I have always felt that this was a fraud on the people of the United States and certainly unfair to the taxpayers outside of the area directly benefited by these projects. If subsidies are justified, they should be open and not hidden.

This Fryingpan-Arkansas project bill is important because it involves a formula of financing called the Collbran formula. Under this formula, instead of the irrigators paying back the cost of the irrigation features of the project in 50 years, much of the repayment for the irrigation features is deferred until after the 50-year period. At the end of that time when the power features with interest have been returned to the Treasury, then the net power revenues instead of going to the Treasury are diverted to pay the cost that the irrigators could not pay themselves. In other words, the costs not repaid, even without interest, by the people who directly benefit, who get the water on the land, are subsidized out of the Treasury of the United States.

During this long period of time, as you will all recognize immediately, the interest on this unpaid debt piles up and is compounded, so that in the end the subsidy is much greater than it would have been under any formula whereby the cost of the irrigation features would be paid back by the irrigators within the usual 50 years. The loan for the irrigation features has always been interest-free under our reclamation law, and the cost of the power features has been returned with interest except when diverted by a former Interior Department ruling of questionable validity. Under this Collbran formula, not even all of the actual construction cost of the irrigation features is paid back by the irrigators in 50 years, or over. The postponement of repayment of much of the cost of the irrigation features, while the interest cost to the Treasury piles up, is the essence of this fantastic Collbran formula.

Mr. PATTEN. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arizona?

There was no objection.

Mr. PATTEN. Mr. Speaker, it is my firm conviction that Congress should look with disfavor on the proposal now before us. The Fryingpan-Arkansas project, involving the diversion of water from Colorado's western slope to east of the Continental Divide, obviously is another one of those plans which will deprive the residents of one area of a vital natural resource, and in doing so, deny them their rightful opportunity to develop and use other natural resources in their locality.

H. R. 236 would authorize the collection of water from Hunter Creek and the Fryingpan River west of the Divide and divert it by means of an elaborate system of canals, tunnels, storage reservoirs, and diversion dams to the Arkansas River on the eastern slope. This project has been criticized widely as a Rube Goldberg type of engineering design. It would cost $172,898,000 at 1953 price levels, and it actually is just the first step of the gigantic Gunnison-Arkansas plan that received so much opposition in the late 1940's.

The Fryingpan-Arkansas project would deprive industries on the western side of the mountains of water that could be used locally for developing oil shale, uranium, and pulpwood resources. It is my understanding that the oil shale industry alone could provide a livelihood for a half million new residents in western Colorado. The operation of the businesses dealing in consumer goods and services, and the taxes and other returns from the oil shale and allied industries would enhance the State's economy still further. It is reported that this expansion will be impossible with the loss of the natural flow of water on the western slope.

It seems that the water to be delivered to the farmers under this plan would cost them about $10 per acre-foot. In similar irrigation districts, it has been found that farmers cannot pay this exorbitant price for water and still compete successfully with crop producers from other areas. This project appears to be a taxpayer's subsidy both for the water and for the crops produced.

Western slope sportsmen's organizations call this project the rape of the Roaring Fork and oppose it on the grounds that it would destroy famous fishing streams. The beds of both the Roaring Fork and Hunter Creek could be dried up under this plan, and I hope others will join in the opposition to this bill.

Mr. ELLSWORTH. Mr. Speaker, I yield 5 minutes to the gentleman from Colorado [Mr. CHENOWETH].

Mr. CHENOWETH. Mr. Speaker, as the author of this bill I would like to tell you something about this project. I am a little surprised that my good friend from California would be here on the floor making a speech against reclamation. California is a reclamation State and there is nothing in this bill which will affect California in the least. There is nothing new in this bill. There are no new precedents. This bill carries out the same reclamation policies which have been endorsed and advocated by both Democratic and Republican administrations since 1902, when the first Reclamation Act was passed.

This is a bill that does not affect any other State. Colorado has agreed on the division of water that belongs to us. Neither the State of California nor any other State is involved in this division. The water which we divide belongs to the State of Colorado. It has been allocated to Colorado under both the Colorado River compact and the upper Colorado River compact.

There is nothing unusual about this bill. There is nothing sinister about this proposal, as my colleague from California would have you believe. This is a reclamation project, approved by every State in the Colorado River Basin and by all Federal agencies involved. The project provides for irrigation, flood control, municipal water and power and is similar to other multipurpose projects that have been constructed in Western States. Water in the amount of 70,000 acre-feet is diverted from the Colorado River Basin in the western part of Colorado, so ably represented by my colleague [Mr. ASPINALL], and is brought through a tunnel to the Arkansas Valley in eastern Colorado, where there is a desperate shortage of water.

The Bureau of Reclamation has been working on this project for many years. It is not before you today as the result of any hasty action, but has had mature study for a long period. It has been found feasible by a ratio of 1.48 to 1. The figures have been checked by independent engineering firms and have been found to be correct.

The issue involved is the continuation of the reclamation program that has been of such benefit to the arid States of the West. A vote for this rule is a vote for reclamation. I hope that those who have supported reclamation in past years will now support this rule and permit the consideration of this measure.

A companion bill, S. 964, has been passed by the other body.

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

Mr. CHENOWETH. I yield.

Mr. DINGELL. As I recall, the old Colorado River compact, Colorado has a basic right to use this water whether it is east or west of the Continental Divide. That is reserved for the use of the State of Colorado, as she pleases to use it; is that not correct?

Mr. CHENOWETH. I am very happy that the gentleman from Michigan made this observation. He is absolutely correct.

Mr. DINGELL. May I say this to my brethren. We had the same kind of arguments against the Big Thompson project when we were able to help Colorado develop that great project.

Mr. CHENOWETH. That is right.

Mr. DINGELL. It will pay out every dime to the Government and so will this one.

Mr. CHENOWETH. The gentleman is correct. We should also look at the in-

creased income taxes that will be collected as a result of the increased production, brought about by this project.

Mr. DINGELL. Yes, the income taxes and the increased prosperity will just be a bonus for the Treasury.

Mr. CHENOWETH. My friend, the gentleman from Michigan, is a former resident of Colorado. We certainly hated to lose him, but our loss is Michigan's gain. I am delighted to have the gentleman's contribution, and appreciate his support of this project.

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

Mr. CHENOWETH. I yield.

Mr. DIES. Would the gentleman explain how this will be financed? I am confused about that.

Mr. CHENOWETH. I will be very happy to explain the financing to the gentleman. This bill authorizes the sum of $172,898,000. It contains a limitation in that amount. Of that amount, $75 million is charged to irrigation and every penny of that will be repaid. Under the general reclamation law that amount will not bear interest. It is basic reclamation law that the amount charged to irrigation does not bear interest. The purpose of the law is to promote the development of the arid regions of the west. The program has been most successful. Water is the life-blood of the west and this project will make water available to the Arkansas Valley in Colorado which is now in desperate need of additional water for both irrigation and domestic purposes.

Mr. DIES. Seventy-five million dollars will have to be paid back without interest?

Mr. CHENOWETH. That is right—that is without interest. The amount charged to power is $42 million and to municipal water is $32 million. That totals $74 million, which will be paid back with interest. As a matter of fact, this entire amount will be paid back before any of the revenue from power or municipal water, which the gentleman from California referred to as a subsidy for irrigation, is applied to the amount charged to irrigation. This is paid back in full with interest, at a rate which is fixed by the Secretary of the Treasury.

Mr. DIES. It is administered by some authority; is that correct?

Mr. CHENOWETH. It is administered by the Bureau of Reclamation. This bill does not set up any valley authority. This is just another reclamation project. I might state that this is the second time we have provided for the diversion of water from the Colorado River Basin in Colorado. The Colorado Big Thompson project, which is in the district represented by my colleague [Mr. HILL], is now about completed. That was started some 15 years ago. That project is now in operation and it has proven very successful. The gentleman from Michigan [Mr. DINGELL] pointed out that, when the Colorado River compact was made, it was assumed that there would be a diversion of water out of the Colorado River Basin. This water originates in Colorado. It is our own water. I cannot understand why any other State objects to this project, as all we are doing is dividing our own water. This is a good project, and the House committee in its report states:

> The committee is convinced it is sound from an engineering, economic, and financial standpoint.

Mr. DINGELL. Under the Colorado-Big Thompson project, Denver and other areas east of the Rockies got the benefit of that water and now you are going to provide the same thing for communities east of the Rockies south of Denver.

Mr. CHENOWETH. That is correct. We are providing water for what is known as the Arkansas Valley in Colorado. This area is desperately in need of additional water, and no other source is available. Residents of the valley have had this project in mind for many years. This project was not promoted by the Bureau of Reclamation. The Bureau was called in and conducted a survey over a period of many years. The project contained in this bill is the result of their efforts and deserves your support.

Mr. DINGELL. So when Colorado is for it, I am for it.

Mr. CHENOWETH. I thank the gentleman. I appreciate the interest of the gentleman from Michigan.

I would like to say to my friend, the gentleman from Texas, that there is $20 million in this project for flood control, and there will be a dam above the city of Pueblo. I might state that the city of Pueblo suffered a very disastrous flood in 1921, when many lives were lost and property damage totaled millions of dollars. The city of Pueblo went ahead and constructed flood-protection works at its own expense, with no Federal contribution of any kind. This project will supplement the protection that the city has provided. This dam will also provide protection for the towns and cities below Pueblo in the Arkansas Valley, which are subject to flood damage each year from the Arkansas River. This amount charged to flood control is not reimbursable under our reclamation laws.

There is also included in the project the sum of $3 million for fish and wildlife development. This amount is not reimbursable. Except for this amount, and the amount charged to flood control, all of the costs of the project will be repaid to the Government.

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

Mr. CHENOWETH. I yield.

Mr. HALLECK. Do I understand that the Department of the Interior has recommended this bill favorably?

Mr. CHENOWETH. That is correct. I would like to state to the distinguished majority leader that this project has had the approval of two administrations. It was first approved by Oscar Chapman when he was Secretary of the Interior under a Democratic administration, and it has now been approved by Douglas McKay, Secretary of the Interior under the Republican administration.

Mr. HALLECK. I commend the gentleman on the splendid statement he is making in support of the project. I hope the rule will be adopted and that the bill will be passed.

Mr. CHENOWETH. I appreciate the gentleman's interest and support. I can assure him that this is a good project, which has received favorable consideration from every Federal agency, and has been approved by every State in the Colorado River Basin. I am puzzled by the opposition of those who profess to be for reclamation, but who are now seeking to discredit and defeat this project.

I have tried to present the figures on the cost of the project, and how this money will be repaid, part of it with interest. Let me point out that not one dollar is appropriated in this bill. This is simply an authorization bill. I do not want to leave the impression that we do not expect an appropriation in the future. We need this project now. In reporting the bill the Committee stated:

"The services which this project would provide are urgently needed."

However, before there can be any construction it will be necessary to justify the project before the House Subcommittee on Appropriations of which our colleague [Mr. JENSEN] is chairman. If the project is authorized at this time it will be several years before actual construction can begin, and the amount authorized would be spread over a period of perhaps 10 years.

I mention this for the purpose of showing that the approval of this project at this time will have no effect whatever on our present fiscal policies. It is too late this year to get an appropriation so that no money could be made available until 1955.

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

Mr. CHENOWETH. I yield.

Mr. JENSEN. I wonder if the gentleman would explain to the House the number of acres of land that will receive supplemental water from this project?

Mr. CHENOWETH. I was about to give those figures.

Mr. JENSEN. And also the type of crops that will be raised, and give the committee some idea of the benefits that will accrue, not only to the people there but to the Nation generally.

Mr. CHENOWETH. I will try to give you this information. This project diverts 70,000 acre-feet of water from the Colorado River basin. This will provide supplemental water for about 322,000 acres of land which is now under irrigation. This supplemental water is good crop insurance for the farmers, and they are happy to pay for the same. In many cases it will mean a crop, or no crop. This is a very fertile valley and many products are raised, including sugar beets, alfalfa, onions, tomatoes, watermelons, cantaloupes, corn, and different types of grains. This project will make possible the reregulation of the water in the Arkansas River, so that there will be a total of some 183,000 acre-feet made available for irrigation and domestic purposes.

The project provides for three earthen dams with a total storage capacity of 770,000 acre-feet. It also provides for seven power plants, with a generating capacity of 104,000 kilowatts.

I have wires from the REA cooperatives in my district, who are desperately in need of cheaper power and who are looking forward to this project with great

anticipation. This project has been endorsed by the National Rural Electric Cooperative Association. The power that will be produced by this project will be in great demand by the REA cooperatives and other groups.

The bill provides that no municipal water system will be constructed unless the Secretary of the Interior determines that it is not feasible for the local communities to construct such works. If the Federal Government constructs the facilities, including a pipeline to serve the different communities in need of domestic water, a contract will be required for payment of the actual investment, with interest, over a period of not to exceed 50 years.

Mr. JENSEN. Is it not a fact that there is practically no opposition to this project in the State of Colorado? Everybody who understands the project is for it?

Mr. CHENOWETH. It is officially endorsed by the Colorado Water Conservation Board, which is the official agency that speaks for the State of Colorado on water matters. I do not want to leave the impression that every one in the State of Colorado is for the project. Of course there are differences of opinion concerning the disposition of our water. So far as I know there is no organized opposition to this project, except possibly at Aspen, Colo., where the homes of a couple of prominent citizens will be inundated by the water of a compensatory dam to be constructed above the town. I might state that there has been an agreement reached between the western and eastern slopes of Colorado on this project. The project has been approved by the Colorado River Conservation Board, and the Southwestern Colorado Conservation District Board. These are the boards in western Colorado charged with the responsibility of protecting their respective areas on water diversions. I might also state that the Colorado Water Conservation Board is composed of representatives from every section of Colorado, and that the board was unanimous in its approval of this project.

Mr. JENSEN. But there is no opposition by those folks who are paying for this project.

Mr. CHENOWETH. Oh, no. The irrigators, of course, will pay for the water they use. In addition, a conservancy district will be organized under the laws of Colorado, and a levy will be made on all of the property in the district.

The SPEAKER. The time of the gentleman from Colorado has again expired.

Mr. ELLSWORTH. Mr. Speaker, I yield the gentleman 2 additional minutes.

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

Mr. CHENOWETH. I yield to the gentleman from Texas.

Mr. DIES. I note in the minority report that under the repayment provisions of the bill the concealed subsidy would amount to at least $425 million. Then they say the subsidy will amount to $1,375 per acre. What is meant by that?

Mr. CHENOWETH. Those figures are completely without foundation and are fantastic. It is estimated that the cost will be about $243 per acre. Of this amount the farmer will pay about $100. As I stated before, the amount charged to irrigation does not bear interest, under our reclamation laws. This amount will be reduced by payments each year, and it is utterly absurd to talk about a cost of $1,375 per acre.

Mr. DIES. Does the gentleman mean that failure to pay interest on the $75 million, and the amount contributed for flood control is a subsidy? Is that it?

Mr. CHENOWETH. There is no interest charged on this $75 million allocated for irrigation. The irrigators pay their part back in 50 years, which I believe amounts to about $31 million. That would leave $44 million on the irrigation costs, which will be paid from power revenue. I will not have time to go into all of these figures. However, this will be done in general debate on the bill and I am sure the gentleman from Texas will be convinced that the figures to which he refers are wholly erroneous, and have been circulated solely for the purpose of defeating this project.

There has been some confusion over the different reclamation projects which have been pending. You have received considerable mail over what is known as the Upper Colorado River Storage Project, which includes Echo Park Dam. Many of you have inquired whether or not this project contains Echo Park Dam. The Fryingpan–Arkansas is a separate and distinct project and has no connection whatever with Echo Park Dam.

I make this statement for the purpose of clearing up any misunderstanding that may still exist as to the identity of these projects. So far as I know, no conservation group is opposed to this project. It has the approval of the Izaac Walton League and other groups interested in fish and wildlife development. I want to make this absolutely clear so there will be no confusion or misunderstanding as to the attitude of these organizations. This is a reclamation project which has been developed through regular channels, having the approval of all of the official agencies charged with the responsibility for recommending feasible reclamation projects for the consideration of Congress.

Mr. Speaker, I hope that this rule will be adopted, so that the House may proceed with the consideration of H. R. 236, a bill authorizing the Fryingpan-Arkansas transmountain water diversion project. This bill has had the careful study of the Bureau of Reclamation and this project deserves your support.

Mr. HILL. Mr. Speaker, I support my colleague, the gentleman from Colorado [Mr. CHENOWETH], on this legislation, H. R. 236, and wish to state that I am amazed that Members of the House from California would oppose this project, which is certainly within the operation and purpose of the Colorado River compact.

I call your attention to statements made by water experts from the State of California given on June 15–16, 1953, which will be found in the Senate hearings on the pages indicated.

I quote:

STATEMENT OF RAYMOND MATTHEW, CHIEF ENGINEER, COLORADO RIVER BOARD OF CALIFORNIA

Mr. MATTHEW. Mr. Chairman and gentlemen of the committee, my name is Raymond Matthew. I am chief engineer of the Colorado River Board of California. I appear here on behalf of the Colorado River Board of California, which is a State agency created by act of the legislature in 1937. The board is charged with the responsibility for protecting the interests of California in the waters of the Colorado River. It is composed of six members appointed by the Governor, each representing one of the public agencies having established rights to the use of water or power from the Colorado River.

Proposed project: The proposed Fryingpan-Arkansas project sought to be authorized under S. 964, 83d Congress, 1st session, would divert water from the Colorado River Basin to the Arkansas River Basin in Colorado and conserve and reregulate Arkansas River waters in combination with imported Colorado River Basin water, for the purposes of supplying supplemental irrigation water to 309,000 acres of presently irrigated lands in the Arkansas River Basin, furnishing additional municipal water supplies and generating hydroelectric power.

It will be noted that the State of California in its comment favors the authorization of the proposed project, provided it "qualifies under criteria, policies, and procedures established by the Congress," and provided "the diversion and utilization of the waters of the Colorado River system by and through the project works will not impair the rights of the State of California or any of its agencies to the waters of the system as defined and set forth in the Colorado River compact."

Certainly the water is going to be used, and we are in favor of the development and use of the waters of the Colorado River system. Different types of development may result in different results, and I think from the standpoint of the interests of the entire basin, the upper basin as well as the lower basin is interested in the development which will give the best benefits and the best results to all the water users in the basin.

Senator JACKSON. Did the compact not contemplate that as long as Colorado obtained its share of the 7½ million acre-feet, it could take it any place in the State of Colorado? It did not have to be all down in the lower area or a certain percentage allocated to the upper area.

STATEMENT OF NORTHCUTT ELY, SPECIAL COUNSEL, COLORADO RIVER BOARD OF CALIFORNIA, WASHINGTON, D. C.

In conclusion, Mr. Chairman, may I say that California distinctly does not oppose this project. To the contrary, we are glad to see development in the upper basin proceed within the terms of the Colorado River compact. By the same token, we feel it appropriate that the legislation which authorizes this or other upper basin projects should, first, contain therein the same safeguards that the upper basin interests have insisted be placed in the lower basin legislation, the San Diego aqueduct bill; and second, disclaim any intent to give congressional sanction to any interpretation of any of the documents comprising the law of the river. Whether that interpretation favored us or were against us, we feel Congress should disclaim any intent to make any interpretation.

STATEMENT OF JOHN GEOFFREY WILL, SECRETARY AND GENERAL COUNSEL, UPPER COLORADO RIVER COMMISSION

My name is John Geoffrey Will. I am secretary and general counsel of the Upper Colorado River Commission, the headquarters of which are located at Grand Junction, Colo.

The Upper Colorado River Commission is an interstate body, created under and by virtue of the upper Colorado River Basin compact, entered into in October of 1948 by the States of Arizona, Colorado, New Mexico, Utah, and Wyoming, ratified by their respective legislatures and duly consented to by the Congress.

I am glad of this opportunity to testify in behalf of the authorization of the Fryingpan-Arkansas project, Colorado.

Expert witnesses who have already appeared before this committee have discussed, or will discuss the physical, engineering, economic and legal aspects of the Fryingpan-Arkansas project. It is not my purpose to discuss these aspects of the project. Nor would it be appropriate for me to do so, since I cannot qualify as an expert with respect to them. I can and do testify, however, as a lay witness, to my understanding of the urgent needs for water in the Arkansas Valley of Colorado that have prompted the investigations of the possibilities lying in the importation of water from the Colorado River system and the subsequent production of a project report.

Quite aside from the agricultural aspects of this project, and these aspects are important, the Fryingpan-Arkansas project will constitute the means whereby the great city of Pueblo, Colo., and a number of towns and communities in the Arkansas Valley will achieve supplemental municipal water supplies. I can and I do, as a lay witness, testify to my understanding regarding the desperate need that exists for such additional municipal water.

Mr. SMITH of Virginia. Mr. Speaker, I yield 5 minutes to the gentleman from Indiana [Mr. MADDEN].

Mr. MADDEN. Mr. Speaker, as a member of the Rules Committee, of course, I did not have an opportunity to sit in on the hearings of the Committee on the Interior and Insular Affairs. But when the matter was presented to the Rules Committee I was astounded to think that a bill of this magnitude would be presented to the Rules Committee and called upon the floor of the House in the shadow of adjournment. This bill was introduced for the first time in January 1953, a year and a half ago, when the Congress first convened. As I understand it, the hearings on this bill were completed in June 1953. Why was the consideration of this bill delayed to this final week of adjournment?

The gentleman from Iowa [Mr. JENSEN] inquired whether or not the people of Colorado were divided on the project. I am reading from a report filed by members of the committee headed by colleagues Messrs. SAYLOR, HOSMER, LEO W. O'BRIEN, DONOVAN, REGAN, WALTER ROGERS, HALEY, and SHUFORD. The report states:

The committee heard testimony from a number of persons and organizations on the western slope of Colorado from which the water involved would be diverted objecting strongly to the entire project.

Another thing that has not been brought out is that this Fryingpan project is dovetailed with another much larger project, and eventually both projects will have to be thrown in together, which will cost something like $1 billion. It might surprise some of the Members here who come from other States to know what this project is going to cost your State.

The people of New York will contribute in taxes something like $61,700,000, the taxpayers of Indiana will contribute something like $12,800,000, the taxpayers of Iowa will contribute something like $7,750,000. If the full project goes through, if the mother project is completed, if the camel gets his head under the tent with this Fryingpan project, and the full project goes through, the cost to the State of Indiana will be $25,600,000, to New York $123,000,000, and so forth.

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

Mr. MADDEN. I yield to the gentleman from Michigan.

Mr. DINGELL. The gentleman certainly does not believe there is any substance to those figures, does he?

Mr. MADDEN. I think the figures indicate a pretty fair yardstick as to what this is going to cost the taxpayers of the country.

Mr. DINGELL. This project is going to pay for itself eventually like the Columbia River, TVA, Boulder Dam, and others.

Mr. MADDEN. My primary objection is to bringing a bill of this magnitude up in the shadow of adjournment when it should have been brought in here a year ago or during the months last spring when the House had plenty of time to debate and study the legislation.

Mr. Speaker, I do not like to oppose this bill on account of my good friend, the gentleman from Colorado [Mr. CHENOWETH] The Hoover Commission is now investigating this very thing. The Hoover Commission has under consideration this Fryingpan project and also the project over on the other side of the Rocky Mountains in Colorado, and they are making a complete survey and within a few months from now there will be a report in on this whole program, including the half on the west side of the Rockies in Colorado. So, I think it would be good judgment on the part of this House to wait until that great Commission headed by ex-President Hoover makes its report as to the feasibility of this project.

Mr. DINGELL. Are you going to follow Hoover?

Mr. MADDEN. Mr. Speaker, I refuse to yield.

There is a great question, too, I will say to my friend from Michigan [Mr. DINGELL] as to the feasibility of this project.

The SPEAKER. The time of the gentleman from Indiana has expired.

Mr. SMITH of Virginia. Mr. Speaker, I yield 5 minutes to the gentleman from Colorado [Mr. ROGERS].

Mr. ROGERS of Colorado. Mr. Speaker, I rise in support of the resolution, and I want to point out that this is, as the gentleman preceding me said, one of the many projects that should be authorized for irrigation in the West. I want to direct your attention to the fact that the continental divide in the State of Colorado begins on the Wyoming line at about the middle of the State. On the west side we have 52 mountain peaks in excess of 12,000 feet. As the snow on those mountains melts, we produce approximately 70 to 75 percent of the water of the Colorado River. The reason I mention that is because you have heard the controversy mentioned by the gentleman from California who preceded me regarding the developments on that river. May I point out to you that in 1922 all 7 States in the Colorado River Basin entered into a compact, and by that compact the water was divided between the upper basin States of Wyoming, Utah, Colorado, and New Mexico and the lower basin States of Arizona, Nevada, and California. In that compact the Californians solemnly agreed that they would not use in excess of 4.4 million acre-feet of water. They agreed to that to get this Congress to approve the development that led to the Boulder Dam so that the city of Los Angeles and all of southern California could get water that has led to the prosperity of that area and which, in turn, has led to greater numbers of representatives in Congress, so that they can today come in and doublecross us. When I say "doublecross," I mean that beginning after the Boulder Canyon project was approved, the people of southern California, through gentlemen who were at that time acting in their behalf, came to the upper basin States and said, "If you will amend this act so that we can get a reduction on water interest rates from 5 percent to 3 percent and get other fringe benefits, then we will make available larger sums of money to carry out the investigation of how the upper basin States can develop their projects." And, with that, we in the upper basin States joined with the lower basin States and amended the Boulder Canyon Project Act. The Bureau of Reclamation has made its study, and out of that study they recommended this project. Now, in the face of that, how can it be said but what this is not developing along the line that was intended by those who originally entered into the compact in 1922?

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

Mr. ROGERS of Colorado. I yield to the gentleman from Michigan.

Mr. DINGELL. As I recall the compact, under the terms of the compact, Colorado, which produces about 70 percent of the water, gets very little of the water benefit, while California, which produces very little water or puts in very little water to the lower Colorado, gets the lion's share and they want still more.

Mr. ROGERS of Colorado. The point I want to make is this, that out of the agreement and under the supervision and guidance of those from southern California, the Boulder Canyon Project Act was amended in 1939 and funds were made available for the purpose of a study by the Bureau of Reclamation. Part of that study has been completed.

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

Mr. ROGERS of Colorado. I yield.

Mr. HOSMER. Did the gentleman intend in his remarks a few minutes ago to indicate that any Member of this House had doublecrossed him or any other person in connection with the matter of the upper Colorado?

Mr. ROGERS of Colorado. I meant to say that as Attorney General of the State of Colorado from 1936 to 1940 I dealt with the men that the gentleman and others accepted papers for and filed in this record and that they at that time told us——

Mr. HOSMER. Will the gentleman answer my question as to whether it is intended that any person in this House is to be impugned, in the remarks that have been made?

Mr. ROGERS of Colorado. I will say this, that there are men in this House who have accepted articles from people who I know came to me to get the Boulder Canyon Project Act amended in 1939, when they agreed that the development of the upper basin States should have the money, that they would come and help us develop it and support us in Congress on it.

Mr. HOSMER. Is it not a fact that the reason that 7½ million acre-feet of water was reserved to the upper basin at that time is because it would have been appropriated by the lower basin under the usual flow of the river?

Mr. ROGERS of Colorado. No.

Mr. HOSMER. And that it was ready to go ahead and to use the water at that time but that the upper basin was not.

Mr. ROGERS of Colorado. Let me interrupt at that point and say to the gentleman that in order for Boulder Dam or Hoover Dam, whichever you want to call it, to be built, Congress required that a compact be entered into between the States.

The SPEAKER. The time of the gentleman has expired.

Mr. SMITH of Virginia. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. DONOVAN].

Mr. DONOVAN. Mr. Speaker, it is a long way from the sidewalks of New York to the lower Colorado Basin. I am not the slightest bit concerned about any rivalry that may exist between California on the one hand and Colorado on the other over the muddy and turbulent waters of the Colorado. But I am interested particularly in the statements made by the gentleman from Oregon, from the Rules Committee [Mr. ELLSWORTH], who in opening this debate said that the Budget Director had no objection to this bill. I leave to the Members of this House the meaning of this language taken word for word from the letter of the Budget Director dated March 3, 1954, to the Executive Department:

I am authorized by the Director of the Budget to advise you while there would be no objection to the submission of whatever report on S. 964 you deem appropriate under the circumstances, we believe that the questions raised in our letter of June 8, 1953, and the question of Federal responsibility with respect to recreation, should be resolved before the project is authorized.

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

Mr. DONOVAN. I have but 5 minutes. I will yield to the gentleman in general debate.

Mr. ELLSWORTH. The gentleman mentioned my name. I would point out to the gentleman that on page 10 of the report the Bureau of the Budget states that it has no objection to the project.

Mr. DONOVAN. I have not yielded.

This is a funny bill. Late this year the committee on which I serve, the Committee on Interior and Insular Affairs, by a vote of 13 to 12 reported out what is known as the Upper Colorado Basin development bill. It calls for an appropriation of roughly a billion dollars. Rumor hath it that the bill is still up in the Rules Committee and that it will be there when the sine die resolution is adopted by this House. But this Fryingpan bill, which calls for an appropriation of $172 million, would divert from the upper Colorado River Basin on the west side of the Rocky Mountains in the State of Colorado water to the eastern slope in Colorado. And for what? Among other things, for $32 millions worth of municipal water in case the cities of Colorado Springs, Pueblo, and certain other Arkansas Valley towns find it infeasible to build local reservoirs.

There is something else in this bill that I think this House should look into. On page 4 of the report it is stated that the Twin Lakes Reservoir in the upper Arkansas Basin will be enlarged from a present capacity of 56,000 acre-feet to 260,000 acre-feet.

I did a little inquiring around about that, and I find that the Twin Lakes Reservoir is operated by a water company, a stock company, with its corporate stock held by God knows whom. That reservoir is going to be tied into this project.

I am against this rule, Mr. Speaker, because I think this whole proposition should be deferred for further study and because I am convinced that it is a handout to one small section of this country, not only at the expense of the taxpayers in the East and the Middle West but also at the expense of all the owners of land and all the residents of the Rocky Mountain States and coast States west of the great Continental Divide.

Mr. SMITH of Virginia. Mr. Speaker, I yield myself the remaining time.

Mr. Speaker, let me say that this bill came before the Rules Committee very recently advocated by my good friend, the gentleman from Colorado [Mr. CHENOWETH]. It is a matter of deep personal regret to me that he should have a project here that he is deeply interested in, and I find myself unable to support it. But there are times when it is necessary to take a position on a matter where you feel that it is wrong.

I think this is wrong. It is wrong in so many respects that 10 minutes will not give me time to tell you about it. Principally it is wrong because it is brought up here when everybody is in the throes of adjournment, a matter highly controversial, when there is no necessity for it.

I think you ought to consider the history of this piece of legislation. It was introduced in the Congress on the 1st day of the 83d Congress. Hearings were held on it and hearings were completed in June of 1953. The bill was not then reported from the committee.

Mr. ASPINALL. Mr. Speaker, if the gentleman will yield for a correction, may I point out to him that the hearings were not completed until this year.

Mr. SMITH of Virginia. All right, I am not going to overlook anything on this, and I might as well take that point up right now. I say the hearings were completed in June 1953. I mean by that the hearings that are available to you in the document room. That is what I asked for and that is what you expect to be the record in the case. But to make sure that the hearings were completed, I inquired of the committee if any more hearings had been printed, and I find, "No, no more hearings have been printed." But hearings which opposed the bill were taken several months ago. So when my friend reminds me that the hearings were not completed, he is entirely correct; but they were completed as far as you and I and other Members of the Congress are concerned—unless you want to go to the committee to find them, and they are the hearings in opposition to this bill.

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

Mr. SMITH of Virginia. I must yield to my good friend even if I lose the floor.

Mr. CHENOWETH. I appreciate the gentleman's reference to me. I am sure he would not want to leave the impression that I have delayed this bill.

Mr. SMITH of Virginia. Not at all. The gentleman from Colorado has been more industrious about getting this bill out than anybody could think of being. He has been anxious to get it out, and I respect his energy and I know he has done everything he can to get his constituents something that they ought not to have.

Mr. CHENOWETH. I beg to disagree with the gentleman.

Mr. SMITH of Virginia. That is a failing that many of us have, including the present speaker.

Now, Mr. Speaker, let us go on with this thing. It is said in this report that it is approved by the administration. The Budget Bureau expresses the view of the administration. On June 8, 1953, the Bureau of the Budget wrote a recommendation on this bill and had a bunch of reservations as long as both of my arms put together. Those reservations are set forth in nearly 2 full pages of fine print. Then, they were asked this year for another report. They made the other report, which is the one upon which this report of the committee is based, in which they said, "Yes, if you want to go on and do it—do it, that is fine—but we still think you ought to resolve the questions we raised and the objections we made in our letter of a

year ago." That is the kind of budget support that this bill has. Let us get some of the facts about what has been happening. I am not familiar with this, and I may be wrong on this, but just listen to what happened in the Committee on Rules, and that is all I know about it. Some of the gentlemen from Colorado are sort of on a spot on this bill. You might as well realize that. You have in Colorado the west side of the Colorado River and the east side. Some Members represent the east side and some represent the west side and some represent both sides. What this bill does is to take a part of the Colorado River, which the good Lord put over on the west side of the Rockies, and dig a hole through the Rocky Mountains and put it over on the east side of the Rockies. A lot of fellows on the west side of the Rockies just do not want that hole dug. They say if you do dig the hole, there may not be any water to put in the hole. That is the important question that you gentlemen want to consider because you are providing for an appropriation of $172 million of the taxpayers' money by an administration which has promised to balance the budget, and which has not done so.

We find the leaders of that administration asking you to authorize the appropriation of this $172 million to dig this hole through the Rocky Mountains to put water from the west side of the Colorado River to the east side, and we do not even know whether there is going to be any water in it after you dig the hole. What kind of economy do you call that? Let me give you the reason I think there is not going to be any water if the hole is dug. As you know, they have had a dry season and the flow of the Colorado River has been reduced. There is an agreement involving New Mexico, I think, and old Mexico and California and Colorado and some other States there, as to the division of the water of the Colorado River. They each get so many cubic acres or cubic feet or cubic something or other, and what is left over can be diverted over to the east side of the mountain, if somebody digs a hole in the mountain. But they cannot get any unless these States of California and the other States on the west side of the mountain first get their agreed allocation of water out of the river that the Lord put on the other side of the Rocky Mountains. So if the flow of the river has been reduced and diminished so that there is not enough water to supply the present commitments, then eastern Colorado cannot get any water. We will have a hole through the mountain, but there will not be any water to put into it. Now, gentlemen, at this late day of the session, I ask you this question in all seriousness: Do you believe that a sensible, sound, solid Congress ought to, 3 days before the time set for adjournment, consider as highly a controversial and as highly uncertain a proposition as this?

That is the question before you. With that question before you, I think you should solve it by defeating this rule. I am going to ask you to vote down this rule. It will save my friends from Colorado, to all of whom I am very much devoted, a lot of embarrassment. If we vote down the rule they will not have to go on the spot, whether their constituents on the east side of the mountains are displeased or on the west side are displeased. It will be the sensible thing to do. It will be the thing we ought to do. It will help my friends on the other side of the aisle to carry out their pledge that they are at least going to try to balance the budget.

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

Mr. SMITH of Virginia. I yield.

Mr. CHENOWETH. There is not a dollar appropriated in this bill. That will have to come later.

Mr. SMITH of Virginia. Oh, yes. It is authorized.

Mr. CHENOWETH. The gentleman does not want to set up his judgment against the engineers of the Bureau of Reclamation who have found that this is a feasible project; also the figures have been checked by independent engineers who have corroborated those figures.

Mr. SMITH of Virginia. No, sir. I do not put my judgment up against anybody. I am trying to tell the House the inferences I gathered from the positive statements that are made by both friends and enemies of the project before the Rules Committee, because that is all I know about it.

Mr. DAWSON of Utah. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. DAWSON of Utah. I would like to call attention to the fact that day before yesterday we approved a Rivers and Harbors bill amounting to some $900 million, in the last few days of this session, with not nearly as much information as we have on this bill and with not even a record vote.

Mr. SMITH of Virginia. I do not think we ought to do it. I do not think we ought to do this. If you want to go further, you do a lot of things around here that I do not think you ought to do.

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

Mr. ELLSWORTH. Mr. Speaker, I yield 10 minutes to the gentleman from Pennsylvania [Mr. SAYLOR].

Mr. SAYLOR. Mr. Speaker, I rise in opposition to this rule not as an enemy of reclamation, but as a friend of reclamation. One who is interested in good projects which are economically sound and financially feasible. Mr. Speaker, I have before me a book which certain proponents of this legislation would like to see disposed of, because it makes some of the statements which have been made with regard to this project, look foolish.

I have heard said on this floor that this is a small project and it is independent. If you would read the report which our committee has put out, called the Fryingpan-Arkansas project, you would gain that impression. However, I tell you that this is a Trojan horse which will allow the entire Gunnison Arkansas project to become a reality. I show to the Members of the House a book published by the United States Department of Interior, Bureau of Reclamation, called initial development of the Gunnison-Arkansas project, Roaring Fork diversion. And I would like to read to you a statement which the then Director of the Bureau of Reclamation, Mr. Straus, made when he sent this to the Secretary of the Interior:

> This is my proposed report on the initial development, Roaring Fork diversion, of the potential Gunnison-Arkansas project, Colorado. My report is based on and incorporates the accompanying report of the regional director, Bureau of Reclamation, Denver, Colo., dated February 23, 1951.

Mr. Speaker, in 1953 when the House Committee on Interior and Insular Affairs published its report, it published the testimony which had been taken up until that time. However, as my good friend, the gentleman from Virginia [Mr. SMITH] stated, the testimony which was taken in 1954 of those people who opposed this bill has not been printed. If any Member desires to get that testimony he cannot get it over in the Document Room where you would expect to get it; he will have to go to the files of the committee. I can say to the Members of the House that there is a large segment of the people of Colorado who are opposed to this project.

Mr. Speaker, the gentleman from Texas [Mr. DIES] asked where the figures came from in the minority report which say that if this project goes through it will cost the taxpayers of this country $1,375 an acre or about $220,000 for every 160-acre farm. When the gentleman from Texas [Mr. DIES] asked that question he was told that those figures are fantastic. I may say to the Members of the House that they are fantastic, but those figures are the Bureau of Reclamation's own figures.

Where did I get them? I show to the Members of the House the reply to a questionnaire from JOHN P. SAYLOR, Member of Congress, to the Secretary of the Interior, regarding H. R. 236, the Fryingpan-Arkansas project of Colorado and call to your attention that on page 20 of that reply the figures which appear in the minority report are the figures which we give you. If those figures are wrong, if they are fantastic, it is because I had the courage to ask the Bureau of Reclamation to check with the Treasury Department and tell me what this project would cost. They tell me that the direct interest cost on this project to the American taxpayers is $254,426,000. That is more than this project costs.

Mr. DINGELL. Over how many years?

Mr. SAYLOR. That project is over 69 years.

Mr. DINGELL. How much is that per year?

Mr. SAYLOR. The gentleman from Michigan is good at mental arithmetic, let him do his own figuring. These are the figures which were given to me by the Bureau of Reclamation. If they are wrong, the Bureau of Reclamation is wrong.

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

Mr. SAYLOR. I yield to the gentleman from California.

Mr. HOSMER. Perhaps I can answer, in part, the other gentleman's question. The Bureau of the Budget itself states that the interest during the first 50 years alone on the portion of the $172 million allocated to irrigation amounts to a million and a half dollars a year; so over a period of 50 years that would be $75 million, $5 per year per acre on the irrigation project alone.

Mr. SAYLOR. Mr. Speaker, I would like to tell the Members of the House that the figures I am about to quote are not mine; they come from the gentleman from Colorado [Mr. ASPINALL] who appeared before the Rules Committee and testified in favor of this bill. You have heard that this bill involves the Colorado River compact. The Colorado compact says that the first allocation of water shall go to the lower basin in the amount of 7½ million acre-feet a year. Prior even to that allocation there are 1½ million acre-feet which must go to Mexico under treaty. That makes a total of 9 million acre-feet. The flow of the river, according to the figures used by the gentleman from Colorado [Mr. ASPINALL], in his appearance before the Rules Committee, and those are the figures which were given by the Bureau of Reclamation for the project known as the upper Colorado, over the past 10 years, the average flow of the Colorado River, has been slightly in excess of 10 million acre-feet.

The State of Colorado did not believe that those figures were correct. So the State of Colorado through its legislature hired an independent group of engineers to go out and make the survey. When the survey came back, they said that is correct; there is no water for this project.

If this project goes through, you are in this foolish position. You are putting the water from a 7,000-foot elevation in an open ditch. Now, it was testified that during a large part of the year this will be frozen over, and in the spring, when you would expect this open ditch to carry the water, it will be unable to do so. Why? Because it will be frozen in that period of the year in the high mountains which have been talked about here. You could not expect this flow. This is the Rube Goldberg of the Rockies. This is a situation where you are going to try and put water through a tunnel from the east to the west and then this committee is asked to do this astounding thing, to charge off almost $23 million to flood control on the eastern shore.

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

Mr. SAYLOR. I yield to the gentleman from Utah.

Mr. STRINGFELLOW. Is this the gentleman's opinion, or is this the opinion of the engineers of the Bureau of Reclamation.

Mr. SAYLOR. This is the opinion of some of the engineers of the Bureau of Reclamation. I might say to the gentleman from Utah, he is familiar with the Rockies, and he knows the weather they have out there, and I say that anyone who has any commonsense knows that when you get to 7,000 feet elevation you have cold weather and the great snows which they talk about out there, that you will have this open canal or ditch frozen over. I might point out to the gentleman that they started with this same proposition of open ditches when they talked about the Colorado-Big Thompson at an initial estimated cost of about $25 million. Now, we have just about completed the Colorado-Big Thompson, instead of the $25 million which they said it was going to cost in the initial authorization, it will cost about $150 million. This project, I respectfully urge, is not only as improbable; it is infeasible. And, I say to you, pointing out what has already been pointed out, that the Bureau of the Budget has not approved this project. I therefore urge the House to defeat this rule and allow this project "The Rube Goldberg of the Rockies" to go back to the Interior and Insular Affairs Committee.

Mr. ELLSWORTH. Mr. Speaker, I yield the remaining time to the gentleman from Nebraska [Mr. MILLER], chairman of the Committee on Interior and Insular Affairs.

Mr. MILLER of Nebraska. Mr. Speaker, I hope we can bring this legislation into focus. We have heard a lot of words spoken here by people, some of whom know quite a little about the project and some who attended the hearings less than 10 percent of the time. I am sure had they been present when the hearings were being held, they would not come here on the floor of the House and make the statements that they made. I only wish it were possible for the gentleman who is the ranking member of the Subcommittee on Rules to see the Rocky Mountains and see the water that is produced in that area and the production that can come from that water when put upon good soil. This project has been gone over very carefully by the engineers. It has their approval.

The gentleman who preceded me speaks about $500 million interest on a $75 million project allocated to irrigation, or approximately $75 million to irrigate 322,000 acres of land. That, in my book, is about $234 an acre. Anyway, these folks have agreed to pay that back. Reclamation calls for no interest.

You know, my friends, it is time to stop talking about how much these projects cost. It is time to talk about how much new wealth they can produce because we have irrigation projects. Let me ask the gentleman from California who spoke so bitterly against the project, representing, I presume, the Central Valley of California, What would that area be without water upon the soil? It has produced a return to the Treasury many, many times the cost of the project because we have had that fine irrigation in the Central Valley of California. Yes, we appropriated just the other day over $900 million for flood control. It pays no interest and no return to the Treasury. Someone spoke about the Hoover Commission being against this project. That is not so. We pass on flood-control projects, and we pass them without any study being made by the Hoover Commission. There has been over $10 billion authorized for flood control and that pays back not one penny. It is four times the amount earmarked for reclamation. Irrigation projects pay back all funds.

Mr. DINGELL. Would the gentleman permit the observation that a lot of Californians would be willing to vote $900 million to pipe that water to California.

Mr. MILLER of Nebraska. Bless their hearts; I am for them in California.

Mr. DINGELL. So am I.

Mr. MILLER of Nebraska. In the bill the House passed the other day there was $187 million for Los Angeles County. If you want to follow the gentleman's formula of adding the interest for a hundred years, that amounts to $4 billion of interest; but I am not going to do that; I do not think it is fair to do it that way. I think that is the formula they were using here, not taking into account at all the new wealth that will be produced.

Let me say that water out in the West is the lifeblood of many communities. Because of water, or lack of water, communities live or die. In this instance, the Fryingpan-Arkansas project, the water belongs to the great State of Colorado, so divided by compact, and they ought to have the right to divide that water as they see fit.

The gentleman from Virginia [Mr. SMITH] talks about a hole through the mountains. May I say to Mr. SMITH that he ought to come out to Colorado. They do not call them holes in the mountains out there, to transport water. I am sorry that the gentleman does not know that. They call them something else. Colorado decided to do that. That is the way they wanted to do it. That was decided at the State level. It is their own water and that is the way they wanted it.

Mr. SMITH of Virginia. If the gentleman will yield, may I ask him if it is not a hole in the mountains, will he please tell the House what it is? I do not know what it is.

Mr. MILLER of Nebraska. I think the gentleman had better come out there and see that great area.

Mr. SMITH of Virginia. Is it not a hole in the mountain?

Mr. MILLER of Nebraska. I say to you, Mr. Speaker, we may well run out of water in this country before we run out of oil or gasoline. The President recognized that when he appointed a Cabinet group composed of the Secretary of the Interior, the Secretary of Agriculture, and the head of the Corps of Engineers to start the process of holding water and keeping water where it falls. The greatest waste in this country is permitting water to run into the ocean before it is used. On the east slope of Colorado, in this Pueblo area, crops cannot be produced unless they get water. This project is designed to give water to these folks. The new wealth produced means much to a growing dynamic country.

Mr. Speaker, do the Members know how much money was spent in the great State of Pennsylvania for flood control? And they pay back not 1 penny, not even the interest on the money. The only thing in this bill on which we

do not pay interest is the irrigation phase of it, and that is under the Colbran formula of the irrigation law, which provides an honest way of computing interest. That is the way that money will be paid back.

I urge the Members of the House to approve the rule and let us have 2 hours of discussion on the bill. I am sure we will be able to convince the folks from the East that this project in the West is deserving of their support.

Let me remind you the use of water has doubled twice in the last 20 years. We should store and use the water wisely.

The population of the West has doubled since I went to Kimball, Nebr., to practice medicine in 1919. The population will double again in 40 years. Mr. Speaker, you do not argue with a hungry person—he wants no prayers—just food in his stomach. The project is a part of growing America. Future generations will bless us if we wisely provide for their future. This Congress, as custodian of our resources, should join and assist every feasible project to become a reality.

The SPEAKER. The time of the gentleman has expired. All time has expired.

Mr. ELLSWORTH. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the adoption of the resolution.

The question was taken; and on a division (demanded by Mr. SMITH of Virginia) there were —ayes 83, noes 74.

Mr. SMITH of Virginia. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] Two hundred and five Members are present, not a quorum.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 188, nays 195, not voting 49. as follows:

[Roll No. 124]

YEAS—188

Adair	Byrnes, Wis.	Frelinghuysen
Addonizio	Canfield	Gathings
Allen, Ill.	Carlyle	George
Andersen, H. Carl	Carnahan	Golden
	Cederberg	Gross
Andresen, August H.	Celler	Gubser
	Chenoweth	Gwinn
Arends	Church	Hagen, Minn.
Aspinall	Clevenger	Halleck
Ayres	Cole, Mo.	Harden
Baker	Coon	Hart
Bates	Cretella	Harvey
Beamer	Crosser	Hays, Ark.
Becker	Crumpacker	Hess
Bender	Cunningham	Hill
Bennett, Mich.	Curtis, Mo.	Hillelson
Bentley	Davis, Wis.	Hoffman, Ill.
Berry	Dawson, Utah	Hoffman, Mich.
Betts	Deane	Holmes
Bishop	Dempsey	Hope
Boland	D'Ewart	Horan
Bolling	Dingell	Howell
Bolton, Oliver P.	Dodd	Hruska
	Dolliver	Hunter
Bow	Dondero	Hyde
Boykin	Dorn, N. Y.	Javits
Brown, Ga.	Ellsworth	Jenkins
Brown, Ohio	Engle	Jensen
Brownson	Evins	Johnson, Calif.
Broyhill	Fernandez	Johnson, Wis.
Budge	Fino	Jonas, Ill.
Burdick	Ford	Judd
Karsten, Mo.	Multer	Shafer
Kelley, Pa.	Nelson	Sheehan
Keogh	Nicholson	Sieminski
Kersten, Wis.	Norblad	Simpson, Ill.
Kilday	Oakman	Smith, Kans.
Klein	O'Hara, Minn.	Smith, Wis.
Knox	O'Konski	Springer
Krueger	Osmers	Stringfellow
Laird	Ostertag	Sullivan
Landrum	Patterson	Talle
Lanham	Pelly	Taylor
Latham	Pfost	Thompson, Mich.
LeCompte	Poff	
Lovre	Price	Thompson, Tex.
McCarthy	Prouty	Tollefson
McConnell	Radwan	Trimble
McCulloch	Reams	Van Pelt
McGregor	Reece, Tenn.	Velde
McIntire	Reed, Ill.	Vorys
Mack, Wash.	Rees, Kans.	Vursell
Mahon	Rhodes, Ariz.	Wampler
Marshall	Richards	Westland
Martin, Iowa	Riehlman	Wickersham
Meader	Rivers	Widnall
Merrow	Roberts	Williams, N. J.
Metcalf	Robsion, Ky.	Wilson, Ind.
Miller, Calif.	Rodino	Withrow
Miller, Md.	Rogers, Colo.	Wolcott
Miller, Nebr.	Rogers, Mass.	Wolverton
Miller, N. Y.	Sadlak	Young
Morano	Schenck	Younger
Moss	Scott	Zablocki

NAYS—195

Abbitt	Frazier	Natcher
Abernethy	Friedel	Neal
Albert	Fulton	Norrell
Alexander	Gamble	O'Brien, Ill.
Allen, Calif.	Garmatz	O'Brien, N. Y.
Andrews	Gary	O'Hara, Ill.
Ashmore	Gavin	O'Neill
Auchincloss	Gentry	Passman
Bailey	Goodwin	Patman
Barden	Gordon	Patten
Battle	Graham	Philbin
Belcher	Granahan	Phillips
Bennett, Fla.	Grant	Pilcher
Blatnik	Hagen, Calif.	Pillion
Boggs	Hale	Poage
Bonin	Haley	Polk
Bonner	Hand	Preston
Bosch	Hardy	Rabaut
Bowler	Harrison, Va.	Rains
Brambiett	Hays, Ohio	Ray
Bray	Herlong	Rayburn
Brooks, Tex.	Heselton	Reed, N. Y.
Buchanan	Hiestand	Rhodes, Pa.
Burleson	Hillings	Riley
Busbey	Hinshaw	Robeson, Va.
Bush	Holifield	Rogers, Fla.
Byrd	Holt	Rogers, Tex.
Byrne, Pa.	Holtzman	Rooney
Campbell	Hosmer	St. George
Cannon	Ikard	Saylor
Carrigg	Jackson	Scherer
Chelf	James	Scudder
Chudoff	Jarman	Seely-Brown
Cole, N. Y.	Jonas, N. C.	Selden
Colmer	Jones, Ala.	Shelley
Condon	Jones, Mo.	Sheppard
Cooley	Jones, N. C.	Shuford
Cooper	Kean	Sikes
Corbett	Keating	Smith, Miss.
Coudert	Kee	Smith, Va.
Curtis, Mass.	Kelly, N. Y.	Spence
Dague	King, Calif.	Staggers
Davis, Ga.	King, Pa.	Stauffer
Delaney	Kirwan	Steed
Devereux	Kluczynski	Taber
Dies	Lane	Thomas
Dolliver	Lantaff	Thornberry
Donohue	Lesinski	Tuck
Donovan	Lipscomb	Utt
Dorn, S. C.	McCormack	Van Zandt
Dowdy	McDonough	Wainwright
Doyle	McMillan	Walter
Durham	McVey	Warburton
Eberharter	Mack, Ill.	Watts
Edmondson	Madden	Wharton
Elliott	Magnuson	Whitten
Fallon	Mason	Wier
Feighan	Matthews	Wigglesworth
Fenton	Merrill	Williams, Miss.
Fine	Miller, Kans.	Williams, N. Y.
Fisher	Mills	Wilson, Calif.
Fogarty	Mollohan	Wilson, Tex.
Forand	Morgan	Winstead
Forrester	Moulder	Yates
Fountain	Mumma	Yorty

NOT VOTING—49

Angell	Bolton, Frances P.	Buckley
Barrett	Brooks, La.	Chatham
Bentsen		Chiperfield
Clardy	Kearns	Roosevelt
Cotton	Kilburn	Scrivner
Curtis, Nebr.	Long	Secrest
Davis, Tenn.	Lucas	Short
Dawson, Ill.	Lyle	Simpson, Pa.
Derounian	Machrowicz	Small
Green	Mailliard	Sutton
Gregory	Morrison	Teague
Harris	Murray	Thompson, La.
Harrison, Nebr.	O'Brien, Mich.	Vinson
Harrison, Wyo.	Perkins	Weichel
Hébert	Powell	Wheeler
Hoeven	Priest	Willis
Kearney	Regan	

Mr. ALLEN of California changed his vote from "yea" to "nay."

Mr. IKARD changed his vote from "yea" to "nay."

Mr. THORNBERRY changed his vote from "yea" to "nay."

Mr. MAHON changed his vote from "nay" to "yea."

The SPEAKER. The Chair asks for a recapitulation of the vote.

The Clerk will call the names of those voting in the affirmative.

Mr. PATTEN. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. PATTEN. What are we doing now?

The SPEAKER. We are recapitulating the vote to find out if the Members are correctly recorded.

Mr. PATTEN. Is it true that a Member who voted "yea" can now vote "nay"?

The SPEAKER. Yes.

Mr. PATTEN. Then you are not recapitulating, you are asking for a new vote.

The SPEAKER. The House is in the process of recapitulating the vote.

Mr. PATTEN. A person who voted "yea" before may now vote "nay." You cannot do that, Mr. Speaker. I raise a point of parliamentary procedure. You cannot do that.

The SPEAKER. Will the gentleman take his seat, and we will do it in due order?

Mr. PATTEN. No; I shall not take my seat.

The SPEAKER. Will the gentleman cease for a moment?

Mr. PATTEN. The Parliamentarian will tell you that is wrong.

The SPEAKER. The Parliamentarian informs the Chair that Members can change their votes at any time before the Chair announces the result of the vote.

Mr. PATTEN. Then I may change my vote at this point?

The SPEAKER. Not until after the recapitulation.

The Clerk will call the names of those voting "yea."

The Clerk proceeded to call the names of those voting "yea."

Mr. CLEVENGER (interrupting the recapitulation). Mr. Speaker, the Clerk passed my name. I voted in the affirmative about four times as loud as I could yell.

The SPEAKER. The gentleman may make that correction at the end of the call of those who voted in the affirmative.

Mr. CLEVENGER. I voted in the affirmative.

The SPEAKER. Will the gentleman be seated and wait until the end of the call?

The Clerk concluded the call of the names of those voting "yea."

The SPEAKER. Are there any corrections to be made where any Member was listening and heard his name called as voting "yea" who did not vote "yea"? [After a pause.] The Chair hears none.

Did any Member vote "yea" whose name was not called?

Mr. CLEVENGER. Mr. Speaker, I said I voted four times in the affirmative.

The SPEAKER. The gentleman will be recorded as voting "yea."

The Clerk will call the names of those recorded as voting "nay."

The Clerk called the names of those voting "nay."

The SPEAKER. Is there any Member voting "nay" who is incorrectly recorded? [After a pause.] The Chair hears none.

So the resolution was rejected.

The Clerk announced the following pairs:

Mr. Angell with Mr. Chatham.
Mr. Hoeven with Mr. O'Brien of Michigan.
Mr. Short with Mr. Hébert.
Mr. Weichel with Mr. Thompson of Louisiana.
Mr. Kearns with Mr. Morrison.
Mr. Mailliard with Mr. Willis.
Mr. Chiperfield with Mr. Long.
Mr. Harrison of Wyoming with Mr. Brooks of Louisiana.
Mr. Derounian with Mr. Roosevelt.
Mr. Kearney with Mr. Buckley.
Mr. Kilburn with Mr. Powell.
Mr. Small with Mr. Green.
Mrs. Frances P. Bolton with Mr. Gregory.
Mr. Clardy with Mr. Priest.
Mr. Curtis of Nebraska with Mr. Barrett.
Mr. Harrison of Nebraska with Mr. Bentsen.
Mr. Cotton with Mr. Lyle.
Mr. Scrivner with Mr. Machrowicz.
Mr. Simpson of Pennsylvania with Mr. Vinson.

Mr. PATTEN changed his vote from "yea" to "nay."

Mr. MILLER of New York changed his vote from "nay" to "yea."

Mr. OSTERTAG changed his vote from "nay" to "yea."

Mr. SCHERER changed his vote from "yea" to "nay."

Mr. PILCHER changed his vote from "yea" to "nay."

Mr. NATCHER changed his vote from "yea" to "nay."

Mr. LESINSKI changed his vote from "yea" to "nay."

Mr. SHELLEY changed his vote from "yea" to "nay."

Mr. CONDON changed his vote from "yea" to "nay."

Mr. CROSSER changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PROVIDING FOR INDEPENDENT MANAGEMENT OF THE EXPORT-IMPORT BANK OF WASHINGTON

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 3589) to provide for the independent management of the Export-Import Bank of Washington under a board of directors, to provide for the representation of the bank on the National Advisory Council on International Monetary and Financial Problems and to increase the bank's lending authority.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 3 of the Export-Import Bank Act of 1945, as amended, is hereby further amended to read as follows:

"SEC. 3. (a) The Export-Import Bank of Washington shall constitute an independent agency of the United States and neither the bank nor any of its functions, powers, or duties shall be transferred to or consolidated with any other department, agency, or corporation of the Government unless the Congress shall otherwise by law provide.

"(b) There shall be a president of the Export-Import Bank of Washington, who shall be appointed by the President of the United States by and with the advice and consent of the Senate, who shall receive a salary at the rate of $17,500 per annum, and who shall serve as chief executive officer of the bank. There shall be a first vice president of the bank, who shall be appointed by the President of the United States by and with the advice and consent of the Senate, who shall receive a salary at the rate of $16,000 per annum, who shall serve as president of the bank during the absence or disability of or in the event of a vacancy in the office of president of the bank, and who shall at other times perform such functions as the president of the bank may from time to time prescribe.

"(c) There shall be a board of directors of the bank consisting of the president of the Export-Import Bank of Washington who shall serve as chairman, the first vice president who shall serve as vice chairman, and three additional persons appointed by the President of the United States by and with the advice and consent of the Senate. Of the five members of the board, not more than three shall be members of any one political party. Each director, other than the president of the Export-Import Bank and the vice president of the Export-Import Bank, shall receive a salary at the rate of $15,000 per annum. Before entering upon his duties, each of the directors shall take an oath faithfully to discharge the duties of his office. Terms of the directors shall be at the pleasure of the President of the United States, and the directors, in addition to their duties as members of the board, shall perform such additional duties and may hold such other offices in the administration of the bank as the president of the bank may from time to time prescribe. A majority of the Board of Directors shall constitute a quorum. The Board of Directors shall adopt, and may from time to time amend, such bylaws as are necessary for the proper management and functioning of the bank, and shall, in such bylaws, designate the vice presidents and other officers of the bank and prescribe their duties.

"(d) There shall be an advisory committee of nine members, appointed by the Board of Directors on the recommendation of the president of the bank, who shall be broadly representative of production, commerce, finance, agriculture and labor. The advisory committee shall meet one or more times per year, on the call of the president of the bank, to advise with the bank on its program. Members of the advisory committee shall be paid a per diem allowance of $50 for each day spent away from their homes or regular places of business, for the purpose of attendance at meetings of the committee, and in necessary travel, and while so engaged they may be paid actual travel expenses and not to exceed $10 per diem in lieu of subsistence and other expenses.

"(e) No director, officer, attorney, agent, or employee of the bank shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his personal interests, or the interests of any corporation, partnership, or association in which he is directly or indirectly personally interested."

SEC. 2. Section 4 (a) of the Bretton Woods Agreements Act, as amended, is hereby further amended by striking out all following "Federal Reserve System," and inserting in lieu thereof "the president of the Export-Import Bank of Washington, and during such period as the Foreign Operations Administration shall continue to exist, the Director of the Foreign Operations Administration."

SEC. 3. The Export-Import Bank Act of 1945, as amended, is hereby further amended as follows:

(a) Section 6 is amended by striking out the words "three and one-half times the authorized capital stock of the bank" and substituting therefor the figure "$4,000,000,000."

(b) Section 7 is amended by striking out the words "four and one-half times the authorized capital stock of the bank" and substituting therefor the figure $5,000,000,000."

SEC. 4. The provisions of this act for the appointment of a president and a first vice president of the bank and the members of the board of directors shall be effective upon its enactment. The remaining provisions of this act shall become effective when the president and first vice president of the bank and one other member of the board of directors initially appointed hereunder enter upon office, and shall thereupon supersede Reorganization Plan No. 5 of 1953.

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

Mr. MULTER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. MULTER. Mr. Speaker, the Export-Import Bank was incorporated by the Congress under the Export-Import Act of 1945 as an independent agency of Government to provide financing to facilitate imports and the exchange of commerce between our country and foreign countries and nationals, without, however, competing with private capital or private banks.

Until the advent of the Eisenhower Republican administration of the bank operated as an independent agency of Government under the management of a board of directors and with representation on the National Advisory Council.

On April 30, 1953, President Eisenhower sent to the Congress Reorganization Plan No. 5. By that plan he destroyed the independence of the Export-Import Bank. He abolished its board of directors, placed it under the management of a single person and deprived the bank of its representation on the National Advisory Council and placed the control of the policy of the

bank in the Treasury Department. The plan became effective 60 days later, to wit, May 31, 1953.

In one fell swoop the President not only subordinated the bank to the Treasury Department, but at the same time, got rid of the bank managers appointed by prior administrations and supplanted them with his own appointees.

Less than 14 months later, the Congress goes through the pretense of again giving independence to the Export-Import Bank. This bill which we are now passing again creates a board of directors instead of a single director. Again it gives the bank representation on the National Advisory Council and of course, says again that it shall be an independent agency.

Of course, the President will appoint the new directors. The degree of independence these new directors will dare to show will best be judged by the fact that their terms of office "shall be at the pleasure of the President."

If there is any publicity attendant upon the enactment of this bill, it undoubtedly will stress that this is to be an independent agency. I doubt whether the American public will be so gullible as to believe in that kind of independence. Their independence will be marked by their subservience to the President and his Secretary of Treasury.

This bill is further evidence that this administration is the greatest expert in double talk yet produced on the American scene.

INCREASE BORROWING POWER OF COMMODITY CREDIT CORPORATION

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 9756) to increase the borrowing power of Commodity Credit Corporation.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

Mr. PATMAN. Mr. Speaker, reserving the right to object, I hope the gentleman will not insist on taking up the bill without allowing some discussion, and I hope he will do it under an arrangement whereby we will have some time to discuss the bill.

The SPEAKER. The Chair may say that there can be discussion under the 5-minute rule.

Mr. PATMAN. Mr. Speaker, I was hoping that we would have some preliminary discussion. I would like to have 10 minutes to speak on the bill in preliminary discussion. I hope that is not asking too much.

Mr. MULTER. Mr. Speaker, I would make a similar request.

Mr. WOLCOTT. Mr. Speaker, I 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. 9756) to increase the borrowing power of Commodity Credit Corporation.

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 consideration of the bill H. R. 9756, with Mr. SADLAK in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. WOLCOTT. Mr. Chairman, this bill increases the borrowing authority of the Commodity Credit Corporation from $8.5 billion to $10 billion. It is to effectuate the farm price-support program. A statement was made, I believe during general debate on the agricultural bill, that if the President's farm program was finally adopted in substance, then it would not be necessary to have any further authorization of the authority of the borrowing power of the Commodity Credit Corporation.

This bill, however, is to insure that for the balance of the year or until we get back here next year, anyway, that there is going to be ample authority to carry out the farm support-price program.

Now, the testimony bore out the fact in justification of this increase that prices of farm products, which had held relatively stable for 16 months within a range of 15 points, declined sharply from May to June of this year. A seasonal decline was expected, but was more than anticipated. Relatively stable farm prices are expected for the rest of the year; that the decline in exports of farm products appears to have been checked, and some increase over exports last year has occurred.

Another big crop is in prospect. Most of the wheat and other small-grain crops have either been harvested or are far enough advanced to be certain of good yields. A big hay crop has largely been harvested.

Reductions in cotton, corn, and wheat allotments did not cause any appreciable diversion of acreage out of crops. The total crop acreage planted in 99.7 percent of that for 1953 and the estimated acreage to be harvested is 100.3 percent of that for 1953.

There has not yet been developed a practical plan for disposing of butter, cheese, and dried nonfat milk without involving large costs and losses. The present outlet for died milk will not be available beyond this summer because of possible serious interference with other protein feed markets.

Larger percentages of the 1953 crops of several major commodities were placed under price support than expected. In several instances the percentage was higher than ever before.

A larger proportion of the commodities placed under price support was acquired in most instances than in past years. This situation reflects the fact that as supplies build up, more of the total production goes into the price-support program, less redemptions are made, and more commodities are acquired by the Commodity Credit Corporation. At the same time, domestic sales of inventories held by the Commodity Credit Corporation decline.

The Corporation will begin the 1954 crop operations with $846 million less available borrowing power than was estimated when we increased the authority to $8.5 billion. It is in order that there will be no interruptions in the farm support program and because we want positive assurance that this program will be continued that the committee has reported out this bill and asks for its favorable consideration here on the floor.

Mr. Chairman, I know of no further requests for time.

Mr. SPENCE. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. PATMAN].

RESTRICT INTEREST RATE

Mr. PATMAN. Mr. Chairman, I do not know of any opposition to the bill. I have an amendment that I would like considered restricting the amount of interest that may be paid. The Commodity Credit Corporation has always borrowed its money from the Treasury as provided by law. About $4 billion has been borrowed from the Treasury. The Treasury borrows the money and then makes a loan to the Commodity Credit Corporation. In the last year and a half about $1.5 billion has been borrowed by the Commodity Credit Corporation through a method known as certificates of interest. In other words, the banks would subscribe to a certain interest in the loan. I am not objecting to that particularly, provided that an excessive rate of interest is not paid.

CCC CERTIFICATES OF INTEREST

One reason the administration has asked for an increase in the borrowing authority of the Commodity Credit Corporation is the costliness of its practice, begun last year, of issuing certificates of interest to bankers in the price-support loans on farm commodities.

A July 14, 1954, press release from the Department of Agriculture states that a total of about $1.9 billion worth of these certificates were issued—considerably more than the Department set out to issue—bearing interest at rates ranging from 2⅛ percent to 2½ percent per annum.

CCC had previously borrowed money from the Treasury for this purpose, the last few borrowings being at the rate of 2 percent. Thus the use of certificates of interest to circumvent Treasury borrowings—and avoid piercing the United States debt ceiling—has cost the Government, and the taxpayers, from $2,375,000 to $9,500,000 more than it should have, on an annual basis. This is the difference between rates of 2 percent and 2⅛ percent at the lower end of the range, and the difference between 2 percent and 2½ percent at the upper end of the range. An exact figure could be obtained from a breakdown of the certificates, but it is quite obvious that the additional costs run well over $5 million a year.

Bankers who bought the certificates made even more money on their transactions, if one compares the interest rates with the rate of 1½ percent or less which the Treasury was paying for call money when the certificates of interest were first issued. On that basis, the excess would run from $11,875,000 up to

$19 million. Incidentally, the certificates were oversubscribed by more than $4 billion.

It is also proper to compare the cost of the certificates to taxpayers with the Treasury's issue a few days ago of tax-anticipation certificates totaling $3.5 billion which were oversubscribed 3 to 1. The interest rate on these was 1 percent. Since their maturities are comparable to the CCC certificates, one can put them beside each other fairly. At the 1 percent rate, CCC could have issued them for $21,375,000 to $28,500,000 less than it did.

The importance of learning the additional cost of this financing device is increased by the July 14, 1954, announcement of the Department of Agriculture that—

> It is expected that CCC will again issue certificates of interest in pools of price-support loans later in the year.

I have an amendment providing that the Corporation shall not issue any obligations other than to the Secretary of the Treasury at a rate of interest in excess of one and a quarter times the rate of interest or comparable cost paid to the Treasury of the United States on the most recent obligations of the United States of comparable maturity, except that the provisions of this proviso shall not apply to lending agency agreements applicable to loans under a commodity loan program.

In other words, this will not affect the commodity loan program, but the amendment will provide that the Commodity Credit Corporation may not pay in excess of 25 percent of the rate at which the Treasury is borrowing money and letting the Commodity Credit Corporation have it. It occurs to me that 25 percent is sufficient for private enterprise.

There has been a lot of talk here about giving private enterprise an advantage. This gives the private banks an advantage but they may not charge the Commodity Credit Corporation in excess of 25 percent.

Boiling it down to actual figures, the Treasury can borrow this money now for 1 percent. Under my amendment the Commodity Credit Corporation may borrow the money from the banks or insurance companies or any other private lenders and pay as much as 1¼ percent. That would be all right under this amendment, but more than that could not be paid. It provides they shall not be allowed to pay more than one-quarter percent. If they can get it from the Treasury for 1 percent and the Treasury can get it for 1 percent, why allow them to pay more than 1¼ percent? That is all in the world this amendment does. It occurs to me it is so reasonable and right that the chairman of the committee and the committee should accept it. I hope they will.

This brings up the national debt limit. About a year ago, a little better, the question of the national debt limit came up, to increase it from $275 billion to $290 billion. At that time I voted against it because the banks had $8 or $9 billion in the banks that was idle and unused. I wanted to compel them to use that idle money. Much of it had been borrowed, and the Government was actually paying 2, and 3¼ percent on some of it. I wanted to compel the Government to use that money first.

The House passed a bill to raise the debt limit and it went to the other body. The other body did not pass it, and it has not been increased yet. The banks having this idle and unused money of course have been called on, and the Government has used a part of it. But right today we have more than $4 billion in the banks that is idle and unused and upon which the Treasury is receiving no interest whatsoever.

The national debt limit should be raised if Congress appropriates so much money that the appropriations cannot be expended without the debt being raised. I think Congress would be guilty of intellectual dishonesty to vote for appropriations that increased the amount that is legally allowed, and then not vote to increase the national debt limit to take care of it. I am perfectly willing to raise the national debt limit if absolutely necessary.

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

Mr. PATMAN. I yield to the gentleman from Minnesota.

Mr. MARSHALL. The gentleman is bringing up a very important point, because certainly there was some unusual financing that took place in financing some of the operations of the Commodity Credit Corporation. Does the gentleman have the latest figure as to how much additional that cost the taxpayers of this country?

Mr. PATMAN. Yes; I have on one issue. It has cost the taxpayers $20,500,000 extra. Looking at it strictly from the standpoint of the banks, and I do not think the banks are selfish to the extent that they would want to keep the debt limit what it is now so as to compel the Government to go outside, in cases like the Commodity Credit Corporation, and pay a higher rate of interest to the banks—I am not charging them with that, but if we do not raise the debt limit, if it is absolutely necessary, we are placing the Government in a position where the Government is compelled to pay a much higher rate of interest.

Mr. MARSHALL. The gentleman's amendment has a great deal of merit, because it would put the Government in the position of keeping their interest rates somewhat uniform. The gentleman may recall that last December there was some great telescoping of rates to the Commodity Credit Corporation paper over and above what the Treasury paper was bringing on the market.

Mr. PATMAN. That is right.

Mr. MARSHALL. I wish to commend the gentleman for putting this limitation in. I believe that would save the temptation, at least.

Mr. PATMAN. It will help the farmers, too, because if you let them pay twice as much for interest as the Government can actually get the money from the same lenders for, you are placing an undue burden on the farmers, because it is placed right on the farmer. This places a limitation there that you cannot charge more than 25 percent in excess of what the Treasury can borrow it for from the same lenders. I do not see how anybody can oppose it. Last year, the gentleman from Indiana [Mr. HALLECK], the distinguished majority leader, and I desire to commend him for being a very fine and excellent majority leader because he is making a wonderful record and I know the House is proud of him, made a statement about the national debt limit. I want to read that statement to you. It was made not last year, but January 27 of this year. The distinguished majority leader stated:

> Now because of failure to increase the debt limit and to realistically meet our situation, the Treasury has had to do in many instances what they indicated they would have to do, and it was not good business in order to avoid going over the debt limit and creating chaos in this country. One of the things they did was to go back to an earlier procedure of the Commodity Credit Corporation and say to the Commodity Credit Corporation. "Instead of borrowing all of your money from the Treasury of the United States where you can borrow it more cheaply and it can better be handled, you go out and borrow money from private sources." What effect did that have on the debt limit? If the money had been borrowed from the Treasury, the Treasury in turn would have had to borrow from the people and increase the national debt which would have shoved us over the limit. Now that is how simple the matter is.

That is the majority leader speaking. We know that if you do not put a limit on this amount, a larger amount will be paid. We know that it is already being paid and needlessly being paid. So all we are asking is that the same interests not be allowed to collect and charge up to the farmers 25 percent more than you are daily lending the same type of money to the United States Treasury. So I hope the amendment is adopted.

Mr. SPENCE. Mr. Chairman, I yield myself 11 minutes.

Mr. Chairman, whatever our opinion may be as to the manner in which the Commodity Credit Corporation has been administered, I think it cannot be denied it has rendered a great service not only to the farming interests of our country but to the people generally, and the economy of our Nation. The farmer is engaged in a hazardous business. He is subject to the vicissitudes of the weather. He is subject to loss caused by pests and plant diseases. He does not know when he plants what he will reap or the quality of his product. Because he is engaged in this hazardous business, it is necessary to give him some assurance of what return he may receive. The Commodity Credit Corporation is the means of securing that result. I think it has rendered a service that cannot be overestimated. It has been a means of assuring the farmer he can make a living. It has been a means of keeping him on the farm in order that he may produce, not only for himself but for all our people. Certainly the city people ought to have no prejudice against this Corporation, because if you do not keep the farmer on the farm the people of the city are not going to be

fed. People who have jobs in the city will be in constant peril of losing them because the farmer will leave his farm and go to the city. I cannot see why there should be any opposition to the Commodity Credit Corporation by the people of the cities. The Commodity Credit Corporation, on the basic nonperishable crops, has lost comparatively little. It has maintained a stable price. It has given the farmer the assurance of what he will receive. Certainly that is just as essential to the people of the city as it is to the farmer. The farmer and the man in the city have no diversity of interest. If the city man is not prosperous he cannot pay the price for the farmer's product which he should receive. Unemployment in industry destroys the farmer's market. So prosperity either covers the Nation like a blanket or we have none at all. There is no spotty prosperity.

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

Mr. SPENCE. I yield.

Mr. McCORMACK. I have always thought that an important consideration, at least in my mind, in passing upon farm legislation—and I do not have a farm in my district—is the importance of agriculture, not only as an economic segment of our American society but also an important element in our national defense that has been overlooked; but the additional fact that the farmer buys in a protected market and when there is a surplus he has to sell it in a free market, the world market. I find it difficult to reconcile in my mind the votes that I see made by men from strictly agricultural districts, when that important factor must be known by them, as well as by myself, that they are buying in a protected market and selling their surpluses on a free market.

Mr. SPENCE. What the gentleman from Massachusetts says is true. Farming is the basic industry of the United States. Without it we could not live. We want it to be prosperous. I am always surprised to see the prejudicial attitude sometimes taken by city people toward the farmer. My district is half agricultural and half industrial. Part of my district is highly industrialized and highly unionized. Part of my district is entirely agricultural. I hope there will never be any feeling between the industrial part of that district and the farmer. I have always tried to instill into both that they had a common interest and they should work together to achieve a common goal—the prosperity and success of both.

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

Mr. SPENCE. I yield.

Mr. COOLEY. I think an effort has been made to lead the American people to believe that this $6½ billion which has been made available to the Commodity Credit Corporation is a total loss to the American taxpayers. I want to ask the gentleman if it is not a fact that most of the money that has been handled by the Commodity Credit Corporation in these loans, if the loans are not secured by adequate quantities of food and fiber.

Mr. SPENCE. And they have made money on tobacco and they have made money on cotton. There is no reason to believe they are going to lose any great amount of money on any of the basic agricultural products.

Mr. KING of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. KING of Pennsylvania. If the Government is not losing money, why are we here today trying to increase the borrowing capacity of the Commodity Credit Corporation by a billion dollars?

Mr. SPENCE. I have not contended they do not lose some money, but on the basic, nonperishable commodities they have sustained very little loss through the years. Many of the losses they have sustained have not been the direct result of maintaining support prices, but they have been compelled by the mandate of Congress to perform functions which entailed losses—losses over which they had no control.

Mr. KING of Pennsylvania. Of course, the consumers are very much interested in farm production. But can the gentleman explain to me how the consumers can be interested in having the Government buy $10 billion worth of farm produce, and holding it off the market, away from the consumers?

Mr. SPENCE. This was caused by the necessary purchases that were required to be made to support the price and these products could not be dumped on the market and they are required to be held to such time as they may be disposed of without depressing the market.

How anyone who has the interest of all the people at heart can denounce the Commodity Credit Corporation which stabilized the great basic industry of America, I cannot see. I believe that the farmer ought to have a reasonable assurance of what he shall obtain when he plants. That is the reason I am in favor of an inflexible price support because I do not think the price of what the farmer produces should be at the whim or caprice or judgment of any individual, even a member of the Cabinet.

I hope this bill will be passed overwhelmingly.

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

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

Mr. McCORMACK. I am very glad to hear the gentleman from Kentucky, who is one of the finest men I have ever served with, whose outlook on life is so beautiful that it is an inspiration to all of us, make the remark he did a few minutes ago, deploring this attempt to divide Americans into two groups simply because one is a farmer and the other lives in the city. I may say to my friend that the people in the city have nothing but respect for the man and his wife and family who toil on the soil. We are all Americans and we are all part of the American society and we all contribute to our national economy that is of such interest to all of us. This tendency of recent months in justification for certain actions in violation of certain promises and blaming the farmers for everything cannot be defended, when those who make the claim know it is not so. They operate under the guise of being the friends of the farmers at the same time. I suppose they proceed upon the theory that the great majority of the farmers vote Republican because their grandfathers voted Republican. But I think the farmers are awakening now to the realization that this attempt to create two classes by some who profess to be friends of the farmers, and I particularly mention Secretary Benson, is dangerous because it is nothing but political bigotry and, in my opinion, the farmers are waking up to the realization of what is going on.

Mr. SPENCE. The farmer constitutes a great part of the middle class of our country. In some countries there is no middle class; there are only the rich and the squalid poor. They are the unstable countries where governments change and the liberties of the people are insecure. The farmer is one of the most stable segments of our people. It is difficult to mislead him and subversive influences have not made gains among the farming people. We must continue to assist him and protect his interest not only for his sake but for the economy of our common country.

It has been said that if you destroy the cities they will rise again, but if you destroy the farms, grass will grow in the city streets.

Mr. WOLCOTT. Mr. Chairman, I yield 2 minutes to the gentleman from Missouri [Mr. CURTIS].

Mr. CURTIS of Missouri. Mr. Chairman, I hope I misunderstood the remarks of the gentleman from Massachusetts [Mr. McCORMACK]. When he was referring to Secretary of Agriculture Benson, what I thought I heard him say was that Mr. Benson was guilty of hypocrisy and was deluding the farmers of this country and was not sincere. Am I correct in my understanding?

Mr. McCORMACK. I did not use any of those words at all, but if the gentleman construed it that way, I will not challenge the gentleman's construction.

Mr. CURTIS of Missouri. I am trying to get this out in the open as to what the gentleman did say.

Mr. McCORMACK. I said there are certain alleged friends of the farmers who are trying to array Americans against Americans, the farmer against the city folks, and vice versa, and I said that is a form of political bigotry.

Mr. CURTIS of Missouri. Yes, and the gentleman particularly mentioned Mr. Benson.

Mr. McCORMACK. Yes; I mentioned Secretary Benson's name.

Mr. CURTIS of Missouri. I just wanted to get this straight.

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

Mr. CURTIS of Missouri. I yield to the gentleman from North Carolina.

Mr. COOLEY. I will say just what the gentleman from Massachusetts has said, that Mr. Benson has tried to cause a revolt in the cities. He is trying to turn the city consumers against the farmers of this Nation, and he is not serving well the interests of either the consumers or the producers. And I will say further

that he has distorted the whole picture in an effort to mislead the public. He has not been frank, fair, and forthright.

Mr. CURTIS of Missouri. I just wanted to get this on the record as to just what your accusations were, because I want to say this, whether you agree or disagree with Mr. Benson's policy, the one thing I do resent—and I certainly resent it—is the attack on his motives. I happen to think that Mr. Benson's theories are right and well, but I think there is no occasion for any man in this House to attack the motives of a fine man like Mr. Benson, and I personally did not want to allow this occasion to pass without notice, particularly in regard to these people who have been saying that they do not attack the character of the individuals in Government. What I thought I heard was certainly character assassination. And I resent it.

Mr. WOLCOTT. Mr. Chairman, I yield 3 minutes to the gentleman from New York [Mr. JAVITS].

Mr. JAVITS. Mr. Chairman, in all humility, I think it is fair to say that as far as I am concerned I have rather consistently argued against high fixed farm supports. I am not trying to turn the city against the farmer—with all due respect to my dear colleague from Massachusetts; he has his own opinion, and he entertains it strongly as always—and I do not believe Secretary Benson is, either. I think the whole problem is this—and this has been the basis for my own action in this House ever since I have been here, long before Secretary Benson took over. The problem is: Shall the farmer alone determine what is for his interest in terms of a program which is designed to serve both interests, the consumer and the farmer, or shall the consumer participate in the decision, and therefore sometimes moderate it, change it, or have some effect on it?

It seems to me when I first came here, for many of us, we assumed that what the Committee on Agriculture brought in as a farm program could just be passed. Well, it turned out it is not that simple. Like some fable, the surpluses just keep mounting and mounting and mounting.

Here you have the amazing statement in the committee report which says that the Commodity Credit Corporation will begin the 1954 crop operations with $846 million less available borrowing power than estimated at the time the increase to $8.5 billion in this very authority was discussed. Then it goes on to say that, in addition to having $846 million less at the beginning of the current fiscal year as anticipated, they anticipate already that at least $900 million more borrowing power will be required to cover the operation during 1955 than anticipated, so that, obviously, no evaluation, no estimate they make, is dependable, in view of the fact that the program is just running away.

All I say is that the city people ought to exercise a little wise discretion here and see that the farmers and themselves do not get drowned either in commitments for the program or surplus commodities.

I call to the attention of the gentleman who said that no money had been lost on the program, one fact, that there are several hundred million pounds of butter going rancid, but I believe still being carried at full value on the books of the Commodity Credit Corporation.

One other point about this bill. I understand, and it says so in the report of the committee, that they will have $8,400,000,000 in borrowing power in January 1955, which is within their ceiling, but they do not believe we are going to get some flexibility in price supports, or that there is going to be any diminution to this program, so they are doing the prudent thing for them; they are asking for more borrowing power in advance. I think the wisdom of the American people will bring about this modest change, to a very modest flexibility in farm price supports and that we can go home without giving this new authority. I wish to emphasize that I recognize the particular problems of the farmer and the hazards peculiar to his enterprise, that I consider it a national responsibility to cooperate in the solution of these problems and that I am affirmatively for the flexible system of farm price supports for that reason. This high fixed farm price parity farm program seems to me to have gone off the tracks and the people who can help it get back on are the city people—certainly wanting to and trying to work together with the farmers.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WOLCOTT. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania [Mr. KING].

Mr. KING of Pennsylvania. Mr. Chairman, apparently we have started another debate on the farm problem. I think it quite appropriate in connection with this because we are asking for more money because of an illogical farm program. Certainly I do not want to turn anybody against the farmer. I am a farmer, have been a farmer all my life, and almost all of my relatives are farmers. But apparently, in my opinion at least, there is a great fallacy that exists to the effect that the prosperity of the farmer is the basis of all our prosperity. Actually, our economy is a big and a complicated matter of balanced production, balancing production with demand; and the 20 million farmers are no more important as a basis of our economy than 20 million other people. The question of balance is very complicated.

Instead of blaming the farmers for anything, what I am trying to do is to blame the Government, because the Government has been the agency which has thrown farm production all out of balance.

The interest of the city consumer, let us say the nonfarm segment of our society is simply this: That there is no question but what the overall farm subsidy program has cost the taxpayers $20 billion and $10 billion of it is incidental to this crazy idea of guaranteeing prices. Furthermore, when we have by this governmental action accumulated so much surplus that now we are faced with increasing the borrowing capacity of the Commodity Credit Corporation, the Government is disposing of the surpluses at prices below that which consumers today are paying for those commodities.

The CHAIRMAN. The time of the gentleman has expired.

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

Mr. BURDICK. Mr. Chairman, the people who seem to know most about the farm situations are those fellows who live on 154th Street in New York.

Mr. JAVITS. Mr. Chairman, will the gentleman yield to me at that point?

Mr. BURDICK. If it is not taken out of my time I will yield.

Mr. JAVITS. It will be taken out of the gentleman's time, but it will be only seconds.

Mr. BURDICK. I refuse to yield. If I am wrong as to the number of the street, I will correct that.

Mr. JAVITS. Yes; the street is 116th Street and as to the facts, I do not pretend to be a farm expert and never did. I am a city person strictly and speak only from that point of view.

Mr. BURDICK. All right; then I want to talk to the gentleman.

Mr. JAVITS. And I shall listen.

Mr. BURDICK. You can put wheat down to a dollar a bushel or you can leave it at $3 a bushel and the cost of your bread is identical.

Now, what is the use of trailing around the country and telling the consumers, "The reason you are paying so much for bread and meats is because the farmers have the support price"? That is not true at all.

I believe myself, and I would hate to see it done again, that we have to have another depression such as we had in 1932 and 1933 to educate some of these newcomers that have been talking here this afternoon about what it means when agriculture fails. I know because I was a Member of Congress here when there were 15 million people traveling up and down the eastern seaboard looking for something to eat. The reason for it was that we were selling wheat for 26 cents a bushel. It did not pay for harvesting. Corn had no price. They burnt corn for fuel. That whole agricultural belt was prostrated and their buying power was gone. Just as soon as that lack of buying power hit the East those factories where your workers worked lost their jobs, and they constituted these 15 million people that were traveling around the country looking for something to eat.

When you destroy the buying power of the farmer, that in normal times buys one-third of all the steel output in this country when he can buy it, and he buys almost half the output of the textile mills of New England, or whatever it is, when he is broke those mills go out of business.

In my county alone, and it is a good county, probably the richest county in the United States, I can remember in that period when the farmers were down they took a survey of the county and 72 percent of the people out there did not have a mattress to sleep on; yet the stores in town and the manufacturing

plants of New England were piled high with mattresses, because they could not get them because the buying power was gone.

This program was put through here not for the purpose of helping the individual farmer, it was put through to bring the economy of the Nation back to life. You can remember when all the banks were closed, everything was closed. I remember there were 4 days when you could not draw any money. I did not have much in the bank, but I had $6, and I could not get that out.

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

Mr. BURDICK. I yield to the gentleman from Iowa.

Mr. JENSEN. I have been in the House with the gentleman from North Dakota for many years and I have never heard the gentleman from North Dakota insult the city folks as the gentleman from New York [Mr. JAVITS] has insulted the country folks today. Just a few minutes ago he said that the city folks would have to educate the country folks and save them from disaster.

Mr. BURDICK. Yes.

Mr. JENSEN. I want to remind the gentleman from New York [Mr. JAVITS] that we have a higher state of literacy on the farm than the people do that he has the honor to represent, and I know they are good people. But let me tell the gentleman from New York [Mr. JAVITS] that the farmer communes with Nature, and that is God's business. When he communes with Nature he becomes natural, and when he becomes natural he becomes practical. You folks, men like you, do not understand that because you live in an artificial atmosphere, you think artificially, and you talk artificially.

Mr. BURDICK. I do not think it is necessary to prove the illiteracy of the East because I think the gentleman from New York [Mr. JAVITS] has demonstrated that fully.

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

Mr. BURDICK. I yield.

Mr. McCORMACK. Does the gentleman agree with me that any effort to array American against American such as the city folks against the farmer or vice versa is wrong?

Mr. BURDICK. Yes, sir.

Mr. McCORMACK. And it is a form of political bigotry?

Mr. BURDICK. Yes, sir, it is.

Mr. DORN of South Carolina. Mr. Chairman, will the gentleman yield?

Mr. BURDICK. I yield.

Mr. DORN of South Carolina. In support of what the distinguished gentleman from North Dakota is saying today, I hate to inject a personal experience into this debate, but I want to point out that while I can afford to lose a little bit on my farm, the average farmer in the country cannot. Last fall, I sold my wheat crop at Route No. 1, Greenwood, S. C., the Third Congressional District, for $1.65 a bushel. During the same week that I sold that wheat at $1.65 a bushel, the price of a loaf of bread, I want to tell the gentleman from New York, went up 1 cent. Last fall when I sold my cattle, I received an average of 13 cents a pound. Then when I returned to Washington, I paid as high as $1.30 a pound for steak here. And right now in South Carolina, Georgia, and throughout this great country, you can buy beef on the hoof as low as 6 or 7 cents a pound. You go downtown tonight and try to buy a T-bone steak at the Shoreham Hotel and see what you have to pay for it. The farmers of this country are not responsible for the situation we are in today. Unless you do something about this condition to give the farmers a fair break, then this condition is going to spread to other industries throughout the country.

Mr. KING of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. BURDICK. You are not going to cite any more of those figures of yours, are you?

Mr. KING of Pennsylvania. No, I am not going to cite any more figures.

Mr. BURDICK. I yield.

Mr. KING of Pennsylvania. I just want to go back to the time that you spoke of during the depression days when you say you were in the Congress, and apparently devoting your time to politics. I was a farmer trying to make a living during that time, and I know a great deal about it. The depression dragged on for a long time. Do you think Government subsidies in any way hastened the adjustment which was inevitable and necessary, or did Government intervention in that thing drag it out and prolong the misery, and will you explain to me just how the Government in any way helped the situation?

Mr. BURDICK. That is exactly what we did. The Government breathed some new life into the farming sections of this country and we began to revive.

Mr. McCORMACK. Do you remember the foreclosures on the farms and the foreclosures on the homes? Do you remember what was going on then?

Mr. BURDICK. Yes, sir, I do.

Mr. McCORMACK. The Government stepped in and saved family life in America.

Mr. JAVITS. Mr. Chairman, will the gentleman——

Mr. BURDICK. I do not yield to the gentleman. May I be permitted to say a few words?

Mr. Chairman, this program was not put through to help any particular person in the country. It was put through to put buying power back in the hands of the American people. That is all there is to it. I remember going before a committee here when the business interests of the country were there in force saying, "If we withdraw all Government restrictions from private business, they could go ahead and put these 15 million people to work." I was there and while I did not ask the question—I asked a friend of mine on the committee to ask the question and he asked the business interests, "If we withdraw every restriction that the Democrats have put on business since Roosevelt came in and put it right back where it was under Hoover, how many of these 15 million people can you employ?" And they all admitted that they could not employ over 3 million. Well, they were asked, What are you going to do with the other 12 million people out of a job? They said, "We do not know." Now maybe we did something foolish. I voted for all of it—do not charge it to the Democrats alone. I was here and I voted for it. We set up a lot of foolish business, but the people had to eat and I knew myself that when enough people got hungry enough, they would get enough to eat. I have seen that happen. I have seen them leave the line of march and go into a store and eat it up.

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

Mr. SPENCE. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. BURDICK. We might have to have that demonstration all over again to convince the gentleman from New York [Mr. JAVITS] and the gentleman from Pennsylvania [Mr. KING] that we are not handing any plums to the farm belt when we are trying to put buying power back for the benefit of the entire country.

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

Mr. BURDICK. I yield.

Mr. JAVITS. I regret any reference to illiteracy, we are having a perfectly fair debate, everyone knows there is no question of literacy or illiteracy, farmers and city people are decent people trying to do the best for our country.

Mr. JENSEN. You are the first fellow who accused the farmer of being illiterate. What are you talking about? I did not say you were illiterate.

Mr. BURDICK. The only demonstration of illiteracy this afternoon was made by the gentleman who says price supports invariably causes a rise in the price of food.

I still stick to it, because you do not know the situation, you only know in New York City that the price of bread is high, and you at once attribute that to price supports.

Mr. JAVITS. There was a time for the high fixed farm price supports, when 90 percent of parity was essential to this country, for instance; but like any medicine, that time may have gone by. I just venture to suggest and argue that the time has come, because of the farmer's own condition, the fact that he is not doing well under these very high fixed price supports, there must be something wrong. So some of us are suggesting some way of dealing with the difficulty. The modest flexibility introduced in the program by the House recently is along that line. I do not think that is unfair and I do not think that deserves any caustic condemnation.

Mr. BURDICK. Well, he may be in a bad shape today, but if he listens to the advice I have heard today coming from New York and Pennsylvania he will be much worse off tomorrow.

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

Mr. SPENCE. Mr. Chairman, I yield the balance of the time to the gentleman from New York [Mr. MULTER].

Mr. MULTER. Mr. Chairman, members of the Committee, including farmers, I think the House has fallen rather low when a Member comes before it and says you are trying to sell a program you have failed to explain or justify, and you have to accuse that colleague of being illiterate, instead of trying to explain.

Someone said there would be a revolt against this farm program unless you do the right thing, and the revolt will come, if it comes at all, because of the confusion and the lack of understanding that is attendant upon this program.

My distinguished friend from New York [Mr. JAVITS] says he is opposed to this bill, despite the fact that he voted for flexible price supports. This gentleman from New York now addressing you tells you I am opposed to this bill, despite the fact that I voted for rigid price supports.

Even though this bill does not involve the question of rigid or flexible price supports, I must say that there is something radically wrong with this entire program, either in the law or in the administration of the law.

With rigid price supports we now find that cotton goods sold you in the store are selling for less money despite the fact that they are made with cotton that comes from cotton supported by rigid supports. The milk we are buying in the store is selling for more money, despite the fact that it comes from the milk producer who is getting less for that milk which comes out of the milk produced under flexible price supports.

Maybe we city consumers are illiterate, but you better start doing some tall explaining because we have votes, we have Representatives in this House and in the other body who vote, and I, for one, am not going to vote to expand this program.

I have always voted for the farm program, I have followed the farmers and their advice, but I am stopping today. I am going to vote against this bill because I say to you, as indicated earlier in the debate, this bill is born of political trickery and chicanery. I do not accuse any of the Members of this House of that political trickery or chicanery.

Although I have the highest respect for Secretary Benson, his honor and his integrity, I must point my finger at him. He is the man who has been picked by the Republican administration as the agricultural expert of this country. He was that during the campaign when he advised Candidate Eisenhower on the farm programs. He was named the official governmental expert on agricultural problems when he was named Secretary of Agriculture. He was studying the problem during the campaign, he has been studying it since, and he has told the Committees on Agriculture that he is studying the problem, he has told the Committees on Banking and Currency he is studying the problem and he still does not come up with a plan to do something about any of these problems.

This House only a short time ago authorized the cancellation of $741 million of losses sustained by CCC, wrote it off the books and canceled the indebtedness, restoring that much money or buying power and lending power to CCC.

Having urged that that be done, Secretary Benson came before the committees of the Congress and asked for another $1¾ billion to increase the borrowing power of this Corporation to $8½ billion. He did that on the basis of estimates, facts, and figures which he submitted to both Houses. He said the increase would carry him through this year and until the next Congress meets next year. Now, within 4 months he comes back and tells us he has made a mistake, that he needs another $1½ billion to carry him through until next January.

Mr. Chairman, there is something wrong with the planning and thinking of a Secretary of Agriculture who can make that kind of an error. The best he can do to support his argument for another billion and a half is to tell you that up to June 30 of this year he has used $6,400,000,000 of the $8½ billion authorized, having on hand another $2,100,000,000 at this time. Yet he says he needs another $1½ billion to support this program.

On his recommendation this House passed the agricultural bill and sent it to the other body. It contains a provision, which I am sure will prevail, permitting the Commodity Credit Corporation and the Secretary of Agriculture to set aside out of the $8½ billion as much as he chooses up to $2½ billion of the products he has stored away, and the Treasury Department is authorized to cancel that $2½ billion indebtedness. That way the $8½ billion will not be impaired one penny. So he will take the $2½ billion of surplus that is stored away—some of it rotting away—set it aside, cancel the indebtedness, and still have $8½ billion to use for this farm program.

I supported that provision in that bill—at least, I did not raise my voice against it. I thought maybe that was one way to accomplish the purpose that was sought to make the farmer prosperous, to keep him prosperous, and selfishly the city boy is saying to keep us prosperous, too, because his prosperity is my prosperity, and vice versa.

But when you have done that and you have given him the right to write off the books $2½ billion and to use that $2½ billion, and having given him $1¾ billion more only 4 months ago, how can you possibly justify coming here now and asking for another $1½ billion when he has on hand $2,100,000,000?

If you are going to destroy this program, Mr. Farmer and Mr. Farm Representative in this House, if you want to destroy this price-support program, this is the way to do it.

Let me recapitulate the figures for you. Four months ago you increased the authority of the Commodity Credit Corporation by $1¾ billion, making the total authorized lending and buying power of the Corporation $8½ billion. On June 30 the Congress, both Houses, approved the conference report on the Agricultural Trade Development Act of 1953 and authorized the President to use $741 million of agricultural surplus products now stored and owned by the Government. That same act calls for the cancellation of the notes issued by the CCC to the United States Treasury in the equivalent amount. That means that as those surplus products are given away the equivalent amount is made available to the CCC, so that the $8½ billion is thereby increased by another $741 million—that makes a total of $9.241 billion available to the CCC. This House passed and sent to the other body the Agricultural Act of 1954, in which you authorized the setting aside of $2½ billion of surplus products now owned and stored by your Government, taking it completely off the market and, at the same time, authorizing the cancellation of the indebtedness to the United States Treasury of the equivalent amount, thereby making available to the CCC another $2½ billion, or a total of $11.741 billion.

If you pass this bill now as you are bent on doing, you give them another billion and one-half dollars, or a total of $13.241 billion.

Now let's look at the other side of the ledger. What is the maximum amount that may be needed for this program? Under no prior administration did it ever run to $6 billion. Four months ago when the Secretary of Agriculture asked for another 1¾ billion he told us that the maximum outstanding liability of this Corporation was at that time $6.1 billion. When he came in and asked for the additional $1½ billion provided for by this bill the Secretary of Agriculture told us that the maximum liability of this Corporation as of June 30, 1954, was $6.4 billion. In other words, as of the time he was testifying in support of this bill he had an unused balance of $2.1 billion which has since been increased by the $741 million provided for in the Agricultural Trade Development Act of 1953, and which will be increased by another $2½ billion provided for in the Agricultural Act of 1954, making a total that he will have available of $5.141 billion, even without the billion and one-half you now seek to give him by this bill. He cannot possibly justify the need for a fund of $6.641 billion over and above the $6.4 billion that he now has outstanding.

This is without attempting to discount the moneys that will not be needed because of the tremendous losses of corn and wheat and other crops because of the extensive drought that various areas of the country have suffered in the last few months.

Some members have indicated some doubt as to whether or not it is not essential to give them this additional authority in order to implement the flexible price support program as written into the Agricultural Act of 1954 by this House. Permit me to direct your attention to the fact that the Under Secretary of Agriculture has testified before our committee that his estimate which he uses to support the need for this additional money called for by this bill is not based upon a flexible price support program but it is based upon a rigid price-support program. He says that he needs this money in order to carry on his

rigid price support program. He concedes that he doesn't need this additional money for a flexible price support program which he urges will necessarily call for less money than the rigid price support program.

I suspect that the request for this authority is part of the pressure that the Secretary of Agriculture and the administration seeks to exert upon the Congress in an unfair effort to force the Congress to adopt their views as to a flexible price support program.

Incidentally, I trust no one will try to say that this money is necessary because of any maladministration by any previous Secretary of Agriculture or because of any action of any prior Democratic administration. The testimony before our committee is that the program is being operated exactly the same now as it was during prior administrations, the method of estimating is the same, the method of computing what is coming in and going out is the same, the method of making loans is the same, and the use of banking facilities is the same. The only change has been in personnel.

One other facet of this problem requires some attention. The testimony before our committee shows that the Treasury Department has advised the Secretary of Agriculture that in using $6.4 billion of the authorized $8½ billion the Government will come within a half billion dollars of the debt limit. For the CCC to use another billion and one-half dollars will necessarily exceed the debt limit by a billion dollars. That is without considering any part of the cancellations heretofore referred to. If any part of that $3.241 billion worth of cancellations is used then you get that much closer to exceeding the debt limit by so much more depending upon the amount used.

I have heretofore pointed out to this House the improper bookkeeping methods used by the CCC as a result of which a false picture of its operations are shown to the American people and as a result of which its actual losses are covered up or concealed. I will spend no time on that subject today.

The distinguished gentleman from Texas [Mr. PATMAN] has already fully and fairly developed the picture showing the improper and unlawful financing operations indulged in by the CCC under the direction of the Secretary of Agriculture and with the approval of the Secretary of the Treasury. I will spend no further time on that phase of the subject except to advise the Committee of the Whole that when we get back into the House I will offer a motion to recommit this bill with instructions to include a provision in this bill which will prohibit such practices. Whether the motion prevails or is defeated I will continue to urge the defeat of this bill.

I repeat that the best way for the farm representatives in this Congress to destroy the price-support program and with it to destroy the farmer is to enact this kind of legislation.

Mr. WOLCOTT. Mr. Chairman, we have no further requests for time.

The CHAIRMAN. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc., That section 4 of the act approved March 8, 1938 (52 Stat. 108), as amended, is amended by striking out "$8,500,000,000" and inserting in lieu thereof "$10,000,000,000."

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: In line 5 immediately after the figure "$10,000,000,000" (and before the quotation marks following such figure), insert "*Provided*, That the Corporation shall not issue any obligations (other than to the Secretary of the Treasury) at a rate of interest in excess of one and one-quarter times the rate of interest (or comparable cost) paid by the Treasury of the United States on the most recently issued obligations of the United States of comparable maturity, except that the provisions of this proviso shall not apply to lending agency agreements applicable to loans under a commodity-loan program."

Mr. PATMAN. Mr. Chairman, under the present law the Commodity Credit Corporation can get this money from the Treasury. That is the way it usually gets the money. The going rate of interest on short-term obligations, like tax-anticipation certificates, is now 1 percent; therefore, the Government could get the money for 1 percent through the Treasury and let the Commodity Credit Corporation have the money for 1 percent.

Now the Commodity Credit Corporation wants to bypass the Treasury and sell the certificates of interest direct to the lenders. That is all right if it is not too expensive. This amendment will not prohibit it, provided the Secretary of the Treasury does not pay more than 25 percent in excess of what it could get the same money from the same lenders through the Treasury. It occurs to me it is so reasonable that the committee should accept it. It permits a burden of 25 percent, I will admit, on the farmers that is not justified, but, in order to bend over backward, to help what is called private enterprise, I am perfectly willing to permit as much as 25 percent, but no more, to be paid for that purpose. In other words, if the rate should go up to 2 percent that the Treasury is compelled to pay, why, then the Commodity Credit Corporation could permit 2.5 percent, or 25 percent more. If the rate were to go up to 4 percent, the Commodity Credit Corporation, although they could get money for 4 percent, would be allowed to pay 5 percent under this amendment. But, since the Commodity Credit Corporation can borrow money today for 1 percent through the Government, this amendment says that you cannot pay more than 1¼ percent more than you can get it from the Treasury. So why should we unnecessarily burden the farmer with this extra interest? There is no use doing it. These same leaders will let the Government have the same money if it is done through the Treasury, so why not have some limitation whereby the Secretary of the Treasury cannot pay over a certain amount? I think it is putting too much of a burden on the farmer.

The Treasury just a few days ago issued tax-anticipation certificates totaling $3.5 billion which were oversubscribed 3 to 1, and the interest rate was 1 percent. That is just a few days ago. Since their maturities are comparable to the Commodity Credit Corporation certificates, one can put them side by side fairly because they are comparable. So that at the 1-percent rate the Commodity Credit Corporation could have issued them for $21 million to $28 million less than they actually paid through the CCC making it directly when they could have made it through the Treasury. So we are paying what might be considered a bonus or a subsidy to lenders now. Let us restrict that bonus or subsidy to 25 percent. That is all that my amendment does, and I hope the amendment will be agreed to.

Mr. WOLCOTT. Mr. Chairman, I rise in opposition to the amendment.

You will recall that when we had this bill up earlier in the year the same situation was before us and the committee voted it down overwhelmingly.

Mr. PATMAN. Not overwhelmingly.

Mr. WOLCOTT. I said it was voted down and we can leave out the word "overwhelmingly." I do not remember now how overwhelming it was, but, anyway, there was an effective vote against it. The question has been raised by the gentleman from Texas [Mr. PATMAN] that this, in some way, is affiliated with the problem of increasing the debt limit. This House has seen fit to increase the debt limit, but the other body has not taken action on it up to this particular time. We do not know what is going to happen in respect to the debt limit.

These certificates of interest which are provided for are merely an adaptation to all support programs of practices which have been in effect on cotton for these many years. They have always worked out quite successfully and they will work out as successfully on other crops as they have worked out for cotton.

What I am trying to bring out is this, that the system under which they operate now is a tried system. They know that they are going to get finances enough for these support programs. We do not know whether there will be sufficient incentive under the amendment offered by the gentleman from Texas [Mr. PATMAN] to make possible the financing of these crops without further drains on the Treasury. There is no drain on the Treasury at the present time in respect to these programs until there is an impairment of the capital of the Commodity Credit Corporation. There might be such a drain on the Treasury if the certificates did not carry an effective rate of interest to attract private investment.

We have on occasions mandated the Commodity Credit Corporation to buy or sell for specific programs. You will note by reference to the report that the

activities of the Commodity Credit Corporation are quite all-embracing in respect to the movement of crops. It operates storage facilities; a commodity export program; it supplies funds for our purchase program, and it engages in other activities authorized by Congress.

Many of those activities authorized by Congress take this form: We authorize the Commodity Credit Corporation to buy either at home or abroad for our defense forces, and then it comes to the Congress and of course we reimburse the Commodity Credit Corporation if there is any impairment of capital for the amount which they had to borrow from the Treasury to get the money with which to buy food for our Armed Forces and other mandated programs.

We have, of course, restored the capital because it was the only thing to do. I remember one time in connection with a similar situation under the Reconstruction Finance Corporation when we restored about $3 billion to the RFC because we had given the RFC the job of going out and doing certain things for the Armed Forces and engaging in other activities with their own money which was obtained by borrowings from the Treasury. On the basic crop-loan programs there has been very little impairment of capital of the Commodity Credit Corporation which had to be restored.

Mr. COOLEY. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, yesterday I made a speech here in the House which appears in today's RECORD. The speech contains much pertinent information, and I hope that those of you who did not hear it may find time to read it. In that speech I pointed out the fact that high Government officials, yes, including Secretary Ezra Benson, have been going up and down the length and breadth of this country trying to cause a revolt and to turn the city consumer against the farmer, actually trying to divide our people. Mr. Benson has been very apprehensive about the reaction of the consumer to the results of the price-support program. Certainly, consumers have not revolted; there is no sign of it anywhere. Perhaps it does not exist except in Mr. Benson's mind. Ask yourself the question, Why should the Secretary of Agriculture, of all persons, try desperately to turn the consumers against the farmers of our country?

When general farm legislation was being considered on the floor of the House 2 or 3 weeks ago there was no sign of any revolt on the part of the consumers of the Nation. Many Members of Congress from city districts voted for mandatory fixed-price supports, knowing that such price supports would be accompanied by acreage allotments and marketing quotas and that farmers would diligently and faithfully try to bring production in line with reasonable consumer demand. The administration did not fight for Benson's program, but at exactly the psychological moment the majority leader took the floor and supported, with all of his energy and sincerity, a compromise, and the result was the approval of a support price of 82.5 percent of parity instead of the 75 percent of parity which had been advocated by Secretary Benson. The majority leader knew and said that it was a compromise and yet the President denied that it was a compromise and called it a great and a sweeping victory.

I repeat that Mr. Benson has deliberately tried to deceive and to mislead the consuming public. He has not been forthright and fair. He finally presented a program which was a fallacy and an outright fraud. He may be pious but he certainly is not prudent. He does not even practice what he preaches. The support of dairy products has been on a flexible basis from the very moment that Mr. Benson took office. If he honestly and sincerely believed that the unlimited production of dairy products should not be supported at high levels, in good conscience he should explain to the American people why it took him 14 long months to make a decision and finally to lower the price supports from 90 percent of parity to 75 percent of parity. Secretary Benson, and he alone, is entirely responsible for the burdensome inventories of dairy products which the Commodity Credit Corporation now has in storage.

Mr. Benson, by the use of misleading figures concerning the cost of the price-support program, has done everything in his power to bring the program into disrepute. When he came face to face with the members of our committee, fortunately he admitted the truth. He had to admit that the total cost of the entire price-support program through the CCC had only amounted to—subtracting the profits on the sugar program—slightly more than $1 billion during the entire period of 22 years. Mr. Benson's own figures and calculations clearly indicate that the entire losses sustained on the price-support program from the beginning to the end have amounted to less than $1,375,000,000. If you will subtract the profits of $309 million made on the sugar program from that figure, it is apparent to see that the losses have amounted to only $1,066,000,000. This includes all the losses sustained by CCC on price-support programs.

I am certain that even Mr. Benson will agree with these figures.

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

Mr. COOLEY. I yield.

Mr. BROWN of Georgia. On the basic commodities over a period of over 20 years the Government has lost on the six basic commodities only a little over $63 million, and that was up to the 31st of December of this last year.

Mr. COOLEY. I have brought these figures up to date and I challenge Mr. Benson or any of his actuaries or statisticians to deny the accuracy of these figures, because they came from the Department of Agriculture.

When this administration came into power this great price-support program on the basic commodities showed a profit of over $8 million, and within 4 months under Mr. Benson the profit had disappeared and we had a loss of over $8 million. Now we have a loss of slightly over $130 million on the entire basic program from beginning to end. I challenge Mr. Benson to say these figures are inaccurate. When I used the billion-dollar figure, I am talking about all of Mr. Charlie Brannan's rotten eggs and Irish potatoes. Over $900 million of that billion was lost on four commodities. The figure was used here by my distinguished colleague, a member of the House Committee on Agriculture, that this farm program had cost $20 billion. That is the kind of speech that Mr. Benson has been making. We are talking not about the overall wartime consumer subsidies; we are not talking about the soil conservation programs and the ACP program; we are talking about the price-support program of the Commodity Credit Corporation.

Mr. KING of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. KING of Pennsylvania. You do not mean to tell this House that you even believe the losses on the price-support program are all measured by the balance sheet of the Commodity Credit Corporation; do you?

Mr. COOLEY. Why, of course, I mean to tell you exactly that. The price-support program is carried on by the Commodity Credit Corporation. It has nothing to do, for example, with the school-lunch program and many other programs which you and your friend Benson always include and never mention by name or in any way discuss.

Mr. KING of Pennsylvania. Every time the Commodity Credit Corporation loses money, some other agency reimburses them.

Mr. COOLEY. They did not lose a dime on the basic commodities until the Republicans took over and put Mr. Benson in charge of it. I can prove with Mr. Benson's own figures that even at the end of the 21-year period, we had lost only 21 millions of dollars—$1 million a year. And yesterday, as I pointed out, in the very first item on foreign aid and relief, we were appropriating 3 times the entire overall cost of this great program for 22 years.

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

Mr. COOLEY. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

Mr. GAMBLE. Mr. Chairman, I object.

Mr. MULTER. Mr. Chairman, I move to strike out the last word.

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

Mr. MULTER. I yield.

Mr. COOLEY. I just want to say to these city consumers that during the time we sustained this accumulated loss over a period of 22 years, which amounted to $1 billion, the American people enjoyed an accumulated national income of $3,015,000,000,000. The American people had that much in purchasing power. Relate that, if you will, to the one little measly billion dollars which was lost in 22 years on potatoes, eggs, wool and everything else.

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

Mr. MULTER. I yield.

Mr. JENSEN. And it must be said that the American people are buying

their food for 22.8 percent of the income of the American people while the rest of the world is paying 70 percent on an average for their food.

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

Mr. MULTER. I yield.

Mr. JAVITS. I would like to assure the gentleman, who is the distinguished ranking minority member of the Committee on Agriculture, that in my district—which happens to be one of the most literate in the United States including as it does Columbia University, and I believe as many other educational, medical, and cultural institutions as about anybody else's district in this House and whose people are by a very high percentage—high school and college graduates—the farmers of America are considered to be wonderful people and very literate, and we want to do everything in our power to help them; and second, there is certainly no animosity and no hostility in my district. If anybody is trying to sow it, they are failing miserably. We are discussing as honorable Americans a problem affecting our mutual concerns and nothing more. I think it is very tragic that any other note should be injected into this debate.

Mr. COOLEY. I just want to make one observation.

After the speech delivered by our friend from New York, if the agricultural bill we have passed and sent to the Senate is enacted substantially in the same form that we sent it there, this two and one-half million will be written off, and this bill would not be necessary. But we have no assurances that the Senate will pass the bill. Therefore, I hope the gentleman from New York will realize that if the Senate fails to pass the bill containing the set-aside provision, with the chargeoff section, this bill may be urgently needed before harvesttime is over.

Mr. MULTER. The Under Secretary, in talking before our committee, did not take into account the writeoff and the cancellation of the two and one-half million.

Mr. COOLEY. That is right.

Mr. MULTER. He has used six and one-half million without writing off the two and one-half million.

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

Mr. MULTER. I yield.

Mr. PATMAN. The gentleman from Michigan suggested this same amendment was overwhelmingly defeated. It was not the same amendment. It was an amendment that was confused——

Mr. NICHOLSON. Mr. Chairman, a point of order.

I raise the point of order that we have gone a long way from the amendment offered by the gentleman from Texas.

The CHAIRMAN. The gentleman will proceed in order.

Mr. PATMAN. The amendment was rejected by a vote of 109 to 73. That was not a clear amendment, such as we have before us now. There is no reason to vote against this amendment, and I hope the amendment will be adopted.

Mr. MARSHALL. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, on February 18 of this year, I asked some questions concerning this matter. I dislike some of the attempts—that I would not say were deliberate, but certainly they do reflect in the costs of our farm-support program that gives some people the wrong impression about our farm-support program.

One of the things that happened last fall I think was very, very regrettable. The Treasury resorted to a means of financing the Commodity Credit Corporation, brought about because they felt they had to resort to financing to evade the statutory debt limit. This body does not need to take any blame for that action. We acted in a responsible fashion. But because the other body did not act in a responsible fashion, it meant that financing was resorted to. That, to use a common word, stinks. On October 28, 1953, a loan for Commodity Credit Corporation financing was arranged at $357 million. Someone decided that that should be at 2½ percent interest rate. The banks offered to buy over $2 billion worth of this paper because of the attractive interest rate. The going rate on Government paper which was no better paper than the paper involved in the Commodity Credit Corporation, was something like 1½ percent. Obviously, this loan was greatly oversubscribed. They recognized that. So on December 17, 1953, they floated another loan of $449 million at 2¼ percent interest. That loan was also greatly oversubscribed. The banks offered to buy $1,200,000,000 worth of this issue. That meant again that in this cost of financing that that was charged back against the cost of the operation of the farm program.

On February 2, 1954, a loan was floated for something like $351 million at 2⅛ percent interest. The banks wanted $1.8 billion worth of this paper.

Mr. Chairman, during this period the Treasury could have borrowed the money on 91-day bills for approximately 1½ percent interest or less. I maintain, in fairness, that the amendment that has been offered by the gentleman from Texas [Mr. PATMAN], would protect the Commodity Credit Corporation against this type of financing. I hope that something is done about our statutory debt limit. I hope it is done before this Congress adjourns. I do not like to see our Government getting into this kind of fiscal operations. I regret exceedingly that this has been done.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. MARSHALL. I yield to the gentleman from Missouri.

Mr. CURTIS of Missouri. May I say that I have been over the figures the gentleman has gone into and I want to commend him for the work he has done. I agree with his conclusions as to what has taken place as a result of the debt limit, but inasmuch as the debt limit has not been raised I would hate to see restrictions on Government financing that would produce more fiscal irresponsibility. I certainly commend the gentleman on what he has done.

Mr. MARSHALL. I thank the gentleman from Missouri.

Mr. Chairman, I would like to say in connection with some things that have been said about the farm program that just a short time ago the farmer was getting in this country about 54 cents out of every dollar as far as food prices were concerned. Today he is getting 45 cents out of the consumer's dollar. The parity price he is getting has been steadily dropping until at the present time it is 88 percent of parity.

I put a letter in the RECORD yesterday which I received from a farm family in Minnesota. In this letter it was pointed out that where their prices had dropped because of the action in lowering the price-support program on dairy products at the same time in the city of Minneapolis milk went up 1 cent a quart. Those things just do not add up. Somethink ought to be done about that sort of situation.

Mr. Chairman, I am thankful for abundance. That abundance credited in no small part to the ability of our farmers places on the American consumer's table the best quality food at the lowest hourly labor cost that consumers enjoy anywhere in the world.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. PATMAN].

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 29, noes 53.

So the amendment was rejected.

The Clerk read as follows:

SEC. 2. Section 4 (i) of the Commodity Credit Corporation Charter Act (62 Stat. 1070), as amended, is amended by striking out "$8,500,000,000" and inserting in lieu thereof "$10,000,000,000."

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore, Mr. CANFIELD, having resumed the chair, Mr. SADLAK, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 9756) to increase the borrowing power of Commodity Credit Corporation, pursuant to House Resolution 644, he reported the bill back to the House.

The SPEAKER pro tempore. Under the rule the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. MULTER. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. MULTER. I am, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. MULTER moves to recommit the bill H. R. 9756 to the Committee on Banking and Currency with instructions to report the same back forthwith with the following amendment: In line 5 immediately after the figure "$10,000,000,000" (and before the quotation marks following such figure), insert *"Provided,* That the Corporation shall not issue any obligations (other than to the Secretary of the Treasury) at a rate of interest in excess of one and one-quarter times the rate of interest (or comparable cost) paid

by the Treasury of the United States on the most recently issued obligations of the United States of comparable maturity, except that the provisions of this proviso shall not apply to lending agency agreements applicable to loans under a commodity-loan program."

The SPEAKER pro tempore. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. JAVITS) there were—ayes 72, noes 5.

Mr. JAVITS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

Mr. ARENDS. Mr. Speaker, in view of that situation, I ask unanimous consent that further proceedings be postponed until tomorrow.

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

There was no objection.

The SPEAKER pro tempore. Does the gentleman from New York withdraw his point of order?

Mr. JAVITS. I do, Mr. Speaker.

HOUR OF MEETING TOMORROW

Mr. ARENDS. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 10 o'clock tomorrow.

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

There was no objection.

COMMITTEE ON THE JUDICIARY

Mr. ARENDS. Mr. Speaker, I ask unanimous consent that the Committee on the Judiciary may sit during the session of the House tomorrow.

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

There was no objection.

GENERAL LEAVE TO EXTEND

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H. R. 9756.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

JOINT COMMITTEE ON TIN

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent for the immediate consideration of House Concurrent Resolution 259, to provide for the Joint Committee on Tin.

There being no objection, the Clerk read the resolution, as follows:

Resolved by the House of Representatives (the Senate concurring), That there is hereby established a joint congressional committee to be known as the Joint Committee on Tin (hereinafter referred to as the Committee), to be composed of 14 members as follows:

(1) Seven Members of the Senate, 4 from the majority and 3 from the minority party, to be appointed by the President of the Senate; and

(2) Seven Members of the House of Representatives, 4 from the majority and 3 from the minority party, to be appointed by the Speaker of the House of Representatives.

A vacancy in the membership of the committee shall not affect the powers of the remaining members to execute the functions of the committee, and shall be filled in the same manner as the original selection. The committee shall elect a chairman and a vice chairman from among its members, one of whom shall be a Member of the Senate and the other a Member of the House of Representatives.

SEC. 2. It shall be the function of the committee to make the study and investigation determined necessary by section 1 (c) of Public Law 125, 80th Congress, which provides "It is necessary in the public interest and to promote the common defense that Congress make a thorough study and investigation regarding the advisability of the maintenance on a permanent basis of a domestic tin smelting industry and to study the availability of supplies of tin adequate to meet the industrial, military, and naval requirements of the Nation in time of national emergency."

SEC. 3. The committee shall report to the Senate and House of Representatives not later than January 3, 1955, the results of its study and investigation, together with such recommendations as to necessary legislation and such other recommendations as it may deem advisable.

SEC. 4. The committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places, to require by subpena (to be issued under the signature of the chairman or vice chairman of the committee) or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable.

SEC. 5. The committee is authorized to appoint, without regard to the Classification Act of 1949, as amended, fix the compensation of such experts, consultants, technicians, and organizations thereof, and clerical and stenographic assistants as it deems necessary and advisable.

The expenses of the committee, which shall not exceed $50,000, shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman or vice chairman. Disbursements to pay such expenses shall be made by the Clerk of the House of Representatives out of the contingent fund of the House of Representatives, such contingent fund to be reimbursed from the contingent fund of the Senate in the amount of one-half of disbursements so made without regard to any other provision of law.

The committee is authorized, with the consent of the head of the department or agency concerned, to utilize the services, information, facilities, and personnel of all agencies in the executive branch of the Government in connection with its study and investigation.

The resolution was agreed to, and a motion to reconsider was laid on the table.

LIFE ON THE MESA

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

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. SIEMINSKI. Mr. Speaker, in a very fine letter just received from a friendly family with whom I visited near Yuma, Ariz., while on active duty with the Army last September, life on the mesa is vividly described.

As the letter covers many topics that affect our people on or off the farms, in or out of the cities, I think it will be of interest to the Congress to have the letter of Mrs. Helen Thomas, wife of "Tex," mother of an Army sergeant and a growing daughter, spread on the RECORD, in part, at least.

I might add that I was encouraged to take this time, Mr. Speaker, to address the House to insert the letter because of the debate that took place a few minutes ago on the bill to step up his lending power of the Commodity Credit Corporation. Particularly effective, I thought, were the remarks of Congressman BURDICK, of North Dakota, when, in substance, in support of the measure, he said:

> In the early thirties, when I had $6 in the bank and couldn't get it out, and everyone was broke and people were hungry and 15 million Americans were out of work, some people in my district broke the line of march; they raided grocery stores for the food that was meant to be eaten; though they had no buying power, no money to pay for it, they ate; they were hungry.

Shades of a Tale of Two Cities, shades of Viareggio, in Italy, when the Fifth Army passed through it and hungry people pleaded, "Bread, bread, pane, pane," "Food, food, mangare, mangare." Old people, young people, middle-aged people. It was a dramatic moment this afternoon when Mr. BURDICK spoke.

We do not want the tragedy of the early thirties to happen again, Mr. Speaker. We cannot afford it; if we expect to keep the red, white, and blue waving in the breeze as we know it, the course we steer must avoid the shoals we see brought into view in the letter Helen Thomas writes. In part, it follows:

JULY 25, 1954.

DEAR FRIEND: We were very pleased to get your card. Have wondered and thought about how you are doing in Washington this year. Many things have changed in the past few months.

We are well and as busy as we could possibly be, enjoying ourselves as we go along. Our son Jim is in Hawaii, has been since March. He wrote us this week that he has just been made sergeant. There's been a lot of rain there this summer, and, he says, many white-collar inspections of late. Harold (Senator Giss), you remember him, says probably officials that want to see the islands. Said he wouldn't mind going.

Sent Jim's Olds to him. It was just setting here taking up room when he can get a lot of enjoyment out of it over there. The farmers are really taking a loss. Thank heaven we have managed to keep out of debt so far. We have tried to economize, but seems hard to do as everything we use on the farm has increased in price and what we sell is worth very little. Our good alfalfa hay is down to rock bottom. Statistics show that it costs $17.50 per ton to produce hay in this locality. My dad was

lucky enough to receive $18.50 for some the other day. There hasn't been any market for it recently. We are feeding 400 head of cattle. That way we hope to get our money back out of the hay.

Hope to be able to operate without going in the red. We have our equipment in good condition and free of debt; would sure hate to be in some of the ranchers' boots, especially some of the poor GI's on the mesa. Some of them have leased their farms out to outsiders and taken jobs to hang on. Also most of the boys bought good cars and built good homes in hopes that by working hard they had it made. It has been a bitter experience for some of them. Most of them went into the farming business not knowing anything about the trials and hardships they would face. It's a good life, but as Tex says, "it separates the boys from the men."

Don't know why the silly farmers don't want to take away all supports. Would certainly be better than having supports on some items and nothing on others. This country was built on free enterprise and doing without supports. Supply and demand will regulate prices more fairly. All the real dirt farmers we talk with think the same way, yet there are so many new, get-all-you-can type of people moved in the farming industry. They are the joiners and the promoters. The rest of us think ourselves too busy or not capable and let them do our polling for us, then we set and talk about how it should be done.

Here in Arizona we are a new State and we are getting more and more big-business men from other States in here buying up land at a good price. They have the money to spend and are really developing a lot of the land. In many ways it is good for the State. But * * *.

There are more and more small farmers going out of business. Many men from other States are moving in to plant citrus as a sideline. Larger groves are going in all the time. In the future, Arizona will be the leading citrus State, I believe.

Immigration officials have been down in these parts many times recently. They haven't visited any of us. Would have liked to have had them here to explain and tell them about a lot of things pertaining to the wet Mexican situation. If one only read the papers and didn't know anything else, then one would think what a wonderful job was being done. We were the first ones, here in the valley, to get men on contract years ago when we could first get men legally on contract. Tex and Mr. George Pickering (head of the association here) took the first truckload of Mexicans to Mexicali to get them processed.

That was fine and everyone was very happy. Then came the time when contracts were to be renewed. All of a sudden, Mexico didn't want the same men to be contracted; they wanted to tell the farmers whom they could contract. After the farmer had gotten a man trained so he could do a good day's work without watching and teaching every small detail to the worker, the farmer couldn't have that trained man back; he was forced to send that trained man back and take a new man on a new contract; that wouldn't have been so bad if the Mexican Government hadn't sent men from drugstores, clerks, men from banks and other professions to be contracted. The regular wets that came of their own accord wanted to work and could take the heat and stay well. The men that were sent over on the new contracts didn't know how to do manual labor, didn't care to learn, and couldn't stand the heat. It was bad for the worker, and he was of no help to the farmer. Therefore, when they couldn't get their men back, people started to hire wets. There's talk of unfair treatment. Always there are a few in any locality or business who take advantage.

Any farmer and most businessmen here in this part of the country know we can't farm without help. The white man here won't work on a farm and work the hours we are compelled to work. You can't irrigate 8 hours and shut the water off until the next morning. The farmer takes it for granted that during certain seasons and on certain jobs you have to do on the farm, you can't just shut down everything just because you have worked a certain number of hours. In the busy part of the year I know we are up early and won't eat dinner until 9 or later. Your hired man expects to get off early to eat, go to the show, or whatever the family would like to do. That is the way it should be, but when the crops are ready to harvest, you try to get it in before the wind or rain beats you to it. Small operators can't work their farms on a shift like you do a business; therefore you have irregular hours and usually long ones.

Another thing the farmer can't compete with is factory or union wages. We just don't make that kind of money and never know when the insects, rain, or weather will ruin our income for the next few months or year. I don't mean that farming is not a good business, it is, and we wouldn't trade our way of life with the city dweller, but you can't farm by shifts.

A very good way to have handled the wetback situation and the cheapest, would have been to have stations at the border, where the farmer could take his men and get work permits for a certain length of time and when the farmer no longer needed the man or men, take them back to the station and get a release; each workman would carry his work permit with him and immigration could easily check any Mexican; if no work permit, he would be sent back across the border. All farmers would be listed, and how many men each had contracted; no association or anything else needed. It is too bad the wets infiltrated into the factories and industries. They don't belong and aren't needed there.

As far as Red infiltration, it wasn't the peon that came across the border to work. You could find many that came across on contracts. We here in this part of the country are amazed at the ignorance of some of our lawmakers and officials, about the whole situation. This big row and all the publicity that has been broadcast and space that it has been given, has been a big help to the Communists, both here and in Mexico. Here the Communists are telling the people that the wets are taking the work away from citizens and keeping labor down; the Reds say if the wets weren't here the farmers would have to pay union wages and every one would have a better job. I had a woman come to see me about work for her 16-year-old son, who has been away visiting, has returned and wants to work until school starts; one of our neighbors insulted him by offering him a job at 60 cents an hour doing odd jobs; the neighbor really didn't have a job but was only doing it to help the boy. Now, if that had been our son and he needed a job, he would have thanked the man and tried to do a good job and learned what he could; this boy was very indignant and would rather not work if he was only going to get 60 cents; I doubt if he is worth that much any way. This family firmly believes the agitators they have been listening to. I tried to explain to the woman that you couldn't lay off steady workers to give someone work who had to quit in a few weeks. Well she said the farmers were all getting rich because of the cheap labor. I told her how she has said for many years how she has thought we were silly for putting in so many hours, especially Saturdays and many times on Sunday, working; now she thinks we are getting rich and keeping her from working at higher wages; every thing she said during the conversation was just like a parrot repeating after an agent.

On the other side of the border the agents are busy telling the wets that have been sent back that both the North Americans and their own Government are trying to take everything from them.

As far as the men we sign up on contract being screened, that's a big joke; also, immigration would haul busloads of wets to Calexico and put the men over on the Mexico side; the next morning the same men would come across the line and go to work in the tomato, melon, and other fields, and at night the immigration officers would pick them up again and haul them back again. It looked good on paper; great amount of wetbacks they were hauling across; really doing a big cleanup job. It's true there has to be a limit on how many come across the border, and also the Mexicans should not be allowed to work in the industries or take work from American citizens, but here in the farming area, where we can't get anyone else to do the work, the Mexicans are a necessary factor in our farming operations. On my recent visit to San Francisco, I talked with many orchard owners; their apricots were falling on the ground; no one to pick them; and maybe you think the farmers weren't about ready to march; all the time in the papers there were statements as to the plentiful supply of farm labor to be had. You called the farm employment agency and also the same answer, "Nothing today, but call tomorrow, we'll be sure and have plenty of help." All the time the apricots and plums were falling to the ground. All the farmers think someone in Washington is either on the wrong side or very misinformed. You can't please everyone, but this matter could be handled in a much more economical and more satisfactory way. When Washington came down it spent a few hours listening to a handful of men chosen to tell it what it wanted to hear; had some pictures made and had the complete thing under control; this is what burns the farmers up. Another thing, there were many immigration officers not up to standard; in the past they have taken money away from the Mexicans; that is not just rumors. What chance does a wet have testifying against an officer? Our regular crew of border patrol here in Yuma are good men. Some of the officers that were sent in here were really rough. The union officials and the Communists are the only ones happy over the situation.

We at the present time have enough help. This time there were special negotiations arranged whereby we got contracts on some of our old hands, but in 6 months we will turn these men back and it will be all to do over again with more redtape and money wasted. There will be stiffer and more unreasonable requirements to meet. Our boys were all across the border, with one of our association men, for 3 weeks, while the officials stalled. It was carried on like the peace conferences, only in a lesser degree. You will be asked to approve over $3 million for the coming year to keep the problem under control. The thing the union leaders want more than anything else is to make the farmers pay a big fine if found hiring anyone without papers. As long as we can get labor legally at a fair working contract we won't hire men unlawfully, but what if we can't get help? Anyone would hire anyone to save their crops; that's only human nature. We have just played into the hands of those who wish to ruin our country. I still think it only right to have them come into our country legally, but we don't need a big army with airplanes and all the equipment to do it if it were done in a different manner. While all the men were across the border trying to get papers all the farmers tried to get help from our local supply. There wasn't any to be had. We were irrigating this 500 acres, cutting hay, raking, baling hay, and feeding 400 head of cattle green hay, which had to be cut three times a day and hauled to corral. We have a white baler crew; it has done our baling for a number of years. Luckily Tex and a friend of ours cut and

raked, and Tex fed the cattle. I run all the errands and did what I could to help. We only found one man who thought he wanted to work. He was 2 hours late the first morning. You have to rake hay while it is still damp, so he didn't do much that day. Besides, he broke the equipment and Tex had to work that night and repair it.

The next day, he called at 8:30 a. m. and said he had overslept and would be out soon; Tex had been out since 3:30 raking and so when the man came to work I told him he had better cut, asked him if he wanted me to show him how and he said "No," he was experienced. In about 30 minutes I looked down where I had told him to start and he had the tractor off in a ditch and was coming to the house. Tex had to quit what he was doing and come get another tractor to pull him out. He had broken the sickle and Tex told him to put another one in. Did he know how? Oh, to be sure. Anyway he started to beat it out on the opposite side, one end has an opening to slide it out, but no; he was trying to pound it out through a solid end. Well, I didn't know Tex had as much patience. He put the sickle in and got him started again and then a few minutes later he came in and said he wanted a few hours off to take his wife to town to visit her mother. Imagine us; here we were, trying to get the hay in and not have to stop the water and he wants to quit to take his wife to visit. Anyway, he took off and was going to come back early the next morning. Well, the next morning he couldn't get up early because he had looked at television until late. Tex got him a job in town and we gave a big sigh of relief. That was our only experience with the only local man we could find.

All the time the immigration officers were coming in on the ranch every few hours checking to see if he had any wets in the haystacks or hidden in the bushes; if we hadn't been so busy it would have been funny to see them with their guns swinging on them and their billie clubs, about to pass out from the heat; many of them came from back in the Midwestern and Eastern States and naturally couldn't take this terrific heat; Tex and I felt different about them than many of our neighbors did. We considered they had a job to do and were trying to do a good one, some of our neighbors took it personally; thought the officers were only here to take their help away. They were certainly glad when orders came through for them to move out. They didn't find it much cooler where they went as the heat wave was all over the country.

Anyway the whole thing was misrepresented; we had no social problems here with the wets. As far as they being diseased and bringing dreaded sickness to our country, that is false, as the men had to be pretty hardy individuals to withstand all the hardships they have to go through. Many of the men passed here for years and they never gave us any trouble; we never had anything stolen or harmed in any way. In the other valleys there were many robberies and burglaries, supposedly committed by the Mexicans. The Mexicans were good alibis. Well, enough said about the wetback situation. I only hope the farmer isn't made to pay a heavy fine in case he can't get help in the future; if we should go to war, all the farmers will be required to produce more, and we'll need labor from any source. It is a situation that needs a lot of thought before any action is taken. Do hope this situation can be handled in the future more to everyone's satisfaction and without a standing army to do it. My, how I have spun my say. But anyway, I do wish there had been a little more factfinding done before the methods used were taken to do the job.

We expect you to visit us. We have plenty of room and would enjoy having you any time. During the next few weeks, before school starts, would be a good time; it's hot outside, but not much worse than in other States. Our house is always nice and cool, due to our wonderful air conditioner. Harold and Tex still are amazed at the shooting ability of General Swing. There are many doves coming in already; it will probably be good shooting again this year.

We have had little wind and rainstorms here every afternoon for several days; it has done a lot of damage to the alfalfa seed crops; so far it hasn't done too much damage to ours as yet, as ours is late; only turned 145 acres to seed this year as the price hasn't been what it should be to make much on. There's such a gamble on a seed crop. You always have Mother Nature to plan on, she always plays her tricks just at the worse possible time and many times gets your entire crop; we have had heavy losses from rain and wind for the past 3 years.

I have taken the money you and General Swing gave me to buy a gift for our little Mexican girl, and bought her a silver cake server and had your name and that of the general's engraved on it, and it will always be one of her most prized possessions. She got married last August and is expecting this September. We were fortunate in securing a 6-month contract on her husband, who has been with us for 6 years. She can stay with her sister in Mexicali and it isn't too bad; at least we know she will be well taken care of, as we have a very good doctor for her. She is like a daughter to us, only more in need of us as she has been orphaned so long. Her wedding clothes were beautiful and she was a very pretty bride to be proud of. Hope our Brenda can grow up to be as good and sweet as Vehenia.

Tex came in a while ago and really got a kick out of this book I have written. Did not mean to run an edition of South Gila News, but guess I am enjoying the much-needed practice on my typewriter. I have not used one for many years, and this one is about as old as I am. The combination, as you can see, is terrific.

Tex got his deer, elk, and antelope last fall. We have been too busy to do any fishing this year. Hope to go to San Diego before too long to go out for yellowtail to put in the freezer for this winter.

To get through this letter will be almost as bad as being a lawmaker in session during a filibuster.

Will expect you and the family to pay us a visit in the near future. Let us hear from you again soon.

HELEN THOMAS.

Mr. Speaker, so goes the letter. The idea is to keep people from breaking the line of march, be it from hunger, for food on grocery store shelves, as the gentleman from North Dakota [Mr. BURDICK] described it, or from lack of labor [as Mrs. Thomas warns], to save crops. Farm folk, like mountaineers, pioneered this country, Mr. Speaker. They are tough and courageous, as befits Americans. The line of march we have to watch. It must not break. That is our job.

The reference to General Swing? As Sixth Army commander, he hosted my inspection trip. We went shooting before dawn, on our time, not on Uncle Sam's.

Some 23 years ago, Tex rolled into Yuma like a tumbleweed, stone broke. Mrs. Thomas taught school. They married. America has been good to them.

MEDICAL SERVICE IN THE VETERANS' ADMINISTRATION

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include therein a part of an article in the American Legion Weekly by Dr. Charles W. Mayo of the Mayo Clinic.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, the article was written by Dr. Mayo. He speaks of the extremely fine medical service that has been developed in the Veterans' Administration. At the end of the article Dr. Mayo says:

"Part of my pride is patriotic; I am proud that my country and the men of my profession have not forgotten in peace and security the awful obligation we placed on millions of boys and young men in the prime of their lives, when they stood between ourselves and national ruin, and stood well. It is fitting in time of peace, that if they now stand on the brink of ruin through failing health, we as a Nation do not entirely forget them.

If sometimes we judge them it would be wise to use no different yardstick than we used to judge them when we set them apart to bear our battles.

On yesterday we had the privilege of meeting the Viscountess Genevieve de Galard-Terraube, the nurse who has been called the Angel of Dien Bien Phu. Again this afternoon at the French Embassy I saw her when I presented in behalf of the Department of Massachusetts American Legion Auxiliary, of which I am a member, a distinguished service medal for heroism above and beyond the call of duty. She saw the need for saving thousands of lives in the midst of terrible danger. She saw the need for trying to rehabilitate the veterans. She is an inspiration and a lesson to all of us.

The resolution passed by our Massachusetts Legion Auxiliary is as follows:

JULY 19, 1954.

Lt. Viscountess GENEVIEVE DE GALARD-TERRAUBE,

French Embassy, Washington, D. C.

DEAR MISS GALARD-TERRAUBE: At the 35th annual convention of the American Legion Auxiliary, Department of Massachusetts, held at the New Ocean House, Swampscott, June 3 and 4, it was unanimously voted to adopt the following resolution:

"Whereas Lt. Viscountess Genevieve de Galard-Terraube won worldwide praise for her heroic work as the only nurse and woman to remain with the beleaguered fortress at Dien Bien Phu; and

"Whereas this nurse has been affectionately and gratefully referred to as the Angel of Dien Bien Phu for her devotion to the hundreds of wounded French Union soldiers during the fierce shelling and assault on this outpost in Indochina: Be it

"*Resolved*, That the American Legion Auxiliary, Department of Massachusetts, express its admiration and affection to this heroic nurse who spent 51 days with the suffering and wounded in the 15,000-man garrison before its final collapse; and be it further

"*Resolved*, That this convention present to Lt. Genevieve de Galard-Terraube the auxiliary's distinguished award for outstanding heroism for her courage and constancy to her fellow man."

Massachusetts Auxiliary members wish to express their admiration and respect for your devotion far beyond duty in the cause of humanity and your fellow man.

Sincerely yours,

ADELAIDE L. FITZGERALD,
Secretary-Treasurer.

OUR RELATIONS WITH PANAMA

The SPEAKER pro tempore (Mr. CANFIELD). Under the previous order of the House, the gentleman from Florida [Mr. SIKES] is recognized for 30 minutes.

Mr. SIKES. Mr. Speaker, the welfare of the United States makes it imperative that we maintain close, friendly relations with our fellow freedom-loving nations. Our ties with the nations in this hemisphere are particularly strong and of special importance. Among these countries the Republic of Panama occupies a special place. In George Orwell's book Animal Farm he related how one of the basic rules adopted by the animals and painted on the side of the barn originally read, "All animals are equal." This was later amended to read, "All animals are equal, but some are more equal than others." Our relations with all nations are important, but some, such as our relations with Panama, are more important than with others. Why is this so? First, of course, is the Panama Canal; secondly, the strategic importance enjoyed by Panama aside from the canal; and, thirdly, the fact that Panama serves as a showcase wherein the United States demonstrates to the world how it can deal fairly and equitably with a small nation even though major issues of our national welfare are involved.

The importance of the Panama Canal to the United States is a matter that never should be forgotten or ignored, even though it is a natural human tendency to take it for granted as long as the canal functions smoothly. To realize its importance, we only have to turn the clock back 50 years to a time when the construction of the Panama Canal by the United States Government had just begun. Ships sailed an average of 5,000 miles more between ports than they do today. Many of the now existing busy harbors of the world were quiet or unknown and a hopeful and impoverished young nation of Panama was centering its hopes for security and its future as a nation on the successful completion of a ship canal between the two great oceans. The intervening years have seen 225,000 ships of all types and sizes pass through the canal on missions of peaceful commerce or war. Approximately 900 million tons of cargo have been shipped through the canal since its completion in 1914. The President of the United States, in a special message to Congress in January 1904, gave one of the best summaries of the factors underlying the construction of the canal and its importance to the United States. This summary is as true today as it was when it was written 50 years ago. He said:

> The control, in the interest and traffic of the whole civilized world, of the means of an undisturbed transit across the Isthmus of Panama has become of transcendental importance to the United States.
>
> The course of events has shown that a canal to connect the Atlantic and Pacific Oceans must be built by the United States or not at all. Experience has demonstrated that private enterprise was utterly inadequate for the purpose; and a fixed policy, declared by the United States on many memorable occasions, and supported by the practically unanimous voice of American opinion, has rendered it morally impossible that the work should be undertaken by European powers, either singly or in combination.
>
> In all our range of international relations I do not hesitate to affirm that there is nothing of greater or more pressing importance than the construction of an interoceanic canal. Long acknowledged to be essential in our commercial development, it has become, as the result of the recent extension of our territorial domain, more than ever essential to our national defense.

Although the canal is a vital link in our national defense, its long-range policies and operation are closely tied to the requirements of world commerce. The opening of the canal gave a powerful boost to world trade. New routes were opened, and formerly isolated areas were brought into the range of world markets. The development of manufacturing, mining, agriculture, and industry were stimulated in the United States and in other parts of the world. The canal has had a geat effect on raising the standards of living and strengthening the political ties among the nations of the free world, particularly those of the Western Hemisphere. Today, assisted by the canal, the freedom of rapid maritime movement of materials, products, and men is one of the greatest advantages that the freedom-loving nations hold against the monolithic and largely landlocked despotism of Russia and its satellites. Even our possession of a two-ocean Navy does not eliminate the necessity for speedy and economic movement of men and materials in wartime. If any conclusive evidence of this were needed, it was given during the Korean conflict. Although only a fraction of our Nation's military and economic strength was involved during fiscal year 1953, which was the last full year of conflict, 1,064 United States Government vessels, mostly cargo ships carrying supplies to the Far East, transited the canal. This is approximately twice the number using the canal under peacetime conditions. From the logistical standpoint, the Panama Canal is today far more important to our Nation's welfare and defense and to world commerce in general than ever before in its history. It would have taken 1,000 trains of 50 carloads each merely to haul the wheat which was shipped through the canal in fiscal year 1953; while 2,300 trains of 50 tank cars each would have been required to carry all of the petroleum products shipped through the canal in the same 12 months. Even though the Korean conflict is now over, the statistics for fiscal year 1954 show that there were 7,784 transits by big commercial ships, which is an increase of 373 vessels over the previous fiscal year.

The magnitude and importance of the canal and its operation often tends to overshadow and partly conceal the importance of Panama aside from the canal. The geographical location of the Republic of Panama, its proximity to the United States and the fact that it is located at the natural crossing of routes, be they maritime, air, or land, between the two great oceans and the two American Continents, insures the vital importance of good relations between Panama and the United States even were the canal not to exist. The Republic of Panama lies at the heart of the Western Hemisphere; military experts agree that it is one of the principal keys in security of all the nations of these Americas. Were Panama to be lost to our side, its absence would be magnified out of all proportion to its size or population. However, Panama is on our side. Just as the United States, Panama believes in living peacefully with her fellow nations and composing her differences and problems in a peaceful manner. Furthermore, Panama, like the United States, believes so wholeheartedly in the right to peace and freedom for itself and for other peoples that she is willing to fight at our side to maintain these rights should that be necessary. Panama stands with the United States in the United Nations and in the Organization of American States and in other international bodies where her vote, voice, and prestige is just as large as those of nations many times her size.

A fact not generally known or fully appreciated is that Panama ranks fourth in the world in the number of merchant ship registrations. Panama has actively cooperated with the United States and the other free nations by adopting strict regulations prohibiting ships flying her flag from trafficking with the Communist-dominated ports of Asia or the transfer of these vessels to Iron Curtain control.

These measures have been adopted by Panama out of conviction of what is right although it has often been in detriment to Panama's immediate profit. Important American investments in Panama amounting to approximately $350 million have been treated justly and fairly and American business and businessmen are given equal treatment with Panamanians.

Our good relations with Panama have not just happened. They have required and continue to require hard work, perseverance, intelligence, compromise, and a great deal of what is usually termed plain commonsense. On the Isthmus of Panama we have a vivid example of peaceful international living. It is the example of the largest and most powerful nation in the world today living side by side with one of the smallest nations, peacefully resolving their common interests and problems, although they have widely divergent languages, social, racial, economic, and historic backgrounds. Our relations with Panama are a showcase example for the world to see. The other nations of Latin America and the smaller nations throughout the world watch our relations with Panama and judge us accordingly. There is nothing theoretical or remote about this example. It exists and involves the vital interests of both nations. Like all living things, it is dynamic, always moving, always changing, always developing. Our relationship with Panama is not something that takes place now and then and can be forgotten between times; it goes on night and day all year round, and has been going on every day since the Republic of Panama came into existence 51 years ago. The situation is indeed so far from being a textbook example, that it is doubtful if anyone

could deliberately set out to create a theoretical problem in international relations that would present a situation quite as full of complexities and potential difficulties as exist on the Isthmus of Panama and at the same time have the vision to see how the record of these relations would be one in which both Panama and the United States can take justifiable pride. The record, in fact, of the relations between Panama and the United States has been excellent. Differences and frictions exist but they could not help but exist. Some of the differences of the past have been solved or eliminated, others continue, and undoubtedly as time goes on new ones will arise to be solved in their turn. At present, formal talks are going on between the two countries to try and resolve some of the outstanding problems. In my own opinion, the points of friction that at times may loom so large between us do so only because they stand out in contrast to the existing smooth level of everyday comprehension and collaboration.

Panama, exercising her sovereign right to enter into treaties, granted the United States the control and jurisdiction over the Canal Zone, and has since cooperated with the United States and its agencies in the Canal Zone. The ordinary operation of the canal and the activities of the residents of the Canal Zone require a constant flow of people, vehicles, goods, and communications across the open boundaries between the zone and Panama. Many of the employees of the canal reside in Panama. Panama's attitude, its cooperation, and good will have prevented possible delays, harassment, annoyance, and injury that could seriously hamper the efficient operation and defense of the canal.

The United States in return has contributed much to Panama. It developed the cities of Panama and Colon into healthy, livable communities. It has contributed to Panama's half century of progress by large payrolls paid to Panamanians employed in the Canal Zone, heavy purchases of Panamanian goods by the canal, its employees, and associated defense forces. The United States has built highways, donated scholarships, and provided many direct aids. While Panama imported last year $55 million more than she exported, about $40 million to $45 million of this difference came to Panama through goods, services, and labor sold in the Canal Zone. The remaining $10 million to $15 million of the difference was largely taken up by what economists call invisible exports in the form of expenditures by tourists and transients attracted to the isthmus by the canal, and in goods and services sold to ships transiting the canal.

As can be seen, a very large proportion of Panama's national income is derived from the canal and its activities. Both Panama and the United States recognize the existence of this situation and both nations wish it were not so. On one hand, it places Panama's economy in jeopardy of factors over which it can have no control, while on the other hand, the United States is not in a position nor does it have the right to permanently shoulder the responsibility for the economic welfare of Panama. The economic independence of Panama from the canal is a definite goal for both nations. The technical assistance program of the United States is helping tremendously in this regard. It is showing fruitful progress in the fields of agriculture, civil aviation, education, public health, and social services. The success of this program, in addition to fostering economic and political stability in Panama and eliminating many points of possible friction between our two countries, has the additional value of simplifying the problem of supplying the isthmus in case of war.

The Panamanian currency, the balboa, is so tightly pegged to the United States dollar, the Panamanian economy so closely entwined to ours, that any economic improvement effected in Panama is virtually an improvement in the economy of the United States.

Panama today has a strong, dynamic and democratic President, Jose Antonio Remon, whose administration has carefully observed individual rights and the freedoms of speech and press, while at the same time has severely restricted any attempt by the Communists to further their criminal aspirations. We should assert ourselves to keep the good will of this administration and of the large majority of Panamanian people who support it.

In closing, I wish to reiterate that the scope, the variety and the complexity of our relations with Panama cannot be overemphasized. The large fund of good will, understanding, and friendly collaboration existing between our two nations cannot be too strongly stressed. The progress and the ideals of the free world, as well as the safety and the efficiency of the canal, are matters that are close to the hearts of both Panama and the United States. They are of vital interest to both of us. The working of our relationship is closely watched by the world and it is squarely up to both the United States and Panama to demonstrate their nobility and the largeness of their spirit of compromise and good will under the close scrutiny of both their friends and their enemies. That we will succeed in doing so is fore-ordained by our 50 years of success in the past.

NATIONALISM VERSUS INTERNATIONALISM

The SPEAKER pro tempore. Under the previous order of the House, the gentleman from Ohio [Mr. FEIGHAN] is recognized for 20 minutes.

Mr. FEIGHAN. Mr. Speaker, nowadays one hears a great deal of talk about internationalism—especially the various foreign brands, the advocates of which are seeking to try to peddle their wares on the American scene. On the other hand, one hears very little about nationalism which forms the very basis of healthy internationalism. In an effort to do my part to bring some reasonable order out of the high degree of chaos and confusion which now surrounds the basic question of Nationalism versus Internationalism I have written an analytical article on the subject which appeared in the spring edition of the Ukrainian Quarterly. While this article will fail to bring any applause or favorable comment from the followers of the Russia first movement in the United States, particularly the containment branch of the movement headed by the former diplomat, George Kennan, I do feel the contents of this article will provide enjoyable reading for all those who believe in a free way of life which is so well symbolized by the American way of life.

For those who today are studying the technical aspects of Kennanism—not to be confused with Leninism—I believe this article will be very helpful to them in reaching a clear understanding of just how impractical and unworkable the theory of containment really is. We can all see how the present day application of the theory has caused us to lose more and more of the free world to Communist slavery. It is about time we began using old fashioned, American political horsesense before it is too late. Therefore, I wish to read to the Members of the House my article. I quote:

NATIONALISM VERSUS INTERNATIONALISM

(By MICHAEL A. FEIGHAN, Member of United States Congress)

The subject of nationalism versus internationalism has been a topic of heated debate for well over half a century. Volumes have been written on the subject. Political parties and ideological movements have based their platform on one or the other side of this issue. Yet today there is great confusion and misunderstanding on just what these political terms mean. That is—there is great confusion in the non-Communist world in general and among a considerable element of the non-Communist intellectuals in particular. It can be said with certainty that this confusion does not exist in the ideological Marxist camp or among its multicolored agents.

This confusion results mainly from a perversion of both political terms which has taken place in the last quarter of a century. The unhappy practice of fixing an evil and all inclusive meaning to words, a practice which received unusual impetus during the World War II, has also added to this confusion. In this atmosphere the advocates of Marxism have been enjoying an undisturbed political holiday. Their formula for maintaining an unchallenged right of way is to occasionally stir up the false beliefs they have created about nationalism while devoting a constant effort at promoting the type of internationalism best calculated to lead the way to world communism.

There is a healthy nationalism and a healthy internationalism—both of which are mortal enemies of Marxism in any form. When they are healthy they in no way conflict with one another, but in reality compliment each other. Properly nurtured and exploited these two political forces could lead the way in lifting the heavy chains of Russian communism which now enslave a minimum of 29 nations and part of 4 other nations.

As a first step we must understand the component parts of healthy nationalism. The term "nationalism" is derived from the related to the term "nation." The nation is best defined as a people having a common and distinctive heritage, culture, tradition, folklore, and language which is supported by a geographical contiguity. When these basic

factors are stimulated by one or several of the great inspirational forces of religion, freedom, or independence, the flower of nationhood blooms. Healthy nationalism places loyalty to one's nation very high on the scale of human values. In a popular sense it is best described by the inspiring phrase "Love of God and country."

The American Revolutionary War which gave birth to our Nation has long been regarded as the first major demonstration of healthy nationalism. The deep political impact upon the world of our victorious struggle for national independence caused historians to refer to the 19th century as the "century of nationalism." We as a nation and the policy we pursued in the conduct of our foreign affairs, from the birth of our Nation up to 1920, associated our destiny with the forces of nationalism at work in the world. We had nothing in common with the imperialists or the autocrats of that period and in reality we were coveted by all of them. Standing as the solitary republic in a world divided by empires which constantly sought to extend their realm, we survived and grew to our present stature in the world arena by supporting the forces of healthy nationalism. The Monroe Doctrine is a classic example of the manner in which our foreign policy welded the forces of nationalism against the predatory schemes of empires.

World War I opened at a point in history when nationalism was the most compelling force in world politics. The era of empires was coming to a close as the popular demands of the many nations bound within them called out for national sovereignty. The Russian Czarist Empire, appropriately called the prison of nations, was seething with discontent. The Austro-Hungarian Empire had already made many concessions to the various national elements within the realm in an effort to stem the tide. The Ottoman Empire was tottering from the same internal pressures. As the war progressed into its final stages it became increasingly apparent that the demands of nationalism would have to be faced up to in the postwar settlements. It was in these circumstances that President Woodrow Wilson advanced the political principle of national self-determination as the only just formula for bringing order out of the ruins of those broken empires. It is important to note that Wilson, in taking this position, acted in accord with the basic principle which had guided our foreign policy for over 140 years.

Even before the end of World War I national independence movements sprang up throughout central and eastern Europe and Eurasia. The non-Russian nations of the Russian Czarist Empire, long held captive by the autocrats of Muscovy, lost no time in proclaiming their national independence. The Ukrainian nation, the largest of these captive nations, was in the vanguard of this movement. By the time the statesmen of the great powers gathered in Paris for the peace conference, the era of empires was dead and had already been replaced by the young but vigorous era of national sovereignty.

But that golden era which held so much hope for suffering mankind was short lived. President Wilson soon learned that the European statesmen were unconcerned with the popular movements supporting his principle of self-determination. They were more concerned with settlements based upon power politics, the cornerstone of which called for the establishment of a cordon sanitaire in eastern Europe. While paying lipservice to the program advanced by President Wilson, the European statesmen reshaped the map of central and eastern Europe to fit their selfish and shortsighted notions of contemporary peace.

The peace settlements following World War I set the stage for the events which inevitably led the Western World to its present precarious position. In the period between the great wars, the United States pursued a policy of isolationism. The hard disappointments brought about by the power politics settlements after World War I played a major role in the establishment of that policy. Meanwhile the Bolsheviks had established total power in Moscow. After creating the Russian Federated Socialist Republic of Soviets they then embarked upon a series of aggressive wars to defeat and absorb the non-Russian nations situated east of the newly erected cordon sanitaire. They were engaged in those aggressive wars as late as 1923. It is an established fact that the Bolshevik masters of Muscovy met with all-out resistance from the people of the reborn non-Russian nations which sprang up upon the ruins of the feudal Czarist empire. War in the traditional sense was not in itself sufficient to put down the spirit of national independence which swept like wildfire from the Baltic Sea to the areas east of the Caspian Sea. The brutal tactics of forced starvation, forced population transfers and the vast network of slave labor camps followed quickly on the heels of the Russian occupation of these reborn nations.

It was in these circumstances that the masters of the Kremlin announced to the world in 1922 the formation of the Union of Soviet Socialist Republics. After they had managed by armed aggression and the crime of genocide to reestablish the largest portion of the Russian empire, they found it necessary to create a cover name in order to hide the terrible events which had taken place east of the European created cordon sanitaire. Moreover, the Muscovites were anxious to avoid the charge of a resurgence of Russian superracism and to retain the support of the advocates of world socialism. Thus the high-sounding and cleverly misleading cover of U. S. S. R. was launched in the international political arena.

Shortly thereafter a new political force was injected into the same political arena. It became known as national socialism, then as nazism, or fascism, and finally as superracism. Some astute political observers of that period were quick to recognize the inherent anomaly in the political label "national socialism." How was it possible to have the ingredients of nationalism and socialism mixed in the same political movement? Obviously it was impossible to mix two diametrically opposed political theories. It was not long before the one world propagandists worked out the formula to resolve the anomaly. Nationalism equaled nazism; nazism equaled everything that was evil; therefore nationalism equaled everything that was evil. But what of socialism? By a queer turn of the propagandists' pen, socialism became the bulwark of democracy. Socialism was the political system of the U. S. S. R.; therefore, the U. S. S. R. was a democracy. By this process the experts in the use of weasel words put an evil curse upon nationalism in any form, while at the same time manufacturing a dynamically effective cover for the Muscovite plan of world conquest.

We entered World War II the victims of this diabolical perversion of political terms. The same must be said about the other sovereign nations of the west which entered the struggle against the Axis Powers. This accounts, in large measure, for our failure to develop a positive plan for the reconstruction of the postwar world along truly democratic lines, with governments representative of the will of the people. In larger measure it accounts for the success of the masters of the Kremlin in extending their empire of ruthless control over 800 million people covering an area encompassing almost one-third of the earth's surface.

It is in this context that we can best understand the new internationalism peddled by the multicolored agents of Moscow. Only a fool or the Ivory Tower Theoreticians will fail to recognize that the dominant school of internationalism operating in the world today is completely possessed by the Russian Communists. To be sure there are other schools of internationalism seeking adherents and supporters which are not attached to the Moscow orbit. Unfortunately none of these competing schools possess any real political dynamics of a magnitude comparable to the Russian-Communist movement. Moreover, none of them are backed by aggressive military forces such as clearly support the new internationalism promoted by the Muscovites in their age-long drive for world empire.

From this analysis one might too quickly conclude that the Russian imperialists have discredited and killed off healthy nationalism and healthy internationalism. So far as healthy nationalism is concerned, just the contrary is the case. The chauvinistic practices of the Russians have tremendously increased healthy nationalism within the Russian-Communist empire. Within the past year the civilized world has had ample proof to support this contention. These two examples bear out the point.

1. Shortly after Stalin was eliminated, Malenkov and Beria became engaged in a life and death struggle for total power. Malenkov, a Russian, chose the course of supporting the historic cause of Russian superracism. Beria, a renegade Georgian, attempted to harness the powerful nationalist force of the non-Russian nations of the U. S. S. R. to his side. Beria, as head of the dread secret police and commissar of the slave-labor system, certainly knew the most dynamic political forces at work within the U. S. S. R. Since he was in a life and death struggle, he naturally wanted these forces in his camp. Malenkov on the other hand was the darling of the Russian bureaucracy and he had to cast his lot with traditional Russian superracism. This struggle raged for months during which time Beria was replacing the Russian procounsuls in the non-Russian nations with natives of those nations. To be sure those natives were tied to communism but they opposed Russian domination of the affairs of their nation. Beria came very close to winning that struggle—the effect of which might well have caused a great revolutionary outbreak throughout the U. S. S. R. Only a deal between the Russian bureaucracy and the leaders of the Red army saved the day for Russian superracism. Beria was arrested by the Red army and executed, but the seeds of internal revolt were increased in consequence of his struggle for power.

2. This year marks the 300th anniversary of the Treaty of Pereyaslav—the instrument by which the Russians enslaved the Ukrainians. The Russians are using this occasion for a never-ending series of pronouncements and celebrations, all of which seek to prove that the Russians are the true friends of the Ukrainians. The official announcement of the Kremlin inaugurating these celebrations admitted that every decent Ukrainian down through history had struggled for the goal of national independence. It also claimed that the Ukrainian nation had finally attained its age-long struggle for national independence—"thanks to the Russians and the Communist Party." But what kind of national independence? They define it as national in form and socialist in substance. This of course means no independence at all. However, it is important to note the manner in which the Muscovites are associating nationalism with socialism. This is most reminiscent of the tactics of Adolph Hitler.

Healthy nationalism is very much alive in the world today. It is more vigorous within the Russian Communist empire than elsewhere in the world. This fact must be understood and exploited by the leaders of the free world if we are going to have peace and freedom throughout the world while avoiding world war III.

Unfortunately the same cannot be said about healthy internationalism. Internationalism as a theory and as a political practice has been thoroughly infected by the goals of world Marxism. The Russian Communist conspiracy has taken over the leadership in this field. Movements free from this infection have neither the internal dynamics nor the military support necessary to offset those sponsored or controlled by the Russian Communists.

But we can build a healthy internationalism and one that would be far more powerful in the political arena than the Moscow brand. To accomplish this goal we must understand healthy nationalism. Then we must foster and support it as a counteracting force to world communism. Having done this we will have taken the first step in creating a healthy internationalism.

The second step in this process calls for the development and support of free regional federations. These regional federations would be comprised of a number of sovereign and independent nations which freely elected to become party to the regional federation. The economic, political, and security advantages of the regional federation concept would lead the way in gaining the support of the member states.

This pattern is completely consistent with the Charter of the United Nations. Indeed it springs from the basic idea which created the Association of American States which stands as a regional arrangement of the nations of the Western Hemisphere.

It is a sound pattern because it recognizes that healthy internationalism must be based upon full recognition of healthy nationalism. Moreover, it supports a political philosophy which is consistent with the American way of life and therefore the antithesis of world communism.

LEST WE FORGET

The SPEAKER pro tempore. Under the previous order of the House, the gentleman from Indiana [Mr. MADDEN] is recognized for 30 minutes.

Mr. MADDEN. Mr. Speaker, while the 83d Congress has been in session, I have made several visits to my home district in the Calumet region of Indiana. On these visits I met a great number of friends and constituents who inquired about legislation before the Congress. I have also received a great number of letters from people back home and throughout Indiana who are very much concerned regarding our economic conditions and entanglements which might lead to another war.

We are living today in the most critical period of our Nation's history. Atheistic communism by reason of its expansion during the last 40 years is the sole reason for the dark clouds on the horizon today.

We have learned that the leaders of this godless ideology will resort to any method of conspiracy, treachery, mass murder, and slave labor camps to reach its goal for world domination. As chairman of the Katyn Forest Massacre Committee during the 82d Congress, I heard witness after witness testify regarding the barbarism and treachery the leaders of communism will use to exterminate religious freedom and independent thought in the lands that come under their domination. As a member of the Special Congressional Committee Investigating Communist Aggression in this session of Congress, I have helped record testimony revealing the criminal minds of the leaders of the Kremlin in carrying out their barbaric program for the eventual enslavement of nations throughout the world. The unfortunate fact is that the millions of people in the free countries are not aware of the unspeakable brain washing and torture inflicted on the leaders and citizens of captive nations. When our final committee report is released we will ask the Congress to print millions of copies in various languages for distribution to people in free nations. Truth is the most effective weapon to curtail and defeat communism.

Soviet propaganda has convinced millions in European countries outside the Iron Curtain that religious freedom exists under Communist rule. Nothing could be further from the truth. Numerous priests, ministers, rabbis, and religious leaders testified before our congressional committee revealing the persecution and torture of leaders of all religions. Communism and religion cannot exist together.

One of the most important tasks the governments of the free nations have today is to bring true information regarding the scourge of communism to the minds of millions in countries who up to now have escaped the Soviet yoke. No human being who loves freedom could willingly be a Communist if he knew the true facts regarding the physical and mental slavery which it imposes on the people.

AMERICAN FREEDOM

The real strength of America is centered in its people. Their loyalty, patriotism, high standard of living, and security for the family and home are all solid barriers against communism. The human factor in our economy is the bulwark of democratic government and our first defense against communistic slavery.

"TRICKLE DOWN ECONOMY"

Communism cannot thrive in a land where government is dedicated to better homes, expanding educational facilities, higher wages and good working conditions. Any government whose constant aim is the progress of human welfare will never fall. Back in the lush 1920's, we experienced national leadership which disregarded the human element and worshipped at the shrine of real estate and stock market speculation—creation of large holding companies and a nationwide drive to make business bigger and more profitable. The millions of little people including the wage earners, farmers, and small business were forgotten. Our Nation's purchasing power diminished to an all time low. Farm prices dropped, banks, factories, and mills closed, and financial panic struck. Millions of homes and farms were foreclosed and 14 million men were unemployed.

In 1931 and 1932, Communist agitators were active in the industrial areas of America and they made great progress. Riots incited by Communists took place at relief stations and employment offices. Discontent, disunity, and defiance of law and order were rampant. That unfortunate period should serve as a warning that our Government might not survive another depression.

In a few days the Congress will adjourn and it is in order to review what progress the new Republican administration made toward providing an economy which will curtail Communist agitators by expanding security, contentment, and prosperity to millions of our citizens.

THE NEW ADMINISTRATION

On January 3, 1953, the Republican leaders took over control of our Government. This was accomplished by reason of the most highly financed political machine and advertising campaign in the history of presidential elections. A great international military leader was dramatized into a political victory. Upon assuming control of office, the people soon discovered that the new administration policies were blueprinted by Secretary of Defense Charles Wilson of General Motors, Secretary of the Treasury Humphrey of the banking interests and Secretary of Commerce Weeks of the manufacturing interests. This trio of Cabinet officials has been and is the policymaking brain trust which has succeeded in partially turning back the clock of economic progress 25 years. This group of reactionary statesmen has refreshed the minds of millions who had forgotten the 1920 administrations when Secretary of the Treasury Andrew Mellon was the economic guide for three Republican Presidents. The total disregard for the human element in government during that period led us directly to the devastating depression from 1929 to 1933.

OIL GIVEAWAY

First. The first major legislation our new Republican trio of leaders engineered through the Congress and enacted into law was the tidelands oil giveway. The oil monopolies met defeat for over 10 years in their effort to secure access to these vast Government oil reserves estimated at upwards of $70 billion. Former President Truman vetoed this oil giveway on two occasions.

Second. The utility and power interests have finally succeeded in undermining the independence and scope of TVA which produces electricity and power at reasonable rates for millions. Two days before the last election Candidate Eisenhower wired the Knoxville, Tenn., News-Sentinel:

> If I am elected President, TVA will be operated and maintained at maximum efficiency.

Last winter in a public utterance President Eisenhower termed TVA as a form of creeping socialism. The utility monopolies have already taken steps to control our future power developments in the great Northwest.

ATOMIC GIVEAWAY

The taxpayers of the United States through their Government have invested over $12 billion in the development of atomic energy. Many millions more will

be spent by our Government before any return of this investment in the form of peacetime benefits is realized.

An electric power monopoly known as the Dixon-Yates combine, is now negotiating with the Atomic Energy Commission on contracts to take advantage of this great investment of the American taxpayer. The astounding fact in this connection is that the President has suggested the Atomic Energy Commission enter negotiations for a contract not only involving atomic energy but also electric power. Although atomic peacetime development is in its infancy, the power monopolies demand now to get under the atomic giveaway tent before the people speak by ballots in the November congressional elections.

This legislation was delayed until the closing days of the session. The leadership was careful that the Members of Congress not be given full time to study and consider this complex bill, consisting of 104 pages. The bill was called for debate at 10 a. m., Friday, July 23, and the House was kept in continuous session until 3:15 a. m., Saturday, July 24. While the bill was under consideration the Republican leadership pressured additional shackles on the public's ownership in atomic patents and discoveries by enacting an amendment disregarding all safeguards against atomic patent monopoly.

An amendment offered to the bill which would give the Atomic Energy Commission authority to charge a license fee based on percentage of profits so as to give the taxpayers some protection on its $12 billion investment was rejected by an almost unanimous Republican vote. I shudder to think of the newspaper headlines and what some radio commentators would say if ex-President Truman and a Democratic Congress sponsored a giveaway of this magnitude.

A group of Democratic Senators, with the help of Senator WAYNE MORSE, for 2 weeks have been making a valiant fight in the Senate to halt this atomic giveaway bill.

RECIPROCAL TRADE

One of the main reasons for our economic reversal in the last 18 months has been the opposition of Republican leaders for extension of reciprocal trade agreements. Exports have fallen sharply in key farm and industrial commodities. Exports in wheat and cotton were down 40 percent since January 1, 1953; meat exports were down 23 million, or 17 percent, in the same period.

The RECORD shows that 32 Democratic Senators voted for a 3-year extension of reciprocal trade treaties, but the bill was defeated by solid Republican opposition. The falling off of our international trade is typical of traditional Republican foreign trade policy.

FIFTEEN BILLION DEBT INCREASE

Four days before Congress adjourned in July 1953, the House Republican leadership appeared before the House Rules Committee insisting that the national debt limit be increased $15 billion. They contended that if the increase was not granted Congress would be recalled in special session in October of last year. The House approved the increase against Democratic opposition, but the Senate Finance Committee rejected same. A year has passed, and Secretary of the Treasury Humphrey has succeeded in paying Government obligations without the 15 billion increase. Secretary Humphrey's tight-money policy and increased interest rate has also proven to be one of the major fiscal mistakes of this administration. It has drained billions from the purchasing power of millions and has been one of the major reasons for our national unemployment. The demand by Secretary Humphrey in July 1953 to increase the national debt by 15 billion was astounding as the public only 9 months before heard Candidate Eisenhower and Republican leaders state that if elected they would reduce our national debt. The fiscal year ending June 30, 1954, revealed our national debt increased $5,188,554,000.

LUMBER GIVEAWAY

A few days before adjournment last July the Republican leadership sponsored another giveaway bill demanded by the lumber interests. This bill would have given the lumber interests the option of exchanging acre for acre cutover lumber areas for timber lands in our virgin national forest preserves and parks. The present law provides for a fair appraisal and cash payment by the Government. I opposed this bill in the Rules Committee and also on the floor of the House where it was defeated. The Izaak Walton League and a number of national wildlife and conservation organizations aided greatly in defeating this legislative giveaway.

VETERANS

The leaders of all national veterans' organizations can testify as to the deplorable results which they have obtained in their fight for necessary legislation in behalf of the Nations' veterans. In fact, the disabled and hospitalized veterans over the country have already felt the adverse effects resulting from the false economy which this Administration has inflicted on the Veterans' Administration. The Republican leadership held up consideration of H. R. 9020 for weeks and kept same from being debated and voted on by the House of Representatives. This bill would have given necessary increases in monthly rates of compensation and pensions to certain veterans and their dependents. The fate of the veteran in the 83d Congress is in direct contrast to the opulent generosity extended to the oil, power, lumber, and mining monopolies.

LABOR

All voters in the fall of 1952 remember the optimistic promises in the speeches of Candidate Eisenhower and his advisers to union labor and other working millions throughout America regarding necessary changes in the Taft-Hartley law. In fact, I hereby quote from a speech to the American Federation of Labor National Convention in the fall of 1952:

> I promise to remove the union busting provisions of the Taft-Hartley law and make it fair to labor and business while protecting the public interest.

The 83d Congress adjourned without any serious effort being made by the administration to carry out its campaign promises to labor unions and millions of workers in America. Former Secretary of Labor Martin Durkin's resignation after 8 months in the Cabinet served notice to organized labor that this administration did not intend to enact its promises made in the 1952 campaign.

AGRICULTURE

Candidate Eisenhower, in his 1952 speech at the national plowing contest at Kasson, Minn., and again on October 4, 1952, at Brookings, S. Dak., pledged to retain the 90-percent parity support and, even more than that, to help the farmer "obtain his full parity, 100 percent, with the guaranty in the parity support of 90 percent." Had the candidate for President and the Republican leadership told the farmers in 1952 that they would support Secretary of Agriculture Benson's farm program of flexible farm support and to "protect farmers only against undue disaster," millions of farmers in the Middle West would not have supported the Republican national ticket in the last election. Furthermore, in March 1953 the Republican-controlled House cut REA loans by $40 million, or 42 percent; they cut funds for rural telephone loans by $15 million, or 23 percent. It is estimated that the book value and income of the American farmers has fallen $15 billion in the first 18 months of the Eisenhower-Benson farm policy.

FARMERS AND LABOR MUST UNITE

For years the Republican National Committee has succeeded in driving a wedge between the farmers of the Nation and union labor. This is an old political trick. Farmers and union members are beginning to realize that prosperity for one means prosperity for the other. Their interests are interdependent. When labor is prosperous, the farmer has a market for his products. When agriculture is prosperous, the farmer can buy what the mills and factories produce. It is unfortunate that Republican politicians should seek to divide two great patriotic groups for votes.

HIGH COST OF LIVING, TAXES, AND EDUCATION

Everybody who listened to radio and television speeches by the Republican leaders in the 1952 campaign heard them state that the cost of living can and must be reduced. Today the cost of living has reached an alltime high. In fact, the Republican membership in the United States Senate by an overwhelming vote refused to appropriate money for a fact-finding investigation committee which would expose the profiteering on the consumer's dollar from the farm to the retail stores.

The only substantial tax decrease was the one which took effect last January and was passed a year and a half before by a Democratic Congress and signed by President Truman. The tax reduction bill sponsored by Secretary Humphrey meant very little to 90 percent of the taxpayers. The Democratic Members of Congress on a direct party vote came within 6 votes of raising the tax exemption from $600 to $700. This exemption if adopted would release two and three-tenths billion tax dollars into purchasing power annually. Tax windfalls

like the 27 percent depreciation allowance to oil companies is an example of the trickle-down policy of this administration.

Every educator in America now knows that the Republican promises in 1952 regarding education and school building expansion was nothing more than a campaign promise. President Eisenhower in 1952 stated 1,700,000 children are without adequate school facilities and if he were elected immediate Federal legislation would be passed to remedy this condition. As of today, this campaign promise has been ignored, although the results of two investigations, one by the United States Office of Education and another by the National Education Association reveals that America needs 345,000 classrooms and that 1 in every 5 of our present school units is a firetrap. The deplorable scarcity of school teachers still exists. School teachers' salaries have not been adequately advanced and the Nation needs 40 percent more grade teachers than are available today.

Senator HILL, Democrat of Alabama, introduced an amendment providing for a small royalty from the tideland oil giveaway which, if passed, would have provided sufficient money to bring the American schools up to modern standards. This amendment was defeated by influence of the oil lobby and Republican votes.

HOUSING, SLUM CLEARANCE, AND HEALTH

Radio and television listeners in the 1952 campaign heard Candidate Eisenhower's promises on the necessity for adequate housing legislation. The 83d session of Congress flatly failed to enact a suitable housing program. No provisions were made to aid families living in slums and substandard dwellings, to rent or purchase low-priced homes. When the final vote was taken on the conference report, July 20, the Republican membership of the House voted almost unanimously to reject Chairman SPENCE's motion to recommit the bill and to reinstate President Eisenhower's recommendation of 35,000 public-housing units over a period of 4 years. Under the trick provisions in the housing bill, 90 percent of the slum-clearance program is rejected. Fifteen States are not qualified under the wording of the bill to secure any part of the small allotment for slum-clearance or public housing. In 1953 the appropriation for the Health Department was reduced 19 percent.

SOCIAL SECURITY

The social-security program was enacted by the Democratic Party in 1935. In the intervening period of almost 20 years under Presidents Roosevelt and Truman the program has been expanded. Each effort to establish social security met with opposition by Republican Party leaders. In 1935, every Republican member of the Ways and Means Committee voted against social security. It was called a form of socialism. I am glad to report that the Republican Party in this session finally joined with the Democratic minority in adopting a social-security expansion program. The bill enacted by the 83d Congress was a step in the right direction although the coverage on both income and personnel should have been increased.

CAMPAIGN ORATORY

The full record of the failures of this Republican administration to carry out its many 1952 "pie in the sky" campaign promises, cannot be told in one speech. In fairness to President Eisenhower and his great career of 37 years as a soldier and general, his administration record was blueprinted and formulated by the executive brain-trusters, Secretaries Humphrey, Wilson, and Weeks. The first 2 years of the Republican New Look and dynamic crusade can best be summarized with a paraphrase from a Churchill idiom, "never has so much been done for so few and so little for so many."

YOUNG VOTERS

Over 40 million young citizens voted in 1952 who were not old enough to remember the last national Republican administration 22 years ago. The record of the last 18 months does not surprise older voters because they observed the Republican trickle-down theory of economy operate before 1932. Pioneers can remember that trickle-down theory resulted in panics or bad times at regular intervals since the Civil War. Mark Hanna, the party boss of 1900, used this policy as the backbone of Republican doctrine. If science and industry had made the same progress in the last half century as the leaders of the Republican Party, our economy would still be in the kerosene lamp and horse and buggy days.

The first great statesman of modern times who fought and exposed the fallacy of this theory of governmental philosophy was the great commoner William Jennings Bryan. Fifty-eight years ago when he was nominated for President of the United States at the Democratic Convention in Chicago, he said, quote:

[From William Jennings Bryan's Cross of Gold Speech, 1896]

There are two ideas of government. There are those who believe that, if you will only legislate to make the well-to-do prosperous, their prosperity will leak through on those below. The Democratic idea, however, has been that if you legislate to make the masses prosperous, their prosperity will find its way up through every class which rests upon them.

OPERATIONS AND ACTIVITIES OF GATT

The SPEAKER pro tempore. Under the previous order of the House, the gentleman from Pennsylvania [Mr. SAYLOR] is recognized for 45 minutes.

Mr. SAYLOR. Mr. Speaker, during the recent debate on the 1-year extension of the trade agreements program there was little or no opportunity, or in any case little occasion, to call to the attention of the House the operations and activities of GATT; that is, the General Agreement on Tariffs and Trade. No amendments could be offered to the 1-year extension bill under the closed rule. There was therefore little or no point in discussing this vital aspect of our tariff and trade policy. Yet, the truth is that GATT and its operations have a direct bearing and in many instances a controlling influence upon our tariff and trade policy.

It is my purpose today to lay before the House various aspects of the operation and activities of GATT that are greatly in need of attention and review. So little is known of GATT, how and where it operates, who speaks for the United States in its annual meetings, what subjects are discussed and acted upon, what kind of action is taken, how GATT is financed, upon what law if any its very existence rests, and so forth, that some much-needed light should be shed on the subject.

I dare say, Mr. Speaker, that few Members of this House, including myself, can answer these questions. This is a strange state of affairs, indeed, in view of the responsibility of Congress under the Constitution for the regulation of foreign commerce and the laying of duties.

Some explanation of this lack of knowledge may be found in the general prosperity enjoyed by this country for 12 or 13 years since the outbreak of the war. During that period there was not too much difficulty with import competition. While drastic tariff reductions were made during this period, the domestic and foreign demand for goods was so strong that in most instances the market was able to absorb not only all the domestic output but imports as well, at high prices.

During the past year this situation has been changing. We now find many industries and branches of agriculture feeling the inroads of foreign competition. Surpluses are building up in place of shortage; and this changes completely the previous relative indifference of these industries and their workers to imports. A rude awakening is consequently coming upon us as a result of congressional abdication of its responsibilities in this field these many years. Congress passed its functions to the executive power and now as we look about us we find the legislative branch almost a complete captive of the results of executive domination of tariff administration.

While Congress and the people of the country were otherwise occupied the State Department exercised the powers delegated to it by Congress through the President in such a way as to make the recapture of its powers by Congress all but impossible. This was no accident. It was clearly planned that way.

Entrance by this country into the General Agreement on Tariffs and Trade, better known as GATT, on October 30, 1947, was only a step incidental to the final protected separation of Congress from the exercise of its powers over the tariff and trade. GATT was preceded in point of time by the proposed International Trade Organization which was initiated, fostered, and promoted by the Department of State, beginning in 1945 or 2 years before we entered GATT. Under the charter of that organization Congress, had it accepted the treaty, would have effectively signed away its powers over tariffs and trade to an international body. This body was dedicated to the planning of the world's international trade no less than such aspects of

the domestic economy as would have been necessary to conform it to the principles of free trade.

However, Congress did not accept the ITO Charter. Although the United States, after 3 years of negotiation, signed the charter in Habana, Cuba, in March 1948, that is, a few months after we signed GATT, and although the President in 1950 submitted it to Congress for approval, it failed to gain the support of the Foreign Affairs Committee of the House.

This failure by the House to ratify the charter killed it and the International Trade Organization never came into being. Here is clear evidence that Congress was not willing to sign away its constitutional powers over tariffs and foreign commerce when it was confronted by the overt choice.

Had it ratified the ITO Charter exactly that result would have followed. Complaints to Congress by industries, workers, miners, farmers, and growers, no matter how insistent and authentic, against ruinous foreign competition, could have gone unheeded because no official representative of the United States in the International Trade Organization would have been an elected official. This representative would in any case have had only 1 vote of more than 50 in the organization. Thus the intended responsiveness of Congress to the people would have been destroyed.

It must be obvious then that Congress has taken no step that would indicate its willingness to sign away its constitutional responsibility in this field. Its delegation of authority to the President under the Trade Agreements Act of 1934 and by subsequent extension of that act did not carry with it any such intent. What has actually happened must therefore be traced to something other than congressional intent.

If Congress at no time by positive action gave its consent to the alienation of its authority over tariffs and trade, what was it that brought about the present state of affairs?

The reason is not so hard to find, Mr. Speaker, as it might appear to be. It is true that Congress emphatically refused to embark upon international economic planning, as contemplated in the proposed ITO Charter, when the question was squarely presented. It is also true that the delegation of power to the President under the Trade Agreements Act contemplated no surrender of congressional authority. The ITO Charter failed to pass even the first hurdle faced by any legislation. It failed to come out of committee.

But what do we see today? We see GATT exercising many of the powers that were proposed for ITO but rejected by Congress. These are powers that were not delegated to the Executive under the Trade Agreements Act. They relate to internal taxation, dumping and countervailing duties, valuation for customs purposes, marks of origin, quotas, balance-of-payments restrictions, most-favored-nation clause, subsidies, governmental assistance to economic development, and reconstruction. Quotas, for example, are outlawed, with certain exceptions.

The constrictive influence of GATT upon the legislative freedom of this body, Mr. Speaker, may be appreciated from the following:

Unless it wishes to violate the General Agreement on Tariffs and Trade—GATT—Congress is no longer free unilaterally:

First. To put a tariff on an item that has been bound on the free list under GATT. Numerous items have thus been bound;

Second. To increase a tariff on any item on which the rate has been bound against an increase at the existing level. Many such bindings have been made;

Third. To raise a rate that was reduced in a trade agreement negotiated under GATT or in any bilateral agreement superseded by GATT. GATT tariff reduction conferences have been held in Geneva, Annecy, and Torquay;

Fourth. To place an import quota on any industrial item, as distinguished from an agricultural item unless this country should come into balance-of-payments difficulties or should seek to conserve an exhaustible natural resource by also restricting domestic production or consumption of the article;

Fifth. To place an import quota on any agricultural or fisheries item that is not the subject of a governmental program designed to restrict domestic production or marketing of the same item or to remove a temporary surplus.

All of this adds up to a pretty tight-fitting straitjacket. Not much elbow room remains for the exercise of legislative authority. But if we look around to see how all this divestment of authority came about we find nothing solid to lay the hands on; but the results are there—make no mistake about that.

What has happened is a usurpation of power hand in hand with a denial that such usurpation has taken place.

I shall undertake to explain how it has all come about.

While GATT was being negotiated in 1947—April-October—the charter for the proposed International Trade Organization was still full of life and hope. In fact it was still to be drafted in its final form and signed. At this time a bright thought struck the State Department. This idea was that the ITO would absorb GATT after the ITO Charter was ratified by Congress. Guided by this scheme, the State Department made free to incorporate into GATT a number of the provisions already in the ITO Charter. In doing so, that Department went beyond the power delegated under the Trade Agreements Act. No doubt this seemed a harmless thing to do since the ITO, once ratified by Congress, was to absorb GATT, and the latter having been thus absorbed into the International Trade Organization was to disappear from the scene.

This no doubt explains why it was not regarded necessary to submit GATT to Congress for ratification.

But what happened? The unanticipated rejection of the ITO Charter by Congress left GATT to stand on its own feet. Instead of now admitting the illegitimacy of those of GATT's provisions that virtually duplicated ITO provisions, the State Department proceeded as if GATT needed no congressional ratification even though it had acknowledged the need of submitting the ITO for ratification.

As a result, we find GATT today under an umbrella of usurped rights sitting periodically in Geneva and reviewing sovereign acts of this Congress and of the President as if it had been clothed with the powers necessary so to function. The powers thus exercise are no less real and binding for all the denials and disavowals of the State Department. That Department has participated in a number of GATT decisions and has acquiesced in several that have involved the United States. In this way GATT has come into a position of real as distinguished from imaginary authority and de facto as distinguished from de jure powers of review over questions of tariff and trade never remotely contemplated in the Trade Agreements Act.

And now we find GATT in the process of reviewing itself. This presents a strange phenomenon indeed.

Without a signal from Congress and without the least guidance from Congress, this international body presumes to rewrite its procedures and methods of operation.

Who will represent the United States? Does anyone but the merest handful outside the State Department know? Who has kept the fires burning between the last GATT session and the next one? If there is a secretariat, who constitutes it and how is it selected? Who pays the salaries?

What will the agenda of the next meeting consist of? Here we do have some information. Reporting on the eighth session of GATT in 1953, the State Department in a press release dated October 27 of that year had this to say:

> During the session—
>
> Meaning the eighth—
>
> the groundwork was laid for further progress toward achievement of the aims of the general agreement. In this connection the contracting parties took a decision looking toward a review of the operations and provisions of the general agreement in the latter part of 1954. It is contemplated that the French plan for the reduction of tariff levels which was developed during the session into a technically feasible proposal will be considered during this review.

This, I say, is very interesting.

Unless a change is made in past practices, the contracting parties will meet in Geneva in September 1954. They will give consideration to the items on the agenda and will reach conclusions by vote. The session will then adjourn. The Department of State will then in due time issue a statement containing an account of what was done at the ninth session of GATT. That will be that.

Important decisions may have been rendered. The French plan will have been debated and either accepted in its present or a modified form, or rejected. The Members of Congress will not have been consulted about this, nor will we as

Congressmen or as members of any of its committees be told about the results. If we wish to inform ourselves about the GATT actions we have the privilege of requesting information from the State Department. GATT as a body makes no report to Congress. The official American delegation to GATT makes no report to Congress. The Department of State makes no report to Congress on GATT.

The delegation of power to the executive has learned to walk by itself. It has waxed big and strong and has taken on the ways of arrogance. It neither seeks nor cares to accept any guidance. It gives no account of its stewardship. It comes to conclusions on its own and serves them to the American people on the basis of take it or leave it.

That is GATT; and it is a far cry from the simple provisions of the Trade Agreements Act of 1934 as amended and extended

Mr. Speaker, I say it is time that we as Members of Congress found out about GATT. Inexcusable as is the negligence in the past in this respect, it would represent outright evasion of our duty and responsibilities to let this matter drift.

We should find out what GATT is doing right now to prepare itself for the ninth session. Who, for example, is determining the United States position on the French plan mentioned in the State Department release from which I have quoted? What, indeed, is the French plan?

The French plan is the Randall Commission recommendation in double strength. It would call for a 10 percent reduction in duties per year for 3 years instead of the 5 percent recommended by the Randall Commission. It seems to me that we did something about the Randall plan right here.

The question arises, why did we have the Randall Commission study when at the same time we were a party to GATT which was considering the French plan? Are we running two tariff and trade teams on separate tracks, one at home and one abroad? If so, which one represents the amateurs and which one the professionals? Which one plays for fun and which one for keeps?

There is no question what the answer should be if we consult the Constitution.

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

Mr. SAYLOR. I yield to the gentleman from West Virginia.

Mr. BAILEY. In my previous appearances in the well of the House to discuss this broad and troublesome subject of tariff revision you have often heard the expression, "General Agreement on Tariffs and Trade," commonly referred to as GATT.

When the Randall Commission report was released the recommendations contained in the report were for a 15-percent reduction in all existing tariff rates spread over a period of 3 years. We have wondered for some considerable time where this idea of making that reduction came from. Investigation reveals the fact that for the past 2 or 3 years, and at least once each year, the signatory parties to the General Agreement on Tariffs and Trade have been meeting in Geneva. They are in session right at the present time, a preliminary session. Their major session will take place in October.

Out of these meetings has grown this idea of leading this Nation to a free-trade basis. They did not take all of the suggestions contained in the so-called French plan. If you will remember, 2 days after the Randall Commission report was submitted I, together with some of my colleagues in the House, put on an hour's program here to take that Randall Commission report apart, and nobody so far as I know has been able to put it back together again. It resulted in the administration backing away from their proposal to further reduce tariffs over a period of 3 years to the extent of at least 15 percent.

I charged at that time that the Randall Commission report could well have been written at No. 10 Downing Street. I find since making these investigations that it was written in the French Bourse, and it is the French plan.

Let me tell you just a little bit about how that thing works. I trust I am not imposing too much on the time of the gentleman from Pennsylvania.

Mr. SAYLOR. Go right ahead. It is very enjoyable.

Mr. BAILEY. A plan for general tariff reductions was presented by the French Government to the sixth session of the Contracting Parties of GATT—General Agreement on Tariffs and Trade—September 19, 1951.

Under this plan tariffs would be lowered 30 percent at the rate of 10 percent a year for 3 years.

Early in 1952 a subgroup of a working party of GATT met to examine the technical aspects of the plan. The report rendered by this subgroup enabled the working party to consider the French proposal in its more general aspects.

To quote from Operation of the Trade Agreements Program—Sixth Report, July 1952–June 1953, United States Tariff Commission, page 83:

> As a result of the discussions, the French delegation submitted new proposals amending and supplementing the original plan. * * * The report of the working party stated that much work still remained before a specific plan would be available for consideration. The contracting parties noted the progress made toward resolving many of the problems arising from the plan and instructed the working party to continue its study, taking into account the new proposals submitted by the French delegation.

After the seventh session of GATT, the Department of State in a release dated November 10, 1952, No. 865, stated:

> Work was continued at the seventh session on a plan, put forward at the sixth session by the French delegation, that tariffs should be lowered by 30 percent on a worldwide basis in 3 yearly stages of 10 percent. The report of the working party at the seventh session indicates that a great deal of work remains to be done before a specific plan will be available for the consideration of the contracting parties. * * * Study of the problem will continue intersessionally with the possibility that several technically feasible plans of varying degrees of flexibility may be developed for further consideration.

Thus it is clear that GATT was giving the most serious consideration to the French plan. There is in fact marked similarity between the French plan and the recommendation made by the Randall Commission. The latter simply cut in half the 10-percent reduction per year proposed in the French plan but accepted the 3-year plan. In denouncing the Randall Commission report, I said: "It could very well have been written in No. 10 Downing Street, London. It seems to be a product of the French Bourse."

The eighth session of GATT again considered the French plan. In a report to the Secretary of State by the chairman of the United States delegation to the eighth session of GATT, dated September 24, 1953, appears the following—page 14:

> Following several meetings of the subgroup, the French presented a revised plan in August 1953. Germany, Belgium, the Netherlands, and Denmark joined France in a statement to the contracting parties that the new French proposal provided the best method of pursuing efforts for a general lowering of tariffs provided, however, that the proposal remained of worldwide application.
>
> In broad outline, the revised French plan would provide that the import trade of the participating countries would be divided into a number of sectors, say 10 or 15, and that the average tariff rates within each sector would be reduced by 30 percent through reductions of 10 percent a year for the first 3 years of the plan. The choice of items for reduction within any sector would be at the discretion of each participating country, except that rates above a certain prescribed level (ceiling rates) must be reduced to that level.

It will be recalled that the Randall Commission recommended that the President be empowered to reduce all rates above 50 percent to 50 percent. In this respect the Randall Commission again took its cue from GATT.

NEXT MEETING OF GATT

In a press release from the Department of State, dated October 27, 1953, No. 598, the following is said about the eighth GATT session:

> During the session the groundwork was laid for further progress toward the achievement of the aims of the general agreement. In this connection the contracting parties took a decision looking toward a review of the operations and provisions of the general agreement in the latter part of 1954. It is contemplated that the French plan for the reduction of tariff levels which was developed during the session into a technically feasible proposal will be considered during the review.

The ninth session of GATT will take place in October. The French plan may then be considered.

In the meantime an intersessional meeting of GATT will convene on July 26, 1954, or this past Monday in Geneva. No doubt the agenda of the October meeting will be discussed at that meeting.

These meetings and sessions of GATT alongside congressional consideration of tariff and trade questions raise some basic issues. It appears that there are now two bodies exercising control over our tariff and foreign commerce. One is the Congress; the other is GATT.

The question is: are these bodies coordinate in respect to their powers? Or does one have powers superior to the other? If so, which one is superior and which one inferior?

From what has been said on the floor today there is a very serious question whether GATT or Congress wields the greater authority.

Let us ask what would happen if GATT should adopt the French plan for 30-percent tariff reductions, at the rate of 10 percent per year over a 3-year period?

Congress rejected the Randall Commission recommendations that our tariff be reduced 5 percent a year for 3 years. Should GATT now adopt the French plan, where would that leave us? The United States is a member of GATT and has participated in all its sessions and has accepted its decisions. How could we avoid complying with GATT acceptance of the French plan?

Is the membership of this House fully aware of the implications of this situation? Have the people of the United States set up a superstate to control our tariff? If so, by what act of Congress have they done so? If not, how can GATT presume to take the kind of action that characterizes the various sessions held since the general agreement was signed?

Either the American people, acting through Congress, have or they have not signed away the authority and responsibility of Congress under the Constitution to regulate our foreign commerce and to set tariff rates.

If Congress has not done this, that is, has not shifted its responsibility to GATT, GATT should be called to account. The Department of State should refrain from participating in GATT in a manner that will inevitably lead to the stripping of Congress of its powers in this field.

Heed should be taken of this situation at this very moment when GATT is going into an interim session in Geneva to prepare for the ninth session next October. Above all, it is time that we as Members of Congress scan very carefully the steps planned by GATT, and that we act to recapture our constitutional authority. The responsiveness of Congress to the people in this vital field cannot be left to be destroyed by the operation of executive agreements.

Mr. SAYLOR. I thank the distinguished gentleman from West Virginia.

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

Mr. SAYLOR. I yield to the gentleman from Oklahoma.

Mr. STEED. Mr. Speaker, I join with my colleagues in the remarks they have made on this subject today, and I wish to add some of my own.

Mr. Speaker, the activities of GATT have been a source of both wonderment and concern to me for some time.

It is a remarkable organization that can take the ball away from Congress and keep it to itself, to play with it according to its own rules and never come to Congress for the least guidance or instructions.

It seems clear that if GATT had been authorized or set up by Congress there would be some contact between the two bodies. There would be some intercommunication as there is between Congress and the Tariff Commission, for example. The Commission renders an annual report to Congress and makes a number of reports to the House Ways and Means Committee and the Senate Finance Committee. Frequently Congress of the appropriate committees put special tasks on the Commission under specific instructions.

Not so in the case of our delegates to GATT. They are not responsive to Congress; but hold their authority from the State Department. That Department governs our relations to GATT. Congress has no contact with the organization.

This is a strange state of affairs indeed when we consider that the Constitution places the regulation of foreign commerce in the hands of Congress alone and also charges Congress with the authority to lay and collect taxes and duties. In other words, Congress is vested with complete authority over tariffs and trade. Yet GATT has moved into a position of taking from Congress its power in this field.

I shall read from a report to the Secretary of State from the chairman of the United States delegation to the last session of GATT held in Geneva, Switzerland, last September and October. Especially do I call attention to the agenda of the session. It contained 44 numbered items.

Among these items are found creation of a low-tariff club, United States restrictions on dairy products, United States duty on dried figs, United States export subsidies on oranges and almonds, arrangements for a review of the agreement, methods of evaluation for customs purposes. European Coal and Steel Community, and so forth.

What this means is that GATT reviews the acts of this Congress, the action of the Tariff Commission when this is put into effect by the President, and other similar official acts of the United States.

By contrast not even Congress makes such a review. This has become the special field of GATT. Yet the fact is that Congress itself, neither by resolution of both Houses nor through ratification by the Senate, has ever conferred such power on GATT.

REPORT TO THE SECRETARY OF STATE BY THE CHAIRMAN OF THE UNITED STATES DELEGATION TO THE EIGHTH SESSION OF THE CONTRACTING PARTIES TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE HELD AT GENEVA, SWITZERLAND, SEPTEMBER 17 TO OCTOBER 24, 1953

I. Summary: * * *.

II. Background: The general agreement provides in article XXV that the "representatives of the contracting parties shall meet from time to time for the purpose of giving effect to those provisions of this agreement which involve joint action and, generally, with a view to facilitating the operation and furthering the objectives of this agreement." The eighth session was one in the series of sessions which commenced in Habana in March 1948.

III. Agenda:

The contracting parties dealt with 44 agenda items, somewhat more than at previous sessions. The provisional agenda, which subsequently became the agenda of the session with minor additions, had been prepared by the 15-member Ad Hoc Committee on Agenda and Intersessional Business at 2 meetings it held before the eighth session, 1 in August and another the day before the session opened.

The items of primary interest to the United States concerned a proposal to extend the period during which the tariff concessions would retain their present stability; the application of Japan for accession to the agreement; the request of the United Kingdom for a limited waiver from obligations under the agreement preventing it from increasing margins of preference; United States import restrictions on dairy products and filberts; the suspension of tariff concessions by the United States on dried figs; United States export subsidies and similar measures on raisins, oranges, and almonds; the first report of the six countries members of the European coal and steel community on their activities authorized by a waiver from certain general agreement provisions; and the consultations held with countries maintaining discriminatory import restrictions for balance-of-payments reasons.

The agenda of the eighth session, as adopted September 17, 1953, was as follows:

1. Adoption of agenda and order of business.
2. Election of chairman and vice chairman.
3. Article XXVIII.
4. Report by the working party on the reduction of tariff levels.
5. Creation of a low-tariff club.
6. Accession of Japan.
7. Balance-of-payment import restrictions:
(a) Consultations under article XIV:1 (g).
(b) Fourth annual report on discrimination.
(c) Procedures for report and consultations under article XIV:1 (g) in 1954.
(d) Consultations under article XII:4 (b).
8. Special exchange agreements:
(a) Report by the chairman on operation of the agreements with Haiti and Indonesia.
(b) Reports and consultations under article XI of the agreements.
9. Methods of valuation for customs purposes.
10. Nationality of goods.
11. Consular formalities.
12. European Coal and Steel Community.
13. Italian customs treatment for Libyan products.
14. South Africa-Southern Rhodesia Customs Union.
15. Nicaragua-El Salvador free-trade area.
16. United States restriction on dairy products.
17. Brazilian internal taxes.
18. Belgian family allowances.
19. German treatment of imports of sardines.
20. Greek import taxes.
21. Greek import duty coefficients.
22. United States duty on dried figs.
23. United States export subsidy on sultanas.
24. United States export subsidies on oranges and almonds.
25. United States import restrictions on filberts.
26. French tax on imports and exports.
27. Brazilian compensatory concessions.
28. Belgian dollar import restrictions.
29. Difficulties arising out of the application of article I.
30. United Kingdom request to renegotiate an item in schedule XIX.
31. Australian treatment for products of Papua and New Guinea.
32. Greek schedule: Adjustment of specific duties under article II:6.
33. Time limit for application of part II of article XX.
34. Convention on the importation of samples and advertising material.

35. Discrimination in transport insurance.
36. Nomination of Chairman of ICCICA.
37. Status of protocols.
38. Rectification of schedules.
39. Renewal of intersessional arrangements for the administration of the agreement.
40. Financial statement for 1953 and budget estimates for 1954.
41. Date and place of the ninth session.
42. Australian request to renegotiate an item in schedule I.
43. Indian request to renegotiate an item in schedule XII.
44. Arrangements for a review of the agreement.

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

Mr. SAYLOR. I yield.

Mr. EDMONDSON. I would like to commend the gentleman from Pennsylvania [Mr. SAYLOR] and the gentleman from Oklahoma [Mr. STEED] for the fight they are conducting on behalf of American industry and the American workingman.

Mr. Speaker, I have listened with a great deal of interest to the remarks which have been made on the subject of GATT, and appreciate the fact that this matter is being brought forcefully to the attention of the Congress.

As I have remarked before on this floor, I am a firm believer in the principle of reciprocal trade. At the same time, it must not be forgotten that a fundamental part of our Nation's law on the subject of reciprocal trade is the provision that no domestic industry shall be destroyed through trade agreements, and the law specifically provides for escape from any such result of trade agreements entered into by our Nation.

Many supporters of reciprocal trade are becoming increasingly fearful that the policy is becoming a one-way street in which there is no escape for seriously damaged domestic industry, and I have risen on more than one occasion in this House to call attention to the disastrous conditions prevailing in my district in certain industries which are being critically hurt by foreign goods.

The first example to come to my attention was the lead and zinc industry of America, and I cannot understand the failure of the White House to face facts in this matter, and give to this important industry the relief which the Tariff Commission—after exhaustive hearings on the subject—has recommended. Thousands of miners continue to be unemployed, and thousands of workers in related industries go without work or work on a curtailed basis, while the imports of these metals continue to mount.

The situation is also becoming increasingly serious in our domestic glass industry, as foreign imports of plate glass and window glass establish new records, and more and more of our country's workers feel the disastrous effects of this ruinous competition. I do not speak from reports or statistics, but from actual observation and first-hand knowledge of the reduced payrolls in my own district in Oklahoma.

The American petroleum industry is also suffering, and while we reduce our domestic production and lay off American workers, imports from abroad continue to increase.

How long, Mr. Speaker, will reciprocal trade continue to be a one-way street, in defiance of the plain provisions of the law for protection of American industry? This is a question on which the American people will soon be demanding an answer, and we in the Congress and the Chief Executive in the White House should give the people an answer which makes good sense.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the RECORD, or to revise and extend remarks, was granted to:

Mr. CLARDY and to include extraneous matter.

Mr. HOPE.

Mr. SHEEHAN and to include extraneous matter.

Mr. D'EWART in two instances and to include extraneous matter.

Mr. VURSELL and to include extraneous matter.

Mr. O'HARA of Illinois in two instances and to include extraneous matter.

Mr. SHELLEY and to include extraneous matter.

Mr. SADLAK and to include an editorial.

Mr. WOLVERTON and to include extraneous matter.

ENROLLED BILLS SIGNED

Mr. LECOMPTE, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H. R. 303. An act to transfer the maintenance and operation of hospital and health facilities for Indians to the Public Health Service, and for other purposes.

BILLS PRESENTED TO THE PRESIDENT

Mr. LECOMPTE, from the Committee on House Administration, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H. R. 6080. An act to authorize the appropriation of funds for the construction of certain highway-railroad grade separations in the District of Columbia, and for other purposes; and

H. R. 7128. An act to amend the act entitled "An act to provide an immediate revision and equalization of real-estate values in the District of Columbia; also to provide an assessment of real estate in said District in the year 1896 and every third year thereafter, and for other purposes," approved August 14, 1894, as amended.

ADJOURNMENT

Mr. WOLCOTT. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 7 o'clock and 4 minutes p. m.), under its previous order, the House adjourned until tomorrow, Thursday, July 29, 1954, at 10 o'clock a. m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1779. A letter from the Secretary of Defense, transmitting copies of 19 separate reports submitted by the Department of the Air Force, representing 23 specific violations of section 3679, Revised Statutes, and the Department of Defense Directive 7200.1, pursuant to section 3679 (i) (2), Revised Statutes; to the Committee on Appropriations.

1780. A letter from the Under Secretary of the Navy, transmitting a report on the payment of claims for damage occasioned by naval vessels which have been settled by the Navy Department, pursuant to section 8 of the act of July 3, 1944 (58 Stat. 726; 46 U. S. C. 797); to the Committee on the Judiciary.

1781. A letter from the Under Secretary of the Navy, transmitting a report on the collection of claims for damage caused to Navy Department property, which have been settled by the Navy Department, pursuant to section 2 of the act of December 5, 1945 (34 U. S. C. 600a); to the Committee on the Judiciary.

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:

Mrs. ROGERS of Masssachusetts: Committee on Veterans' Affairs. H. R. 9646. A bill to provide for the establishment of a Veterans' Administration center for domiciliary and chronic care at the Cushing Veterans' Administration hospital at Framingham, Mass.; without amendment (Rept. No. 2558). Referred to the Committee of the Whole House on the State of the Union.

Mrs. ROGERS of Massachusetts: Committee on Veterans' Affairs. H. R. 9866. A bill to prescribe certain limitations with respect to outpatient dental care for veterans; without amendment (Rept. 2559). Referred to the Committee of the Whole House on the State of the Union.

Mrs. ROGERS of Massachusetts: Committee on Veterans' Affairs. H. R. 9962. A bill to increase by 5 percent the rates of pension payable to veterans and their dependents; without amendment (Rept. No. 2560). Referred to the Committee of the Whole House on the State of the Union.

Mr. HOFFMAN of Michigan: Committee on Government Operations. S. 1184. An act to authorize relief of authorized certifying officers from exceptions taken to payments pertaining to terminated war agencies in liquidation by the Department of State; without amendment (Rept. No. 2562). Referred to the Committee of the Whole House on the State of the Union.

Mr. ALLEN of California: Committee on Merchant Marine and Fisheries. H. R. 2305. A bill to extend to certain naturalized citizens of the United States the benefits of the act of May 29, 1944, entitled "An act to provide for the recognition of the services of the civilian officials and employees, citizens of the United States, engaged in and about the construction of the Panama Canal"; with amendment (Rept. No. 2563). Referred to the Committee of the Whole House on the State of the Union.

Mr. TOLLEFSON: Committee on Merchant Marine and Fisheries. H. R. 9868. A bill to amend the Merchant Ship Sales Act of 1946 to provide for the charter of passenger ships in the domestic trade; with amendment (Rept. No. 2564). Referred to the Committee of the Whole House on the State of the Union.

Mr. McCONNELL: Committee on Education and Labor. H. R. 9712. A bill granting the consent of Congress to certain New England States to enter into a compact relating to higher education in the New England States and establishing the New England Board of Higher Education; without amendment (Rept. No. 2565). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. LANE: Committee on the Judiciary. H. R. 10067. A bill for the relief of Thomas F. Harney, Jr., doing business as the Harney Engineering Co.; without amendment (Rept. No. 2561). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ADAIR:

H. R. 10092. A bill relating to the treatment under section 902 of H. R. 8300 of taxes paid to a foreign country during a taxable year in which the taxpayer has a net operating loss; to the Committee on Ways and Means.

By Mr. CAMPBELL:

H. R. 10093. A bill to provide that the Atomic Energy Commission shall make a study and investigation with respect to the use and development of atomic energy for peaceful pursuits; to the Joint Committee on Atomic Energy.

By Mr. D'EWART:

H. R. 10094. A bill to amend the Migratory Bird Hunting Stamp Act of March 16, 1934 (48 Stat. 451; 16 U. S. C. 718) as amended; to the Committee on Merchant Marine and Fisheries.

By Mr. DONOHUE:

H. R. 10095. A bill to provide assistance to communities, industries, business enterprises, and individuals to facilitate adjustments made necessary by the trade policy of the United States; to the Committee on Ways and Means.

H. R. 10096. A bill to provide for the establishment of a United States Foreign Service Academy; to the Committee on Foreign Affairs.

By Mr. HAGEN of Minnesota:

H. R. 10097. A bill to grant priority in reemployment to positions of plate printer in the Bureau of Engraving and Printing to certain plate printers separated by reduction in force from such positions; to the Committee on Post Office and Civil Service.

By Mr. KLEIN:

H. R. 10098. A bill to provide salary increases for teachers, school officers, and other employees of the Board of Education of the District of Columbia whose salaries are fixed and regulated by the District of Columbia Teachers' Salary Act of 1947, as amended; to the Committee on the District of Columbia.

By Mr. REES of Kansas:

H. R. 10099. A bill to authorize the Civil Service Commission and the heads of all establishments in the Federal Government to make available, on a voluntary prepayment basis, group hospital, medical, and other personal health service benefits for civilian officers and employees in the Federal service, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. EBERHARTER:

H. R. 10100. A bill to amend section 209 (a) of the Technical Changes Act of 1953; to the Committee on Ways and Means.

By Mr. TOLLEFSON:

H. R. 10101. A bill to amend section 705 of the Merchant Marine Act, 1936, as amended, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. MASON:

H. J. Res. 571. Joint resolution proposing an amendment to the Constitution of the United States relating to the procedure for amending the Constitution; to the Committee on the Judiciary.

By Mr. COON:

H. J. Res. 572. Joint resolution proposing an amendment to the Constitution of the United States relating to the procedure for amending the Constitution; to the Committee on the Judiciary.

By Mr. SADLAK:

H. J. Res. 573. Joint resolution authorizing and requesting the President to proclaim Sunday, April 3, 1955, as a day of prayer for the "Man and Woman in White"; to the Committee on the Judiciary.

By Mr. RIVERS:

H. Con. Res. 264. Concurrent resolution expressing gratitude and appreciation to General of the Army Douglas MacArthur for his unsurpassed service to this Nation and the world; to the Committee on Armed Services.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. BAKER:

H. R. 10102. A bill for the relief of Emily M. Dooley; to the Committee on the Judiciary.

By Mr. BETTS:

H. R. 10103. A bill for the relief of Elfriede K. Bruck Beal; to the Committee on the Judiciary.

By Mr. DONOVAN:

H. R. 10104. A bill for the relief of William Patrick Flood; to the Committee on the Judiciary.

By Mr. KING of California:

H. R. 10105. A bill for the relief of Andrew M. Hanson; to the Committee on the Judiciary.

By Mr. MOSS:

H. R. 10106. A bill for the relief of Tai Jong (Billy) Ryu; to the Committee on the Judiciary.

By Mr. PILLION:

H. R. 10107. A bill for the relief of Pedro De La Rino; to the Committee on the Judiciary.

PETITIONS, ETC.

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

1123. By Mr. PHILBIN: Petition of Fedor W. Bernot, of Fitchburg, Mass., and others in favor of legislation to prohibit alcoholic beverage advertising over the radio and television and in the magazines and newspapers; to the Committee on Interstate and Foreign Commerce.

1124. Also, petition of Mrs. Charles Sargent, of Lancaster, Mass., and others, in favor of legislation to prohibit alcoholic beverage advertising over the radio and television and in magazines and newspapers; to the Committee on Interstate and Foreign Commerce.

EXTENSIONS OF REMARKS

The Duck Stamp Act

EXTENSION OF REMARKS

OF

HON. WESLEY A. D'EWART

OF MONTANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 28, 1954

Mr. D'EWART. Mr. Speaker, during the 83d Congress, a special subcommittee of the House Committee on Interior and Insular Affairs, the Subcommittee on Administration, ably chairmaned by Congressman JOHN PILLION, of New York, held extensive conferences and formal hearings respecting the administration of the Fish and Wildlife Service of the Department of the Interior.

Almost without exception, witnesses at these hearings and officials of the Department expressed concern over present duck-stamp receipts covered into the so-called duck-stamp fund authorized under the Migratory Bird Hunting Stamp Act of March 16, 1934, as amended. That act authorizes sale of Federal duck stamps, costing $2 per season, and requires possession of such a stamp by any person over 16 years of age before migratory birds can lawfully be taken. Annual collections presently exceed $4.3 million; estimates for the current fiscal year indicate that the total number of stamps issued will exceed 2,350,000.

Under existing law, funds so collected are to be expended as follows: Not less than 85 percent for the "location, ascertainment, acquisition, administration, maintenance, and development of suitable areas for inviolate migratory bird sanctuaries, for the administration, maintenance, and development of other refuges under the administration of the Secretary of the Interior and for investigations"; the remainder is made available for the enforcement program, for personnel expenses, and for reimbursement to the Post Office Department of expenses incurred in connection with the stamp program.

On June 28 and 29 of this year, public hearings were held by the House Public Lands Subcommittee, of which I am chairman, with inquiry made into this matter of duck-stamp fund administration. The June meetings gave several outstanding and nationally-known fish and wildlife conservationists an opportunity to comment on present use of the funds. These people understood—as did many Members of Congress—that the Duck Stamp Act had as one of its principal purposes acquisition of refuge areas along the various flyways in order to provide not only wintering,