OFFICE OF EMERGENCY PLANNING

Irvin Stewart, of West Virginia, to be an Assistant Director of the Office of Emergency Planning.

ASSISTANT POSTMASTER GENERAL

Sidney W. Bishop, of California, to be an Assistant Postmaster General.

POSTMASTERS

ALABAMA

Melvin G. Minyard, Brookside.
Curtis C. Gauntt, Talladega.

ALASKA

Maude I. Wright, King Salmon.
Frederick J. Baughn, Sitka.

ARIZONA

Nellie I. Freihage, Fort Huachuca.
Laura V. Guthrie, Gadsden.
Katherine L. Wallace, Mammoth.
Nancy L. Terry, Oracle.

ARKANSAS

William C. Capps, Harrison.
Charley E. Wahlquist, Mammoth Spring.

CALIFORNIA

Thomas J. Lawlor, Beverly Hills.
Lewis J. Gray, Crockett.
Clarence H. Rengstorff, Felton.
Howard E. Bradley, Hamilton Air Force Base.
Helen S. Kinderman, Ludlow.
Charles R. Parker, Lynwood.
James V. Praino, Malibu.
Winifred L. Lausten, Mount Eden.
Carroll A. LaJaunie, Palm Desert.
Daniel J. Stanton, Redlands.
George R. Fortney, Standard.
Martin H. Scheeper, Stateline.
Jim H. Mann, Yucaipa.

COLORADO

Bill L. Bowden, Dolores.
William H. Farnum, Jr., Glenwood Springs.

FLORIDA

Rosa A. Nash, Belle Glade.
Charles H. Hendrix, Cantonment.
Earl R. Hooker, Haines City.
Blanche B. Clyatt, Micanopy.
Warren W. Parrish, Pompano Beach.
Robert L. West, Stuart.

GEORGIA

Annie M. Carroll, Allentown.
Thomas H. Mills, Fort Gaines.
Howard L. Crews, Hoboken.
H. Rhodell Dunn, Jr., Richland.
Charles R. Sprayberry, Trion.
Mary C. Townsend, Wildwood.
Thomas O. Fowler, Woodstock.

ILLINOIS

Hazel M. Craig, Alma.
Walter D. Stephens, Rushville.

INDIANA

Noel A. Booher, Albany.
John F. Johnson, Beech Grove.
Arthur E. Hiester, Bremen.
William C. Summers, Hardinsburg.
James W. Chase, Lagrange.
Wilbur W. Amick, Scottsburg.
Charlotte L. Hudson, Spencerville.
Dorothy M. Jiles, West Terre Haute.

KANSAS

Mildred L. Staats, Coats.
I. Miller Wilson, Easton.
Milton H. Christian, Lindsborg.
Douglas G. Porter, Peabody.
Lois M. Bleidissel, Scranton.
Paul J. O'Connell, Jr., Shawnee Mission.

KENTUCKY

Dillie C. Hutton, Berry.
Florabelle H. Wells, Bloomfield.
Thomas B. Tichenor, Brandenburg.
Robert S. Reed, Cynthiana.
Edna C. Everidge, Garrett.
Julia W. Garvey, Glencoe.
Charles E. Cecil, Hazel Green.
Leonard G. Gooch, Waynesburg.
James E. Thomas, Wilmore.

LOUISIANA

Ella T. Ewing, Batchelor.

MAINE

John R. Fortin, Portland.

MARYLAND

Edward W. Young, Pocomoke City.
William E. Schwartz, Reisterstown.
Emory L. Leonard, Salisbury.

MASSACHUSETTS

Joseph F. Smyth, Grafton.
Arthur H. Boutiette, South Grafton.

MINNESOTA

Raymond G. Meier, Bird Island.
Cecil W. Sundquist, Hopkins.
Orville J. Mortensen, Lyle.
Ralph A. Nelson, Spring Park.

MISSISSIPPI

Clyde C. Parker, Calhoun City.
John T. Lingle, Crystal Springs.
Joy S. Rials, Jayess.
Louise N. Prowell, Jonestown.
Mary L. Castle, Kilmichael.
William L. Barbee, Lula.
Thomas F. Stevens, Noxapater.
McHaven Clanton, Slate Spring.
Ruth Black, Tutwiler.

MISSOURI

John K. Timlin, Fenton.
Robert H. Theiss, Warrensburg.

MONTANA

Clinton L. Sennett, Lewistown.

NEBRASKA

Robert L. Hoins, Fairfield.
Alfred A. Jorgensen, Fairmont.
Ronald D. Hostetter, Murray.

NEVADA

Walter L. Neal, Hawthorne.
William A. Morby, Sparks.

NEW JERSEY

William D. Hand, Edison.
George P. Johnson, Lake Hiawatha.
Joseph A. Amorosa, Raritan.

NEW MEXICO

William Fitch, Jr., Grants.

NEW YORK

Margaret E. Bolton, Candor.
James D. Curcio, Chappaqua.
James D. Donahue, North Creek.
Audrey L. Manzo, Ocean Beach.
Thomas J. Reilly, Warsaw.
Edna M. Mulvey, Wilmington.

NORTH CAROLINA

Albert K. Dickens, Castalia.
Roy H. Cartner, Mocksville.
Henry B. Fountain, Rocky Mount.
D. Herman Jones, Jr., Smithfield.
Edwin A. Howland, Sr., Tillery.
Leslie T. Fowden, Williamston.
Ruby M. Dawson, Zebulon.

OHIO

Joseph R. Wysocki, Avon.
Lyman D. Wise, Hillsboro.
Fred H. Bonker, Northfield.
Ruth B. Hartsel, Polk.
Raphael J. Reasbeck, Salem.
John M. Tertel, Toledo.
Charles F. Seither, West Richfield.

OKLAHOMA

Grady F. Cope, Hollis.
Hobart G. Waters, Sayre.
Rex E. Pettijohn, Stigler.

OREGON

Lyle J. Chase, Rainier.
Frank G. Ryan, Tillamook.

PENNSYLVANIA

Thomas P. Lowry, Blue Bell.
Agnes M. Smith, Dunlo.
David C. Miller, High Spire.
Kathryn L. Fessler, Muir.
Marie A. Leo, New Albany.
J. Perry Hockersmith, Shippensburg.
John J. Bocinec, Tarentum.
Esther T. Williams, Thorndale.
Edward A. Lynch, Titusville.

PUERTO RICO

Moises M. Graniela-Ramirez, Boqueron.

RHODE ISLAND

Ellen L. Costanza, Bradford.
John J. Bento, Tiverton.

SOUTH CAROLINA

Huron A. Gray, Allendale.
Mozelle M. Thompson, Inman.

TENNESSEE

Joe B. Campbell, Blaine.
Fred R. Lockett, Jr., Mountain Home.

UTAH

Ethel N. Jones, Corinne.

VIRGINIA

Ernest R. Johnson, Alberta.
Alvis T. Davidson, Jr., Faber.
Walter L. Waleski, Glenallen.
E. Guy Smith, Gloucester.
J. Spencer Rogers, Melfa.
G. Hoyt McCartney, New Castle.
Virgil S. Abel, Jr., Quantico.
Horace B. Ridenour, Williamsburg.

WASHINGTON

Ada M. Conboy, Glenwood.
Keith E. Hand, Malott.
Elvin L. Jorgensen, Onalaska.
Sheldon P. Sageser, Poulsbo.
Harold C. Cochran, Snohomish.
Florence C. Blaisdell, Snoqualmie Falls.
Lillian R. LaRue, Steilacoom.

WEST VIRGINIA

George E. Nolte, Bethany.
Virgina L. Kyle, Hendricks.
John W. Waskey, Sandyville.

U.S. CIRCUIT JUDGE

J. Skelly Wright, of Louisiana, to be U.S. circuit judge for the District of Columbia circuit.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MARCH 28, 1962

The House met at 12 o'clock noon.

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

The text of John Wesley's last sermon, Isaiah 55: 6: *Seek ye the Lord while He may be found, call ye upon Him while He is near.*

Ever blessed God, we rejoice that Thou art found by those who truly seek Thee, known by those who love, and seen by all whose hearts are pure.

Grant that daily we may be numbered among the seekers and finders of God and thus have our lives become aglow with the light and joy of the things that are worthy and eternal.

Show us how we may conserve and utilize wisely the hours of each new day and keep alive our faith in the moral and spiritual values.

Lift us out of all cynical and cold tempers of mind and heart and make us receptive and responsive to the divine call to seek Thee lest we become too despondent to hope for better days and too willful to follow Thy leading.

Hear us in the name of Jesus Christ, our Lord. Amen.

THE JOURNAL

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

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed a joint resolution and a concurrent resolution of the following titles:

S.J. Res. 29. Joint resolution proposing an amendment to the Constitution of the United States relating to the qualification of electors; and

S. Con. Res. 65. Concurrent resolution designating the week of May 20 to May 26, 1962, as "National Highway Week."

PROPOSED AGRICULTURAL PRODUCTION CONTROL PROGRAM

Mr. FINDLEY. Mr. Speaker, I ask unanimous consent to extend my remarks at this point.

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

There was no objection.

Mr. FINDLEY. Mr. Speaker, the American farmer would be far better off to have no legislation at all this year than to get the administration's production control program—H.R. 10010—or an extension of the existing feed grains program.

If the feed grains program is not extended to 1963 and no new legislation is enacted, then the 1958 program would go into effect. It is still on the books and provides no acreage allotments or planting restrictions for feed grains, and places price supports at 90 percent of the past 3-year moving average with a floor at 65 percent of parity.

Secretary Freeman himself has stated the feed grains program now in effect is too costly for what it accomplishes. Certainly the cost of the proposed production control program in loss of efficiency, opportunity, and freedom, as well as tax cost, is staggering.

If no legislation is passed, Midwest agriculture would once more move toward a strengthened free enterprise marketplace system, with price supports related to market prices instead of parity. In both H.R. 10010 and the existing feed grains program, the marketplace system is largely replaced by Government control. Bureaucrats manipulate prices and supplies.

I will do my utmost on the Committee on Agriculture to kill the entire bill, as I am convinced that no legislation is far to be preferred to any modification of a bill that is so basically against the interests of the farmer.

CALL OF THE HOUSE

Mr. LOSER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. 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. 46]

Andrews	Hoffman, Mich.	Scherer
Ashley	Jones, Ala.	Selden
Bates	Kearns	Shelley
Bennett, Mich.	Lane	Sheppard
Blitch	Minshall	Short
Bolling	Norrell	Smith, Miss.
Brooks	Nygaard	Spence
Byrne, Pa.	Peterson	Springer
Cannon	Powell	Tollefson
Colmer	Rains	Tupper
Cooley	Roberts, Ala.	Walter
Hagan, Ga.	St. Germain	Wilson, Ind.

The SPEAKER. On this rollcall, 396 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

TO AMEND THE PEACE CORPS ACT

Mr. DELANEY, from the Committee on Rules, reported the following privileged resolution (H. Res. 579, Rept. No. 1517), which was referred to the House Calendar and ordered to be printed:

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. 10700) to amend the Peace Corps Act. After general debate, which shall be confined to the bill, and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs, the bill shall be read for amendment under the five-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.

AMENDING INTERNAL REVENUE CODE OF 1954

Mr. O'NEILL. Mr. Speaker, by direction of the Committee on Rules, I call up the resolution (H. Res. 576) providing for the consideration of H.R. 10650, a bill to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

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. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill, and continue not to exceed eight hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. 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, with or without instructions.

Mr. O'NEILL. Mr. Speaker, at the conclusion of my remarks, I will yield 30 minutes to the gentleman from Ohio [Mr. BROWN].

Mr. Speaker, the resolution, House Resolution 576, provides for the consideration of the bill, H.R. 10650, a bill to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes. The resolution provides for a closed rule, waiving points of order, with 8 hours of general debate.

The bill, H.R. 10650, represents a major revision and reform of our Federal tax system.

On the one hand the investment credit provided by this bill is designed to provide a stimulant to the economic growth of this country. This is needed both to improve our competitive position abroad and in the long run to raise our standard of living at home. On the other hand, the other provisions of the bill are designed to improve the equity of our tax structure.

Estimates presented in the committee report indicate that when the provisions of the bill are fully effective a revenue loss is expected, if no effect of the provisions on the national economy is taken into account. The Treasury Department has estimated, however, that when this effect is taken into account the bill will be substantially in balance.

On April 20, 1961, the President sent to Congress a message containing a series of proposals for the revision of the present tax laws. Most of his recommendations, modified, are incorporated in this bill.

On May 3, 1961, hearings began on the President's proposals. These hearings extended over 6 weeks and the Committee on Ways and Means received testimony and comments from over 400 individuals, corporations, and organizations. Following the special hearings, they considered the President's proposal in executive session last year for a period of several weeks. Upon completion of its considerations at that time they made certain tentative decisions for the incorporation in a draft made public in order to obtain the views of interested persons. The committee print containing these suggestions was released to the public on August 24, 1961, together with a general explanation of the provisions. That print was given wide distribution and circulation. In the fall of 1961 the staff of the Committee on Ways and Means met with outside persons and worked with the Treasury Department in obtaining the views of interested parties. With the beginning of this session of

Congress the committee immediately began a review of these provisions, making modifications in the earlier decisions to take into account the suggestions and recommendations received.

H.R. 10650, therefore, represents the decisions made in the committee after careful deliberation over an extended period of time.

The other part of the bill deals with the withholding tax. On this I am sure we have all received—I know I have received—probably more mail on this than on any other legislation pending before the Congress. We received on our desks a letter from the Treasury Department which I think is an excellent argument concerning that part of the bill which states that the withholding of taxes on interest and dividend payments is essential as a matter of equity and as a matter of fiscal responsibility.

There is absolutely no reason why those who receive all or part of their income from interest and dividends should not have their taxes withheld—as wage and salary earners have been for 20 years. What is being considered is not a new or additional tax but simply a method of collecting taxes which are now owed the Government but not being paid.

I feel that it is the belief of the people of the Nation that since the ordinary Mr. John Q. Public pays his tax and it is withheld from him, then there is no reason why those who receive income in the form of unearned income from dividends should not also pay their taxes, by having the tax withheld.

In addition, the fiscal soundness of the pending bill depends heavily upon enactment of the withholding section, which is the largest single source of uncollected taxes owed. Six hundred and fifty million dollars are not going into the coffers of the U.S. Treasury which are owed to the Government of these United States by those people who have failed to pay their taxes on dividends annually.

INDIVIDUALS WOULD SUFFER NO HARDSHIP AND LITTLE INCONVENIENCE

People with no tax liability will be excluded from the withholding system on their dividend, savings account and savings bond interest by filing a simple exemption certificate with the payer of the dividend or interest certifying that he reasonably believes he will not be liable for the payment of any income tax for the year in question. For those under age 18, the exemption certificates can be filed whether or not the individual expects to have any tax liability. Those who have some tax liability but less than the amount withheld, will apply for quarterly refunds on a simple form supplied by IRS, which will mail out quarterly reminders. Refunds will in most cases be received within a month—as they are now by the 35 million taxpayers who are overwithheld each year on their wages and salaries.

WITHHOLDING WILL PAY FOR ITSELF HUNDREDS OF TIMES OVER

The estimated administrative cost of the withholding system is $19 million per year but $650 million in presently evaded taxes will be collected.

Withholding is necessary. Publicity campaigns aimed at increasing the level of voluntary reporting of interest and dividend income have simply not worked and attempted enforcement by tax return audits has been unproductive.

I think the majority of the public wants this bill passed. Those who work for salaries and wages are withheld on. Why should not those who gain their living by clipping coupons and from interest payments likewise make some payment to the Treasury of the United States?

Since the bill will be covered in detail by the Committee on Ways and Means during general debate I shall not speak further with reference to the merits of the bill but urge the adoption of House Resolution 576.

Mr. BROWN. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Illinois [Mr. MASON].

Mr. MASON. Mr. Speaker, in connection with the arguments pro and con that will be made on H.R. 10650, the tax revision bill of 1962—a bill that has some good features but is, in my opinion, an unrealistic, stopgap tax bill—I wish to submit for the consideration of the Members of the House a program for Federal tax relief that if adopted would go a long way to equalize the heavy tax burden upon the American taxpayers. It would also do away with most of the present tax inequities that are to be found in our Federal tax system and it would spread the taxload more equitably over all segments of our economy. The following is the tax program I recommend:

A PROGRAM FOR FEDERAL TAX RELIEF

Mr. Speaker, in the tax-writing Committee on Ways and Means of the Congress, 1962 has been a year of solemn contemplation of our botched-up tax structure—but with very little real remedial action. The big job of tax revision and tax reform is scheduled for next year.

The committee is well prepared for action. In three volumes of 2,382 pages and in hundreds of more pages of questions and answers, we have before the committee the wisdom of more than 150 attorneys, economists, businessmen, and bankers who served as panelists in exhaustive discussions of practically every facet of Federal taxation, as well as their recommendations for revision of the whole monstrous Internal Revenue Code.

When our total taxload takes nearly one-third of the national income, something should be done to spread that taxload equitably among the various segments of our economy. Today we require certain segments of our economy to carry a disproportionate share of the total taxload. Is it, therefore, any wonder that the American taxpayer is more tax-conscious and more tax-complaining today than ever before in our history?

In fiscal year 1961 the total taxload upon American taxpayers was roughly $120 billion. Federal taxes were $82 billion; State taxes, $20 billion; and local taxes, $18 billion.

Mr. Speaker, our Federal taxload can be broken down into four different tax sources, namely: Individual income taxes, corporation income taxes, excise taxes, and miscellaneous taxes—inheritance taxes, gift taxes, and tariffs.

First. Our individual income taxes now range from 20 percent of the taxable income in the lowest bracket to 91 percent of the taxable income in the highest bracket. This means that the man in the lowest income bracket must work about 2½ months each year for the Government with only 9½ months left for himself and his family; that the man in the top tax bracket must work 11 months each year for the Government, with only 1 month left to work for himself and his family.

The yearly tax take from this source—individual income taxes—is roughly $44 billion, or a little more than one-half of the total Federal taxload.

Second. Our corporation taxes range from 30 to 52 percent of corporation profits. This means that a corporation in the 52 percent bracket must make $2 profit for every dollar it can hand out to its stockholders. It means also that many corporations work a little more than 6 months each year for the Federal Government and a little less than 6 months each year for their stockholders.

Corporation taxes bring in a total yearly tax take of about $22 billion.

Third. Excise taxes are taxes levied upon the value of goods sold and upon certain services rendered. Both liquor and tobacco, however, are taxed at very high rates, disregarding the value of the goods sold.

Excise taxes bring in a tax of roughly $10 billion.

Fourth. Our Federal inheritance taxes range up to 70 percent of the total value of the estate, while tariff rates average about 7 percent of the value of the goods imported.

Receipts from these sources amount to about $6.7 billion per year.

Mr. Speaker, in the light of our present heavy Federal taxload and its sources three tax reforms are badly needed to spread the tax load more equitably.

The first tax reform that should be made is to place a tax ceiling or limit upon all Federal income taxes, corporation taxes, and estate taxes. This tax ceiling should be in the neighborhood of 45 percent.

Why should this be done?

In 1848, over a hundred years ago, Karl Marx announced a two-point tax program for the destruction of capitalism and the promotion of communism:

First. All estates should be confiscated through a 100-percent inheritance tax, and

Second. A steeply progressive graduated income tax should be levied upon all income.

During the past 25 years we have traveled a long way down the tax road that Karl Marx laid out. True, we have not yet reached the 100-percent confiscation of inheritances, but we do go up as high as a 70-percent inheritance tax. We have reached 91-percent confiscation of all large incomes, and we have reached a 52-percent confiscation of corporate incomes.

The second tax reform that should be made is the repeal of all present Federal excise taxes now on the books—except upon liquor and tobacco—and the substitution of a flat 5-percent manufacturers excise tax, uniformly applied at the source to all end products except food and medicine.

The repeal of present Federal excise taxes would cost the Treasury about $5 billion per year. Imposition of a flat 5-percent manufacturers' excise tax upon all end products would produce about $5 billion per year to make up for the loss. This change in our excise tax program would have the following definite advantages:

First. We would get rid of the present hodgepodge, hit-and-miss, inequitable system of excise taxes—taxes levied without rhyme or reason—and we would also lower our present 10-percent excise taxes down to 5 percent.

Second. A manufacturers' excise tax is the cheapest and easiest of all taxes to administer and collect.

Third. It would tend to equalize the total tax burden upon all our people, without hurting any one producer or consumer.

The imposition of a flat manufacturers' excise tax in lieu of the present hodgepodge of excise taxes would constitute a long step forward toward the establishment of a well-balanced, equitable, and efficient Federal tax system.

The third tax reform that should be made is to bring about tax equality between business competitors. Corporations now pay a tax up to 52 percent upon their profits. Cooperatives, mutual savings banks, building and loan associations, credit unions, Government-operated businesses—all in competition with taxpaying corporations—now pay little or no Federal income taxes.

As a consequence of the present tax inequality between business competitors, the co-ops and various mutuals are able to use the major part of their profits for expansion, for buying up taxpaying enterprises in their own lines of business. Thus they keep expanding year after year, like a snowball rolling down a mountainside, gathering mass and momentum as it rolls.

Mr. Speaker, spokesmen for the co-ops have always claimed that Congress has no legal right to tax co-ops; that co-ops are simply agents for their patrons; that co-ops make no profits in the sense that corporations make profits; and therefore co-ops are not taxable. This argument of the co-op spokesmen was settled when the greatest tax authority in the Nation, the Joint Committee on Internal Revenue, rendered an opinion in 1951 saying that under our Constitution and laws, Congress does have the right to tax co-ops in the same manner and for the same reason that it now taxes corporations.

Briefly, the report of the Joint Committee entitled "The Power of Congress To Tax Cooperatives on Net Margins" pointed out:

1. Nearly all co-ops are organized as corporations and have corporate charters granted by the various States; therefore they are taxable as corporations;

2. The few not chartered as corporations are associations. The definition of a corporation in the Internal Revenue Code includes associations; therefore for Federal tax purposes they are considered corporations; and

3. For many years Congress has considered co-ops as corporations and has by legislation exempted them from the corporation tax. If Congress has the power to exempt co-ops from the corporation tax, then Congress certainly has the power to repeal that exemption.

The Joint Committee in its report has settled for all time the moot question raised by the spokesmen for the co-ops. The Congress does have the right to tax co-ops. The real question is, "Does Congress have the courage to do so?"

So, when we come to the revision of our tax laws in 1963, I shall urge three specific reforms:

First. Lower income taxes for all individuals, with a top barrier of 45 percent beyond which we shall not go except in the emergency of war.

Second. Impose an excise tax on the end products of manufacture, to produce a far bigger part of our national revenue than retail excise taxes now bring.

Third. Tax the earnings of savings and loan associations, cooperatives, mutual savings banks, credit unions, and other mutuals exactly as the earnings of their proprietary competitors are taxed.

That is not all that is needed; but if the 88th Congress accomplishes no more than these three simple items in writing the Internal Revenue Code of 1963, it will bring to our tax system a measure of justice and equality that has been missing for lo, these many years.

I have long preached from one tax text: "We must tax the untaxed to relieve the burden of the overtaxed." More than ever, this will be my slogan next year.

Mr. BROWN. Mr. Speaker, I yield myself such time as I may use.

Mr. Speaker, as the gentleman from Massachusetts [Mr. O'NEILL], a member of the Rules Committee, has so ably explained, House Resolution 576, which is now before us, provides for the consideration of H.R. 10650 under a closed or a gag rule, in which all points of order are waived, and which provides for 8 hours of general debate.

Yet this resolution does not give a rule on the bill that will actually be before us today and that we will have to pass on, because H.R. 10650, as mentioned in House Resolution 576—and this rule was not granted until 5 or 6 days ago, on March 22—has been greatly changed and amended since it was printed. Of course this bill of 240 pages is not easy to understand or to comprehend. I am sure I will go unchallenged when I make the statement there is not a single individual, with perhaps the exception of the very learned and distinguished chairman of the Committee on Ways and Means in the House who knows what this bill will do, or what its effect may be or what the taxpayers of this Nation will be required to do under its provisions.

Then, of course, we have had this bill with us only a few short days ago, and neither it nor the 217-page report on it, which explains the sections that are no longer in the bill, or will not be if the chairman of the Committee on Ways and Means offers the amendments he advises the Rules Committee he will offer on behalf of the committee.

So, Mr. Speaker, there is a lot of misunderstanding about the bill and the rule we have here. We are being told by the gentleman from Massachusetts [Mr. O'NEILL] that this is a closed or gag rule. It is, or of course will be, if this resolution is adopted, at least as far as 424 Members of this House are concerned. But, it is not a closed or gag rule as far as any 13 members of the great and distinguished Committee on Ways and Means are concerned, because any of its 13 members, under this rule, would have the authority to offer any amendment they might approve. But, that does not apply to those 424 of us who are not members of the Committee on Ways and Means. So, this is a closed or a gag rule, in one sense of the word, as far as a great majority of the Members of the House are concerned, but it is not a closed or gag rule as far as any 13 members of the Committee on Ways and Means may be concerned. Therefore, we have here an actual breakdown, if you please, of the so-called closed rule as far as 13 individual Members of this House are concerned. They can offer any amendment they wish, but the rest of us, under this rule, must go along with the bill without the privilege of offering amendments, except the privilege to offer one motion to recommit.

Now, this measure, H.R. 10650, is the latest tax bill reported out. There have been a great many versions of it. In fact, I made the remark facetiously, of course, in the Committee on Rules, when we had some of these different forms of the tax bill before us, that seemingly the committee printed more editions of the new tax bill, here on Capitol Hill, than the Washington Star printed editions of their daily newspaper.

Now, I do not know exactly what this latest edition tax bill provides, but I do know the Committee on Ways and Means of this House, which is a great committee, and upon which are a great many fine and distinguished Members, that has had about 11 months to consider this tax legislation and we, in the House as a whole, have not really had sufficient time to even read, let alone to master, all of the language contained in this 240-page bill.

Many times, in the well of this House I have opposed closed or gag rules. Not always have I opposed those on tax bills, because I have understood for a long, long time, and have so voted, that it is not easy to enact general tax legislation on the floor of the House, especially where we open up the entire Internal Revenue Code for amendment. For that reason, as I have said, I have not always opposed closed rules on tax bills. I have opposed them on other legislation. We saw here on the floor of the House last summer a situation where we voted down a rule, after we had been told it was absolutely necessary to have a closed or gag rule; I refer to the postal revenue bill. We saw the previous question voted down, and the rule amended, so that it became an open rule, yet the legislation to increase the postal revenues was voted by this House under that open rule without too much difficulty.

We have seen in the past this House, vote rules, special rules, in connection with tax bills, so as to permit the offering and consideration of certain amendments. We have seen that done on other important legislation before the House. Not too long ago, you may remember, our own Committee on Rules reported out a rule making in order the consideration of certain civil rights legislation, and providing therein that the contents of the so-called McCulloch bill should be held in order for consideration as an amendment to the bill.

That action was approved by the Rules Committee of the House, and then the amendment was approved by the House itself. Actually, while it carried the title of the Celler bill, the content of that important reform legislation was the exact wording of the so-called McCulloch bill.

Mr. Speaker, I hope I may have the attention of the membership because I believe this is important to the Members.

I am going to do today, if I have the opportunity, which I hope to have, that which has been done in the past. I am going to ask, and I will urge if I may, with all the sincerity at my command, that this House vote down the previous question on this gag rule so it will be open to amendment, at which time, if the previous question is voted down, I will offer a substitute rule, similar to that which was considered in the Rules Committee, and which was lost by a small margin of votes. This rule would be one that would make in order the consideration of amendments to three important and controversial sections of this bill, H.R. 10650.

Mr. Speaker, some may attempt to argue this is not a proper procedure, that it has not been done in connection with tax legislation in the past. Yet I would like to refer the membership, if I may, to a rule that was adopted by this House, for the consideration of a very important tax bill a few years ago—on July 30, 1941, page 6608—a rule which made in order the consideration of a certain amendment, or amendments to the tax bill then pending before this body. That rule was approved by the House and later that amendment was also approved by the House.

Mr. Speaker, what is the suggested rule I propose to take the place of this closed or gag rule? It is a closed rule; yes, to a great extent, except in three limited areas concerning three very controversial sections of this bill, and concerning which I am sure most of you, if not all of you, have written many letters and perhaps have done as some of us have done, told constituents: "Yes; I expect to vote against that particular provision in the tax law, if I am given the opportunity to do so." Well, this simply gives you the opportunity to do so.

This proposed rule will give you the opportunity to say whether or not you want to bind and to gag yourselves so you will be impotent to the extent you cannot act, and only 13 Members will have any opportunity to say anything about amendments. Do you want to say that to your constituents? That you have voted to bind and to gag yourselves so you cannot vote for the provisions and the amendments to this bill, as you have promised, or take any action upon the sections of this bill to which you object, or to which you advised your constituents you are opposed? This is an opportunity to see whether or not you want to work your own will in this House; whether you feel the Members of this body are just as capable, just as able, to pass upon important legislation of this kind, especially on the controversial issues—the ones that count in this bill—as is the other body of this Congress.

What is this rule that I expect to offer as a substitute, if the previous question is voted down, as we hope it will be? It provides simply this: That there be an amendment adopted to House Resolution 576, the present rule now pending before us, to strike out all after the resolving clause and insert in lieu thereof the following language. This will be in the motion that I shall make:

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 H.R. 10650, a bill to amend the Internal Revenue Code of 1954, and for other purposes, and all points of order against said bill are hereby waived.

That is the same provision as in this original resolution:

That after general debate, which shall be confined to the bill and shall continue not to exceed eight hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment—

That is the same as in the present resolution—

No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means—

That is the same as in this pending resolution—

and except one amendment—

This is the new language—

one amendment proposing to strike out section 2 and substitute therefor the language of H.R. 10906—

Which I will explain later—

and except one amendment proposing to strike out section 13 and substitute therefor the language of H.R. 10803, and except one amendment proposing to strike out section 19, any rule of the House to the contrary notwithstanding, but such amendments shall not be subject to amendments—

Which continues a closed rule on all other matters in the bill—

Amendments authorized by this resolution may be offered to any section of the bill at the conclusion of the general debate. 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, with or without instructions.

To what do these amendments pertain? The first amendment would deal with the section that would give certain tax credit for investments made by those who may have money to spend at the present time.

The second amendment deals only with restoring to the bill the language originally written into the measure as prepared by the Joint Committee on Internal Revenue Taxation, which would protect the best interests of those who may invest their money abroad, as requested, and as we have said they should do under the so-called Boggs bill we passed some time ago, and as both President Eisenhower and President Kennedy have urged should be done. That is the foreign investment section of the bill.

It does not stop the closing of loopholes. It does not change that part a bit. It does not apply to the usual foreign earnings, foreign investments, and so forth, but only to corporations and the investment of their earnings made abroad.

The third amendment to the bill, of course, would simply strike from the bill this withholding tax arrangement that we heard discussed a moment ago by the gentleman from Massachusetts, whom I respect very much but with whom no one could differ more than I. I have had some experience during my lifetime as head of some small corporations, and in connection with some financial institutions. In my opinion, and I think also that of almost every tax expert who has studied this withholding section of the tax bill, against which so many Americans have protested, and rightly so, is a legislative monstrosity which simply cannot be made to work effectively. It will create all sorts of injustices and hardships on corporations and financial institutions throughout America, which would be required to withhold these taxes on dividends and interest and send them in to the Federal Government. In other words, it is another one of these arrangements where the Government says to private corporations and private financial institutions—"just go out and employ your own help to collect these taxes for the Federal Government, pay their salaries, and then pay taxes on the salaries of those you must employ to do the job the Federal Government should do—collect Federal taxes."

Now, the question arises in the minds of all of us—is that necessary? Is that the best way to handle this situation to make sure every person who should pay taxes on dividends or interest income, will do so?

Let me remind you that we have an internal revenue form, No. 1099, every corporation and every financial institution is required to fill out in triplicate, keeping one copy and filing two copies with the Internal Revenue Service. What does from No. 1099 do? It provides, first of all, that you must give the name and the address of the individual affected by whatever income may be reported on the form. You also must give the social security number or its Internal Revenue Service number of each person. For example, let it be John A.

Jones. First of all, you fill out on the form giving his name, his address, and social security number or Internal Revenue Service number. Then you put down whether he has received any pay for work, and whether any W-2 forms for salaries and wages have been filed for him. Then next, you report any income he may have received from dividends, over $10, in each year. Next comes a report of any rentals paid to this individual, and any amounts paid him over $600, for services such as trucking or anything else. You furnish all that information and it goes where? It goes to the Internal Revenue Service. All in the world they have to do is just to put such a report over in Mr. John A. Jones' file, whether he receives only one dividend from one corporation, or 100 dividends from 100 corporations. And if he does not pay his tax thereon, there is the evidence and there is the information the Government can readily and easily use, to collect taxes due, at much lower cost than by this other method provided in this pending bill.

Let me say to some of my friends from Ohio who ask, How does that work? We have in my home State an intangible tax that requires all Ohioans to pay a 5 percent tax, almost like a State income tax, on dividends and interest received. There we have to fill out another form almost identical to Federal form No. 1099 except that it is State form No. 939, and send it to the State department of taxation at Columbus, showing, as you gentlemen from Ohio know, the dividends that have been paid to any Ohio individual by any corporation. From Columbus it is distributed to the 88 county auditors in the State of Ohio. They immediately check back on the intangible tax returns filed with them by the individuals concerned. If one has not paid his intangible tax on these dividends, he is immediately notified to come in and explain and, believe it or not, through that very simple system which the Federal Government can also use, if it wishes to, we are collecting better than 99 percent of all intangible taxes due in the State of Ohio. The only ones who escape are the ones who die during the interim period before the returns get back to the county auditor and he can call them in.

Let me go ahead for just a minute or two, for I promised to say a few words about these amendments.

Amendment No. 1 would strike section 2 of the bill, H.R. 19650, providing for a so-called investment credit. The amendment would substitute the language of H.R. 10906. The substitute would add two new provisions to the Internal Revenue Code.

We have a provision permitting additional accelerated depreciation not to exceed 20 percent more than the depreciation to which the taxpayer presently is entitled.

Instead of giving a windfall to just a few rich investors, as provided in the pending bill, it would give all concerns a 20-percent reduction in their present depreciation allowances, according to what they may be entitled to. It would apply to the same category of assets that would be eligible for the investment credit. It differs from investment credit in that there would be no double deduction. Under this bill you can deduct first your tax credit and next your depreciation allowance for tax purposes. The taxpayer would not be permitted, under the amendment, to deduct more than 100 percent of his cost over the full period of depreciation deductions.

The second provision would permit retail and distribution trades to reduce their closing inventories by an amount not to exceed 20 percent of the first $100,000 in inventory. The effect of this provision is to give the small retailer and distributor a cushion against inventory losses and obsolescence. It balances the relief granted to this segment of the economy with the relief granted to a different segment of the economy in the depreciation provision. The effect of the inventory adjustment will be that the small businessman can set aside out of profits an amount not to exceed $20,000 which is reinvested in inventory.

The continuing cost of adding these two provisions to the Internal Revenue Code has been estimated at about one-half of the cost of investment tax credit arrangement alone.

Let me say that the latest information I have received this morning from the highest tax authority in this country, in my opinion, on this tax bill, is to the effect that the new amendments to the measure to be offered by the Ways and Means Committee will cost the Treasury at least $1 billion this coming year. So this bill, if adopted as it is, will not be a tax raising bill but will be a tax reduction measure. For the benefit of whom? For a few who have ready money to invest. I am informed, from reliable sources, that one corporation in America alone, under the provisions of the original bill as brought here and as now before you, could gain about $100 million, which is a pretty nice windfall for any concern.

This amendment proposed here would take care of everyone, whether a small industry, a small businessman, a small manufacturer, and would help do away with obsolescence and bring about greater investments more rapidly, whether in the small community or the large city.

Amendment No. 2 proposes to strike section 13 of the bill and to substitute the language of H.R. 10803, which is simply nothing more or less than the proviso on foreign corporation earnings that was written by the Joint Committee on Internal Revenue Taxation, was adopted unanimously, I believe, by the House Committee on Ways and Means, and then changed at the last minute when there was a lot of monkey-doodling going on on this bill to try to make it a little more palatable for the people who might be prevailed upon to vote for it.

Finally, the last amendment, of course, would strike out entirely the withholding tax section of the pending bill.

I hope that when the vote comes on the previous question on the adoption of this gag rule that it will be voted down, so we may be able to immediately offer the substitute bill I have mentioned above, as an amendment to the original rule, and call for a prompt vote thereon without continued debate.

Mr. Speaker, I reserve the balance of my time.

Mr. O'NEILL. Mr. Speaker, I yield 10 minutes to the gentleman from Oklahoma [Mr. ALBERT].

Mr. ALBERT. Mr. Speaker, if this rule is adopted, and I hope it will be adopted, we will have before us one of the most important bills in the legislative program of the President of the United States. This revenue bill, which the Committee on Ways and Means has been considering for months, embraces some 20 sections and 240 pages. It is one of the most important measures to come before the Congress in a number of years.

The committee has brought this bill to the floor of the House after lengthy consideration, after analysis of its effects on the Treasury and the economy of the country, with a request for a closed rule, which the Committee on Rules has granted. Under the rule 8 hours of general debate will be in order. Amendments offered by the Committee on Ways and Means will be in order, and a motion to recommit, controlled by the minority, will be in order prior to final passage.

The rule under which this resolution is made in order is the historic one under which complicated tax proposals have been brought to this House throughout the years. The right of the Committee on Ways and Means to offer amendments has been recognized in every rule of this kind that I have been able to find anywhere in the CONGRESSIONAL RECORD over the past 30 years. This is the normal, the typical, closed rule.

Under this rule the rights of the minority are fully protected. The minority has the motion to recommit. All of the proposals discussed at length by the gentleman from Ohio can be contained in the motion to recommit.

The issue here, first, is whether these amendments, all of which the gentleman from Ohio has advocated, all of which have been coordinated by those who favor them, should be considered in bulk in a responsible manner, or whether the House should single-shot these amendments, winding up possibly by adopting some amendment that would throw the bill out of balance and not adopting others. The question here is, Shall we have responsible legislation, responsible revenue legislation, or shall we have single-shot legislation which may destroy the fiscal balance of this bill?

The proposed procedure is irresponsibility in its most irresponsible form. Either we accept these amendments, debate them on their merits, and offer them under the motion to recommit, or we take a course of irresponsibility.

Mr. Speaker, the right of the minority is protected and the right of the individual is protected by the rules, the customs, and the traditions of this House. If we do not follow the regular customs and procedures of this House in consideration of legislation of this kind, or of any kind, the majority could run roughshod over the rights of the minority or over the rights of the individual.

The rules, regulations, and the time-tested procedures of this House are the greatest bulwark that individual Members and minority Members have against arbitrary action.

The procedure made in order by the pending resolution is in accord with the time-honored custom of the House. It has long had a wide measure of bipartisan support. During the administration of President Eisenhower and previously the Democratic leadership cooperated on measure after measure with the desires of the Republican leadership to bring out important revenue bills under closed rules. As far back as the 80th Congress when the Tax Reduction Act of 1947 was before the House a resolution providing for a closed rule had strong support from the Democratic leadership and membership.

In the 83d Congress three important tax bills were considered under rules similar to the one before the House at this time.

H.R. 5898, to extend the excess-profits tax, was considered under the provisions of House Resolution 326 which did not permit amendments from the floor and which was passed on July 10, 1953, without a rollcall vote.

House Resolution 465 which prohibited all amendments except those offered by direction of the Committee on Ways and Means and which was agreed to on March 10, 1954, made in order H.R. 8224, a bill to reduce excise taxes.

House Resolution 473 which prohibited all amendments except those offered by the Committee on Ways and Means and which made in order H.R. 8300 to revise the Internal Revenue laws of the United States, was adopted March 17, 1954.

In the 84th Congress, House Resolution 153, which prohibited amendments except those offered by the direction of the Committee on Ways and Means and which made in order H.R. 4259 to provide a 1-year extension of corporate normal tax rate and of certain excise tax rates and to provide a $20 credit against the individual income tax for each personal exemption, was adopted February 24, 1955.

In the 85th Congress three resolutions all of which prohibited amendments except those offered by the direction of the Committee on Ways and Means, namely, House Resolution 270, which made in order H.R. 7125 to make technical changes in the Federal excise tax laws; House Resolution 586, which made in order H.R. 12695 to provide a 1-year extension of the corporate normal-tax rate and certain existing excise-tax rates; and House Resolution 447, which made in order H.R. 8381, the Technical Amendments Act of 1957, were passed without rollcall votes.

In the 86th Congress the following bills were brought up under similar rules, all of which rules were passed without rollcall votes:

H.R. 4245, taxation of income of life insurance companies.

H.R. 7523 to provide a 1-year extension of existing corporate normal-tax rate and of certain excise-tax rates.

H.R. 9662 to make technical revisions in the income tax provision of the Internal Revenue Code of 1944 relating to estates, trusts, and partnerships.

The rule to which the gentleman from Ohio referred that came out with the revenue bill in 1941 was reported under entirely different circumstances. It came out with the recommendation by the Committee on Ways and Means that the House be permitted to vote separately on the amendments in question. It also came out with a rule that made provision for such separate consideration in the House.

To the Republican Members of the House let me say that if you take the course of action suggested by the gentleman from Ohio you are going to set a precedent which might come back to haunt you. You have the same interest in the stability of the procedures of this House as the majority Members of the House have.

Now, to my Democratic friends let me say that this is a procedural matter. There is just one issue and that is whether the management of this bill is going to be taken away from the Democrats and given to the Republicans. The rule which the gentleman from Ohio advocates, which he says he will offer as an amendment to the rule if the previous question is voted down, by his own admission, is not an open rule; it is a closed rule under the exclusive control of the gentleman from Ohio [Mr. BROWN], and nobody else.

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

Mr. ALBERT. I yield to the gentleman from Ohio.

Mr. FEIGHAN. If the motion offered by the gentleman from Ohio [Mr. BROWN] is carried, that would still permit any member of the Committee on Ways and Means to offer any amendment he so desired, would it not?

Mr. ALBERT. That is true, but it also would gag other Members of the House with respect to amendments other than those offered by the Committee on Ways and Means and those made in order by the Brown amendment to the rule.

Mr. FEIGHAN. No one except a member of the Committee on Ways and Means can offer an amendment, anyway.

Mr. ALBERT. That is true under either rule. The whole question here is whether we should single-shot these amendments and throw this bill out of balance, if we adopt one of the provisions and do not adopt the others, or whether we should consider the merits of the two proposals; that is, the one embraced in the bill and the one which would be embraced in the bill should the motion to recommit be adopted.

That is the real issue.

Mr. Speaker, the generosity of the gentleman from Ohio [Mr. BROWN] overwhelms me. Whence this new-found concern over the right of Members to express themselves on legislation? Is this the same distinguished member of the Committee on Rules who for two decades has been blocking consideration of bills by refusing to grant rules on some of the most important legislative proposals submitted to the House by three Democratic Presidents?

Mr. Speaker, talk about Greeks bearing gifts. If we buy this package we will buy a pig in a poke.

The Committee on Ways and Means is entitled to present its case. This important program of the President of the United States is entitled to be considered on the floor of the House on its merits. This maneuver to thwart orderly procedure and accepted parliamentary practice should be voted down. I urge the Members of the House to support the previous question—to adopt the resolution and to proceed with the consideration of this bill under general debate.

Mr. O'NEILL. Mr. Speaker, I yield such time as he may consume to the gentleman from Virginia [Mr. SMITH].

Mr. SMITH of Virginia. Mr. Speaker, I do not propose to discuss the merits of this piece of legislation. But I think I should say this, as chairman of the Rules Committee from which this rule was reported. A long experience on that committee with rules of this kind has led me to the very reluctant conclusion, and I have followed that policy for many years, that it is just a practical impossibility to do a good job in handling a tax bill under an open rule. Then, if you try to do what we are trying to do here this morning, substitute other legislation which has not been given serious consideration and which none of us understand—at least I do not—I think we could get in a very serious condition. I think we should adopt the closed rule, which has been the policy of this Congress as long as I can remember. Now, I remember the first term of Congress when I came here. We Democrats had won control of the House after a great many years of Republican control. We were all fired up and pepped up to change things around. I remember that in my first session here the late Charlie Crisp of Georgia, who was chairman of the Ways and Means Committee, was going to have things democratic, and we all wanted to have things democratic. He brought in a tax bill with an open rule. It was a sales tax bill. We scrambled around here for about a week or 10 days with that bill and things got into such a state of confusion that nobody knew what he was doing and it went back to the committee.

I think nobody regrets more than I do having to bring in a closed rule here. I do a lot of fussing about it, but when the chips are down I think the only feasible and practical way we can operate is under a closed rule.

Mr. O'NEILL. Mr. Speaker, I yield 3 minutes to the gentleman from Louisiana [Mr. BOGGS].

Mr. BOGGS. Mr. Speaker, I hope and believe the Members will have the good judgment to vote down the suggestion of the gentleman from Ohio and permit us to debate this legislation under the rule approved by the Rules Committee and supported by the distinguished gentleman from Virginia [Mr. SMITH]. Also, I would hope that after we have voted up the rule, the Members who have some questions in their minds about this proposed legislation will stay here at least until the chairman of our great committee, the gentleman from Arkansas [Mr. MILLS], has concluded the detailed presentation of this legislation.

The attack made by the gentleman from Ohio in his proposal is an attack upon the fundamental principles involved in the legislation. This legislation has not been considered for a short period of time. It has been given, to my knowledge, the fullest, the most complete consideration that I have ever seen accorded any proposal before the great Committee on Ways and Means.

The attack being made here in the investment credit proposal is a fundamental attack. But let me say this, and I address this to all Members of the House, but to my Democratic colleagues—many of you in your campaigns have had to face the contention that the party of which you are a member is against business and does not believe in the growth and promotion of the free enterprise system.

If there ever was a proposal which is designed to increase employment, to create new jobs, and to give credit to business expansion and growth, it is the proposal now before us.

I have listened to the attacks made on it as being favorable to big business and not making concessions here, there, and elsewhere. I have never been one of those who have been against business, whether it be big, large, middle size, or indifferent. I am happy to see that this legislation recognizes that there is a need for the expansion of investment in the United States. Soon we will be considering legislation dealing with the European Common Market, which has had a phenomenal growth because of new investment in that area of the world.

I would hope, Mr. Speaker, that we will approve the rule as presented by the Rules Committee, and that the Members of this body on both sides will stay here and listen to the presentation of the chairman of our committee, which will be made as soon as the vote is concluded on the rule.

Mr. BROWN. Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Speaker, I think the distinguished majority leader was considerably carried away when he charged that the action that is proposed to be taken here by the gentleman from Ohio in providing us with a limited rule rather than a strict gag rule was irresponsible. Is it—and maybe that is the issue before us—is it irresponsible to give you as an individual Member of Congress a right to an alternative on three sections of this bill that are controversial? Is it irresponsible to let the House attempt to work its will? As far as I am concerned it is a mark of responsibility—that we make a choice and not to be limited exclusively to what 13 or 15 members of the Committee on Ways and Means may present to us. We are a House of Representatives and we have the right to work our will.

To hear the majority leader, you would also think that this is something that had never been done before. As was pointed out by the gentleman from Ohio, it was done in 1941 when there was a limited rule. The right to consider three amendments will not create chaos. How silly can you be? We proposed three specific amendments that will be offered. This is not something that is pulled out of thin air and something that you have to wait and see what somebody schemes up. The two substitutes which will be proposed for two sections have been introduced in bill form. They were both before the Committee on Ways and Means on several occasions and were discussed in that committee. There is nothing new or complex about it from that standpoint.

I was a little surprised by the remarks of the chairman of the Committee on Rules, because if you would just go back to March 15 of this year, just a week or so ago, he said then, and I quote from the RECORD on page 4262:

> I do not think we would violate the necessary part of the closed rule if we would permit, in the House, a vote on a specific proposition.

That is what we are asking here—votes on three specific propositions, and that is all. He also said:

> What harm could it do to the logic of the closed rule theory if the House were permitted to say on the one proposition, "We want it" or "We do not want it"?

That is the issue we want to put before you as an individual item on the withholding proposition. Do you want it or do you not want it? The question here is—will you, and will this House, be able to work its will on the three provisions of this bill, on which there is divided opinion?

Will you be able to choose between the handout, the $1½ billion loophole, the windfall to business as proposed by the bill, or the alternative of depreciation reform as contained in bill H.R. 10906?

Will you be able to choose between the provisions of the bill which will penalize American enterprise operating abroad as contained in the committee bill or the alternative as contained in bill H.R. 10803 which is limited to preventing true tax avoidance?

Will you be able to choose between imposing withholding on dividends and interest as proposed by the bill or the alternative of striking this provision from the bill?

That is the question you will decide when you vote on ordering the previous question. If you vote "yes" on that motion you will deny yourself the opportunity to listen to the debate and then vote on the merits of these three alternatives.

Remember that if you vote "yes" on this motion you will not be able to say to your people, "I was against the tax bonanza to business but I had no choice. I had to take the whole bill or nothing."

If you vote "yes" on the previous question you will not be able to tell your people, "I was against withholding but I had no choice. I had to take the bill as a whole or nothing."

If you vote "yes" on the previous question you will not be able to tell your people, "I was against putting American business abroad at a disadvantage but I had no alternative. I had to take the whole bill or nothing."

If you vote "yes" on the previous question you will vote to gag yourself. You vote to deny yourself an opportunity to have a voice in determining what will be done with respect to these three very important items in the bill.

I trust you will vote "no" on ordering the previous question. We can then have a rule which will permit you and the House to work its will on these matters.

The SPEAKER. The gentleman from Massachusetts [Mr. O'NEILL] is recognized.

Mr. O'NEILL. Mr. Speaker, with regard to the parliamentary situation at the present time, I remind my colleagues that this closed rule was reported by the unanimous vote of the Democratic majority of those present and it is by the action of the committee that the gentleman from Ohio at the present time is precluded from offering his amendment to the resolution which has been reported to the House for its consideration. If the previous question is voted down, then the gentleman from Ohio will be in control of the time of the House for 1 hour so that he may offer the closed rule which he favors. The difference between the majority and the minority in this instance is that the minority is opposed to the closed rule offered by the majority party and would like to offer their own closed rule. The minority does not propose an open rule which would enable you to vote on the issue of oil depletion allowances or, for example, where you could vote on the question of the excise tax. No; they take the rule they are interested in themselves and they offer you their version of a closed rule.

I hope the Members on this side will follow along with the leaders.

Mr. Speaker, I move the previous question on the resolution.

Mr. BROWN. Mr. Speaker, on this motion I ask for the yeas and nays.

The yeas and nays were ordered.

The SPEAKER. The question is on the adoption of the previous question.

Mr. BROWN. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state his parliamentary inquiry.

Mr. BROWN. Am I correct in the assumption that a "no" vote would be against the previous question and therefore for an open rule?

The SPEAKER. The Chair thinks that is well known by every Member.

Mr. BROWN. I hope every Member does know it.

Mr. O'NEILL. As to the statement made by the gentleman from Ohio, he said a "no" vote meant an open rule. A "no" vote means a closed rule as proposed by the minority.

The SPEAKER. The Chair will again state the motion. The question before the House is the adoption of the previous question.

The question was taken and there were—yeas 224, nays 185, not voting 27, as follows:

[Roll No. 47]

YEAS—224

Addabbo	Barrett	Breeding
Addonizio	Bass, Tenn.	Buckley
Albert	Beckworth	Burke, Ky.
Alexander	Bennett, Fla.	Burke, Mass.
Alford	Blatnik	Burleson
Anfuso	Boggs	Carey
Ashley	Boland	Casey
Ashmore	Bolling	Celler
Aspinall	Bonner	Chelf
Bailey	Boykin	Clark
Baring	Brademas	Coad

Cohelan
Cook
Corman
Daddario
Daniels
Davis, John W.
Davis, Tenn.
Dawson
Delaney
Dent
Denton
Diggs
Dingell
Donohue
Dorn
Dowdy
Downing
Doyle
Dulski
Edmondson
Elliott
Everett
Evins
Farbstein
Finnegan
Fisher
Flood
Flynt
Fogarty
Fountain
Frazier
Friedel
Gallagher
Garmatz
Gary
Gathings
Gilbert
Gonzalez
Granahan
Grant
Gray
Green, Oreg.
Green, Pa.
Griffiths
Hagen, Calif.
Hansen
Harding
Hardy
Harris
Harrison, Va.
Healey
Hébert
Hechler
Henderson
Herlong
Holifield
Holland
Huddleston
Hull
Ichord, Mo.
Inouye
Jarman
Jennings
Joelson
Johnson, Calif.
Johnson, Md.
Johnson, Wis.
Jones, Ala.
Jones, Mo.
Karsten
Karth
Kastenmeier
Kee
Kelly
Keogh
Kilgore
King, Calif.
King, Utah
Kirwan
Kitchin
Kluczynski
Kornegay
Landrum
Lankford
Lennon
Lesinski
Libonati
Loser
McDowell
McFall
McMillan
McSween
Macdonald
Mack
Madden
Magnuson
Mahon
Marshall
Matthews
Miller, Clem
Miller, George P.
Mills
Moeller
Montoya
Moorhead, Pa.
Morgan
Morris
Morrison
Moss
Moulder
Murphy
Murray
Natcher
Nedzi
Nix
Norrell
O'Brien, Ill.
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
Olsen
O'Neill
Passman
Patman
Perkins
Pfost
Philbin
Pike
Pilcher
Poage
Powell
Price
Pucinski
Purcell
Randall
Reuss
Rhodes, Pa.
Rivers, Alaska
Rivers, S.C.
Roberts, Tex.
Rodino
Rogers, Colo.
Rogers, Fla.
Rogers, Tex.
Rooney
Roosevelt
Rosenthal
Rostenkowski
Roush
Rutherford
Ryan, Mich.
Ryan, N.Y.
St. Germain
Santangelo
Saund
Scott
Shelley
Shipley
Sikes
Sisk
Slack
Smith, Va.
Spence
Staggers
Steed
Stephens
Stratton
Stubblefield
Sullivan
Taylor
Teague, Tex.
Thomas
Thompson, La.
Thompson, N.J.
Thompson, Tex.
Thornberry
Toll
Trimble
Udall, Morris K.
Ullman
Vinson
Waggonner
Watts
Whitener
Wickersham
Willis
Wright
Yates
Young
Zablocki
Zelenko

NAYS—185

Abbitt
Abernethy
Adair
Alger
Andersen, Minn.
Anderson, Ill.
Arends
Ashbrook
Auchincloss
Avery
Ayres
Baker
Baldwin
Barry
Bass, N.H.
Battin
Becker
Beermann
Belcher
Bell
Berry
Betts
Bolton
Bow
Bray
Brewster
Bromwell
Broomfield
Brown
Broyhill
Bruce
Byrnes, Wis.
Cahill
Cederberg
Chamberlain
Chenoweth
Chiperfield
Church
Clancy
Collier
Conte
Corbett
Cramer
Cunningham
Curtin
Curtis, Mass.
Curtis, Mo.
Dague
Davis, James C.
Derounian
Derwinski
Devine
Dole
Dominick
Dooley
Durno
Dwyer
Ellsworth
Fallon
Feighan
Fenton
Findley
Fino
Ford
Forrester
Frelinghuysen
Fulton
Garland
Gavin
Giaimo
Glenn
Goodell
Goodling
Griffin
Gross
Gubser
Haley
Hall
Halleck
Halpern
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Hays
Hemphill
Hiestand
Hoeven
Hoffman, Ill.
Horan
Hosmer
Jensen
Johansen
Jonas
Judd
Kearns
Keith
Kilburn
King, N.Y.
Knox
Kowalski
Kunkel
Kyl
Laird
Langen
Latta
Lindsay
Lipscomb
McCulloch
McDonough
McIntire
McVey
MacGregor
Mailliard
Martin, Mass.
Martin, Nebr.
Mason
Mathias
May
Meader
Merrow
Michel
Miller, N.Y.
Milliken
Minshall
Monagan
Moore
Moorehead, Ohio
Morse
Mosher
Multer
Nelsen
Norblad
O'Konski
Osmers
Ostertag
Pelly
Pillion
Pirnie
Poff
Quie
Ray
Reece
Reifel
Rhodes, Ariz.
Riehlman
Robison
Roudebush
Rousselot
St. George
Saylor
Schadeberg
Schenck
Schneebeli
Schweiker
Schwengel
Scranton
Seely-Brown
Shriver
Sibal
Siler
Smith, Calif.
Smith, Iowa
Springer
Stafford
Taber
Teague, Calif.
Thomson, Wis.
Tuck
Utt
Vanik
Van Pelt
Van Zandt
Wallhauser
Weaver
Weis
Westland
Whalley
Wharton
Whitten
Widnall
Williams
Wilson, Calif.
Winstead
Younger

NOT VOTING—27

Andrews
Bates
Bennett, Mich.
Blitch
Brooks
Byrne, Pa.
Cannon
Colmer
Cooley
Fascell
Hagan, Ga.
Hoffman, Mich.
Lane
Nygaard
Peterson
Rains
Roberts, Ala.
Scherer
Selden
Sheppard
Short
Smith, Miss.
Tollefson
Tupper
Walter
Wilson, Ind.

So the previous question was ordered.

The Clerk announced the following pairs:

On this vote:

Mr. Brooks for, with Mr. Colmer against.

Mr. Cooley for, with Mr. Walter against.

Mr. Byrne of Pennsylvania for, with Mr. Tupper against.

Mr. Lane for, with Mr. Bates against.

Mr. Sheppard for, with Mr. Nygaard against.

Mr. Hagan of Georgia for, with Mr. Short against.

Mr. Rains for, with Mr. Wilson of Indiana against.

Mr. Roberts for, with Mr. Scherer against.

Mrs. Blitch for, with Mr. Tollefson against.

Until further notice:

Mr. Andrews with Mr. Hoffman of Michigan.

Mr. Selden with Mr. Bennett of Michigan.

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

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the adoption of the resolution.

Mr. BOGGS. 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 234, nays 172, not voting 30, as follows:

[Roll No. 48]

YEAS—234

Abbitt
Addabbo
Addonizio
Albert
Alexander
Alford
Anfuso
Ashley
Aspinall
Avery
Ayres
Bailey
Baring
Barrett
Bass, Tenn.
Beckworth
Bennett, Fla.
Blatnik
Boggs
Boland
Bolling
Bonner
Boykin
Brademas
Breeding
Buckley
Burke, Ky.
Burke, Mass.
Burleson
Byrnes, Wis.
Carey
Casey
Celler
Chelf
Clark
Coad
Cohelan
Corbett
Corman
Curtis, Mass.
Daddario
Daniels
Davis, John W.
Davis, Tenn.
Dawson
Delaney
Dent
Denton
Diggs
Dingell
Donohue
Dorn
Dowdy
Downing
Doyle
Edmondson
Elliott
Everett
Evins
Farbstein
Finnegan
Fisher
Flood
Flynt
Fogarty
Fountain
Frazier
Friedel
Gallagher
Garmatz
Gary
Gathings
Gavin
Gilbert
Gonzalez
Granahan
Grant
Gray
Green, Oreg.
Griffiths
Hagan, Ga.
Halleck
Hansen
Harding
Hardy
Harris
Harrison, Va.
Healey
Hébert
Hechler
Henderson
Herlong
Holifield
Holland
Huddleston
Hull
Ichord, Mo.
Inouye
Jarman
Jennings
Joelson
Johnson, Calif.
Johnson, Md.
Johnson, Wis.
Jones, Ala.
Jones, Mo.
Judd
Karsten
Karth
Kastenmeier
Kearns
Kee
Kelly
Keogh
Kilgore
King, Calif.
King, Utah
Kirwan
Kitchin
Kluczynski
Kornegay
Landrum
Lankford
Lennon
Lesinski
Libonati
Loser
McDowell
McFall
McMillan
McSween
Macdonald
Mack
Madden
Magnuson
Mahon
Marshall
Mason
Matthews
Merrow
Miller, Clem
Miller, George P.
Mills
Moeller
Montoya
Moorhead, Pa.
Morgan
Morris
Morrison
Moss
Multer
Murphy
Murray
Natcher
Nedzi
Nix
Norrell
O'Brien, Ill.
O'Brien, N.Y.
O'Hara, Ill.
O'Hara, Mich.
Olsen
O'Neill
Passman
Patman
Perkins
Pfost
Philbin
Pike
Pilcher
Poage
Powell
Price
Pucinski
Purcell
Randall
Reuss
Rhodes, Pa.
Rivers, Alaska
Rivers, S.C.
Roberts, Tex.
Rodino
Rogers, Colo.
Rogers, Fla.
Rogers, Tex.
Rooney
Roosevelt
Rosenthal
Rostenkowski
Roush
Rutherford
Ryan, Mich.
Ryan, N.Y.
St. Germain
Santangelo
Saund
Saylor
Scott
Shelley
Shipley
Sikes
Sisk
Slack
Smith, Iowa
Smith, Va.
Spence
Staggers
Steed
Stephens
Stratton
Stubblefield
Sullivan
Taylor
Teague, Tex.
Thomas
Thompson, La.
Thompson, N.J.
Thompson, Tex.
Thornberry
Toll
Trimble
Udall, Morris K.
Ullman
Vinson
Waggonner
Watts
Whitener
Wickersham
Willis
Wright
Yates
Young
Zablocki
Zelenko

NAYS—172

Abernethy
Adair
Alger
Andersen, Minn.
Anderson, Ill.
Arends
Ashbrook
Auchincloss
Baker
Baldwin
Barry
Bass, N.H.
Battin
Becker
Beermann
Belcher
Bell
Berry
Betts
Bolton
Bow
Bray
Brewster
Bromwell
Broomfield
Brown
Broyhill
Bruce
Cahill
Cederberg
Chamberlain
Chenoweth
Chiperfield
Church
Clancy
Collier
Conte
Cook
Cramer
Cunningham
Curtin
Curtis, Mo.
Dague
Davis, James C.
Derounian
Derwinski
Devine
Dole
Dominick
Dooley
Dulski
Durno
Dwyer
Ellsworth
Fallon
Feighan
Fenton
Findley
Fino
Ford
Forrester
Frelinghuysen
Fulton
Garland
Giaimo
Glenn
Goodell
Goodling
Griffin
Gross
Gubser
Hagen, Calif.
Haley
Hall
Halpern
Harrison, Wyo.
Harsha
Harvey, Ind.
Harvey, Mich.
Hays
Hemphill
Hiestand
Hoeven
Hoffman, Ill.
Horan
Hosmer
Jensen
Johansen
Jonas
Keith
Kilburn
King, N.Y.
Knox
Kowalski
Kunkel
Kyl
Laird
Langen
Latta
Lindsay
Lipscomb
McCulloch
McDonough
McIntire
McVey
MacGregor
Mailliard
Martin, Mass.
Martin, Nebr.
Mathias
Meader
Michel
Miller, N.Y.
Milliken
Minshall
Monagan
Moore
Moorehead, Ohio
Morse
Mosher
Nelsen
Norblad
O'Konski
Osmers
Ostertag
Pelly
Pillion
Pirnie
Poff
Quie
Ray
Reece
Reifel
Rhodes, Ariz.
Riehlman
Robison
Roudebush
Rousselot
St. George
Schadeberg
Schenck
Schneebeli
Schweiker
Schwengel
Scranton
Seely-Brown
Shriver
Sibal
Siler
Smith, Calif.
Springer
Stafford
Taber

Teague, Calif.	Wallhauser	Widnall
Thomson, Wis.	Weaver	Williams
Tuck	Weis	Wilson, Calif.
Utt	Westland	Winstead
Vanik	Whalley	Younger
Van Pelt	Wharton	
Van Zandt	Whitten	

NOT VOTING—30

Andrews	Fascell	Scherer
Ashmore	Green, Pa.	Selden
Bates	Hoffman, Mich.	Sheppard
Bennett, Mich.	Lane	Short
Blitch	May	Smith, Miss.
Brooks	Moulder	Tollefson
Byrne, Pa.	Nygaard	Tupper
Cannon	Peterson	Walter
Colmer	Rains	Wilson, Ind.
Cooley	Roberts, Ala.	

So the resolution was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Brooks for, with Mr. Colmer against.

Mr. Cooley for, with Mr. Walter against.

Mr. Byrne of Pennsylvania for, with Mr. Tupper against.

Mr. Lane for, with Mr. Bates against.

Mr. Sheppard for, with Mr. Nygaard against.

Mr. Green of Pennsylvania for, with Mr. Short against.

Mr. Rains for, with Mr. Wilson of Indiana against.

Mr. Roberts for, with Mr. Scherer against.

Mrs. Blitch for, with Mr. Tollefson against.

Until further notice:

Mr. Andrews with Mr. Hoffman of Michigan.

Mr. Selden with Mr. Bennett of Michigan.

Mr. FENTON and Mr. FOGARTY changed their votes from "yea" to "nay."

The result of the vote was announced as above recorded.

Mr. KEARNS. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. KEARNS. Mr. Speaker, it is my understanding that we go into how many hours of debate?

The SPEAKER. In response to the parliamentary inquiry, the rule provides for 8 hours of debate.

Mr. KEARNS. I thank the Speaker.

REVENUE ACT OF 1962

Mr. MILLS. 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. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Arkansas.

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. 10650, with Mr. ROOSEVELT in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Arkansas [Mr. MILLS] is recognized for 4 hours and the gentleman from Illinois [Mr. MASON] is recognized for 4 hours. The Chair recognizes the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Chairman, I yield myself 40 minutes.

Mr. Chairman, we are beginning consideration of what I consider to be the most important tax proposal considered by the Congress in many years and certainly since the Internal Revenue Code of 1954. In many respects the proposal now pending before the Committee of the Whole involves more policy decisions than the Internal Revenue Code changes of 1954 involved, for in that instance we were primarily concerned with recodification of the law.

Today in this bill we are concerned in 20 of the 21 sections with certain fundamental policy changes in the provisions of existing law, many of which have been in effect since the inception of our income tax laws, following the constitutional amendment of 1913.

Mr. Chairman, there are far too many detailed, involved provisions in this bill for any one member of the committee to cover all of the various subjects within anything like a reasonable time. For that reason, it shall be my purpose today to discuss very briefly certain of the provisions and to devote more detail to other provisions about which there seems to be more question than with respect to others.

Mr. Chairman, there are two provisions of the bill, the second and third sections, the investment credit, and the legislative expense provisions, that serve to reduce revenues.

There are six sections of the bill that serve to provide additional revenues from sources within the United States. There are 12 sections of the bill that deal with the treatment of foreign income including that of foreign subsidiaries owned by American individuals or corporations.

Mr. Chairman, the provisions of the bill which produce revenue, will produce, according to the estimates of the Treasury, $1,295 million additional revenue. You will find a breakdown of those estimates in the early part of the committee report on this bill.

Mr. Chairman, the investment credit, as it will be modified through the adoption of the amendments that the committee will offer during the course of the reading of the bill, involves a loss in a full year's operation of $1,175 million. The net effect of the bill, therefore, on the basis of the estimates of Treasury, is a pickup of $120 million, not taking into consideration any impetus that may be given the economy through the adoption of the investment provision.

There has been on the part of some Members some degree of criticism of the action of the committee in changing the investment rate. When the bill was reported the committee faced some 4 or 5 weeks of hearings on the trade program. We reported the bill before we had a firm estimate of the revenue effects of the bill. When those effects were presented to us in firm form, I was concerned because the investment credit provision was losing $1,800 million and we were picking up as an offset only $1,295 million in a full year of operation, according to Treasurys estimate. I did not want a bill that was not in balance revenuewise.

Mr. Chairman, when the President asked for this program last year he proposed a balanced tax bill as to revenue effect. He was right then; he is right now. The committee would have been wrong, in my opinion, in asking the House to accept a bill that did not meet the test of revenues being in balance.

Mr. Chairman, this bill with the amendments that will be offered on the part of the committee reducing the investment credit rate and ceiling will not only be in balance in its first full year of operation, but further, this bill will bring in a plus of revenue of $120 million in its first full year of operation.

There has been some criticism by some members of the committee because the bill will have some adverse effect, they say, upon the revenues that will be developed by the Government in fiscal year 1963 which begins, of course, on July 1 of this year.

Mr. Chairman, the Secretary of the Treasury took into consideration in developing estimates for the President's budget an effect of the investment credit of $1,500 million on revenues in fiscal year 1963. That was taken into consideration in determining the estimates of revenue. It cannot be said—it cannot be proven by anyone—that the enactment of this program will serve to eliminate the possibility of a balanced budget in fiscal year 1963. The committee has reduced the effect of the investment credit in its amendments that it will ask you to accept from $1.8 billion to $1.175 billion. We have cut under the $1.5 billion estimate that was taken into account when the President submitted the budget to us in January.

On that score, Mr. Chairman, I think the committee has presented to the House a bill that is acceptable.

Mr. Chairman, at this point I insert two tables on this point:

TABLE 1.—*Treasury Department estimates of revenue effect* [1] *of bill as amended by the Committee on Ways and Means when changes are fully effective, without taking into account the effect on the economy of the provisions*

[In millions of dollars]

	Amount
Revenue bill of 1962:	
Investment credit	−1,175
Withholding on dividends and interest	+650
Mutual banks and savings and loan associations	+200
Entertainment expenses	+125
Capital gains on depreciable property	+100
Mutual fire and casualty companies	[2] +40
Cooperatives	+35
Foreign items:	
Controlled foreign corporations	[3] +85
Gross-up of dividends	+30
All other items relating to taxation of foreign income, etc	+30
Total	+120

[1] At levels of income and investment estimated for the calendar year 1962 except that the estimate of revenue gain from change in taxation of mutual banks and savings and loan associations is based on income levels for the calendar year 1963, the 1st year affected.

[2] Assumes transitional period has been completed for fire and casualty companies.

[3] The revenue estimates for the controlled foreign corporation provision do not take into account additions to the tax base, in the form of royalties, rents, etc., which reliable evidence indicates will be forthcoming but which cannot be quantified with an acceptable degree of accuracy.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, Mar. 26, 1962.

TABLE 2.—*Treasury Department estimates of revenue effect of bill as amended by the Committee on Ways and Means (see note) for the fiscal year 1963 taking into account its estimate of effect on the economy of the provisions*

[In millions of dollars]

	Revenue effect	Effective date
Revenue bill of 1962:		
Investment credit (see note)	−560	Jan. 1, 1962
Withholding on dividends and interest.	+195	Jan. 1, 1963
Mutual banks and savings and loan associations.	--------	Do.
Entertainment expenses	+40	July 1, 1962
Capital gains on depreciable property.	--------	Jan. 1, 1962
Mutual fire and casualty companies.	--------	Jan. 1, 1963
Cooperatives	--------	Do.
Foreign items:		
Controlled foreign corporations.	--------	Do.
Gross-up of dividends	--------	Do.
All other items relating to taxation of foreign income, etc.	+5	Do.
Total (see note)	−320	

NOTE.—In estimating the net revenue cost of the investment credit, its favorable effects on the level of investment were computed from statistical relationships in past years between investment and gradual changes in the cost of capital goods (profitability) and cash flow. This procedure thus does not take into account the especially favorable impact on businessmen's decisions to invest of the sudden major improvements in these factors resulting from the enactment of the credit. Taking this into account should produce more favorable effects than the table shows for the investment credit. It will eliminate the overall net revenue loss for the bill as a whole and instead would yield an overall net gain.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, Mar. 26, 1962.

Now there is question raised by some in the committee with respect to some of the provisions of the bill that accomplish these overall objectives. Before talking to those particular sections that seem to have raised some questions, let me briefly go over some of the other sections of the bill.

Mr. Chairman, this bill provides some limitation on the deduction of entertainment expenses.

This bill provides for increased taxation of our mutual thrift institutions, mutual savings banks and savings and loan associations.

Mr. Chairman, this bill changes the tax treatment of mutual, fire, and casualty companies.

Mr. Chairman, this bill changes the tax consequences with respect to the sale of depreciable property.

Mr. Chairman, this bill changes the tax treatment of the earnings of cooperatives.

Mr. Chairman, the bill also affects three other situations that I want to talk to in greater detail.

First of all, we provide an investment tax credit. The investment credit has been characterized, I think incorrectly, by many who see some fault in it as a bonanza. They think of it in terms of something that we are doing just for the wealthy that should not be done.

Mr. Chairman, I had many questions in my mind when I first heard the suggestion made that the Congress enact an investment credit. It caused me a great deal of concern in the beginning. I began to look at it more closely, I began to analyze it. I began to think of it in terms of its merits and demerits. Let us see why we have it in this bill before you.

Mr. Chairman, over the years we have been trying to provide business with a return of the moneys involved in capital investment, in the construction of plants and facilities that are used in a trade or business, through what we call the rules of depreciation. In viewing this matter, we cannot look just to what the situation here in the United States may be. I think it is necessary for us in the formulation of a tax policy to look at the situation in the free world as well as the situation within the United States. What do we find if we do that?

We find that under our present rules of depreciation, Mr. Chairman, it takes longer for an American businessman to get a return of the investment he has made in plant and equipment here than it does in any of the countries of the free world, countries with whom we compete not only in the world market but also to an extent even here at home.

If you will look to the situation in Europe and in Japan you will find that through an investment allowance of some form or other, comparable to what we are proposing in this legislation, plus their regular rules of depreciation those businessmen are able to recover their investment out of income before taxes in a much shorter period of time than are American businessmen under existing provisions of law.

I thought in terms of why can we not accomplish that? Why can we not just do something legislatively, as my colleagues on the Republican side are recommending, through changes in the rules of depreciation, since that has been the historic way of doing it? I thought first in terms of doing it that way. I began, however, then to think of what it would cost revenuewise to accomplish as much inducement, incentive, as is provided in a 7- or 8-percent investment credit. We would have to provide, Mr. Chairman, about an 80-percent increase per year in the amount of allowable depreciation in order to accomplish as much encouragement as would be given by a 7-percent investment tax credit.

What do we do if we shorten the lives under depreciation? If we shorten them to a point that does not actually reflect the useful life of the equipment, we reduce the tax through rules that are not a true reflection of the value in a taxpayer's hands on these assets; you are subsidizing that way, Mr. Chairman, just as much as you are subsidizing under an investment credit and at far more current cost.

How will the investment credit work? Consider a businessman who decides that because the average life of his equipment is going up while foreign competitors are getting new equipment, his equipment should be replaced with something more modern. He cuts down his per-unit cost through the use of this better equipment.

Let us say he buys $1,000 worth of equipment. Under this amendment, Mr. Chairman, we would say that for investments made after December 31 of last year, he may take 7 percent of the $1,000, or $70, as a credit actually against the tax that he owes. But in order to prevent the undue use of the credit by those who are the biggest, the committee amendment will tighten the limitation on the credit based on tax; it will say that that credit cannot amount to more in a taxable year than the full tax determined without the credit up to $25,000 plus 25 percent of what tax is left. This means a dollar-for-dollar offset will be available up to $25,000 in taxes and 25 percent above that amount. We are reducing the original price of that equipment; we are reducing it in the expectation that we will stimulate these business people to improve their equipment and facilities.

Some complain that it does not help anybody except businessmen. Mr. Chairman, one of the most fallacious arguments in the world, I think, is that argument.

What will the businessman use this for and under what circumstances can he use it? Only in the investment of moneys for those things that are to be used in his trade or business, in the making of a job. This includes farmers and all others in a trade or business small or large. As we look to the situation of the future, we recognize that the greatest need we have on the domestic front is the improvement of our productive facilities here in the United States. To the extent that this is used, to the extent it is allowable, it will do more, in my opinion, than anything that has been suggested by the Committee on Ways and Means in years as a tax change to stimulate the economy, to produce more, to put us in a position to compete with the producers abroad.

Do we hesitate to say that businessmen are entitled to a return on their investment? All in the world we are doing here is providing that on 15-year life equipment, with this in effect, a businessman will get back in the first 5 years about 67 percent of his investment. What is the situation abroad? It runs anywhere from 80 to 100 percent. What will be the situation after the end of 10 years on an asset of 15 years useful life? We will provide for the recovery of approximately 83 percent of his investment. Is that doing too much? The membership of our committee did not think so. The membership of our committee thought this was actually the most important step we could take as we try to meet the competition that is being generated throughout the world through the use of this or some other equivalent investment allowance in the tax laws of other countries.

I suggest, Mr. Chairman, that this is a far better way of doing it than the suggestion of an increase in regular depreciations which is contained in the bill that the gentleman from Ohio, Mr. BROWN, referred to. Why? Depreciation is a cost of doing business. The cost of doing business determines the price of the product. Is it not just that simple? Do you know what happens when you increase the cost of a business? Is it not that this will result in business increasing its price? You do not have an increase in price through the vehicle of an investment credit.

This is a reduction in tax that does not affect the cost of business operation.

Mr. Chairman, I am as convinced as I have ever been of anything that this is the most important provision of the bill.

There are 12 sections of this bill dealing with foreign income. Let me discuss briefly what they do.

I saw a letter that was circulated this morning by my good friend from Missouri, Mr. CURTIS. The first words are "Yankee come home." If I thought for 1 minute that we were doing anything in this change in the treatment of foreign income that would make it less likely for American people to be able to compete in the markets of the world, I certainly would not be here speaking for this bill.

Mr. Chairman, what are we doing? We are looking to certain kinds of income and the use to which it is to be put in determining whether or not we will permit a continuation of the arrangement under existing law that provides for a complete deferral from American tax of the earnings in an American owned foreign corporation until those profits are brought back to the United States.

We say that we are looking at two particular kinds of income without regard to how the profit from them may be used. We are looking at the situation where an American citizen goes to Bermuda, organizes an insurance company to insure risks here in the United States. We say that we are going to tax that American owner, who is an American taxpayer, on the profits of that business, whether he brings those profits back to the United States or not. Here we have an American citizen setting up a foreign corporation to insure his and other risks in competition with insurance businesses operating within the United States, fully subject to the tax laws of the United States. Now, should we permit that kind of a deferral to continue? Our committee thought not.

All right. We look to another situation. We look to the use by a foreign subsidiary, owned by American taxpayers, of patents and licenses and copyrights that were developed under the laws of the United States. If there is a fair royalty paid by the foreign corporation for the use of those patents and licenses and copyrights, then that amount of money is repatriated to the United States and is subject to U.S. tax. We were concerned, however, where the foreign subsidiary was used to protect the income from U.S. tax, where they keep the income abroad. We treat it as though it were income earned in the United States, because they are using U.S. patents and copyrights. Now, is there anything wrong about that?

Think about what the other side of it is. We would be permitting American businesses—not just permitting them, but encouraging them—to use their own patents and copyrights through the establishment of a foreign corporation abroad, creating jobs abroad that might well be filled here in the United States.

Then we look with respect to other foreign income. We say to that American stockholder, the American owner of the corporation, we are going to be concerned about whether or not you have income excessive to the needs of that particular operation; passive income that may be invested—say, in United States corporation securities—while the U.S. tax on which is deferred because the money is left over there. We are going to say to those operations that we are interested in the use of this income. Why should we not be concerned? We are giving them a deferral from American tax forever so long as they keep the money abroad in the particular use of that corporation. But, should we permit the American owner of this foreign corporation to generate the profits out of that business—that may be the manufacture of farm equipment in France—and use those profits free of American tax, putting up a chemical business in Germany? We say, "Now, before you can do that with respect to these funds, we are going to say under the tax law that you will be faced with the same tax consequences that the person is faced with who invests his money in the city of Detroit. We are not going to continue to give you a deferral under tax that enables you to have an advantage in the location of a plant in Europe or somewhere else over the location of a plant here in the United States."

But, at the same time we say to you, "Mr. American owner of a foreign corporation, so long as you use those profits in the business in which the corporation abroad is engaged, we will not tax you. However, we will require that you pay the U.S. tax before you use those profits to enter some new business in a developed country."

Mr. Chairman, now we come to the "tax haven" situation which is evidenced in the formation of a sales subsidiary of a foreign corporation established, say, in Switzerland. We will apply the American tax in that tax haven situation against the American taxpayer, whether the money is brought back or not, except that in this instance and in the case of the operating companies, we still permit deferment if they use the money in the creation of any kind of a business in one of the lesser developed countries.

Mr. Chairman, instead of the committee being criticized by some for having taken this step, I would think there would be criticism on the part of many more because the committee had not seen fit to go further than it did in this area.

Mr. Chairman, the last provision of the bill that I want to talk about is the one about which we have had the most comment. In 1944, Mr. Chairman, I was a member of the Ways and Means Committee, down toward the end, on the Democratic side. I listened to the great debate of that year in connection with the Revenue Act of 1944 dealing with the question of whether or not the Congress would impose upon the salary and wage earners of the United States a provision for withholding of the tax at the source. We were told at that time that it was not a popular thing to do. We were told of great opposition then on the part of the public to a provision for withholding.

The Congress instituted that withholding program and we have had it now for better than 17 years. Every year, Mr. Chairman, there are 37 million tax returns of wage and salary earners where there is over withholding and refunds are involved. But do you hear people now anywhere in any appreciable number contend that this withholding on earned income, salaries and wages, should be repealed?

Mr. Chairman, I do not receive such complaints. I do not receive such suggestions as chairman of the Committee on Ways and Means.

Because of this provision for withholding on salaries and wages, Mr. Chairman, there is reported on tax returns withholding of approximately 97 percent to 98 percent of the tax due on wage and salary income.

Mr. Chairman, this committee and this Congress has been faced before today with a part of this withholding proposal that we have in this bill. On two occasions, Mr. Chairman, in 1950 and in 1951, the House of Representatives passed withholding provisions. In 1950 the proposal was applicable to dividends but not interest. In 1951 it was applicable to both. In neither case did the proposals become law, but the House passed them. We went on record as believing that the provision for withholding the tax at the source on dividends was just as appropriate to help collect taxes as was the withholding of the tax on salaries and wages, which is a provision of existing law.

Mr. Chairman, the Treasury suggested a plan that did not meet with the approval of the committee, a plan about which you receive innumerable comments. This was because in the Treasury Department's original proposal to the Committee on Ways and Means, an institution paying interest and dividends would have withheld 20 percent of the total regardless of the taxpaying status of the individual recipient.

Mr. Chairman, that is not the proposal before Congress today. The proposal before Congress has been changed as the committee thought it should be changed to provide for the complete elimination from the withholding on the accounts of those 18 and younger, because most of them do not involve any taxation of the recipient. In addition to that, with respect to bank interest, E-bond interest, and dividends, in this bill we are saying, Mr. Chairman, that there will be no withholding applicable to any individual over 18 years of age who says to the paying institution that, "I do not reasonably expect I will owe a tax on the receipt of this interest or dividend." Anybody over 18 years of age can say that and there will be no withholding of tax.

It is not true, as so many have tried to make you believe, that the bill requires withholding on widows and orphans who owe no tax. This is expressly not the case. We get it down in this bill to people who owe a tax.

There are about 9,300,000 tax returns that reflect the receipt of dividends and interest. There are, as estimated by the

Internal Revenue Service, by people who have made a study of this, about 22½ million tax returns that ought to reflect the receipt of interest and dividends.

My good friend from New York, who is a Member of this body [Mr. LINDSAY], had a brother who served as General Counsel in the Treasury Department under the Eisenhower administration, one of the very able men I have known to serve in the Treasury Department. In September of 1960 he made a speech in which he said that there was approximately $4 billion of interest and dividends not reported in taxable returns. This is a matter of concern to all. Mr. Chairman, that would indicate that instead of $15 billion of interest in dividends being reported, there should be $19 billion at least, perhaps more, reported. Here is a vast leakage within the tax law.

Mr. Chairman, let us all be clear, this is not under any circumstances the imposition of a tax. This is not the imposition of a tax any more than the withholding of taxes at the source on salaries and wages was the imposition of a tax. Mr. Chairman, I cannot for the life of me see where it is the responsibility of the Government, of the Committee on Ways and Means, or the Congress, to have to undertake to justify the collection of taxes that are levied and due upon individuals without discrimination. I think what we will have a hard time doing is justifying a continued disregard of this amount of revenue.

This withholding provision will bring in, on the basis of Treasury estimates, $650 million of some $850 million that is not being paid on interest and dividends. How can we think in terms of continuing the imposition of the present burdens of taxation upon those who follow the law, who pay, and be unmindful of the collection of a tax from those who are, through inadvertence, I hope, not properly reporting their income?

Mr. Chairman, I cannot justify any longer refraining from imposing a withholding tax against those people who have income and dividends, who should be taxed. We are obviously not hurting the individual who is reporting; we could not be hurting that individual. Incidentally, there may be on the Treasury estimate some 2 million of this 22½ million who will be overwithheld on. This would be far less overwithholding than exists today on salaries and wages. But, we are, Mr. Chairman, stepping on the toes of those individuals who are not reporting this income. We are requiring them under this provision to pay the tax that the laws of the country say they are supposed to pay.

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

Mr. MILLS. I am glad to yield to the gentleman.

Mr. LINDSAY. I thank the gentleman for his kind reference to my brother who formerly was General Counsel to the Treasury Department.

Mr. MILLS. The gentleman from New York knows of my high regard for his brother.

Mr. LINDSAY. I am most appreciative of the gentleman's statement and may I say that the regard is mutual. Both my brother and I have the highest possible regard for the gentleman. My brother, as the gentleman knows, was head of the Legal Advisory Office of the Treasury.

Mr. MILLS. And also General Counsel.

Mr. LINDSAY. Yes, that is correct. But I would like to clarify the statement that was made. My brother was and is totally opposed to the withholding provision on the ground that it is discriminatory and will be archaic in a matter of 2 or 3 years. I am sure that I have reflected his position in the remarks on withholding that I just made. The chairman referred to a speech that my brother made in September of 1960. In it he referred to uncollected dividend and interest income. True. But he also opposed withholding on the grounds that modern data processing will make withholding unnecessary. Further, it will result in massive overwithholding. Tomorrow, when we are sitting as the House and not in the Committee I shall ask to have the pertinent parts of his speech placed in the RECORD.

Mr. MILLS. The position of the brother of the gentleman from New York as to the solution of this problem does not in any way change my views with respect to the gentleman. But, it will not be archaic—you can tell him that. It will not be discriminatory—and you can tell him that. If you vote to refrain from imposing withholding on interest and dividends, I would like you to justify a continuation of withholding on salaries and wages without making some effort to get rid of that provision on earned income.

The alternative to withholding that the minority has been talking about all day is, in fact, far more complicated and in addition it would not work.

The minority is continually referring to the processing of information returns by automatic data processing, ADP. Understand what this means—to even get reports on all interest and dividends we would need 750 million information returns. The number would be 250 million if we only got reports on amounts over $10, and ignored underreporting on the rest. This reporting would be an enormous job for the payers.

Once the machines do this enormous matching job we do not have revenue, we have a list of cases to be pursued by mail, by audits, and perhaps by collection procedures.

The Commissioner of Internal Revenue has established publicly that by following the path of reliance on information returns and ADP we would collect only $200 million of revenue at a cost of $27 million. By the withholding path we would, at a cost of $19 million, collect $650 million of the $850 million lost revenue.

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

Mr. MILLS. I yield to the gentleman from Tennessee.

Mr. BAKER. The chairman of our committee has very ably stated the case on dividend and interest withholding, but I ask the gentleman this question, Are there not very basic differences between withholding on salaries and wages and withholding on interest and dividends? For example, particularly with reference to salaries and wages, an employee takes into account his exemptions and his normal deductions and the rate of tax is all applied before any withholding is made while no such things will be taken into consideration with respect to interest and dividends.

Mr. MILLS. It is true there is a difference with respect to withholding on salaries and wages for the consideration of the taxpayer's exemptions plus 10 percent for the standard deduction. But here we are talking of income which is in most instances in addition to salaries and wages and is a different type of income. We are not talking just in terms of this as a separate thing because most of us, you and I, have a little interest that we earn from a deposit in a bank or in a building and loan association, and we are withheld on with respect to our salaries and wages.

That income is over and above and on top of the salaries and wages and is not affected by the exemptions that are "used up," so to speak in wage withholding.

I do not think we can justify different treatment of dividends and interest on that score. The only way that I know that it can be justified is to say that there is something so sacrosanct about dividend income or about interest income that we are unmindful of the fact that there is a way that we can collect the taxes that are due on them and which we are not now using.

I must admit that one could be in disagreement on this on the ground that it does impose some additional burden on the institution, but, Mr. Chairman, there are provisions in this bill to allow these institutions to hold over for a little longer period of time the amount of money involved as partial compensation for these costs imposed. I would be the last to say that there is not some additional burden upon those institutions, but yet they are very small.

Mr. BAKER. I would like the chairman to answer my question.

Mr. MILLS. I have answered the gentleman's question. I have said that this is income which in most instances is over and above salaries and wages. If there is overwithholding, as I anticipate there will be with respect to maybe 2 million cases under this provision, compared to the 37 million cases under salaries and wages, the gentleman knows that the Committee on Ways and Means has provided for this overwithholding to be returned upon the filing of this application for refund.

Refunds will be on a quarterly basis and they will be done normally within 2 or 3 weeks of the actual filing of the refund certificate in question.

Mr. BAKER. I have asked a question which I hoped the gentleman would answer.

Mr. MILLS. What is the question?

Mr. BAKER. That was not my question at all.

Mr. MILLS. What was the gentleman's question?

Mr. BAKER. Are the standard exemptions and deductions of the individual taxpayers taken into account before this would apply?

Mr. MILLS. I said they were not; I explained in detail why they were not, because in the case of most people who have other income the exemptions and deductions are applied to the other income and it would not be equitable for them to be given a second credit for deductions and exemptions. In the case of the relatively few people who are getting just dividends and interest, and not salaries or wages, the problem is adequately handled by exemption certificates and quarterly refunds.

Mr. VANIK. Mr. Chairman will the gentleman yield?

Mr. MILLS. I yield.

Mr. VANIK. It has been indicated that the amount withheld could be retained by the withholding institution for 30 days beyond the end of the quarter. Does the bill determine the relationship in respect to such funds?

Mr. MILLS. It does not; it does not for the reason that the Congress has a perfect right to say when a withholding agent is required to pay to the Treasury of the United States the taxes collected for the Government.

I hope my friend will not be disturbed by that point.

Mr. Chairman, before I conclude may I refer to a letter from President Kennedy expressing his views on the bill now before the committee? The letter is as follows:

THE WHITE HOUSE,
Washington, D.C., March 22, 1962.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee, House of Representatives, Washington, D.C.

DEAR WILBUR: May I congratulate you, and your associates on the House Ways and Means Committee, on reporting to the House a tax bill that will truly serve the national interest. I know how thoroughly your committee has reviewed the essential elements of this measure for nearly a year; and I am hopeful that the Members of the House will support the product of your long deliberations and labors, and send to the Senate a bill consistent with our Nation's economic, budgetary, and balance-of-payments needs. Rejection of this bill, I firmly believe, would mean a loss of gold as our industries fail to keep pace with their modernized oversea competitors; a loss of jobs as our economy fails to grow; and a loss of revenue, resulting in further budget deficits, as we fail to achieve full employment before another recession, or fail to collect fair taxes on every kind of income. Although imperfections or alternatives can always be advanced with respect to every provision of every tax bill, your committee has capably met its obligation to achieve a careful balance of interests.

The single most important provision in the bill would provide a tax credit for new investment in machinery and equipment in the United States. This tax credit, by increasing the profitability or potential rate of return on such an investment in the most efficient and economical way available, will provide American businessmen with a strong incentive to increase their capital goods expenditures in this country, with many beneficial results.

1. It will help increase the pace and duration of the present recovery, in the lagging capital goods and construction industries and in all others.

2. It will spur our long-term economic growth and prospects for full employment by adding to our existing capacity, or translating technological development into new capacity, leading to new products, new processes, and new job opportunities.

3. It will induce the modernization and expansion of our productive machinery and equipment, enabling American business and labor to compete at home and abroad with the modern plants of the European Common Market and other nations, thereby reducing the pressure on our balance of international payments and assuring our continued ability to meet vital oversea commitments.

4. It will reduce the incentive to invest machinery and equipment in other nations which presently accord such investment a more favorable tax treatment; and it will do this in a manner which gives the nation a far larger assurance of new dollars invested for every dollar of revenue foregone.

You have, of course, included in this measure other provisions—to make certain that, over the long pull, no loss of revenue will result from the bill as a whole, and to eliminate existing defects which defeat our traditional objective of spreading the tax burden fairly in an equitable economic environment. Outstanding among these provisions is the extension of the present withholding tax to dividend and interest income. This is not a new tax. It only makes certain that taxes now due or in fact paid. Those whose incomes depend on wages are subject to withholding. Those whose incomes depend on salaries are subject to withholding. Why should those whose income is received in dividends or interest be treated differently, permitting an escape from taxes by a deliberate or neglectful failure to report such income?

Similarly equitable is the provision which closes off unrestricted access to foreign tax havens and otherwise lessens present tax inducements to American capital to move into Western Europe or Japan. At a time when American servicemen, their families, and tourists in particular, and the entire Nation in general, are restricted by the necessities of our balance-of-payments posture, there is no reason why we should encourage tax havens which artificially hold back a return flow of American oversea earnings.

Other portions of the bill as reported are equally helpful to the national interest; and again I want to express my gratitude to you and your colleagues on the Ways and Means Committee who have supported you in this effort to make America strong and vigorous.

Sincerely,

JOHN F. KENNEDY.

Mr. Chairman, I would urge my colleagues to vote down any motion to recommit this bill and to pass this bill as we in the Ways and Means Committee think it should be passed.

Mr. MASON. Mr. Chairman, I yield myself such time as I may need.

Mr. Chairman, 2 or 3 days ago the chairman of the Ways and Means Committee asked me as a favor to present him with a photograph of myself properly endorsed. I did that, because this is my last year in the Congress; and I inscribed on that photograph these words: "To the most capable chairman of the Ways and Means Committee, in my estimation, during the past 25 years." I signed that statement, and I think most of you who know me know that I would not sign a statement of that kind if I did not believe in it.

I do not always agree with my chairman, of course, on tax matters, but he is the most capable chairman of the Ways and Means Committee that it has had since I have been in Congress during those 25 years. Now, with that out of my system——

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

Mr. MASON. Sit down, WILBUR, sit down.

Mr. Chairman, I would like to state briefly the position of the Republican minority.

We do not believe that the belated action taken by the majority has cured the basic deficiencies in this legislation. Obviously, the bill is not as bad as it was before, if the revenue loss has been reduced by about $650 million. Actually, it has not been reduced that much—$360 million of the so-called reduction is deferred and becomes a revenue loss in subsequent years. Even so, we are certain that there will still be a deficit in the bill for fiscal 1963 approaching $1 billion. Only by gazing into a crystal ball can anyone say that the bill is in balance.

There are 18 sections of this bill which constitute separate amendments to the Internal Revenue Code covering a wide range of subjects—business expense, distributions by foreign corporations, mutual savings banks, savings and loan associations, mutual fire and casualty companies, earned income abroad, sale of depreciable personal property, and withholding on interest and dividends—to mention a few.

Only one of these sections—section 2 dealing with the so-called investment credit—results in a revenue loss. We of the minority object to this section, first, because it constitutes a scandalous handout to business at the expense of all taxpayers; and, secondly, because even if there were some justification for this subsidy, the timing is wrong.

The investment credit is supposed to expand our capacity to produce. If we accept the statements of the witnesses from both labor and industry in the hearings on the trade bill, our problem is not lack of capacity to produce, but lack of a market in which to sell. Section 2 of the bill does nothing to remedy the latter.

Basically, however, we feel that the Congress cannot in good conscience grant a special subsidy to business at a time when we are facing a tremendous deficit in the Federal budget.

Strange as it may seem, there is also only one section of the bill of general application; namely, the provision for withholding on interest and dividends. The haste to enact this section stems primarily from an effort to bring the bill in balance. Even so, withholding will not produce even one-half of the amount which this bill gives away in section 2, the investment credit subsidy.

No one knows how much of the revenue from withholding will actually be taxes due to the Government, as distinguished from amounts collected in excess of any tax liability. We do know that this is a substantial part of any revenue yield from withholding.

We only have to look to our experience in withholding on wages and salaries, where 40 million overwithholding refunds are processed annually in order to get an idea of how the withholding on interest and dividends will operate.

The Internal Revenue Service is not ready for withholding on interest and dividends because by the Treasury's own admission it cannot keep any records of such withholding. It will merely be a hit-or-miss proposition which will cause nothing but confusion and dissatisfaction among taxpayers who are put to the inconvenience of filing multitudinous claims for small amounts.

I see no urgency for adopting either of these two provisions:

The investment credit is not going to have any effect on business at this time. In fact, the Wall Street Journal made an independent survey which established that business would not materially change its plans in order to get more of this gratuitous handout.

The withholding provision of this bill will not and cannot be made to operate successfully until our revenue system has become more completely automated.

I would also like to mention one additional consideration. The administration has stated that it will submit to the Ways and Means Committee proposals for a more general revision of the revenue laws later this year.

The withholding on interest and dividends should more properly be considered as a part of that general revision.

At that time, presumably, the Treasury will have issued its new depreciation schedules. The Committee will then be in a better position to determine what additional provisions might be justified with respect to depreciation, for which the investment credit is offered by the Treasury as a substitute.

Otherwise, we feel that the House as a whole should have the opportunity to consider these two provisions separately—the handout and the withholding should not be merged with a specialized tax bill, such as this bill is.

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

Mr. MASON. Mr. Chairman, I yield 15 minutes to the gentleman from Tennessee [Mr. BAKER].

Mr. BAKER. Mr. Chairman, it is true that the Ways and Means Committee has worked almost a year on the subject matter of the bill, H.R. 10650, being considered today. There are some good things and some bad things in the bill. Under the rule, no amendments may be offered or considered except those offered by the majority members of the Ways and Means Committee. The only recourse open to the minority members of the committee and to the full membership of the House to remove at least a part of the bad things is by the motion to recommit, to which the principal portion of my remarks will be directed.

The motion to recommit would direct the Ways and Means Committee to forthwith eliminate section 2 and section 19 of the bill; section 2 being the investment credit provision, and section 19 being the provision relating to the withholding of income tax on interest, dividends, and patronage dividends.

The historic argument against an open rule in tax cases has been that a tax bill should not be opened up to amendments offered by individual Members of the House, because of the complexities, both technically and substantively, of a tax bill. There is nothing complicated about this motion to recommit. If you are against the investment credit provision and against the withholding of income tax in the amount of 20 percent on interest and dividends, then you will vote for the motion to recommit. The remainder of the bill will remain intact, and we will have passed a tax bill raising about $500 million in much needed revenue and will have gone a long way toward equalizing the burden of Federal taxation among many segments of the economy, and will have closed many so-called tax loopholes. I cannot think of a more clean and clear-cut way for the Members of this body to work their will in this most important matter and present to the Nation and its millions of overburdened taxpayers a fair, comprehensive, salutary, and beneficial tax revenue law.

I am opposed to both the investment credit and the withholding provisions of the bill, and I favor most, if not all, of the other provisions of the bill. I am very glad to have an opportunity to record by rollcall vote both my disapproval of the investment credit and withholding tax provisions, and my approval of the other sections of the bill, such as the disallowance of certain entertainment expenses, the more equitable taxation of mutual thrift institutions and mutual fire and casualty insurance companies, the gain from disposition of depreciable personal property, tax treatment of cooperatives and patrons, and some of the provisions relative to taxation of foreign income—which I believe should and will be further studied after additional experience has been obtained. I especially favor the provision relative to taxation of dummy tax haven corporations set up abroad in tax haven countries under the guise of sales agency corporations and which completely evade and avoid U.S. taxes and result in the exportation of American jobs. I also favor section 3 of the bill relating to the deduction of expenses incurred in making apearances, submitting material, or communicating with respect to legislative matters.

In the extensive hearings conducted by our committee, almost the only supporters of the tax credit proposal were the administration witnesses. The representatives of almost every major public organization which appeared before the committee opposed this tax credit approach, among which were the AFL-CIO, National Association of Manufacturers, National Small Businessmen's Association, and the U.S. Junior Chamber of Commerce.

A recent survey by the Wall Street Journal disclosed that of 68 companies surveyed, only one believed that the credit would have a significant effect on major expansion programs.

On February 23, 1962, the AFL-CIO executive council issued the following statement:

> The AFL-CIO has strongly and vigorously opposed the investment tax credit proposal as one that would grant a major tax windfall to corporations without accomplishing its basic purpose of increasing the efficiency of American productive capacity.

I oppose section 2 of the bill for many reasons, the principal ones being that it will not accomplish the results sought to be attained; that it is highly discriminatory between taxpayers; and that it is a billion-dollar-plus experiment of at least doubtful value which cannot be afforded by the United States at a time when its budget is out of balance and in the red to the extent of some $8 to $10 billion. It is like injecting an untested drug into a very sick patient instead of applying a known and tested remedy—such as realistic and liberalized depreciation which would be fair and uniform to all segments of our industrial life. Investment credit is in itself a loophole and a windfall to taxpayers who have lagged behind their competitors in plant modernization, and definitely discriminates against and penalizes taxpayers who have expanded and modernized their plants and equipment, mostly upon borrowed money. I predict that if this section is enacted into law, it will be repealed within 2 years.

The administration's approach to tax reform as evidenced by section 2 of this bill cannot provide this Nation with a tax structure that will insure continued healthy and noninflationary economic growth. It only serves to pile complexity upon complexity for the citizens who must cope with a tax code already much too complex. The answer to our tax problems will not be found in patchwork legislation.

In my judgment, which is shared by economists and business organizations throughout the Nation, a far better approach to a sound, fair, nondiscriminatory tax reform program is contained in H.R. 2030 and H.R. 2031, the bills which have been sponsored by my distinguished colleague from Florida and myself for the past 4 years, known as the Herlong-Baker bill. I hope and believe that in the reasonably near future the House of Representatives will have an opportunity to debate and work its will on the Herlong-Baker bill, which deals realistically with the entire tax structure and provides for gradual tax reduction over a 5-year period at all levels and which is geared to a balanced budget; but due to the legislative situation and the closed rule under which we are considering the present legislation we cannot today vote on the Herlong-Baker bill.

Let us return to further discussion of the administration's investment credit approach, which Leon Keyserling, Chairman of the Council of Economic Advisers under President Truman, calls a tax bonanza, a windfall or bonanza designated and pictured by a Scripps-Howard nationwide newspaper pictorial editorial as a giant loophole in the right church but in the wrong pew.

Under the most favorable estimates of the Treasury, this windfall will cost the taxpayers about $1.2 billion in 1963 and an average of about $1.5 billion thereafter, and this grant, gift, or subsidy will never be recouped by the Treasury. On the contrary, the tax money permitted to be retained by taxpayers under depreciation for plant and equipment modernization and replacement is only a revenue lag and will all be returned to the Treasury as the asset becomes fully depreciated.

How does it work? In simple terms it says that the Government will pay 7 percent of the cost of any new depreciable property—excluding real estate—put into use by the taxpayer. This includes any new equipment put into use since the first of this year. It includes equipment that may be on order or that the taxpayer would buy whether or not Congress approves this subsidy. One company alone will receive a subsidy of over $80 million a year for expenditures which must be made regardless of the credit. It even includes equipment for gambling casinos, bars, and racehorses. If the taxpayer acquires $100,000 of new equipment, the Government pays him $7,000—7 percent—by permitting him to reduce his tax payment by this amount. Even though the taxpayer paid only $93,000 of his own money for the equipment, he can put it in his books at $100,000 and he will get this amount back through depreciation.

The provision permitting either the lessor or lessee of property to utilize the credit at the election of the lessor creates a further loophole. A deduction or credit of this magnitude should not be left for trading between taxpayers. In the case of leasing companies, the investment credit is tantamount to a 50 percent tax deduction or an effective tax rate of 26 percent. Why give a tax incentive to some segments of the economy and not to all segments of the economy? For example, the bill in its last minute form extends the investment credit to transient hotels and motels, but not to residential hotels, apartments, or other rental housing. Do we have any assurance that these substantial tax savings will be passed on to the tenants and occupants of motels and transient hotels, and if that should result, which is extremely doubtful, why should it not extend to the tenants and occupants of apartment houses, residential hotels, and other rental housing. Is it planned that we should became a nation of transients?

When this investment credit was first proposed to the committee, I assumed that it would be a temporary shot in the arm—perhaps of 1 or 2 years' duration—and was somewhat intrigued by the idea, but that is not the case. It is the announced policy of the administration that the investment credit is to be a part of our permanent tax structure and that has been the history of our hodgepodge tax laws. Once a provision becomes a part of the tax structure, it remains almost an immutable as the law of the Medes and the Persians. I strongly recommend that section 2 of the bill be eliminated at a saving of $1½ billion to our overburdened taxpayers before it becomes even a temporary part of our already too complex and inequitable tax structure.

I am just as strongly opposed, perhaps even more opposed, to section 19 of the bill, which in order to pay a part of the price of this billion-and-a-half-dollar bonanza would impose a 20-percent withholding tax on interest, dividends, and patronage dividends.

The very able Commissioner of Internal Revenue recently estimated that when we count only payments of $10 or more, there will be more than 350 million savings and shareholder accounts that will be subject to withholding. This provision strikes at the very heart of the voluntary compliance system of tax collection of which we in the United States are justifiably proud. It is conservatively estimated that there will be more than 500 million dividend and interest accounts which are affected by this provision.

The most harmful effect of withholding will be in the field of series E bonds, redemptions of which in February 1962 exceeded purchases. Let us see how it will work. A man or a woman, or a child, by the exercise of thrift and economy has purchased series E bonds periodically and methodically, let us say a $75 bond every month, expecting to receive under the law at maturity date of about 8 years the sum of $100. He or she proudly walks up to the teller's window in the bank and instead of receiving $100, he or she receives $95, without any withholding certificate but only the assurance that if this $5 is not subject to Federal income tax, he or she can file a claim for a refund, or if he or she does not reasonably expect that the $5 will be subject to tax, he can sign a certificate to that effect—which many would put in the category of a pauper's oath—and receive the full $100. The withholding agent sends the $5 to the Treasury, along with countless other $5, $2, and $1 bills, and in many instances less than $1, without even telling the Treasury from whom this money was taken.

In my considered judgment, resentment would build up to such extent that the entire series E program will be imperiled, and so it will be with millions of honest small investors in savings accounts, stockholders of corporations, large and small, dividend recipients of savings and loan associations, mutual savings banks, and cooperatives.

I have received thousands of letters from constituent taxpayers expressing the deepest concern and resentment and the strongest opposition to this withholding tax provision. Retired couples and those approaching retirement have invested small sums over the years in stocks and savings accounts to supplement their social security payments and retirement income, with every dollar of outgo for food, clothing, medicine, and lodging budgeted. They justifiably feel that the long arm of the tax collector should not be permitted to reach into their dividend payments every 3 months and their savings accounts every 3 to 6 months and appropriate even such comparatively small amounts as $5 or $1, or 20 cents. They say that their meager budgets for subsistence will have to be adjusted downward and they do not know whether to start cutting down on their food, clothing, medicine, or their Christmas savings.

By and large, the American taxpayer is honest and pays the tax due on interest and dividends, and the small percentage of those individuals who have failed to do so would gladly pay this tax voluntarily, if liability existed, when informed that the income from interest and dividends must be included in gross income. A simple statement on the tax forms, italicized or in red ink, calling attention to the fact that interest and dividends must be included would cause all honest taxpayers to include in their gross income the amounts they receive by way of interest and dividends. If a taxpayer is dishonest and intends to evade this comparatively small tax, he would not hesitate to sign a statement that he does not reasonably expect this payment to be subject to the payment of Federal income tax. In addition, we passed a law last year requiring each taxpayer to have a number to assist Internal Revenue to find the cheaters; and they can and will, and I want them to find the cheaters.

The only argument used in favor of this proposed law is that, since there is withholding on salaries and wages, there should also be withholding on dividends and interest. On its face this is a good argument, but it is a specious one. In the case of withholding on salaries and wages, there is only one employer-employee relationship at any one time during the taxable year. The employee is permitted to claim any exemptions to which he might be entitled. The rate of withholding on the employee takes into account his normal deductions. Even with these safeguards, the Treasury processes more than 40 million refund claims annually resulting from overwithholding on salaries and wages.

I previously stated that the Commissioner of Internal Revenue estimated that there were more than 350 million interest and dividend accounts which would be affected by withholding if applied only to payments of $10 or more. When we add to this number the holders of U.S. savings bonds, the patrons of cooperatives, recipients of interest or dividends from insurance companies, and many other sources, there will be at least 500 million accounts subject to withholding.

The American Bankers Association informs us that two-thirds of the recipients of interest from savings accounts receive $12 or less per year. Let us say that a saver receives $10 a year in interest or dividends, payable quarterly. Fifty cents a quarter would be withheld. Would that individual saver go to the trouble and redtape of filing a claim for refund every quarter for 50 cents, or would he say just let the tax collector keep the 50 cents, even though I may not be liable for tax; thus, unjustly enriching the Treasury; or, would he withdraw his savings and keep them in cash in his sock, under the mattress, or in a safety deposit box; or buy tax exempt bonds—upon which there would be no withholding—even if he had to buy these bonds on the monthly payment plan. I am not talking about the extreme case, I am talking about the usual case.

Bearing in mind that there are currently 40 million claims for refunds on withholding from salaries and wages, the amount of refund claims under this section 19 would be astronomical. Treasury would have to employ thousands of persons to even look over the claims, much less process them.

I strongly urge that section 19 be eliminated from the bill.

And now, let us discuss very briefly not only the overall budgetary effect of the motion to recommit, which I believe I have portrayed rather fully, but also its immediate effect on fiscal year 1963.

If we strike section 2—the investment credit provision—we save $1.1 billion in fiscal year 1963.

Section 19—the withholding section—is estimated to produce $170 million in fiscal year 1963. Simple arithmetic shows a saving of $940 million to the taxpayers in the year just ahead, which begins July 1, 1962.

This is a lot of money and is not chickenfeed in my concept of government and finance.

I urge you to join me in voting for the motion to recommit, and to give the overburdened American taxpayer, John Q. Public, a billion-dollar ease on his tax burden. With this burden removed from his shoulders, he will walk a bit straighter in the hope that further relief may be in store for him in the years ahead.

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

Mr. BAKER. I yield to the gentleman from Virginia.

Mr. POFF. Did I understand the gentleman correctly to say that he would offer no substitutes for sections 2 and 19?

Mr. BAKER. I did not so state. I shall restate what the motion to recommit will be. It will simply be to direct the Ways and Means Committee forthwith to eliminate section 2 of the bill, which is the investment credit provision, and to eliminate section 19 of the bill which is the withholding tax provision. That leaves the balance of the bill intact. That will be the motion to recommit. We substitute nothing.

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

Mr. BAKER. I yield.

Mr. HARVEY of Indiana. I have listened with a great deal of interest to the debate on this bill. I was considerably disturbed by a statement made earlier that many millions of dollars are escaping the tax collector through the fact we are not withholding on dividends and interest.

I wonder if the gentleman could enlighten me as to how this is happening. How could this many escape the tax collector?

Mr. BAKER. I may say to the gentleman I have covered that in the body of my remarks. It is my judgment very few recipients of interest and dividends intentionally fail to include them in their gross income. There is an educational campaign going on, and there are various things in italics or red ink that you must include interest and dividends in your gross income. This would solve most of the problem. All honest taxpayers would do it and a few dishonest ones would not be deterred by what the able chairman says about the signing of a certificate he does not reasonably expect that he will be subject to a tax. He would sign it just the same.

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

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

Mr. ALGER. I think the gentleman's answer is excellent. I would add to that if it is not also true we have taxpayer identification numbers, automatic data processing, the cost of which is being borne by the taxpayers, and this would trip them up if they should evade paying their taxes. This is now being followed by the administration.

Mr. BAKER. I may say to the gentleman that only last year our committee reported and the Congress passed a bill numbering every taxpayer in the United States. You are all numbered, and every dividend above $10 dollars under existing law is recorded now in the Internal Revenue Service. It can be collected. Under this withholding there will be hundreds of millions of claims for refunds that will cost the Government a great deal, and they will need thousands of additional employees. I think this would cause more loss than the series E bond program.

Mr. MILLS. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. KEOGH].

Mr. KEOGH. Mr. Chairman, I must first and immediately pay my deep and abiding respects to the very distinguished and dedicated chairman of the Committee on Ways and Means, who on occasion even takes on some of the aspects of a slavedriver, but at least we take comfort from the fact he drives no one harder than he is willing to work himself. It is my prediction, Mr. Chairman, when this year and this Congress will have come to an end he will have erected for himself and for his committee and for the Congress a legislative monument that will remain resplendent for many years to come.

I would also like to pay my respects to his small but dedicated and efficient staff, beginning with the very able and dedicated chief counsel, Leo H. Irwin, and the very able and dedicated assistant chief counsel, John M. Martin, Jr., and going down or up through the rest of their capable and hardworking staff to the genial and ever helpful and cooperative Walter Little and Hughlon Greene, as well as to the staff of the Joint Committee, the legislative counsel's office, Secretary Dillon and Under Secretary Fowler and Assistant Secretary Stanley Surrey, who have on occasion displayed with and to the committee a great patience, perseverance, and understanding.

I address myself to the provisions of section 8 of the bill dealing with the taxation of mutual thrift institutions.

In the legislative process, decisions must be reached. In any piece of complicated legislation, no Member of Congress is able to dictate that each portion of the bill should come out exactly according to his own preferences. The Revenue Act of 1962 is an excellent bill overall and it will deal with the problem of improving our rate of capital growth and the growth of national productivity.

The incentive to capital growth will come primarily from the investment credit. If we are to devote more of our national output to providing capital goods, however, there will be less available somewhere else. This is the matter of paying for the credit. The revenue-increasing portions of the bill include many sound reforms of our present tax structure such as the elimination of the large-scale tax evasion with respect to dividend and interest income.

Before commenting on the specifics of the mutual thrift provisions of the bill, I would like to indicate generally the problem presented to the Committee on Ways and Means in this area and the committee's general approach to the solution of this problem.

The committee was not impressed with the extreme position taken by the commercial bankers that mutual thrift institutions should be taxed under the same rules applicable to commercial banks. There were three main reasons for not accepting this argument. In the first place, a mutual thrift institution is quite different from a commercial bank.

A commercial bank provides a wide range of services not provided by mutual thrift institutions. A commercial bank's time deposit business is largely an extra which they provide for people who will be in the bank on checking account business anyway. A mutual thrift institution is primarily concerned with investment of savings and it makes no pretense of offering one-stop banking services as does the commercial bank. The degree of competition between these two types of organizations has been vastly exaggerated.

A further difference between the commercial banks and mutual thrift institutions has to do with the source of funds. Any commerical organization has access to capital markets as a source of growth funds, a source not available to mutual organizations. Fair tax treatment requires that this difference be taken into account.

Finally, the lending and investment policies of the two types of organization are quite different. The mutual thrift institutions are primarily concerned with investment in long-term real estate mortgages. The commercial banks on the other hand have a variety of prospective investments, mostly short term, and they clearly regard the investment in home mortgages as of very minor importance. This last fact is clear in the record of commercial bank lending in periods of tight credit. In 1957 while the aggregate increase of financial institutions in ownership of nonfarm home mortgages was close to $9 billion, commercial banks increased their holdings of these mortgages by only one-tenth of $1 billion, slightly over 1 percent of the total amount of new home mortgage money. That same pattern was repeated in the tight credit period of 1960. When the total increased investment in nonfarm home mortgages was $11 billion, the commercial banks increased their holdings in these assets by one-tenth of $1 billion.

In both of these periods the commercial banks took in a large part of the growth in savings deposits, $5 billion in 1957 and $4 billion in 1960. The point is simply that in these periods of tight credit they had other things to do with the new money deposited in savings accounts than to supply funds to the home construction industry. In periods of tight credit or easy credit, however, the mutual thrift institutions have continued to place 80 to 90 percent of their deposit growth in increased ownership in home mortgages.

This difference in investment policy emphasizes the point that a mutual thrift institution is a different kind of organization from a commercial bank but it emphasizes also that the matter of investment losses is quite different between the two types of organizations. Home mortgage investments are long-term investments with different risk characteristics than short-term commercial paper. It was clear to the Committee on Ways and Means that loss reserve provisions applicable to loss experience on commercial paper have no relevance to an appropriate reserve on long-term real estate loans.

Actually there is no certain formula that will tell us what is the exactly appropriate loss reserve for long-term real estate loans. The very uncertainty of these losses is the problem. In approaching this question, the committee took the approach of analyzing various reserve formulas in terms of their impact on the supply of home mortgage funds.

In this light, I have no doubt that the Congress was wise in 1951 in adopting the 12-percent formula in connection with the bad debt reserve provision of mutual thrift institutions. The principal consequence of this decision of the Congress was the development of a flourishing savings institution that has provided a steady flow of funds to the housing industry. It is largely because of the strength of these mutual institutions that the construction industry has been able to flourish through periods of tight credit when the commercial banks have other things to do with their money as they had in 1957 and 1960. The growth itself, I might add, has brought its problems to these institutions, namely, the revival of the tax issue.

Applying this test of results to the question of what should the loss reserve be in 1963, it was clear to the committee that any loss reserve such as that proposed by the commercial banks would very adversely affect the rate of home building, and through this, it would seriously depress the construction industry. I need hardly add that the health of the construction industry has historically been crucial to the health of the economy.

While the commercial bank proposal was too harsh, it must also be said that 1963 will be different from 1951, and the reserve provision that served well in the fifties might be overly generous now. The Ways and Means Committee reached a new reserve formula that is reasonable to the circumstances. It will impose a substantial tax burden on the mutual thrift institutions but still one that can be handled without serious repercussions on the flow of funds into home mortgages.

At current levels of activity, the mutual thrift institutions will be earning, in 1963, income of about $1 billion a year, after the deduction for interest and dividends to depositors but before any reserve provision. Under the 60-percent reserve formula under the bill, which will be the usual formula for computing the reserve deduction, the tax will be close to $200 million. This will mean that combining the addition to the loss reserves and the income after tax, the mutual thrift institutions will be able to add to capital accounts about $800 million under the new bill.

In recent years the annual growth in deposits in the mutual thrift institutions has been building toward $10 billion a year and the mutual thrift institutions have been able to maintain, in the aggregate, about 8 percent of these deposits in their capital accounts, that is, in capital, surplus, and loss reserves. They have considered that this 8-percent capital ratio was adequate to the increased risk exposure involved in this rapid rate of growth.

As I have indicated, under the bill, the amount that the institutions will be able to add to their capital accounts will be approximately 8 percent of the prospective increase in deposits. This means that the mutual thrift institutions in the aggregate will have sufficient funds after taxes to maintain the kind of growth that they have had in the past. The tax under the bill will not, therefore, force the institutions to cut dividend rates or to take other steps that will materially affect their growth rate. The bill will not have any appreciable effect on the availability of home financing.

Mr. Chairman, I now direct my remarks to section 4 of the bill.

The bill provides that a deduction for entertainment expenses will be allowed only to the extent that the taxpayer establishes that the expense was directly related to the active conduct of his trade or business. Under the amended law, the taxpayer must show a greater degree of proximate relation between the expenditure and his trade or business than is required under present law. He must show more than a general expectation of deriving some income at some indefinite future time. He will not be required to show that income actually resulted for every allowable entertainment expenditure, however.

It was the committee's intention that the taxpayer show that the anticipated benefit to the taxpayer's business was sufficient reasonably to justify the expense for the entertainment. It was not the intention of the committee to disallow expenses for good-will entertaining but rather to permit IRS to question the business wisdom of any entertainment expense and its ultimate disallowance if the prospects of the expense ultimately benefiting the business of the taxpayer were remote. Thus, entertainment expenses must be reasonably expected to increase or benefit the business of the taxpayer. A test would be whether a prudent man in a similar trade or business might reasonably be expected to incur the expense.

Entertainment under circumstances facilitating the conduct of business affairs or carrying on negotiations or discussions relating thereto would ordinarily be expected to benefit the business. So also would be typical, reasonable, good-will entertainment expenses such as "hospitality suites," or business banquets, and so forth, at a business convention. The committee did not intend to disallow reasonable good-will entertaining at conventions which is so important to the economy of many communities in the United States. These expenses afford little opportunity for fraud since the occurrence of a convention is an easily established fact, and the location of the convention away from the home of the taxpayer as a general rule presents little opportunity for the taxpayer to entertain his family and friends rather than true business associates. Convention entertaining is perhaps the most typical type of good-will entertaining by businessmen. Generally, this type of entertaining affords the taxpayer the best opportunity to create good-will among his customers or prospective customers because it is an occasion when his customer is away from home and business and, consequently, accessible by the taxpayer.

It was not the committee's intention to disallow good-will entertaining but merely to require that it be reasonable. Thus, the committee never indicated during its deliberation as suggested by the committee report that the absence of the taxpayer or his representative from the entertainment activity would indicate that the entertainment was not directly related to the conduct of the taxpayer's trade or business. All the facts and circumstances pertaining to the entertainment activity would have to be considered to determine whether a given expenditure was so related to business as to be deductible under this section. The absence of the taxpayer from the entertainment activity might well indicate that the taxpayer could expect little business advantage from the expenditure. On the other hand, other evidence might well indicate that the expense was perfectly reasonable and the anticipated benefit to the taxpayer's business quite substantial even though the taxpayer were absent provided good will for the business was created through the expenditure.

I also have comments on section 4(b) of the bill.

In limiting living expenses while in travel status to a reasonable allowance, it is the intention of the committee that the reasonableness of these expenses will depend upon the facts in individual cases. For example, criteria or standards such as the locality in which travel is performed, the customary and usual standard of living of the person traveling, the purpose of the travel, and the relationship the travel expense bears to the anticipated benefit to the taxpayer's business should all be considered as factors for determining whether an allowance is reasonable in an individual case.

I now want to talk about the provision for withholding of tax on dividend and interest income which is provided by the committee bill and which is involved in the recommittal motion.

This is the feature of the bill which is described in the separate views of the Republican members of the Ways and

Means Committee as producing "massive overwithholding." It would be more accurate to describe those separate views as massive misrepresentation.

First let me make very clear the problem with which these withholding provisions deal. At the present time, we estimate that there is nearly $4 billion of dividend and interest income annually which should be reported as taxable income on tax returns but which is not reported. The tax evasion involved in this failure to report income is over $800 million. This estimate of $4 billion of underreporting is computed after making allowance for the dividend and interest income that goes to tax-exempt organizations and to individuals whose gross income is so small that they are not required to file tax returns. The general magnitude of this figure is confirmed by audit samples conducted by the Internal Revenue Service. Four billion dollars is the amount that should be on tax returns but is not there.

The separate views in the committee report develop the argument that eventually this tax evasion problem can be solved by more intensive use of information returns from dividend and interest payers which can be matched up by the Internal Revenue Service with individual tax returns to find out whether or not the dividend and interest income which is reported as being paid has also been reported as received.

As a mechanical job, the matching of these information returns on any comprehensive basis is simply impossible manually without an enormous increase in the staff of the Internal Revenue Service. Over the next 5 or 6 years, the Internal Revenue Service will have installed sufficient automatic data-processing equipment to do a great deal of this matching of information returns and tax returns. Even if we were content, however, to put up with another 6 years of massive tax evasion, it is not reasonable to expect the Internal Revenue Service to solve this underreporting problem by use of automatic data processing—ADP—alone. In the first place, to even make a pretense of doing the job by ADP the banks, for example, will have to increase enormously the number of information returns they now file on interest paid. Presently, they file one-half million information returns a year. This would have to be increased to 150 million. This is admittedly a far greater administrative burden on the banks than the burden involved in the withholding provisions of this bill.

Let us assume, however, that we do follow the line of the separate views and require information returns on all interest, and which with the present information returns on dividends would produce about 250 million information returns to be matched up with 60 to 70 million individual returns every year. If the Internal Revenue Service acquires more automatic data processing equipment than they plan to acquire over the next 6 years—and, incidentally, the present Treasury appropriation bill cuts back on the present plans—the technical matching problem could be handled.

Matching, however, does not produce revenue. The machines will turn out a list of discrepancies which would have to be individually processed. The discrepancies might be explainable in a number of ways besides underreporting. These various discrepancies would have to be processed initially by correspondence and in many cases by a revenue agent; and, once the liability was established clearly, it might be necessary to invoke the deficiency collection procedures.

All of this would mean an increase in bureaucratic redtape and would call for the creation of more jobs in the Internal Revenue Service. As a believer in Government efficiency, this does not strike me as a very reasonable way to collect tax liability on individually relatively small amounts of dividends and interest. I say that this is not a reasonable way to collect the tax because a far more reasonable method—namely, withholding—is at hand to deal with the largest part of this underreporting problem, a method that will bring in more revenue, presently due and owing, at less cost.

Actually, withholding will not eliminate all of the underreporting and all of the tax evasion. Withholding will be at the rate of 20 percent and it will not settle the tax liability of individuals whose rate is higher than 20 percent and who have unreported dividend and interest income. Of the $800 million plus of revenue that is lost, we estimate that $650 million will be recovered through withholding. Automatic data processing of information returns is the efficient way to deal with the remaining larger tax evasion in the higher tax brackets where the revenue involved per case will justify the administrative costs.

For the mass of dividends and interest where there is underreporting, withholding is a simple and efficient way of dealing with the problem.

As a technical matter, the dividend and interest withholding involved in the committee bill is simple. Partly because of the newness of the idea, in this area some people have assumed that this is complicated procedure but this is not the case. Consider a bank that presently pays interest of 4 percent. Once withholding becomes effective, in computing the interest to be added to any passbook, it would simply use 80 percent of this, that is, it would credit interest at a rate of 3.2 percent, or $32 on a $1,000 deposit. The individual need only divide this by 4 to find that $8 is the amount of interest that has been withheld. He would add this to the $32 reported as gross interest income and he would take credit for the $8 as the portion of his final tax liability that has already been paid, just as he takes a credit for taxes withheld on wages.

So far as the actual withholding is concerned, there is nothing more complicated than this. The bank does not have to submit to the Government detailed records of how much was paid on each account. This extra reporting by interest payers would, however, be required if we rely exclusively on ADP.

The provisions in the committee bill providing special treatment for cases where there is apt to be overwithholding are also quite simple in application. So far as exemption certificates are concerned, these would be filed by all individuals who do not expect to have any tax liability for the year. An individual who has an appreciable amount of dividend and interest income is required to file a quarterly estimate and pay tax currently if he reasonably expects that his income for the year will exceed certain levels, just as such estimates are called for under present law. The exemption procedure certificate is simply the other side of this coin. It is virtually the same as the decision an individual makes who is not subject to wage withholding and who determines that his income is low enough that he does not have to make a quarterly estimate of tax.

For people who do expect to have some tax liability but less than the amount of their withholding, the bill provides for quarterly refunds. By and large, these are people who would under present law be required to make quarterly estimates but who under withholding, instead of having additional amounts to pay for each quarter, would receive a refund because the amounts withheld would have exceeded the tax liability. The bill sets up a procedure for calculating this quarterly refund which will be quite simple from the taxpayer's standpoint.

For corporations and tax-exempt organizations that might be subject to withholding on amounts that they receive in excess of their tax liability for the year, the bill contains a provision allowing the organization to calculate its current refund entitlement and simply subtract this amount from money that it is withholding on dividends, interest, or wages and would otherwise have to pay over to the Treasury. These organizations, in effect, can get their refunds immediately by a simple bookkeeping adjustment.

This withholding system is efficient as well as simple. We might look first at the matter of the amount of overwithholding that will be produced. Presently, there are approximately 50 million tax returns which indicate some amount of withholding on wages. On 37 million of these, there has been overwithholding which requires a refund. That is, 73 percent of the returns involve overwithholding. The Treasury estimates that under the bill approximately 18 million individual returns will indicate some amount has been withheld on dividend and interest income. On these, it is estimated that 2 million or about 12 percent will involve overwithholding on dividends and interest—with half of these below $10 a year; 73 percent of returns with wage withholding are now overwithheld; 12 percent of the dividend and interest cases will involve overwithholding.

This is what the separate views call, with poetic license, "massive overwithholding."

Let us look at this overwithholding problem in another light. What is the burden on the taxpayer of overwithholding? Consider the exceptional case of a taxpayer receiving dividend income subject to withholding who must borrow money from a bank to replace the amount that has been withheld. He could pay off his loan with his quarterly refund. The cost of overwithholding to him will be reduced to the amount of interest that he has to pay on this short term bank loan. Of course any individual with dividend paying stocks would have no difficulty borrowing this money from the bank at 6 percent.

I think it is an eye opener to see just what this interest cost amounts to. The interest cost would be just $1 a year for each $10,000 worth of stock that the individual owns. This on the assumption that the total amount of withholding would be overwithholding. If, in fact, his tax liability was equal to half of the amount withheld, the interest cost of financing the overwithholding is 50 cents a year for each $10,000 worth of stock.

As a matter of fact, the loss of income involved in temporary overwithholding is such a trivial problem that many individuals in this country do not take all of the withholding exemptions to which they are entitled under wage withholding for the simple reason that they want a refund at the end of the year.

I have no doubt that most Americans appreciate the existence of wage withholding. Obviously, there are many people who arrange to make their withholding higher so that they will have a refund at the end of the year. It is an interesting point that when wage withholding was first discussed in the Congress exactly these problems of overwithholding were thrown into the argument to disparage the system. This problem of overwithholding has been magnified. It is almost staggering to see how trivial this problem is when it is exposed and examined in light of all "hoopla" about hardships and so on. The interest cost of overwithholding on stocks that I have just described is less important than a price change on a $100 share of stock of one one-hundredth of a point, literally, 1 penny, a price differential far too trivial for brokers to consider. Percentagewise, the cost of this overwithholding is smaller in relation to the value of the stock than 1 hour is in relation to a year.

I think the conclusion is clear that a system which prevents $650 million of tax evasion with no greater overwithholding burden than this is certainly efficient. Actually, the so-called overwithholding burden is far too trivial to account for the alleged objections that all of us have received about withholding. Obviously, the people who have real objections to withholding are not the ones who are presently meeting their tax liability and would not be inconvenienced by this trivial interest cost. This leads one to conclude that the recipients generally who are really opposed to dividend and interest withholding may be the ones who have a good evasion system going—the ones who are presently not paying tax on dividend and interest income. These are the ones for whom withholding will really mean an increase in the cost of $20 for each $100 of dividend and interest income and this is a group not deserving of sympathy by this Congress.

Mr. Chairman, I do have several questions I would like to direct to the distinguished chairman, the gentleman from Arkansas [Mr. MILLS] so that those who run may read and so that the RECORD may be complete.

Mr. Chairman, would proposed code section 274(a) disallow goodwill entertaining?

Mr. MILLS. The bill does not disallow good-will entertaining as such. Under the exception for business meals, expenses for food and beverages furnished under circumstances of a type conducive to business discussion are allowed if they are ordinary and necessary business expenses under present law. Our committee report specifically states that these expenses are deductible even when the making of the expenditure merely promotes goodwill. Thus, the proposal should not have any significant effect on the restaurant business.

In addition, the bill sets forth a requirement as to other entertainment expenses that they be directly related to the active conduct of a trade or business. In this connection, our committee report indicates that whether a goodwill expenditure is deductible or not turns on whether this test is satisfied. For example, expenses incurred for a hospitality room at a convention at which goodwill is created through display or discussion of the taxpayer's products will meet the test as directly related.

Mr. KEOGH. Mr. Chairman, business banquets are generally financed by suppliers of the banquet attendees as good-will gestures. They are sizable social gatherings. They frequently involve or have professional entertainment. They seldom are conducive to business discussion; nor for that matter, would it even be proper at some of them to even discuss business. Yet, they are a typical type of what I consider to be perfectly reasonable business expenses. There is little opportunity for fraud in connection with them, and certainly there is little opportunity to entertain anyone other than a business associate at them. Would proposed code section 274(a) disallow this type of expenditure?

Mr. MILLS. The answer to this question cannot be given precisely without knowing all the facts and circumstances of the case. In many situations of business banquets, the business meal exception would apply because they are held under circumstances of a type generally considered to be conducive to a business discussion. In fact, the committee report specifically states that a dinner which is part of a formal business program is generally regarded as held under circumstances conducive to business discussions.

If the banquet is not held under such circumstances, however, their deductibility turns on whether or not they are directly related to the active conduct of the taxpayer's trade or business. The fact that there is some professional entertainment would not necessarily disqualify them from being directly related. The fact that there is no opportunity to entertain anyone other than a business associate might be one circumstance admissible in evidence to show the direct relationship required by the statute. Each particular case, however, must be decided on the basis of all of the facts and circumstances pertaining to the activity.

Mr. KEOGH. Mr. Chairman, my remaining question on this section is as follows: Convention entertaining is vital to the economic welfare of many communities in the United States, not only large cities but literally thousands of resort areas throughout the country. At conventions, suppliers frequently entertain the conventioneers as good-will gestures. This type of entertainment affords little opportunity for fraud since the occurrence of a convention is an easily established fact and the location of the convention away from the home of the taxpayer presents little opportunity for the taxpayer to entertain his family and friends rather than true business associates. This is a typical use of good-will entertainment by businessmen. Is it the intention of the committee to disallow entertainment expenses of this sort by proposed code section 274(a)?

Mr. MILLS. The proposed section 274 would not significantly interfere with the convention business at resort areas in the United States. If attending a business convention is an ordinary and necessary business expense under present law, the traveling expenses of the taxpayer in attending such convention would be deductible, including his cost of transportation and a reasonable amount spent for his meals and lodging. His entertainment expense at the convention would be governed by section 274(a). The test would be whether it is directly related to the active conduct of the taxpayer's trade or business. This would turn on all of the facts and circumstances of the entertainment activities. The business meal exception for food and beverage expense under circumstances conducive to business discussion might cover the entertainment. The committee report specifically states that the expenses of a hospitality room at a convention at which good will is created through display or discussion of the taxpayer's products are directly related. The fact that there is no opportunity for the taxpayer to entertain his family and friends rather than pure business associates is certainly a circumstance helpful to showing that the expense is directly related.

Mr. KEOGH. The bill, as reported by the committee, limits the investment credit for investments in public utility property to 4 percent. The term "public utility property" is defined in section 46(c)(3)(B), at page 10, lines 6 to 19 of the bill, to include property used in the sale of domestic telegraph service. There are other U.S. carriers, however, which engage in the sale of international telegraph or cable service, as distinguished from domestic service only. Would the gentleman state whether these international telegraph carriers will be entitled under the bill to the full 8 percent credit for investments they make which otherwise qualify under section 46?

Mr. MILLS. Yes; only with respect to the amounts that it invests in the United States.

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

Mr. KEOGH. I am glad to yield to my colleague.

Mr. VANIK. Mr. Chairman, I just heard the gentleman's question and the response of the chairman of the committee to the effect that the International Telephone & Telegraph Co. would be entitled to 7- or 8-percent investment credit. Does it not classify as a utility?

Mr. MILLS. As I indicated in response to the question of the gentleman from New York [Mr. KEOGH], these carriers will be entitled under the bill to the full credit for investments they make which otherwise qualify under section 46. The international end of it is largely manufacturing. It also operates its manufacturing business here in the United States.

Mr. CURTIS of Missouri. Mr. Chairman, I yield such time as he may desire to the gentleman from Virginia [Mr. BROYHILL].

Mr. BROYHILL. Mr. Chairman, the title of the legislation now before us is "A bill to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes." More properly, it might be called a bill to provide windfalls for a favored few businesses, to create additional defects and inequities, and to compound the confusion and injustice in our tax system.

These are exactly the purposes that would be accomplished if this bill should become law as it was brought before the House by the majority members of the Ways and Means Committee.

The bill was so bad as originally reported by that committee that even the committee's majority members, on sober second thought, could not stomach their own handiwork—a handiwork they fashioned only under the strongest of pressures from the liberals of the New Frontier. So they went back into executive session and toned down the bill's investment credit section to the extent of reducing its windfall for the favored few businesses by 1 percentage point and lowering slightly the percentage maximum for the windfalls.

They acted because they realized that the bill they first brought out would unbalance the Federal budget so badly that the more seriously thinking Members of their own party in the House would be compelled by their consciences to vote against the bill. The Ways and Means majority hoped their revisions would enable the administration to twist the arms of enough of their colleagues to insure the bill's passage. At this point, no one yet can be sure whether the strategy worked.

Business as a whole neither wants nor seeks this new concept of tax favoritism. Even the vast majority of big manufacturing industries, which would receive the windfalls under this scheme, do not want it. The clause would give no aid whatsoever to service industries or to the retail and distributive segments of our economy.

The only people who want this investment credit plan appear to be the liberals of the New Frontier. Almost every major organization appearing before the Ways and Means Committee's hearings opposed it. Nevertheless, the administration continues to push for it on the contention that it will stimulate new productive investment which otherwise would not be undertaken. The contention is impossible to justify, in view of the almost unanimous predictions by economists that it will have no significant effect on major expansion plans.

The fact is that the accelerated depreciation plan urged by the minority members of the Ways and Means Committee would do far more to persuade industry to speed up its plant expansion and modernization programs than would the investment credit. Furthermore, accelerated depreciation would be fair in that it would be available to all, rather than just to the favored few as is the administration plan. Its additional advantages are many, more than I care to take the time to enumerate here.

Concerning the bill's provision for withholding on dividend and interest payments, the Ways and Means Committee's minority report describes this plan as an administrative monstrosity. The phrase is a masterpiece of understatement.

The flat 20-percent withholding rate unquestionably will result in massive overwithholding, and primarily on those with small incomes, on those who will suffer the most from having any part of their dividend or interest income withheld. The committee's majority claims such suffering will be negated by the provision for filing of exemption certificates. But the only dividend or interest receivers who can legitimately file such certificates are those who can honestly say they expect to have no Federal income tax liability whatsoever at the end of the year. In effect, this amounts to a virtual pauper's oath. What about the unfortunates who on the basis of preliminary estimates may expect to have a tax liability of $1 or $5 or $10? They will have the full 20 percent withheld on their dividend or interest payments, and then will have to go through the complicated process of filling out returns on which they claim refunds, then waiting for the longed-for day when they actually receive their refunds.

Withholding on salaries and wages is computed on the basis of giving the taxpayer the benefit of all his exemptions and an effective withholding rate which reflects the standard deduction. Yet the Treasury processes more than 40 million refund claims annually on salary and wage overwithholdings. Think how many millions of refund claims there could be with the no-exemption, no-deduction system on which this dividend and interest withholding scheme is based.

The third gross inequity in this so-called Revenue Act of 1962 which I would like to discuss briefly is its proposed treatment of foreign income of American corporations. Many of us might be willing to go along with the idea of adopting a taxing formula aimed at preventing the avoidance of U.S. taxes by operating through so-called tax-haven companies. But this bill goes far beyond that. Its blunderbuss approach would penalize even the most legitimate foreign operations of the most legitimate American corporations. It will make it virtually impossible for American firms to try to compete in foreign markets through foreign subsidiaries.

Actually, the bill's foreign income section represents economic isolationism at its worst. It is admittedly a scheme to discourage American businesses from operating abroad through foreign subsidiaries—as it was put in some testimony, to discourage the export of American jobs. But the fact is that with a very few exceptions, American firms have established foreign production facilities through foreign subsidiaries in order to compete in foreign markets, not to produce goods for shipment back to the United States.

The few exceptions could be taken care of by special provisions. But this bill goes so far that it will be virtually impossible for American firms to compete through subsidiaries in foreign markets as they have done in the past.

This bill's foreign income provisions represent a reversal of U.S. foreign policy. For some 15 years, it has been based on the benefits of increased participation by American business in the European economy. "Trade, not aid" has been a slogan of Democratic and Republican administrations alike. President Kennedy, himself, has frequently referred to the need for greater American business activity around the world to alleviate our balance-of-payments situation.

That was one hand—the right hand, shall we say. But from his left hand we now have before us his tax bill. Here the situation is different. For here, instead of encouraging American business activity abroad and thereby improving our balance-of-payments picture, this tax bill would seriously deter American business activity abroad and thus would worsen our balance-of-payments problem.

The foreign income provisions of this bill make no sense, precisely as the investment credit plan and the withholding on dividends and income make no sense. The only possible explanation for their advocacy is that the liberals of the present administration believe the provisions will mean greater governmental control over our economy. If that is their belief, they are unquestionably right.

But whether we want such increased governmental control over the American economy is another question. As far as I am concerned, we do not.

Mr. Chairman, I hope all three of these provisions I have discussed can be eliminated from the bill before the House is called upon to vote on its passage.

Mr. CURTIS of Missouri. Mr. Chairman, I yield myself 15 minutes.

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

Mr. CURTIS of Missouri. I yield to the gentleman from California.

Mr. TEAGUE of California. I have a question and I would appreciate very much an answer for the record from the chairman of the committee or the gentleman from Missouri, either. In my home county there are two small nonprofit corporations that have been classified as such by the State of California and the Federal Government. They pay no income tax but they do have, in their operations from time to time, savings accounts in the bank, and one of them, I believe, has a few stocks. The other has a few municipal bonds. My question is, Are these dividends and earned interest payments subject to the withholding provisions of the pending bill?

Mr. CURTIS of Missouri. The answer to that, I believe, is that the bank interest is exempt, but dividends from stocks would be subject to withholding.

Mr. TEAGUE of California. It would work a great hardship on these two small corporations which are engaged in youth activities and are just barely able to make ends meet. If 1 percent is withheld from their dividends it would be hard on them.

Mr. CURTIS of Missouri. I thank the gentleman who has pointed out just one of the numerous ways in which this provision is going to work hardship and actually not obtain the results expected of it.

Mr. Chairman, I am opposed to this bill. It is very bad economics, and additionally is bad tax law.

When this matter was before the Rules Committee and we were requesting the opportunity to let the House consider the three features of this bill, the gentleman from Virginia [Mr. SMITH] made the remark that if these three features, the ones that have been pointed out here, investment credit, withholding of interest and dividends, and the taxation of foreign subsidiaries, were removed, the bill would be gutted; and, as a matter of fact, that is a true statement. Take those features out of this bill and it is not a major bill at all, it is just a collection of a few odds and ends here and there.

There is one portion of the bill in which I happen to be strongly in favor, although there is opposition to it, we have just listened to, that opposition expressed by the gentleman from New York [Mr. KEOGH].

The three features to which I refer are the tax equalization provision, the taxation of co-ops, the taxation of mutual stock savings and loan and mutual banks, and the taxation of stock in mutual fire and casualty companies. Actually those three things, in my judgment, should be on the floor under a separate bill where we could evaluate them, because they all deal with the same tax theory. Other than that I do not think we would miss a single thing in this bill if the rest of it went down the drain.

The basic reason this is bad tax legislation is that this is not a balanced tax bill. The chairman of our committee, for whom I have great admiration, was very careful in his choice of words when he said that the revenue impact for its first full year would show a balance, but the first full year of effect would not be the fiscal year 1963. For the fiscal year 1963 this bill is a budget buster.

The gentleman from Arkansas pointed out that the estimates submitted to our committee would show that possibly this would not be more of an imbalance for the present budget for the fiscal year 1963 than had been anticipated by the President. But here is the thing to be noted. The manner in which these revenues and loss of revenues were estimated was under techniques never before used by the Committee on Ways and Means, never before used by the Treasury Department, and really they are fantastic. They say the imbalance there is supposed to be not more than $300 million, when actually if we use the traditional manner of estimating revenue loss it is about $1 billion, because the Secretary of the Treasury has said this investment credit is going to stimulate the economy in these areas and the Treasury will gain tax revenues from that kind of stimulation.

That is not the extent of this pipedreaming. That in turn is going to create a psychological effect on the rest of the economy which is going to be stimulated. That is the basis upon which the Committee on Ways and Means has come before this House and said that this is not going to have a $1 billion imbalance effect upon the budget for fiscal 1963. That, actually, is nonsense.

I asked the Secretary of the Treasury this question when he was testifying before our Committee on Reciprocal Trade, because so much of this bears on our foreign investments. I asked him: "Does this jibe with the very rosy estimates that were made for fiscal 1963 budget on revenues based upon an economy that was going to reach certain high peaks when the months of January and February indicate that we are not moving forward to that extent?"

Indeed, we have to revise our budget estimates downward, not upward. I submit the overall impact of this bill is bad economics.

Note, however, the motion to recommit with reference to this $1 billion bonanza. When it was $1.8 billion—really the estimate in this new latest version, which nobody, even our staff of the Joint Committee on Taxation had an opportunity to analyze. That is the Treasury estimate of what these changes were to be, but the original loss was $1.8 billion, and about 75 companies would get over $1 billion of benefits from this particular feature. That in itself is bad tax legislation.

I want to call attention to some—I do not know what adjective to use that would be parliamentarily correct to describe the statement that is contained in the report in regard to this investment credit. On page 8 it is stated:

> Realistic depreciation alone, however, is not enough to provide either the essential economic growth or to permit American industry to compete on an equal basis with the rapidly growing industrial nations of the free world. The major industrialized nations of the free world today provide not only liberal depreciation deductions but also initial allowances or incentive allowances to encourage investment and economic growth. This is true, for example, in Belgium, Canada, France, West Germany, Italy, Japan, the Netherlands, Sweden, and the United Kingdom.

I want to say that is not true. I heard that the Secretary of the Treasury has been making these statements. I guess this is where the data comes from. He has been making these statements in speeches, not before the Committee on Ways and Means but outside the Committee on Ways and Means. I think this statement is designed to confuse and relates to another method of depreciation that is used in some of these countries. This, incidentally, is exactly what the Republicans incorporated in the provisions of the revision of 1954, which was bitterly opposed by the Democrats at that time as a bonanza when, indeed, it was not, because it did not give more than 100 percent back in depreciation.

The term "incentive allowance" is used to refer to an allowance or subsidy which is not deducted from the cost for purposes of depreciation. The Secretary, I think, is seeking to create the impression that Canada, Japan, and most of the seven major industrial nations of Western Europe provide for such allowances analogous to the investment credit allowance in this bill. Now, that is not true.

There is no other reason for listing those countries in here than to try to create the impression in the minds of the House that this was analogous.

There are no so-called incentive allowances in Canada, France, West Germany, Italy, and Japan. Thus, in the five major industrial countries, other than the United Kingdom, it has not been deemed necessary or desirable to resort to this gimmick.

Now, the United Kingdom does have some sort of selective incentive which has some counterparts in our existing law. For example, there is an incentive of 40 percent for ship construction. We pay 50 percent of the cost of U.S.-flag vessels, plus the cost of whatever additional feature plus the additional speed which may be incorporated as a national defense measure. In other words, there are these special kinds of incentives in our law, and the British seem to be somewhat similar to that. They also provide 20 percent for machinery and equipment, but for the most part the useful lives used are much longer even than ours.

What is most important, even with this incentive allowance, British industry has been hard put to even keep pace with its competitors on the Continent who do not have the benefit of this.

Two other nations, Belgium and Sweden, adopted it in 1959; and the Netherlands in 1960. Of course, there has been no experience in these countries on which we can rely.

Now, moving on, if I may, to the second feature here, which has been well discussed, I only want to point out a couple of things on the withholding of interest and dividends. First, in regard to the $4 billion figure that you have heard as the amount that is not returned on the tax return of taxpayers. It was not pointed out that a great part of that—and we do not have our estimates too well in mind—is paid to people who are not taxpayers: children, people over 65. That has been the big problem in the committee. Much of this $4 billion is not slippage at all. It is not people gypping on their taxes, but the fact that we have got a lot of people who receive these interests and dividends who are not taxpayers. That is the reason the committee has gone to this rather extravagant extreme to try to do something about the nontaxpayers.

Now, the gentlemen on the majority side have used as their plea for withholding of interest and dividends the old, old argument that on its face looks accurate, but just as you examine beneath the surface you see how inaccurate it is. Here is the argument. The gentleman from New York used it. It is used constantly, and that is, if we are going to withhold on the wages and salaries of our people, why should we not withhold on interest and dividends? The answer is a very clear one. Wages and salaries constitute over 70 percent of the income, and when you withhold on wages and salaries, you have a taxpayer. Indeed, we give special credits to that taxpayer who we know is going to pay some taxes so that he can get his proper exemption and so forth. But, interest and dividends constitute less than 10 percent of the income of our people, and we do not have a taxpayer necessarily.

There is the trouble. In fact, we have seen the situation where so many of these people are not taxpayers at all. That is where the logic of this thing falls down. That is why under Democratic administrations and Republican administrations nothing has been done to withhold in this area. What has been done is to try to hit at the slippage because nobody wants to have people gypping on their taxes and to try to get compliance in other ways. Indeed we are moving forward to do that. I think, indeed, we can and that needs to be considered, because this is an administrative monstrosity and, incidentally, is not going to do very much toward cutting down on people who want to evade their taxes. Anybody who wants to evade, all he has to do is file one of these some 350 million certificates that will be filed and it will be difficult to police it. So it is going to do very little there.

Mr. Chairman, I wanted to devote a little time, if I might, to the problem in regard to the taxation of foreign income. I submitted some supplemental views which are in the committee report on this point. Indeed, the chairman, the gentleman from Arkansas [Mr. MILLS], referred to a statement which I did send out to some of my colleagues saying that this, in effect, was "Yankee come home." Twelve of the twenty sections of this bill that pertain to legislation deal with altering the incidence of foreign taxation. Whatever we do in this area toward tightening it up, regardless of the equity arguments, are going to make a problem for our people abroad in competing with the Russians and in competing with Western Europe. Whatever is done here is going to make it more difficult. I question the pleas in equity. That is the sole basis, you might say, on which the administration has presented these features. I have said this: "Look, now is not the time to change the rules of the road that have been established for 30 or 40 years in how investments abroad are being handled. Now is the time to try to help out in this critical period and to go in accord with the proposals."

Mr. Chairman, I might say that this is contrary to the statements the administration is making in the area of trade—and this actually flies in the face of what we have seen in the trade bill hearings—but let me quote, if I may, from the majority report on the Boggs bill just recently, February 9, 1960. Under the foreign investment incentive section of 1960, designed to aid American business competing abroad. This was the Boggs bill. I would be very much interested to hear the gentleman from Louisiana coment on this and tell us what has happened since 1960 that behooves him to come in and support this kind of bill. Here is what the majority report said. Incidentally, I was not too keen on this:

> The postponement of American tax as long as the funds are used in foreign operations is necessary to place the U.S. corporations operating abroad on a competitive basis with other corporations (either U.S.- or foreign-owned) which operate in the same foreign countries and pay only the taxes of the foreign countries. However, by ending the deferral of U.S. tax at the time the funds are brought back for use in the domestic market or for distribution to stockholders, your committee's bill provides assurance that a tax at least equal to the full U.S. tax will be paid before the funds enter the domestic market.

Indeed, that is what the present law is. This was a bill to further encourage and enable our people to compete in the markets abroad.

This bill would seek to make it more difficult for our foreign investment. Our people have told us they have not had a real chance to look at this bill. I wanted to point that out. All this talk about how much work the committee did in studying this bill—and indeed, it is true—we did devote 10 or 11 months to it—but when the time came to putting in this particular provision in regard to taxing the earnings of foreign subsidiaries, that was not even considered by the committee. It was one of these things that was rushed up, written Lord knows where, in the committee, and voted by a purely partisan vote of 15 to 10. And the 15 knew no more of what was in it than the 10 opposing it did.

So it was put in here. No hearings were held on that aspect.

Mr. Chairman, this can do more damage to the United States in regard to our position in the world today, both for peace and in competing with Russia in the economic field, than anything I can think of. I think it is preposterous that we should even consider legislating in this fashion in an area that is that important to the United States. And frankly, I am disappointed and shocked that the Committee on Ways and Means, in which I have so much pride, would handle an important feature of tax legislation in this summary fashion. And if for no other reason, I am very hopeful that this bill will be defeated so that we may let it go back to the committee and those parts of the bill that have merit—and they are the minor parts, I do recognize—can come out and go on their own merits.

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

Mr. CURTIS of Missouri. I yield to the gentleman from Michigan.

Mr. MEADER. Mr. Chairman, first I should like to commend the gentleman from Missouri for the additional views in the report. I think every Member of the House should read those views.

Second, I should like to agree with him that less than 2 years ago, on May 18, 1960, this body adopted H.R. 5, the Boggs foreign investment tax incentive bill, by a vote of 195 to 192. Every member of the Committee on Ways and Means on the Democratic side who voted on the bill voted for that bill. That was to encourage the participation of the American business community in our foreign economic policy, in strengthening the free areas of the world to resist Communist infiltration and domination, economic and military.

Now this bill in its present form, the earned income tax provision, moves in exactly the opposite direction. How can they possibly justify it when they are also asking us for more foreign aid funds, and for greater latitude in the executive branch on foreign trade for the purpose of furthering our foreign economic policy?

Mr. CURTIS of Missouri. I thank the gentleman for his contribution. Let me say, and I hate to say it, but it is the truth, this is a purely political deal. This was the price that the AFL–CIO demanded for their support of this bill, because they are so strongly opposed to the investment credit aspect of it. I think the gentlemen on the majority side know that that was the price paid at the White House, and the dictates came down to the Ways and Means Committee and we here are receiving it now on the floor of the House.

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

Mr. CURTIS of Missouri. I yield to the gentleman from Ohio.

Mr. BOW. Mr. Chairman, I want to compliment the gentleman from Missouri on the statement he has made here today. I ask unanimous consent to extend my remarks in the RECORD immediately following those of the gentleman from Missouri [Mr. CURTIS].

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

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

Mr. CURTIS of Missouri. I yield to the gentleman from New York.

Mr. LINDSAY. Mr. Chairman, I should like to commend the gentleman on the very pertinent and excellent presentation he has made, particularly in respect of the international aspects of this bill. If this proposal had ever been suggested some years ago on the minority side of the aisle, we would have been accused of being totally reactionary, of being retrogressive, of reaching back into the Dark Ages and being isolationists. This provision is in direct conflict with highly desirable measures designed to bring the European Economic Community and the United States closer together. I submit that if this part of the bill is enacted, the Congress and the United States as a whole will regret it.

Mr. CURTIS of Missouri. I thank the gentleman.

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

Mr. CURTIS of Missouri. I yield to the gentleman from Texas.

Mr. ALGER. In view of the Trade Expansion Act of 1962 that is before our committee, and the fact that it seems to be going in the opposite direction from what we are asked here, I would like to ask the gentleman if he would comment at this time for the Members of the House so that it will be in the RECORD, and expand on his views if he can, so that we can read it in the morning, as to the inconsistency of the two bills, taxes on the one hand and tariff on the other.

Mr. CURTIS of Missouri. I thank the gentleman. I would simply make this comment. One question I had directed to all of the administration witnesses who have appeared in behalf of the reciprocal trade extension—and I am referring to the Assistant Secretary of State, the Secretary of the Treasury, the Secretary of Commerce and the Secretary of Labor—has been along this line. How can you reconcile the restrictions being imposed in this bill, which was then before them and they had knowledge of it in the foreign investment aspects with the trade aspect. Can you really separate trade from investment, economically? And the answer is in the record. I think there is no reconciliation. The statement of the Secretary of the Treasury was that it was equity reasons that required that we have these aspects in the bill. I again say the equity arguments, in my judgment, do not bear weight, but now is certainly not the time to be changing the rules of the road in this important aspect of our foreign economics.

Mr. ALGER. Is it not also true that Secretary of Commerce Hodges testified on the tariff bill and even though we know how important tax measures are, that he did not know what was in the tax bill or even how it would affect trade and tariffs?

Mr. CURTIS of Missouri. Yes; Secretary Hodges said he was unfamiliar with the legislation, which is a very strange reply.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BOW. Mr. Chairman, the bill before the House is replete with inequities, injustices and other undesirable provisions. Its inevitable effect will be to restrain American private enterprise both at home and abroad, and to enlarge Federal control over private enterprise. But for the moment, Mr. Chairman, I wish to discuss briefly one of this bill's most undesirable sections—that having to do with taxation of foreign income.

The two most obnoxious phases of this section of the bill are the so-called gross-up plan and the controlled foreign corporation tax. Together, they will make it extremely difficult, if not impossible, for American business to compete in many foreign markets and in international commerce generally.

The gross-up proposal would require that a U.S. corporate shareholder must include in its income subject to U.S. taxes, the amount of foreign tax paid by a foreign subsidiary to a foreign country.

The controlled foreign corporation tax in effect would provide for current American taxation of income of so-called controlled foreign corporations—that is, foreign corporations which are at least 50 percent American owned. These taxes would be imposed currently even though the earnings may not have been paid to American owners and may never be paid to them. Furthermore, this scheme allows no deductions for possible losses by these foreign corporations and allows no loss carryovers.

The very able gentleman from Missouri, Mr. CURTIS, an outstanding member of the Ways and Means Committee, expressed the situation succinctly in his separate views on the pending tax bill. He said these two foreign income provisions threaten the ability of American private enterprise to compete and share in world trade, by imposing American taxes on veritably phantom income—income that has never been received.

That is precisely what these sections would do, Mr. Chairman, impose a tax on phantom income.

They would seriously aggravate the tax disadvantages under which American-owned foreign enterprises must operate and compete even under existing law.

To the considerable extent that these proposed imposts would curtail the ability of American private enterprise to participate in the development of the emerging new countries, that much would these provisions require greater dependence on less effective governmental aid with its immeasurably greater cost to U.S. taxpayers.

One of the excuses advanced by these provisions is that they will discourage the export of American jobs. But the fact is that with a possible few exceptions, no American jobs are exported because of the existence of American-controlled oversea companies. Rather, such companies use many American-made component parts in foreign manufacturing operations, and they help to create foreign markets for other American products. Department of Commerce figures submitted to the Ways and Means Committee showed that American exports, with respect to U.S.-controlled foreign subsidiaries, amounted to $2.2 billion in 1959 and $2.7 billion in 1960.

The foreign income provisions represent a sharp abrupt reversal of American foreign policy. Almost since the end of World War II we have been hearing of the benefits of trade, not aid. A few short weeks ago, President Kennedy submitted to the Congress a special message urging prompt action on his trade expansion program in order to facilitate greater American participation in world markets. The serious deficit in our balance of international payments situation has been a matter of grave concern to Republicans and Democrats alike.

Yet in spite of all this, we have here a program which will discourage American private enterprise participation in world commerce and will inevitably worsen, rather than improve, our balance-of-payments problem; and a program which the administration is doing all in its power to push to enactment. There is no logic to it.

Most of us in the House, I think, probably would vote gladly for special provisions to impose normal U.S. taxes on tax-haven foreign corporations operated primarily for the purpose of avoiding U.S. taxes. But this is not the objective of this bill. The blunderbuss approach of its foreign income sections obviously and admittedly is aimed at all American-controlled foreign corporations, even though they may be unquestionably and historically legitimate and aboveboard.

It is not my intention to take the time now to detail the many injustices and inequities which would be created by the gross-up and its accompanying complicated tax credit formula, or by the controlled foreign corporation plan. For such a detailed discussion, I commend the further views of Congressman CURTIS of Missouri in the committee report. As usual he is sound and constructive.

I do wish to register my complete and hearty disapproval of these schemes and to call the attention of my colleagues to the disastrous effects they would have on the efforts of American private enterprise to expand its activity in world commerce. That activity will contract sharply, rather than expand, if these provisions are allowed to become law. This is an eventuality I believe none of us want to see happen.

Mr. KEOGH. Mr. Chairman, I ask unanimous consent that the gentleman from Indiana [Mr. DENTON] may extend his 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. DENTON. Mr. Chairman, there has been so much cloudy controversy over the investment credit section of H.R. 10650 that I have made every attempt to become as familiar with this provision as is possible for someone who does not claim to be an expert on tax matters. I say cloudy controversy because I am convinced that a considerable part of the discussions that we Members have had among ourselves off the floor has come about through failure to interpret properly the tax incentive and to find out just what it would mean to businesses in our respective districts.

Probably the size of H.R. 10650 and of its report have had a great deal to do with this. I frankly must admit that I took one look at the report and quickly put it aside without the least intention of attempting to go through it. Last week I began to hear on the one hand from sources in whom I have complete confidence that the tax incentive is exactly what business needs to retool producing equipment and update plants and factories. Then I was told by sources in whom I have complete confidence that this shaggy piece of legislation has no place in our law books because it does practically nothing for the business community. That is when I began to realize that I was going to have to do some reading on my own.

First off let me apologize to members of the House Ways and Means Committee for refusing originally to wade through the 240 pages of the bill and the 303 pages of the report. I recognize that this lengthy material constitutes considerable work and penetrating thought on the part of the dedicated members of that committee, and I thank them for this contribution. After having studied it, I can now present it to my colleagues as recommended reading. I will not attempt to convey the impression that it is the kind of literature with which you can relax of an evening, but I will say to you that, once you have had the opportunity to peruse it carefully, you will have a much better appreciation not only of the committee's contributions, but also of what this new legislation can do for the general economic welfare.

Mr. Chairman, I also took it upon myself to discuss the tax incentive provision with some of my business friends whose ability to invest in new machinery will be substantially affected by this legislation. We sat down and figured out just what the tax incentive could mean to individual companies. I must confess that our calculations were based on the original proposals, so I have had to revise the figures since learning that the bill would be amended down to 7 percent; yet I still come up with what looks to the average businessman like an excellent opportunity to move ahead and, in doing so, to contribute to the stimulation of the general economy.

So far as I can determine, the tax incentive would be advantageous to large and small coal companies alike. The industry in general has done a remarkable job in keeping its prices competitive in the fuels market, as shown by the fact that bituminous coal today is sold on the average at the mine for $4.65 a ton compared with the 1948 average of $4.99. This reduction was achieved despite the spiraling costs of labor, equipment, and supplies over the past decade and a half. It came about because the industry was willing to invest heavily in modernizing and mechanizing. From a per-man-day average of 6.26 tons in 1948, efficiency of bituminous coal production in this country rose to 14.27 tons per man-day last year, in contrast to 2.1 tons for runnerup Czechoslovakia.

Unfortunately, this progressive spirit is not reflected in sales volumes. Despite these bargain prices, bituminous coal output declined from 599 million tons in 1948 to less than 400 million last year.

The coal industry must be given every opportunity to expand its markets. The tax incentive provision of H.R. 10650 comes as a new hope for coal companies. Much of the mining equipment introduced in the immediate postwar years has by this time become obsolete because of the emphasis placed on research and development in the past decade and more. Replacement should not be delayed. The investment credit, by virtue of making it possible for coal companies to purchase new equipment, can make the difference between stabilized cost and inflation. In turn, the cost savings, no matter how marginal, can make the difference between getting coal orders and in not getting them. With some coal companies working only 2 or 3 days a week, even minute price changes can make the difference between staying in business and closing down.

I appeal to my colleagues to make it possible for the coal industry, whose difficulties have been compounded by a miscellany of competitive inequities, to continue the progress that has enabled it to become the most efficient coal mining industry in the world. Through the tax incentive, the coal industry will at last have an opportunity to enjoy a return to high production levels and our mining communities will perhaps emerge from the chronic economic stagnation that has prevailed these many years.

For the coal-carrying railroads, the tax credit will have a dual benefit. Long burdened by economic woes, they have found it difficult to replenish and replace rolling stock, particularly gondolas and hoppers. The legislation before us today can make it possible for railroads to invest in the equipment they have neglected buying. I also remind my colleagues that many of the diesel engines put into service following the conclusion of World War II are coming to the end of the line and are about to follow the old iron horse to its Valhalla. The new models are expensive, but they are necessary and the railroads should be encouraged to order them now. The tax credit will provide that encouragement, and in consequence it will put some thrust into the economy of communities that build and make parts for railroad equipment.

The second benefit to the railroads will come through increased coal sales. In 1960 the class A coal-carrying railroads realized a total of $1,101,612,000 in revenue from coal traffic. That income from moving coal amounted to 13.1 percent of the total freight revenue of those rail lines.

Mr. Chairman, tax incentive provision of H.R. 10650 is needed to give a boost to the coal industry and every industry allied with it. Most of all, it is needed by the hundreds of thousands of families who depend upon these industries for their livelihood.

Mr. KEOGH. Mr. Chairman, I yield 15 minutes to the distinguished gentleman from Oregon [Mr. ULLMAN], a member of the committee.

Mr. ULLMAN. Mr. Chairman, I am sure that I am like many others in this body in that there are some provisions of this bill with which I am not in complete agreement, other provisions which I think could be improved upon, and still other provisions with which I am in strong agreement. The important point from the standpoint of the vote which faces us is that on balance, I think that this bill represents a step forward and, moreover, one which needs to be taken in this session of the Congress.

As is well known, our committee has worked long and hard on this measure, from extensive hearings through even more extensive executive sessions to finally bring to the floor a bill which represents a consensus at least of the majority of the committee. Major revisions of the revenue laws are always complex, always touched with controversy, and, I suppose, practically never satisfy anyone completely. At the same time, it has been 8 years since the last major revision of the Internal Revenue Code and I believe that the record shows that we need to have action now. In the time allotted me I want to indicate why I believe action is needed, as well as making the record clear as to my own views on this complex and important piece of legislation.

The bill before us has two general goals—one might be termed the economic policy goal of providing increased growth, both in our domestic economy and also in our international trade position; while the other general goal is that of improved equity in our tax structure. It must be emphasized that these are complementary goals and that the bill before us is intended to provide a balanced approach. Thus, for example, the tightening of the code in some areas together with revisions of tax treatment in other areas is intended, in a substantial measure, to balance the revenue decreases which will be a result of providing inventives to economic growth. At the same time, it should be remembered that increased economic growth itself will result in increased revenues to the Federal Government. In the face of the continuing heavy burdens which the global struggle places upon the American people, as leaders of the free world, it is this economic growth which offers the best hope for a future lessening of the relative tax burden on individuals.

The central feature of the measure before us in terms of its economic growth objective is, of course, the investment credit provision. The need for such an objective was pinpointed by the President in his message of last year when he pointed out that "modernization and expansion of the Nation's productive plant and equipment are essential to raise our productivity, to accelerate economic growth, and to strengthen our competitive position in world markets." Behind this statement of need lies the fact that our economic growth rate has fallen off in the past decade at a time when the growth rates of both the Soviet Union and our allies in Western Europe have been twice or three times our own. This glaring disparity is at the root of our balance-of-payments problem on the one hand and reflects a dangerous situation in terms of our national security on the other. It is significant that such other major industrial nations of the world as Belgium, Canada, France, West Germany, Italy, Japan, the Netherlands, Sweden, and the United Kingdom all provide some form of investment incentive allowances to encourage economic growth.

Therefore, Mr. Chairman, I feel that the need for action to secure increased economic growth is established. I recognize that there are differences of opinion as to the best means of attaining our goal—ranging from those on the one hand who argue for a stimulus to consumer spending in the form of increased personal exemption to those on the other hand who would prefer across-the-board depreciation increases. The administration has concluded on the basis of its studies, and our committee has concurred, that the investment credit approach is the most practicable and desirable. Since the minority of our committee continues to argue for the depreciation approach, I want to make clear my own opposition to this substitute proposal. Two points need to be emphasized. In the first place, the investment credit approach goes markedly further than the depreciation approach in securing increased investment for the same amount of revenue lost. Secondly, the credit avoids the distortion of costs which results from the depreciation approach. In other words, the investment credit is both more direct and more effective than the increased depreciation technique of stimulating investment.

While, therefore, I am in support of the investment credit provision of this bill, Mr. Chairman, I must express my deep regret that our committee saw fit to extend it, even in part, to regulated utilties. I was strongly in opposition to this in the committee, I am strongly in opposition to it now, and I sincerely hope that the other body will delete it from the bill when and as they take action on this legislation. In view of the fact that utilities are regulated monopolies with guaranteed rates of return and with a utility responsibility to provide all the investment needed to meet demand, I can see absolutely no reason for offering them a tax incentive to do what they are required to do anyway. Furthermore, our experience under sections 167 and 168 of the present code have, in my opinion, shown conclusively that it is unwise public policy to do so. Since, under the rule adopted, there can be no opportunity to attempt the deletion of the language extending the investment credit to regulated utilities, I will not dwell longer on this point but I ask unanimous consent to include at the end of my remarks a detailed memorandum on the reasons for excluding utilities from this tax incentive.

I want to turn now, Mr. Chairman, to the remaining provisions of the bill before us—those dealing with improved structural equity. The most important of these, from the standpoint of revenues to be gained, is the provision for instituting a withholding system on dividend and interest income. There is some controversy regarding this provision, but it seems to me that much of it is based on lack of understanding. It must be recognized that we are not imposing any new taxes by the establishment of withholding on dividend and interest income. These are taxes which are already due but which, in many instances, are not being collected. The provision of this more efficient way of insuring collection of these taxes will result, therefore, in greater equity for other taxpayers—both for wage and salary earners and for receivers of dividend and interest income who are already meeting their full tax liability. The institution of withholding on these two forms of income merely extends a system of tax collection which has proved outstandingly successful in the case of wage and salary incomes.

Our committee has recognized that there are some who receive dividend and interest income whose actual tax liability is less than the 20-percent rate to be withheld under this provision. It should be remembered that studies have indicated that this is a relatively small minority of those receiving interest and dividend income. In 1960, for example, studies of the Survey Research Center at the University of Michigan revealed that nearly 80 percent of liquid assets in this country are owned by those with annual incomes in excess of $4,000 and that less than 10 percent of those with incomes of less than $5,000 a year own stocks. Still, as I have said, our committee recognized that there are some whose tax liability on these forms of income would be less than 20 percent. In order to secure maximum equity and convenience for these people, we have provided two methods for preventing any substantial overwithholding. One is to allow all such receivers who anticipate no tax liability at all on their interest and dividend incomes to file statements to that effect and to secure exemption from withholding; the other is to allow, for those who have some liability, but less than a 20-percent liability, prompt refunds on any overwithholding that occurs. In my opinion, the proposed withholding system, with these guards against hardship on small income receivers, represents an important step toward greater equity in our tax structure.

Next, I wish to express my strong approval of the provisions of the bill before us dealing with the taxation of cooperatives. The problem here was to reaffirm the intent of the 1951 act in such a way as to meet the objections which had developed in certain court decisions. Cooperatives themselves have sought legislation which would clarify the tax liability of the individual patron on these patronage refund allocations. Most cooperatives have consistently specified this liability in their bylaws and have argued, with merit I believe, that the patron's membership under such conditions constitutes the logical showing of his consent to the investment of a portion of his patronage refunds in the cooperative. The bill which we have before us accepts this logical approach and strengthens it by requiring that each cooperative must clearly notify its members of the bylaw provisions on this point. In this way, we will be meeting the requirement of patron consent without adopting a procedure that would be punitive and unduly burdensome in character from the standpoint of cooperatives.

A substantial portion of this bill deals with foreign income and with the complex array of operations and transactions which characterize the modern business world. No one would claim that it is an easy thing to achieve equity in our tax structure as between various types of business organizations located in a number of different countries and subject to a variety of tax jurisdictions. But the evidence does indicate that in far too many cases our laws are inadequate to do the job of preventing abuses and insuring the equal treatment which we have every right to demand in our total tax structure.

It is in the interests of fairness to all American taxpayers, then, and not to penalize legitimate oversea investment that these tax reforms are suggested. In the hearings on H.R. 10650, Secretary of the Treasury Dillon said:

> We are not critical of investment abroad. We are not critical of investment by U.S. business in Europe in industrialized areas, investment that is made for business reasons. The only thing that we are suggesting, and we feel is equitable, is that special tax reasons are not a good reason any more for investment in that area, and we are asking that this special incentive, this special privilege, be removed.

These remarks of the Secretary set the tone for the foreign income sections of this bill.

Although we are talking in terms of equity, let us admit that the question of foreign investment touches upon the U.S. balance-of-payments problem, a problem to which we have devoted many, many hours and thousands of lines in the CONGRESSIONAL RECORD. A preliminary study for the year 1960 alone shows that the flow of capital from the United States to Western European subsidiaries exceeded dividends remitted to the parent corporations by $470 million.

Tax deferral on foreign-earned income, for example, creates a twofold problem: earnings are not repatriated and foreign investment is artificially encouraged. This multiple effect is seen particularly in the so-called tax haven countries whose tax rates are well below those of the United States. Any subsidiary organized in one of these foreign countries enjoys a considerable advantage over a U.S.-based company as long as its earnings are retained abroad. There seems little doubt that many subsidiaries have been located in tax haven countries primarily, if not solely, for tax reasons. Switzerland, Panama, Liberia, the Bahama Islands, Liechtenstein—these are among the nations most favored for the organization of paper subsidiaries. In Switzerland alone, information furnished by the consulate general in Zurich indicates that as of March 31, 1961, there were 517 American-owned corporations, 170 of them created in the 12-month period preceding that date.

The bill before us does not take a meat ax to investment abroad by U.S. corporations. Its purpose is selective—to do some trimming on those types of foreign investment which give an unfair advantage to certain firms at the expense of others.

Certainly, there is no one in the Treasury Department or in the Ways and Means Committee who does not recognize the importance of foreign investment to our economy and to our hopes for the free world. At the same time, all of us have a responsibility to equalize tax treatment and to insure that investment abroad is actually contributing sound economic goals.

Mr. Chairman, no portion of the pending tax bill, H.R. 10650, has been so misrepresented by its critics as the sections dealing with taxation of income earned by Americans overseas.

It is difficult to understand why, because the foreign income provisions of the bill are aimed at a single objective which should cause no controversy—the goal of equal tax treatment of income earned abroad and income earned here in the United States. This will be accomplished by eliminating the use of foreign tax havens and closing other loopholes which allow income earned abroad to escape taxation.

Why should Americans living overseas, and enjoying the protection of American citizenship, escape U.S. income taxes? Why should Americans be able to set up foreign trusts and foreign investment companies to escape U.S. taxation? And finally, why should U.S. businesses operating overseas enjoy tax privileges denied to their competitors operating solely in this country? These are questions that are legitimately raised by anyone with an interest in tax equity and sound economics, for the future health of our economy clearly calls for the elimination of special tax advantages which are making it more profitable for American firms to operate through subsidiaries abroad than to remain in this country and provide jobs for American workers.

Mr. Chairman, I doubt that any Member of this House wishes our tax laws to be used to take jobs away from American workers. But that is precisely the heart of the matter to which I am addressing my remarks.

Our current period of business expansion is now in its 13th month—but 6 out of every 100 able and willing workers in this country are still looking for jobs and unable to find them. We have so far been unable to develop a complete solution to the problem of recurring recessions and the unemployment and human misery that accompany them. We also face severe economic dislocations brought on by automation and the simple movement and change of a dynamic economy.

We need every job the American economy can provide to take care of our growing labor force and of those whose skills become out-of-date in this world of fast-moving technological change. Can we, therefore, continue to countenance tax laws which induce American business to move out of this country—and take jobs with them? What we need, instead, are tax laws that will help American business to better produce at home for oversea sale and thus help solve our unemployment problem by raising our national output. Such laws are embodied in other sections of this bill.

Those who oppose the adoption of H.R. 10650 say that its foreign income provisions are inconsistent with our traditional American policy of free movement of investment capital. They contend that this legislation moves in a direction opposite to that of President Kennedy's Trade Expansion Act. That is incorrect.

Imposition of U.S. taxes on certain types of American business operations overseas will in no way interfere with the free flow of American capital around the world. Foreign investment opportunities which are appealing on their own merits will not be hindered. The legislation seeks merely to do away with certain situations where present tax avoidance possibilities—of and by themselves—provide the margin of profitability which causes American firms to establish overseas subsidiaries.

Nor will our export trade be hurt. On the contrary, it will be helped. Opponents of the legislation cite the exports made by American firms to their foreign subsidiaries in support of their argument that adoption of this bill will impair U.S. export sales. The precise volume of such export sales to subsidiaries is unknown, though certain companies have testified that their own sales to subsidiaries are quite large. But what about the export sales which are being lost because American firms are manufacturing overseas rather than at home? Does anyone really believe that direct sales to subsidiaries outweigh the $9.3 billion in sales by American-owned manufacturing subsidiaries in Europe alone?

H.R. 10650 will not interfere with legitimate foreign business operations of American firms. Manufacturing and construction companies will not be affected if they use their retained earnings in their own business—earnings which may now be held idle or used, tax free, for additional investment in new businesses in industrialized countries at the cost of still more American jobs.

The legislation does provide a direct inducement to American firms to invest funds in the underdeveloped countries—thereby supplementing our foreign aid program and removing some of the burdent of development aid from the American taxpayer. All present tax advantages for legitimate investment in underdeveloped countries will be retained and, in addition, profits earned in industrialized countries will be allowed to be reinvested in less developed countries without payment of U.S. tax.

I would like now to discuss the foreign income provisions of H.R. 10650, section by section, to demonstrate how totally lacking in validity are the charges that its adoption will, in any way, injure legitimate U.S. business operations abroad.

Section 13 is the one that has been most attacked. What does section 13 do?

It taxes the income of U.S.-owned insurance companies operating overseas solely for the purpose of tax avoidance—a purpose which is demonstrated by the fact that they write insurance against risks of loss on property located in this country.

It strikes at a gross abuse of our tax laws, under which patents, copyrights, exclusive formulas and processes developed in the United States may be used abroad by U.S.-owned foreign subsidiaries to create income which remains tax free until it is returned as a dividend to this country.

Section 13 would also eliminate the present tax deferral privilege on the typical tax-haven operation of U.S. business subsidiaries—mere paper companies in many cases—which exist mainly for the purpose of receiving income they have done nothing to earn. This income, from dividends, interest, rents and royalties would, in normal circumstances be received by the U.S. parent corporation and taxed.

Profits earned in trade by the typical tax-haven subsidiary would be subjected to U.S. tax under section 13 of the bill. Such subsidiaries frequently perform little actual business service. They merely collect income from the United States or from foreign manufacturing operations, and are located in low- or no-tax countries solely for tax-saving purposes.

These tax-haven companies are sometimes used as a device through which to sell—on paper at least—products manufactured in this country. This creates the opportunity for direct escape of U.S. taxes. Other tax-haven companies market goods produced by U.S.-owned subsidiaries in foreign countries whose taxes are roughly comparable to our own. In that case, the availability of the tax haven serves directly to lure U.S. manufacturing operations overseas.

The attraction of tax avoidance through the use of tax havens is strong—and growing. Our information is incomplete but indications are that their total number has doubled in each of the past 2 years. About 1,000 American-owned companies operate in Switzerland alone, and the vast majority of them seem to have tax avoidance as their principal purpose for being.

Since it is in our national interest to encourage investment in newly developing countries, such passive tax-haven company income would remain unaffected by the bill if invested in an active business in a less developed country.

Section 13 also strikes at tax-free retention of profits abroad. Such profits are frequently reinvested in new and diversified businesses because of the inducement offered by the tax saving. They may even be invested in the United States, under schemes which avoid U.S. tax even though, in effect, the making of such investments constitutes a repatriation of earnings.

In none of these cases is the existing tax deferral privilege justified—and section 13 seeks to end that deferral.

Unjustified avoidance of U.S. taxes is also clearly possible in situations where U.S. firms either buy or sell from or through foreign subsidiaries. The fact that U.S. taxes may be deferred on earnings of foreign subsidiaries constitutes an inducement for U.S. parent companies to transact business with their subsidiaries at something other than fair market prices, so that the subsidiary profits will be artifically inflated. Section 6 of the bill, therefore, establishes criteria for allocating income between parent and subsidiary in cases where determination of a fair market price for goods bought and sold is difficult. This change is necessary because present law, which requires actual case-by-case determination of fair market prices, has proved unworkable. There are, at present, more than 3,000 pending disputes outstanding between the Internal Revenue Service and business taxpayers on this issue of price determination. Internal Revenue has estimated that enforcement of this section of existing law—which is far from effective and still worsening—requires the full time of almost 20 percent of its most highly paid agents.

Section 11 of the bill contains the so-called gross-up provision. This correction in the method of taxing dividends received by American companies from their foreign subsidiaries is long overdue. Under existing law, domestic corporations are allowed to deduct from their tax liability on dividends received from their foreign subsidiaries a proportionate part of the foreign taxes paid by such subsidiaries. This benefit is designed solely to eliminate double taxation of such dividends. It should not serve to reduce the overall U.S. and foreign tax below 52 percent. However, because of certain technical aspects of the computation of the foreign tax credit, the effect is to allow both a deduction and a credit for foreign tax. Depending on the amount of foreign tax, a rate differential of as much as 12 percent is possible in total U.S. and foreign taxes paid. There is no justification for such a provision, which not only discriminates between U.S. firms and American-owned companies operating overseas, but among U.S. companies operating in different foreign countries. Section 11 of the bill thus merely insures that all dividends from foreign subsidiaries, regardless of where they are incorporated, will be subject to a combined U.S. and foreign tax of at least 52 percent.

There are other provisions of the bill which relate to the taxation of distributions received from foreign corporations. These, like the gross-up provision, are intended to insure that upon repatriation of foreign-earned income to the United States, a fair share of United States taxes will be paid.

Section 16 of the bill will assure imposition of U.S. taxes, at ordinary income rather than capital gain rates, on the undistributed profits of U.S.-owned foreign corporations which are sold or liquidated.

Section 9, section 15, and section 18 of the bill seek, respectively, to close the tax loopholes used by those who set up foreign trusts or foreign investment companies or who invest in foreign real estate to escape U.S. taxes. In all three cases, the bill goes no further than to establish equitable rules under which these operations will be taxed in the same manner as similar activities in this country.

Another area where action is long overdue is the existing law which allows American citizens residing abroad to escape U.S. tax on income earned abroad. In these times, when the bulk of our national budget is spent on national defense, space efforts, foreign aid, and interest on the national debt, all Americans, wherever they are living, benefit from expenditures made by the Federal Government. While hardship may be endured by Americans residing abroad in certain countries, there are other Americans, including motion picture actors, who reside abroad purely to avoid U.S. taxes.

So long as such American citizens enjoy the benefits, privileges, and protection that go with American citizenship, they should pay their fair share of the dollars America spends to strengthen and defend the free world. Section 12 of the bill, therefore, limits the amount of income that may be excluded from taxation by U.S. citizens residing abroad to $20,000 for the first 3 years of foreign residence, and to $30,000 thereafter. These amounts are more than high enough to retain any existing incentives for Americans to work abroad, while at the same time closing the unwarranted loophole under which hundreds of thousands of dollars may be earned abroad by American citizens without the payment of a single dollar of tax to the United States.

My summary of the foreign income provisions of H.R. 10650 should make it entirely clear, Mr. Chairman, that this legislation does not seek to penalize, and will in no way injure, Americans living abroad or legitimate U.S. business operations overseas.

It will merely remove existing inequities and abuses in our tax law which make it more attractive for some Americans and some types of U.S. business to live and operate abroad, rather than at home.

In the process, it will help the American economy and the American worker by keeping jobs in this country, where they are needed to insure that all of our citizens have proper opportunities to realize their potential as individuals and as citizens.

One of the most difficult and most persistent problems faced by those who write the revenue laws of this Nation is to afford equitable treatment to what are often dissimilar organizations and situations. This is the problem which has concerned the committee in recommending changes in the tax laws for mutual thrift institutions and for mutual fire and casualty insurance companies. I have consistently fought for continued recognition of the differences between mutual and stock companies, differences which I believe are not without importance to our society. The various mutual companies were organized in response to strongly felt needs and they have continued to play a vital role in the economy.

It must also be recognized, however, that in the light of current conditions we are obliged to review the tax treatment of mutual institutions and companies to assure nondiscrimination as between the mutuals and the stock and fire and casualty insurance companies and as between the mutual thrift institutions and the commercial banks. The primary goal of the committee in these provisions has been to achieve what we may call competitive equity.

In search of this goal, we recommend the provision of loss protection accounts for mutual insurance firms and mutual thrift institutions, in recognition of their special situation, while extending regular tax rates to their remaining income. It seems to me that this furnishes the most practicable approach to reaching the substantial revenues which have hitherto gone untaxed without jeopardizing the continued existence and prosperity of these forms of business organization.

The provisions of the bill dealing with the treatment of gains from the sale of depreciable property represents, in my opinion, a major step toward closing an important loophole in our tax laws. Under the present law, a taxpayer can deduct a depreciation allowance from his ordinary income and then, if he sells the property, enjoy the much lower capital gains rate of tax on the difference between its depreciated value and the sale cost. It is especially true under the liberalized depreciation provisions of the law, which allow a substantially greater depreciation rate in the early years, that this provides a tax incentive to the acquisition of assets for purely speculative reasons.

The administration recommended that the entire gain from the depreciation allowance on property, both real and personal, be treated as ordinary income and denied the lower capital gains rate. The committee has recommended extension of this treatment to personal property only. While I would not agree completely with the administration position, I do feel the benefits of liberalized depreciation, beyond the straight-line method, should not be given a double-barreled character by allowing capital gains treatment on their value at the time of sale of an asset. I feel most strongly that this incentive to speculative purchase and sale transactions in real as well as personal property should be eliminated, and I hope that the other body will give consideration to such a further tightening of this aspect of our tax laws.

The committee has made some progress in the area of tax treatment of entertainment expenses. Most Americans are shocked at the idea of tax-free yachts, fishing camps, and so forth, and all of us would welcome the opportunity of making a clear-cut distinction between reasonable and unreasonable expenses in the operation of a business. Unfortunately, the distinction is not easy to make. There is, no doubt, some justification for saying that a lot of insurance is sold on the golf course and that a number of contracts are signed at the nightclub table or hunting lodge, but it is evident also that there is wide latitude here for purely personal, or at least nonbusiness, entertainment.

In addition, it must be recognized, if we are to be realistic, that major changes in this aspect of our tax law may well have substantial effects on certain sectors of the economy. Our committee has not gone as far as many of us feel it should but we have eliminated the old Cohan rule under which travel and entertainment expenses could be deducted on an unsupported and estimated basis—a rule which furnished an incentive to overestimation of such expenses, I might add—and this bill would require the substantiation of all such expenses claimed and limit their deductibility to the extent to which they can be shown to be business related. I support this section of the bill as another step in the right direction but suggest that the treatment of entertainment expenses is an area that needs continuing study.

Finally, I want to comment briefly on the action of the committee relative to the deductibility of legislative expenses incurred by businesses and their associations. As my colleagues on the committee know, I do not feel that this section has any place in this bill and I opposed its inclusion. I recognize the argument that lobbying, if I may use that term in the nonderogatory sense, is a basic right of American citizens and that legislative matters are of direct concern to the conduct of a business. At the same time, there is some question in my mind as to whether or not legislative expenses should be in effect subsidized by all American taxpayers, many of whom have no legislative representative of their own and no direct stake in the activities of particular lobbyists.

The bill allows the deduction of legislative expenses for appearances, materials, and communications with legislative bodies at all levels of government, but specifically excludes advertising, expenses relating to political campaigns and expenses to influence public opinion or voting. The importance of these exclusions should be emphasized. Nevertheless, this provision for legislative expenses, as well as the one for entertainment expenses, needs, in my opinion, continuing study by the Ways and Means Committee and by the Congress.

In summation then, Mr. Chairman, the bill before us represents the considered judgment of a majority of our committee. It is based on long and careful consideration of the various arguments and counterarguments presented to us and while it is possible that none of us is in complete agreement with every specific provision, it is in my opinion a major step forward in an area of basic importance. Because I believe that the balance of the bill is definitely on the side of progress in this difficult area and does represent the most practicable measure which could be worked out by our committee, I urge my colleagues to vote for its passage.

MEMORANDUM: THE CASE AGAINST INCLUSION OF REGULATED UTILITIES UNDER THE INVESTMENT CREDIT

1. UTILITIES' INVESTMENT NEEDS ARE DETERMINED BY PUBLIC DEMAND

The public utilities are regulated monopoly industries which are legally obligated to serve public needs and which construct their facilities on a demand basis to meet public requirements. Studies of investment in both the telephone and electric power industries conclude that the relationship between present demand and capacity is the primary determinant of investment. Investment in utilities does not occur spontaneously to create new demand but is determined by demand.[1]

2. UTILITIES ARE REGULATED MONOPOLIES WITH GUARANTEED RATES OF RETURN AFTER TAX

In return for their authorization to operate as regulated service corporations, they are assured consumer rate charges which will cover their costs of operation, including Federal income taxes, plus a just and reasonable rate of return on investment. This rate of return is set so as to attract the capital needed to serve the public convenience and necessity. The rate of return presently available to utilities, when adjusted for the lack of risk on that investment, equals or exceeds the rate of return in other industries that will obtain after credit has been granted. Furthermore, the rate of return is gaged to enable the utility to obtain adequate capital at whatever cost is required. (See exhibit 1.)

Because the corporate income tax is treated as a cost of operation, the utilities and their investors do not bear the burden of the tax. They are therefore not subject to the disincentive effects which the tax may have on investment decisions of other industries not sheltered by regulated monopoly conditions. In addition, the risk of investment in the utility field is less than in industry generally. The utilities have no difficulty raising capital needed for expansion.

3. UTILITIES WILL NOT RAISE INVESTMENT SIGNIFICANTLY IN RESPONSE TO THE CREDIT

With a captive monopoly market, guaranteed rates of return, ready access to capital funds, and need for new investment determined largely by secularly increasing consumer demand, public utilities are not likely to respond in the same manner as other industrial corporations operating in competitive markets to tax incentives such as the investment credit.

Unlike manufacturers who can stimulate new markets by developing new products, the gas and electric utilities offer a commodity that has changed imperceptibly over the past half century. Their need for new investment is a need for satisfying growing consumer needs that they are legally required to meet and that they can readily project for the years ahead.

4. EXPERIENCE WITH AMORTIZATION PROGRAM IN REGULATED INDUSTRIES WAS UNSATISFACTORY

The unsatisfactory results of attempts to stimulate public utility investment are exemplified by the recent experience with accelerated amortization in the electric utility field. This experience was critically reviewed by the Congress when it restricted the further issuance of amortization certificates in 1957. Chairman BYRD, of the Senate Finance Committee, in commenting on the matter in 1957, stated that he regarded such rapid tax writeoffs for utilities as without any justification whatever because utilities are guaranteed profits.[2]

The report of the Senate Judiciary Committee made by its Subcommittee on Antitrust and Monopoly concerning the experience of regulated industries under rapid amortization stated:

"Grave consequences have followed the enormous grants of tax amortization to operating utilities in the electric power field. Consumers have fared badly, for the Federal Power Commission rules that lower rates were not the purpose of the tax amortization statute, and the courts have sustained the FPC. As a result of the hearings, the Federal Power Commission surveyed operating utilities and it was established that to an unsuspected extent, tax-free dividends were being paid. Public power witnesses complained of predatory practices by utilities enjoying the lower net taxable income coming from high-depreciation charges, and the subcommittee obtained a listing of all acquisitions made by utilities subsequent to obtaining amortization."[3] (See also exhibit 2.)

5. INVESTMENT CREDIT WOULD COMPLICATE RATE REGULATION AND TEND TO BE PASSED ON TO CONSUMERS

The extension of the investment credit to the utilities would tend to bring heavy pressure on the various regulatory commissions to pass the benefit on to consumers in the form of lower rates. Assuming such a pass-through, there would be little, if any, incentive effect to utility investment. While some of the pass-through would serve to reduce costs slightly for industrial users, much of the benefits would affect residential consumption.

There is, however, serious doubt as to how the investment credit might be treated by the various regulatory agencies. While existing law would appear generally to call for the flow-through approach, it is possible that the credit might lead to pressures for some type of tax-normalization approach which would permit the utilities to retain the credit in addition to their fair rate of return on investment. In any event, the credit would gravely complicate the regulatory process and become a continuing source of controversy and litigation.

In view of the conflicting pressures on the regulatory agencies, the treatment of the credit would probably not be uniform in all jurisdictions. Moreover, before the issues were resolved there would be a period of uncertainty and confusion which would not be favorable for investment or the orderly operation of the utilities. Granting the credit to utilities would introduce discriminatory treatment of different firms, as regulatory agencies respond with different procedures for passing the credit through to consumers.

Special difficulties would be involved in applying the flow-through principle to the credit because, unlike general tax reduction, the credit would vary from year to year with the capital expenditures of the utility corporation. This variance in the tax reduction from year to year would make it extremely difficult for the regulatory authority to determine the proper rate adjustments. Substantial tax credits would be likely to go neither to lower rates nor to additional investment, but into dividends to shareholders. The resulting erratic distribution of the credit in the regulated area and the numerous disputes it would engender would not serve the best interests of either the utilities industry or the Nation in the long run.

6. INSIGNIFICANT EFFECT OF THE CREDIT ON CONSUMER DEMAND

Some utilities have contended that if the credit were passed on so as to lower the cost of service to consumers, this would increase demand and therefore provide a basis for additional investments in production facilities.

Estimates of the possible effect of passing on the entire amount of the benefit of a 4-percent credit in the form of lower utility rates suggest an average reduction of cost to electricity consumers of about 1¼ percent.[4] For the average residential customer whose electric bill was about $7.25 a month in 1959, the resulting reduction would amount to about 9 cents a month. Simi-

[1] See Avram Kisslegoff and Franco Modigliani: "Private investment in the electric power industry and the acceleration principle," Review of Economics and Statistics 39 (1957), pp. 363-379, and Paul G. Clark, "The telephone industry: A study in private investment," in Wassily Leontieff, Studies in the Structure of the American Economy (New York: Oxford University Press, 1953), pp. 243-94.

[2] U.S. Senate, Committee on Finance, "Rapid Amortization of Emergency Facilities," hearings before the Committee on Finance, 85th Cong., 1st sess. on S. 1795, May 7 and 9, 1957, p. 9.

[3] U.S. Senate, Committee on the Judiciary, Subcommittee on Antitrust and Monopoly, "Rapid Amortization in Regulated Industries," 85th Cong., 2d sess., S. Rept. No. 1380, Mar. 12, 1958, p. 67.

[4] The 1¼-percent figure is based on an estimate of $118 million credit which the electric power utilities would have received on their 1959 eligible investment in relation to $9.5 billion of operating revenues. With the smaller 3-percent credit figure this reduction for residential consumers would, of course, be smaller.

larly, for industrial and commercial customers whose average electric bill in 1959 was $880 a year or about $73 a month, the adjustment would be about 92 cents a month.

These reductions are so small as to be an insignificant stimulus to the consumer in changing his use of electricity, even if the demand were reasonably elastic. While reliable estimates are not available on the elasticity or responsiveness of demand for electric power to price changes, there is reason to believe that it has a relatively low degree of elasticity.[5]

7. HIGH LEVELS OF EXCESS CAPACITY NOW EXIST IN THE ELECTRIC UTILITY INDUSTRY

The high levels of excess capacity which now exist in the case of the electric utilities suggest that the investment credit would not be effective and is not needed in this area.

The data on the growth of excess reserves of kilowatts stated as a percentage of December peak loads indicates that in the postwar period reserve capacity over the peak load reached a level of 19.3 percent in 1954, declined to 17.3 percent in 1956, but rose steadily since then to a high of 28.6 percent for 1960.[6] (See exhibit 3.)

The 1956 report of the Joint Committee on Internal Revenue Taxation on the 5-year amortization program indicated that the Office of Defense Mobilization operated on the assumption that an excess capacity reserve in the neighborhood of 24 percent would be required for full mobilization in 1955, which is well above the actual reserves maintained during the Korean war. When reserve capacity reached 20 percent, the goal was closed, presumably because this level was deemed adequate.[7]

8. THE INVESTMENT CREDIT IS ESPECIALLY INAPPROPRIATE FOR GAS PIPELINES

The natural gas pipeline industry has expanded at a very rapid rate without the investment credit. As of the end of 1960, the index of plant investment was around 350, as compared to 100 at the end of 1950.

So far as we know, no desirable expansion or modernization has been prevented by lack of readily available funds.

There is serious question whether it would be in the public interest to encourage any increased rate of expansion in view of the depletable nature of gas. The Federal Power Commission's latest annual reports show that, according to estimates by the American Gas Association, the gas reserve life index for the country has declined from 22.1 years at the end of 1958 to 21.1 years at the end of 1959 and 20.1 years at the end of 1960.[8] Expansion of interstate natural gas pipelines can be effectuated only with a certificate of convenience and necessity issued by the FPC. The Commission requires an affirmative showing of the adequacy of reserves before any such certificate will be granted. Certification procedures are designed to assure orderly growth in the industry, and will limit the extent to which the investment credit can stimulate growth.

9. THE INVESTMENT CREDIT IS A SELECTIVE STIMULUS TO INVESTMENT

The investment credit has been carefully designed to provide the maximum stimulus to investment in those areas of the economy that compete with foreign producers for markets here and abroad and in those areas of the economy where stagnant economic conditions have caused business to fall behind in its modernization of equipment.

The investment credit specifically excludes buildings and residential construction, as investment in those areas contribute little to modernization of the Nation's industrial productivity. Excluding utilities is but another way in which the impact of the credit is focused on investment that will best strengthen our industrial efficiency.

10. THE CREDIT IS NOT DISCRIMINATORY TO PUBLIC UTILITIES

The credit is not discriminatory to the public utility industry. The legally intended incidence of the income tax paid by the public utilities is on their consumers. Consistent with this principle, the benefits would be passed on to consumers and the utilities would have no net gain from receiving the credit.

11. PURPOSE OF STRENGTHENING INTERNATIONAL COMPETITIVE POSITION OF AMERICAN INDUSTRY IS PRIMARILY APPLICABLE TO BUSINESSES OTHER THAN PUBLIC UTILITIES

The credit is primarily intended to aid manufacturing and other industries in modernizing, eliminating obsolete equipment, and strengthening their competitive position, with reference to foreign competition. These goals are largely inapplicable to utilities which have for the most part a domestic market and only indirectly are concerned with problems of foreign competition. The need for the credit is clearly greatest in the case of manufacturing and other businesses which need to keep abreast of foreign competition now receiving special investment tax incentives.

12. INDUSTRIALS WOULD NOT CONSTRUCT THEIR OWN UTILITY FACILITIES TO OBTAIN ADVANTAGE OF THE CREDIT

The proportion of the total electric power generated by industrial firms has declined steadily since the late 1930's. (See exhibit 4.) This suggests that the utility industry has been able to make increasing use of economies of scale in large generating plants. Increasing size of generating installations makes it uneconomic for most manufacturers to generate their own power. As the initial investment has an expected life of about 40 years, and most industrial plants would have a highly variable need for power over that period, it is highly unlikely that a shift to self-generating power by industrial corporations would be stimulated by the credit.[9] In fact the current trend would appear to be in the opposite direction. Many companies now lease production machinery, vehicles, and special equipment, as well as buildings, in order to minimize the capital investment required and permit flexible changes in the product line, method of production, and location.

13. IMPACT OF THE CREDIT ON SMALL UTILITIES

It has been contended that the investment credit would be a boon to small utilities that do not have ready access to the capital market and have a low rate of return. With the exception of a few firms that account for a very small part of the market, there does not appear to be any support for the contention that rates of return are lower in small utilities. Furthermore, about four-fifths of the investment in utilities is concentrated in firms with over a quarter of a billion dollars in total assets that have ready access to the capital market and a rate of return that appears comparable to manufacturing when it is discounted for the lack of risk in utilities and the greater ratio of debt to equity financing. (See exhibit 5.)

14. CONCLUSION

The available evidence indicates that the credit would not achieve its intended incentive to investment in the case of the regulated monopoly industries. The application of the credit would be inappropriate in the case of corporations enjoying sheltered markets and guaranteed rates of return which in effect insulate them from the corporate income tax. Exclusion of utilities from the credit will not impair their right to realistic depreciation revision which may be found appropriate in the light of Treasury depreciation studies. Extension of the credit to utilities on the other hand would cost disproportionate amounts of revenue. As recognized by important sectors of the utility industry itself, the credit might be prejudicial to the best interests of the utilities in the long run.

EXHIBIT 1

State court opinions favoring passthrough of tax incentive benefits. In holding that utilities should be required to pass on to their ratepayers the benefits of liberalized depreciation under section 167 of the Internal Revenue Code, the Pennsylvania Superior Court said (*City of Pittsburgh* v. *Pennsylvania P.U.C.*, 182 Pa. Superior Ct. 551, 128 A. 2d 372, 382–383):

"Counsel asserts that, since utilities are an important segment of the national economy, they must likewise benefit. The weakness in this assertion is in failing to recognize the distinct nature of a utility as a regulated quasi-monopoly. As such it may obtain funds for modernization and expansion at the current reasonable cost, and it is allowed to pass this cost on to its customers in an annual depreciation allowance and its annual allowable net return as well. In fixing the rate of return the commission takes cognizance of the cost of capital to the utility. It appears therefore that this general desire of Congress to provide working capital and funds for modernization and expansion is, and has been for many years, adequately met for public utilities through rate proceedings."

Similarly, the Supreme Court of Illinois, said (*City of Alton* v. *Commerce Commission*, 19 Ill. 2d 76, 165 N.E. 2d 513, 520–521):

"Under the policy of this State, utilities are allowed a rate of return calculated to attract the capital required for necessary expansion. * * * Since in this respect utilities differ from other corporations, the purpose of section 167 would not be thwarted nor would discrimination be introduced into the Federal tax law by requiring utilities to pass the savings of accelerated depreciation on to their customers. * * * utilities are at least partial monopolies, and no competition exists to induce them to pass savings on to the public."

EXHIBIT 2

HISTORICAL PRECEDENT OF ACCELERATED AMORTIZATION

The FPC, in line with perhaps the majority of other regulatory bodies passing on

[5] Although no estimates of the response of consumer demand to changes in electric prices are available, economic studies have demonstrated an extremely low change in demand in response to the price of heating fuels. For each 1-percent decrease in price, less than three-tenths of 1 percent increase in revenue can be anticipated. (See A. M. Strout "Weather and the Demand for Space Heat," Review of Economics and Statistics 43 (May 1961) pp. 185–192.) Though somewhat greater substitution among fuels can be anticipated in the long run, competition between fuels is effectively limited by the high costs of conversion and one can expect little response from the consumer to a reduction in prices.

[6] Data from June 1961 issue of FPC "Electric Power Statistics."

[7] U.S. Congress, Joint Committee on Internal Revenue Taxation, "A Report on 5-Year Amortization of Emergency Defense Facilities Under Sec. 168 of the Internal Revenue Code of 1954," December 1956, p. 25.

[8] 40th annual report, p. 62; 41st annual report, p. 64.

[9] Profitability calculations indicate that the value of the credit is less on 40-year assets than on assets with a shorter life. Hence there is less incentive to the industrial producer here than in an investment in production machinery and equipment with a life of 15 years.

the issue, permitted utilities to normalize income taxes paid with the benefit of accelerated amortization under section 168 of the Internal Revenue Code. (The FPC and many State commissions have adopted the same procedure with respect to liberalized depreciation under sec. 167). Utilities thereby accumulated very substantial reserves. Yet the fact is, as set forth at some length in a report of the Subcommittee on Antitrust and Monopoly of the Senate Judiciary Committee, that accelerated amortization had no real tendency to encourage construction of emergency facilities.

For example, the subcommittee said:

"Under the policies then (i.e., April 1955) in force, no clear relation to defense needs was required for approval of certificates for electric power generation as they were granted on the basis of total demand, including civilian as well as military needs. The lack of incentive was indicated by the fact that in the few instances where proposed facilities were held ineligible—because of location in target areas—the utility companies constructed them despite the rejection."

The subcommittee further said:

"Of the applications considered by the Department of the Interior and the Office of Defense Mobilization, approval was given to facilities scheduled to bring in 13,013,450 kilowatts. Applications which were denied because of their target area location totaled 5,298,000. All of the projects so denied still are scheduled for completion in 1958, despite the withholding of the tax-amortization inducement."

EXHIBIT 3.—*System capacity and peak loads, 1940–60* [U.S. totals for major systems in kilowatts]

End of year	Dependable (adverse water year)	December peak loads	Indicated reserves (excess of dependable over December peak load as percent of peak)
1940	34,408,484	27,948,071	23.1
1941	37,358,709	31,581,206	18.3
1942	39,665,335	32,942,464	20.4
1943	42,416,767	37,060,061	14.5
1944	43,760,322	37,858,847	15.6
1945	45,373,031	37,868,925	19.8
1946	45,701,894	43,173,808	5.9
1947	48,146,326	47,554,537	1.2
1948	52,689,808	51,611,873	2.1
1949	59,285,449	54,238,069	9.3
1950	65,574,230	61,719,096	6.2
1951	72,687,954	67,869,836	7.1
1952	80,035,407	73,055,403	9.6
1953	89,802,220	78,592,567	14.3
1954	102,055,254	85,580,848	19.3
1955	114,512,107	98,291,077	16.5
1956	120,453,230	102,723,432	17.3
1957	128,325,252	107,388,343	19.5
1958	141,827,422	113,679,341	24.8
1959	154,537,818	121,561,168	27.1
1960	165,536,249	128,713,483	28.6

Source: June 1961 issue of FPC "Electric Power Statistics."

EXHIBIT 4.—*Generating capacity, privately owned electric utilities and industrial establishments 1939–60*

[In thousands of kilowatts]

Year	Combined capacity	Privately owned utilities capacity	Industrial establishments	
			Capacity	Percent of combined capacity
1939	44,483	33,908	10,575	24
1940	45,433	34,398	11,035	24
1941	47,631	36,041	11,590	24
1942	49,626	37,442	12,184	25
1943	51,717	39,128	12,589	24
1944	52,610	39,733	12,877	24
1945	53,064	40,307	12,757	24
1946	53,104	40,355	12,749	24
1947	54,816	41,987	12,829	23
1948	58,436	45,381	13,055	22

EXHIBIT 4.—*Generating capacity, privately owned electric utilities and industrial establishments 1939–60*—Continued

[In thousands of kilowatts]

Year	Combined capacity	Privately owned utilities capacity	Industrial establishments	
			Capacity	Percent of combined capacity
1949	63,954	50,484	13,470	21
1950	69,106	55,175	13,931	20
1951	74,544	60,192	14,352	19
1952	79,435	64,349	15,086	19
1953	87,053	71,201	15,852	18
1954	95,413	79,127	16,286	17
1955	103,311	86,887	16,424	16
1956	107,790	91,145	16,645	15
1957	114,474	97,376	17,098	15
1958	126,256	108,202	18,054	14
1959	136,510	118,999	17,511	13
1960	145,793	128,000	17,793	12

Source: FPC.

EXHIBIT 5

IMPACT OF THE INVESTMENT CREDIT ON SMALL UTILITY COMPANIES

The attached tables present the investment in utility companies, their rate of return, and the percent of total investment held by companies, by size of total assets. For purposes of comparison a similar table has been prepared for all manufacturing corporations. The tables indicate:

(1) Investment is heavily concentrated in utility companies with more than a quarter of a billion dollars of assets. (See table 1.) Firms of that size have ready access to the capital market and can attract equity or debt capital on favorable terms.

(2) The rate of return as reported by utilities of different sizes does not appear to vary systematically (see table 2), while the rate of return increases with the size of the firm. (See tables 2 and 3.) Thus while there may be some justification in special aid to small manufacturing corporations to help them raise their return, no such aid to the utilities would appear necessary or desirable.

The rate of return as reported by the telephone industry appears higher than that reported by the gas and electric utilities but this is partially the result of the fact that 30 percent of the investment in gas and electric utilities is being depreciated under accelerated methods while only 1 percent of the investment in telephone and telegraph is being depreciated under these methods. When the guaranteed nature of utility income and their generally high ratio of debt to equity capital is considered, utility rates of return are roughly comparable to the return in manufacturing. Ratios of bonds with maturity of one or more years to total capital account are about 16 percent for manufacturing, 35 percent for communications, and 52 percent for gas and electric companies. If equity financing requires a yield approximately 1½ to 2 times that required for bonds, the difference in capital structure alone would account for the observed differences in rate of return.

COMMENTS RELATED TO THE EXCLUSION OF THE UTILITIES UNDER THE INVESTMENT CREDIT

It has been argued that the credit will aid small utility companies that have difficulty financing new investment projects by issues of stock and bonds in the capital market. Clearly such companies are an infinitesimal portion of the industry. If future investment is roughly proportional to the present investment in utility companies corporations with assets in excess of a quarter of a billion dollars will receive four-fifths of the $325 million investment credit that will be granted by the pending tax bill.

If it is desired to achieve a compromise, and accord the small utilities some credit, much of the revenue cost of granting a credit could be removed by coupling the credit with restrictions as to the size of the company which could enjoy the benefit.

TABLE 1.—*Investment in electric, gas, and telephone utilities by size of firm, 1958–59*

[Percent of total investment]

Size of firm	Telephone communications	Gas production and distribution [1]	Electric companies and systems
Under $100,000	0.2	(2)	(2)
$100,000 less than $500,000	.8	0.3	(2)
$500,000 less than $1,000,000	.7	.1	(2)
$1,000,000 less than $2,500,000	.7	.5	0.2
$2,500,000 less than $5,000,000	.4	.6	.4
$5,000,000 less than $10,000,000	.8	1.2	.2
$10,000,000 less than $25,000,000	1.2	3.1	.9
$25,000,000 less than $50,000,000	.8	4.4	1.4
$50,000,000 less than $100,000,000	1.9	5.6	2.5
$100,000,000 less than $250,000,000	.5	16.7	18.3
$250,000,000 and over	92.0	67.5	76.1
Total percent	100.0	100.0	100.0
Total amount (in billions of dollars)	$24.0	$14.5	$40.8

[1] Excluding natural gas production.
[2] Less than 0.05 percent.

TABLE 2.—*Rate of return and investment in public utilities as measured by the ratio of net profits after taxes to total assets less accumulated depreciation and amortization by size of corporation* [1] *(tax year: 1958–59)*

Total assets of corporation	Telephone communication		Gas production and distribution [2]		Electric companies and systems	
	Investment	Rate of return	Investment	Rate of return	Investment	Rate of return
	Millions	*Percent*	*Millions*	*Percent*	*Millions*	*Percent*
Under $100,000	42.3	5.3	5.2	0.9	3.3	3.0
$100,000 less than $500,000	190.9	2.9	37.8	1.7	16.7	13.9
$500,000 less than $1,000,000	158.2	2.9	15.9	.2	19.9	4.2
$1,000,000 less than $2,500,000	180.0	2.1	65.6	4.0	68.2	6.9
$2,500,000 less than $5,000,000	99.4	4.9	86.7	5.3	165.0	1.0
$5,000,000 less than $10,000,000	203.3	4.1	171.2	3.7	88.4	4.5
$10,000,000 less than $25,000,000	255.3	3.6	451.3	3.9	382.3	3.1
$25,000,000 less than $50,000,000	202.7	4.0	633.4	3.7	553.1	3.8
$50,000,000 less than $100,000,000	457.2	3.6	816.2	3.0	1,002.7	3.3
$100,000,000 less than $250,000,000	120.4	8.8	2,424.7	1.7	7,467.7	2.8
$250,000,000 and over	22,092.9	5.7	9,798.7	2.1	31,019.3	2.8
Total	24,002.6	5.5	14,506.7	2.3	40,786.6	2.8

[1] Rate of return is the ratio of net profit after tax to total assets. Investment is the total assets of the company.
[2] Excluding natural gas production.

NOTE.—The rate of return estimates are based on net income for tax purposes related to net total assets. These rates will be much smaller than book net income related to equity.

TABLE 3.—*Investment and rate of return in manufacturing as measured by the ratio of net profits after taxes to total assets less accumulated depreciation and amortization (tax year: 1958–59)*

Total assets of corporation	Investment	Rate of return [1]	Percent of total investment
	Millions	*Percent*	
Under $25,000	310	(2)	0.1
$25,000 under $50,000	697	(2)	.3
$50,000 under $100,000	1,771	(2)	.8
$100,000 under $250,000	5,112	1.3	2.2
$250,000 under $500,000	6,131	3.8	2.6
$500,000 under $1,000,000	7,942	3.7	3.4
$1,000,000 under $2,500,000	12,315	4.6	5.2
$2,500,000 under $5,000,000	10,237	5.3	4.3
$5,000,000 under $10,000,000	11,177	6.0	4.8
$10,000,000 under $25,000,000	17,695	5.6	7.5
$25,000,000 under $50,000,000	13,523	5.5	5.7
$50,000,000 under $100,000,000	18,532	6.1	7.9
$100,000,000 under $250,000,000	25,586	6.2	10.8
$250,000,000 and over	104,808	5.5	44.4
Total	235,836		100.0

[1] Measured by the ratio of net income after taxes to total assets less accumulated depreciation and amortization.

[2] Losses reported in 1958–59.

NOTE.—The rate of return estimates are based on net income for tax purposes related to net total assets. These rates will be much smaller than book net income related to equity.

EXHIBIT 6

STATEMENTS CONCERNING UTILITY TAX BENEFITS BASED ON INVESTMENT

1. John P. Madigan, the Hartford Electric Light Co., Hartford, Conn., in a speech at National Conference of Electric and Gas Utility Accountants, Chicago, Ill., April 20, 1959, concerning liberalized depreciation (sec. 167):

"In general, the main purpose was to encourage industry to modernize its machinery and equipment. In our industry, however, to be realistic, accelerated depreciation does not stimulate to any great extent the replacement of obsolete equipment. Does anyone seriously contend that our plant would not have been expanded as fully or as rapidly, or that our maintenance program, involving replacements of units of property, would have been curtailed if it were not for accelerated depreciation? Perhaps it achieved all these things for other taxpayers, but certainly not for us. What was achieved was, in effect, nothing more than a reduction in tax equivalent to the lowering of the present corporation rate of 52 percent, and, if income taxes had actually been reduced in such manner, would anyone argue that we ought to be allowed to retain the savings over and above the fair and normal rate of return?"

2. Federal Power Commission, in its 1956 decision in the Amere Gas case, in which it ruled that utilities should receive the benefits of the tax savings under rapid depreciation, said: "The extraordinary ability and willingness to attract capital and construct new facilities causes us to question whether the incentive provided by section 167 of the Internal Revenue Code is necessary or desirable for this industry or will, in the long run, be as beneficial to the public interest." (While this decision related to the gas industry, the FPC statement is even more applicable to the electric industry.)

3. Value Line Investment Survey, in a press release of February 26, 1962, said: "In the past, investor-owned electric utilities (which account for more than 75 percent of the industry) have had to sell new securities to raise 67 percent of their new construction budgets. But, the Value Line Survey points out, a rising cash flow from depreciation and tax savings from accelerated depreciation has recently reduced the need for new capital to about 50 percent of construction outlays. The proposed tax credit for new investment in equipment, if enacted, would further bolster internal cash generation."

4. William R. Connole, former FPC Commissioner, in a dissent in the Amere Gas case in 1956, said utilities "not only have the privilege and the incentive to expand, but indeed have a clear-cut, universally recognized and inescapable obligation to do so. * * * And it would be a vain act indeed were the Congress to enact a statute which would purport to cure a nonexistent problem or to provide encouragement where none is needed, indeed where none can be inferred without impugning the willingness of utilities themselves to conform to their existing obligations and the ability of the regulatory community to meet its statutory and constitutional mandate."

Mr. CURTIS of Missouri. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. SCHNEEBELI].

Mr. SCHNEEBELI. Mr. Chairman, before proceeding with any comment on any part of this tax bill, I want first to congratulate our committee chairman for the tremendously effective job he has accomplished in bringing the bill to the House floor in the form that it now assumes. I have marveled at his singlemindedness and tenacity of purpose and his ever-pervading drive and forcefulness in bringing about this legislation. His logic and concentration is so important in the committee's work, and he brought out the bill in a most expeditious manner considering the diversified thought required by the complexities of the many problems. His patience and tolerance toward committee neophytes such as myself is the mark of an understanding gentleman. I thank him for his cooperative attitude.

There is much in the bill which commends itself to your favorable consideration, approval, and action, but, as may be expected in a bill with so many facets and avenues of approach, there are bound to be several areas which lend themselves to legitimate and honest dispute.

I rise to speak of my opposition to that portion of the bill which concerns itself with the withholding of 20 percent of the income arising from dividends and interest.

First of all, the method proposed is inexact, inaccurate, and unnecessary. It is neither workable nor practical. Its operational and clerical problems posed to banks and corporations are immense. It proposes to cover people who are in the zero to 91-percent bracket by a constant 20-percent blanket deduction. In this respect it is different than wage withholding inasmuch as wage withholding closely parallels the bracket in which the wage earner finds himself. However, the withholding rate will tax many people who are not subject to tax in the first instance and will be an inadequate rate for many others who are above the 20-percent bracket. This inexact approach will cause much turmoil and paperwork between the individuals and the Internal Revenue Service with its resultant confusion.

Secondly, the proposal would rob tax-exempt institutions such as hospitals, colleges, as well as pension funds of 3 to 4 months' usage of 20 percent of this large part of their income. These institutions invest their endowment funds in dividend-paying securities and 20 percent of these funds would be tied up for 3 or 4 months by the withholding system. Being deprived of this income, these tax-exempt institutions would have to go out to borrow money to provide the additional working capital needed for their operations.

Since we are opposed to withholding, do we then condone this leakage in Federal tax revenue? Do we recommend that we should tolerate this tax loss in the hopes that the situation will clear up on its own? Definitely not. We deplore this loss, much of which can be attributed to oversight and thoughtlessness.

What then do we have to offer instead of withholding?

First, more effective education of the public by dividend-paying corporations and the banks and savings institutions as well as the Internal Revenue Service relative to the responsibility of the taxpayers in this area. Further, a reminder by the Revenue Service that new electronic machinery will catch up with them and this action will bring very effective results. The reminders to the taxpayers of the effective use of automation are already bringing some conscience-stricken taxpayers to the point of voluntarily paying back taxes because they are afraid of being caught by automation. Last January, voluntary payments which will yield a total of about $600,000 were reported and Internal Revenue Commissioner Caplin states that the gradual shifting to automation data processing equipment to check returns has produced payments from taxpayers who believe that they may now be caught.

The second approach instead of withholding is through the scientific and accurate use of electronic processing machinery known as ADP—for automatic data processing. By feeding it the information provided by dividend and interest-paying institutions, each taxpayer's income is definitely cataloged by the push of a button. There should be no haphazard, arbitrary approach such as withholding offers when we have this new modern-day method of the ADP machinery. The United States prides itself upon its scientific advances and technological know-how, so why cannot we put it into effective work in this area where it will do so well?

This year the national processing center at Martinsburg, W. Va., will be fully in use as will the ADP machinery at the first of nine internal revenue district centers at Atlanta, Ga. Next year, Philadelphia will be fully implemented and by 1966, all nine districts will have complete facilities for this project. Income-producing institutions will be feeding these machines with total information relative to taxpayers. It is interesting to note that banks that report 29 percent of all the savings deposits in the country voted 2 to 1 that they would prefer sending to the Revenue

Service information on all interest payments over $10 a year rather than to submit to withholding provisions. This cutoff point of $10 would account for more than 95 percent of all interest revenue in the United States.

Not only are the payers interested in this approach to control of taxable income, but so also are the 15 million people who own stock and the more than double that number who receive interest payments. The more than 40 to 50 million taxpayers who receive interest and dividend income are concerned about the proper approach to this problem, and I am sure that your constituent mail reflects this interest in this portion of the bill.

In the interest of testing the good intentions and good faith of the Treasury Department, an amendment was introduced in committee terminating withholding at the end of 1966, at which time ADP would be fully in effect. After a trial period of 3 or 4 years of withholding, a time of appraisal seemed appropriate, at the time ADP was fully implemented throughout the country, and a gage of its value could be reviewed. This amendment was turned down flat since the Treasury Department has no intentions of giving up this highly unsatisfactory withholding approach. They want to keep their hand in the taxpayers' pockets and grab this money, much of which does not belong to them in the first place.

It is recommended therefore that serious consideration be given to the denial of this haphazard system of withholding with its accompanying exemptions certificates, refunds, claims, and counterclaims in favor of more scientific approach of ADP recommended by commonsense and by the 40 to 50 million taxpayers concerned. With the millions of dollars invested in ADP equipment, we certainly have no defense in denying its full and proper use in this field. Accordingly, it is recommended that you vote in favor of a recommittal motion containing the recommendation that the withholding feature of this bill be eliminated, and that we proceed with full use of further education, Internal Revenue Service warnings and the scientific features of ADP.

Mr. CURTIS of Missouri. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio [Mr. HARSHA].

Mr. HARSHA. Mr. Chairman, I would like to call my colleagues' attention to one phase of the Revenue Act of 1962, otherwise known as H.R. 10650, the omnibus tax bill, that is certainly discriminatory as it applies to some public utilities.

Section 2 of this act states substantially that in the case of public utilities—such as electric power companies, telephone companies, water companies, and local gas distribution companies—the investment credit available is to be only at the rate of 3 percent instead of the 7 percent available to certain other concerns. This is certainly an unconscionable position to adopt and highly discriminates against an important segment of our free enterprise system.

The President stated in his Economic Report:

> We must scrutinize our tax system carefully to insure that its provisions contribute to the broad goals of full employment, growth, and equity.

Unquestionably such discrimination does not contribute to full employment and certainly there is nothing equitable about it.

The President further stated that the tax credit would stimulate investment in capacity expansion and modernization, and contribute to growth of our productivity and output. To deny these public utilities the same opportunity as other domestic concerns is to stifle the expansion and growth productivity in that particular field.

The President further indicates that the stimulus the tax credit provides to new investment will have favorable effects on the level of economic activity during the year and that this will in turn add to Federal revenues. If this tax credit will have such a stimulus on business in general it certainly would equally stimulate the economic activity of these utilities if given equal treatment or application.

The argument was advanced in the committee report that the smaller credit was provided to certain utilities because much of its benefit in these regulated industries is likely to be passed on in lower rates to consumers, thereby negating much of the stimulative effect on investments. This I seriously question because utilities have a very small margin with which to make much needed expansion and modernization, although most of them earnestly endeavor to keep abreast of the times by sound expansion and modernization. There is always need for more expansion and advanced technology in our utilities.

However, assume this position is true—that the benefits from this tax credit were passed on to the consumers—I ask you, gentlemen, what is wrong with that? Are not our overburdened taxpayers and consumers entitled to some benefits? What better way to stimulate the economy than to give the consumer more purchasing power in the form of reduced rates? Certainly increased purchasing power will create a demand for more products and in turn create more jobs. Obviously this would provide additional revenues for our Government. It would help lessen the burden on unemployment and welfare funds. All of which would do much to enhance the free enterprise system and most assuredly be a contributing factor toward full employment and economic growth. But, no, we are going to discriminate against these utilities. In other words, this administration says we do not want them to have full economic expansion and growth, we do not want the consumer to receive lower rates, we do not want the consumer to have better service and more purchasing power. This is a rather untenable position to say the least.

We have just voted down an opportunity here today to amend this bill and provide for a reasonable up-to-date accelerated depreciation rate so that all free private enterprise could have an equal tax incentive, one that was not discriminating but equitable. One that would have enabled all business to contribute on an equal basis to full employment and capacity expansion and growth.

Now before we are through with this bill you will have an opportunity, I hope, to recommit this legislation to the committee with instructions to delete the tax credit feature and substitute therefore an accelerated rate of depreciation. I urge you to at least treat all business equally and give the utilities an equitable share in this measure.

I contacted one of the utilities in my district about this inequitable tax treatment and asked their position on the problem and I would like to give you the advantage of their judgment on this provision which to my humble opinion seems very sound.

When informed that they would only receive a 3-percent tax credit as contrasted to the 7 percent granted other industries, here was their response:

> It would be dreadful to so discriminate against such an important segment of America's free enterprise economy. It seems to us that three erroneous assumptions are made:
>
> 1. That the amounts which investor-owned utilities will spend on construction will not be affected by whether or not a tax incentive is available,
>
> 2. That utilities not in the transportation field are not subject to competition, and
>
> 3. The reduction in taxes would be passed on to electric consumers through the State regulatory processes and, thus, would not serve as an expansion incentive.
>
> We believe these arguments are demonstrably invalid.
>
> 1. The availability of the tax incentive to the utility industry would lead to increased capital investment by utilities. The electric utility industry is the most capital-intensive segment of the economy. In most industries, $1 of plant investment is expected to produce several dollars of annual revenue, but in the electric utility industry it requires about $4.50 of plant investment to produce $1 of annual revenue. Because of this relationship between revenue and plant investment, any reduction in the carrying charges associated with plant investment, of which Federal income taxes are an important part—about 25 percent thereof—would have a far greater effect on investment decisions in the regulated electric utility industry than in any other industry.
>
> Further, it is invalid to believe that the public utility industry has no optional investment opportunities, for in this category would come office buildings, garages, service centers, and other similar facilities and associated machinery and equipment not directly associated with providing electric service. In addition to these optional decisions, there are other desirable investments with considerable flexibility as to time the investment is made, such as major interconnection facility investments.
>
> 2. The electric industry is engaged in active competition. This is certainly proved by our company, which has vigorously pursued every avenue of technology and management know-how to achieve reduction in price in order to improve our competitive position relative to other energy forms. To lessen the tax credit available to our industry would serve to vitiate these efforts, especially since the inclusion of oil, coal, and natural gas pipelines would provide these other energy industries with a competitive cost advantage that would not otherwise be attainable on the basis of technology or free-

market economics alone. For example, in residential heating, electric energy competes with all other fuels, but especially with natural gas.

3. The fact that some or all of the tax benefits would be passed on to the consumers would in no way lessen the incentive for expansion of capital investment. It would tend to stimulate such investment even more. The consequence of a price reduction in the cost of electric energy would be an increase in demand for more service, and certainly through the mechanism of this demand increased capital investment would be stimulated. Indeed, even if it were assumed that through the regulatory processes the entire savings in taxes, resulting from the tax credit, would be passed along to the consumers in the form of a rate decrease or the avoidance of a rate increase, the impact, proved by rate decreases in the past, would be an increase in consumer demand. Historically, an increase in consumer demand has resulted in repeated and large investment expenditures by the utility industry.

Finally, for those concerned with the economy of Ohio, recognition should be given to the encouragement of increased electrification to greatly aid the depressed coal industry.

I believe this same sound reasoning would apply generally to other utilities as well. This discrimination is certainly unjust and contradicts the very purpose for the tax credit. If not corrected in this bill, I trust the Ways and Means Committee will soon see the folly of their position and equitably correct it.

Mr. CURTIS of Missouri. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. MEADER].

Mr. MEADER. Mr. Chairman, the tax bill, H.R. 10650, which we are considering under a closed rule, has practically nothing to recommend its adoption and contains many provisions which should impel its overwhelming defeat.

The Ways and Means Committee, commencing on May 3, 1961, and concluding on June 9, 1961, took extensive testimony for 24 days, which is contained in four volumes and a total of 3,613 printed pages. Many individuals, trade associations, companies, as well as officials of the Federal Government, spent a great deal of time and effort preparing and presenting their views and, of course, the committee members spent a great deal of time listening to and absorbing the views of witnesses and cross-examining them.

Subsequently, the Ways and Means Committee spent many days in executive session considering the testimony and the possible provisions of a tax bill and arrived at tentative conclusions which were announced at the end of the last session.

Subsequently, in the early part of this year, the Ways and Means Committee met again for many days in executive session, and on February 27, 1962, announced that it had agreed upon certain provisions to be included in the bill introduced by the chairman. Thereafter, H.R. 10650 was introduced, and the Committee on Rules was asked to grant a closed rule. While this request was pending, the Ways and Means Committee underwent another change of position and announced that the bill would be modified again so that the loss of revenue it provided would not be as great.

It is apparent that the Ways and Means Committee, with respect to the foreign income tax provisions of the bill, after exhaustive consideration of the testimony, simply threw all of the expert advice developed painstakingly and at great expense of man-hours, together with the committee's own time, out the window and adopted punitive provisions whose parenthood is somewhat in doubt.

I wish to direct my comments on H.R. 10650 to the foreign earned income taxing provisions of the bill and their effect on our foreign economic policy.

I do not wish to discuss the technical details of these provisions, most of which are contained in section 13 of the bill, but call the attention of the committee to the very cogent and clearly expressed views of the Hon. THOMAS B. CURTIS contained on pages B 29 to 36 of the committee report.

Mr. Chairman, the April 1956 edition of Fortune magazine published an editorial entitled "The American Game," a portion of which I want to quote:

> The real source of America's strength lies in its own flexible and dynamic system of private enterprise, and in the projection of that system abroad.

I incorporated the editorial in remarks I offered to the House in the CONGRESSIONAL RECORD, volume 102, part 7, pages 8753 to 8754. I regard that editorial, and particularly the paragraph I quote, as identifying the most powerful and effective weapon we possess with which to fight our ideological war against communism. The real contest is for the minds and attitudes of the peoples of the new nations emerging from colonialism, most of them loosely classified as underdeveloped by our standards. In this contest our deeds certainly will speak louder than words. A demonstration that free economic and political institutions are superior to the organized slavery of communism is ideological cash in the bank of world public opinion; high sounding oratory, slogans, and headlines without performance are debits against international good will.

I have always felt that our assistance in economic development overseas should be provided by the American business community with their own capital at no cost to the taxpayers, and that the role of our Government is to foster and facilitate private capital investments overseas by using its personnel and diplomatic sanctions and instruments to break down artificial barriers to trade and investment and thus contribute to the attractiveness of private capital investments abroad.

One of the principal efforts of my service in Congress, has been an attempt to direct the efforts of our Government along those lines. In 1951 I urged the creation of a commission to study the problem and map a course to achieve that goal. That effort, I am unhappy to say, was unsuccessful—CONGRESSIONAL RECORD, volume 97, part 3, pages 4209 to 4212.

In 1956, Congress created the Development Loan Fund. I offered an amendment to the declaration of purposes of the fund to indicate that in assisting underdeveloped areas it was the intent of Congress that we foster free enterprise economies.

As many of you know, that idea was strenuously opposed by both the State Department and the ICA, and it is due, in my judgment, only to the statesmanship and clear thinking and foresight of two of our former colleagues, the Honorable John Vorys, of Ohio, and the Honorable Brooks Hays, of Arkansas, that the free enterprise idea was incorporated into the charter of the Development Loan Fund as follows:

> The Congress accordingly reaffirms that it is the policy of the United States, and declares it to be the purpose of this title, to strengthen friendly foreign countries by encouraging the development of their economies through a competitive free enterprise system; to minimize or eliminate barriers to the flow of private investment capital and international trade; to facilitate the creation of a climate favorable to the investment of private capital; and to assist, on a basis of self-help and mutual cooperation, the efforts of free peoples to develop their economic resources and to increase their productive capabilities.

The Act for International Development of 1961—Public Law 87–195—contains the following provision:

> It is the policy of the United States to strengthen friendly foreign countries by encouraging the development of their free economic institutions and productive capabilities, and by minimizing or eliminating barriers to the flow of private investment capital.

In President Kennedy's message to the Congress on March 14, 1961, "Inter-American Fund for Social Progress"—House Document No. 105—there appears the following:

> U.S. business concerns have also played a significant part in Latin American economic development. They can play an even greater role in the future. Their work is especially important in manufacturing goods and providing services for Latin American markets. Technical expertness and management skills in these fields can be effectively transferred to local enterprises by private investment in a great variety of forms—ranging from licensing through joint ventures to ownership.
>
> Private enterprise's most important future role will be to assist in the development of healthy and responsible private enterprise within the Latin American nations. The initiation, in recent years, of strikingly successful new private investment houses, mutual investment funds, savings and loan associations, and other financial institutions are an example of what can be done. Stimulating the growth of local suppliers of components for complex consumer durable goods is another example of the way in which domestic business can be strengthened.
>
> A major forward thrust in Latin American development will create heavy new demands for technical personnel and specialized knowledge—demands which private organizations can help to fill. And, of course, the continued inflow of private capital will continue to serve as an important stimulus to development (CONGRESSIONAL RECORD, vol. 107, pt. 3, p. 3910).

In the declaration to the peoples of America of the delegates at Punta del Este, August 16, 1961, one of the goals is described as follows:

> To stimulate private enterprise in order to encourage the development of Latin American countries at a rate which will help them to provide jobs for their growing

populations, to eliminate unemployment, and to take their place among the modern industrialized nations of the world.

As late as March 7, 1962, in a press conference, the President said:

Private capital is necessary in Latin America. There isn't enough public capital to do the job.

The provisions of section 13 of H.R. 10650, which relate to taxation on foreign earned income will be most damaging to American companies' oversea operations, cannot help but induce them to refrain from further investment or expansion and tend to dry up the flow of American capital into economic activities overseas. This action is diametrically opposed to the administration's pronouncements favoring economic development of underdeveloped areas and particularly the support of the so-called Alliance for Progress program by American private capital investment.

Actually, these activities of the American business community should be encouraged by the tax incentive program embodied in the Boggs bill, H.R. 5, which passed the House of Representatives in the 86th Congress.

It is worth noting that H.R. 5, the foreign investment tax incentive bill, was adopted by the House by a vote of 195 to 192 on May 18, 1960, and that none of the Democratic members of the Ways and Means Committee voted against the bill. Supporters of H.R. 5 included the chairman of the Ways and Means Committee, the gentleman from Arkansas [Mr. MILLS], and the majority whip, the author of the bill, the gentleman from Louisiana [Mr. BOGGS].

The gentleman from Louisiana [Mr. BOGGS] eloquently and forcefully advocated this stimulant to American capital investment overseas and among other things said the following—CONGRESSIONAL RECORD, volume 106, part 4, page 4962:

Each year we hear we will be able to reduce foreign aid. We started the foreign program back in the time when General Marshall was Secretary of State. Many of you were here then. I say to you there has not been a year when the foreign aid program has not been presented to us with recommendations for greater and greater expenditures. If there is to be any answer to foreign aid—and I do not maintain that this is the only answer by any stretch of the imagination—but if there is to be any answer at all, the answer must come from the private sector of our economy. I know a lot of people believe this is just a scheme to make some already rich people richer, that this is a scheme for some people to avoid paying taxes. I can assure you that nothing could be further from the truth.

If this bill has any objective at all, the objective is to make it possible for the American entrepreneur, small, middle-sized, big, and biggest, if you will, to be able to take up where the American taxpayer's dollar leaves off. That is the only purpose of this bill. If it were not for that I would not be standing here talking to you about it.

Is it possible for this to happen? I do not know; nobody else knows. But I will tell you this, that if you removed from the world market the American investment that has been made in the world, you would have a severe and terrific depression in this country, because all we get from those investments are profits, not losses. Secondly, you would have a balance-of-payments situation, to which the gentleman from Wyoming referred a little while ago, which would make our present deficit look like a Sunday afternoon picnic; third, there would not be any way on earth to raise the amount of taxpayers' dollars that would be required to pick up where private enterprise left off in all these countries. This is just a matter of fact. These are not my words; these are the words of people who have studied this thing for months and years. I would refer you to the studies made by the Committee for Economic Development, the Rockefeller Brothers reports, the Hoffman study recently made, the Straus committee report, the Boeschenstein committee report, and many others.

Earlier in that speech he said:

The simple fact is that American capital has gone abroad to protect markets or to develop markets that would otherwise have gone to their competitors. As I said a moment ago, one of our toughest competitors is the Communist bloc. * * *

Mr. Chairman, I do not want to overstate the case for H.R. 5. It is not going to solve our world political or economic problems. It is not going to do away with foreign aid. It is not going to raise standards of living abroad by 100 percent in the next 2 years.

As I have said, it is essentially a modest piece of legislation. It will facilitate expansion of American private business overseas. It will bring greater equity in our existing system of taxation. It will contribute to the objectives that we have in fighting the cold economic war with our archenemies. H.R. 5 will help. It will not hurt.

The passage of this bill by this House will be a mark of the growing maturity of this country. It will reflect the need to bring our tax laws into conformity with our position in the world economy. It will be a positive step in the direction of accomplishing important national objectives.

It is a vote of confidence that the American businessman operating competitively under the American flag can meet the Soviet economic challenge.

Mr. Chairman, shortly there will come before us President Kennedy's proposal for vastly expanded authority in the Executive to decrease tariffs. Likewise, we will shortly be considering foreign aid legislation, including the Alliance for Progress. It is an anomaly that the administration will advance these two proposals involving vast transfers of our legislative authority to the executive branch of the Government and in the case of foreign aid, the appropriations of huge sums of tax money to fight the cold war, when the New Frontier is aiming a devastating blow at the contribution of the American business community in fighting the ideological battle with communistic imperialism.

Mr. Chairman, it seems to me more than a fortuitous circumstance that this same kind of double-think exists not only in the New Frontier, but in the legislative department of the AFL–CIO. Yesterday I received two letters from Mr. Andrew J. Biemiller, director of the department of legislation of the AFL–CIO. One letter with accompanying pamphlets urged my support of the so-called Trade Expansion Act of 1962, which has as one of its announced objectives, an increasing role for our American free enterprise system in international trade and commerce.

Paradoxically, the second urges my support of the tax bill that is now before us, H.R. 10650. One of the bases on which the AFL–CIO position favoring the tax bill is predicated pertains to the provisions of the bill imposing more stringent tax treatment on participation by our American free enterprise system in international trade and commerce. These tax proposals that the AFL–CIO espouses would impede the expansion of export markets for U.S. produced goods, would strike a devastating blow at the ability of the American business flag to survive competitively in world trade, and would constitute a political retreat for America in the face of the Communist threat to the free world survival.

Mr. Chairman, in his letter on tariffs, Mr. Biemiller espouses willingness to increase the exposure of our domestic markets to imports by reducing the protective tariffs that safeguard our markets for domestic producers and material. In contrast, Mr. Biemiller's tax letter would reduce the ability of American free enterprise to export and compete with the other industrialized nations of the world. These conflicting viewpoints urged by Mr. Biemiller in behalf of the AFL–CIO leave me somewhat confused, but confused only as to what the AFL–CIO really wants as its national objective—economic retreat or economic expansion. Mr. Biemiller has not succeeded in confusing me as to where I stand on the urgent issues of what America's policy should be in today's dangerous world.

I am categorically opposed to the policy of economic retreat and isolationism inherent in the foreign income provisions of the tax bill now before us. Based on firsthand study of international problems, I am convinced that American free enterprise and the people-to-people communications that it fosters in world commerce are greatly superior in fighting international communism to the reliance on a sterile policy of endless foreign aid through government-to-government channels, such as are implicit in this Treasury-sponsored tax bill and the New Frontier's foreign aid program.

Mr. Chairman, there are plenty of deterrents to American private capital investment overseas already. I have consistently urged that these deterrents be identified and eliminated or minimized.

Just recently, we witnessed the expropriation of vast amounts of American properties in Cuba. Similarly, one of the states of a presumably free and friendly country, Brazil, has confiscated a telephone company. These actions must give pause to any American manager of an enterprise responsible to his stockholders for the proper employment of capital and thus constitute a threat inhibiting the investment of American private capital abroad. These, however, of course, were actions of other governments, one of them being a Communist-dominated regime.

What possible excuse can we give for the action proposed here of imposing a punitive tax on foreign operations which is bound to undermine the confidence of the American business community in the stability of their Government's policy with respect to capital investment.

Even if the punitive provisions of section 13 of H.R. 10650 never become law, the very fact that they were seriously considered by the Congress and strenuously advocated by the New Frontier constitutes a threat of which the American business community is bound to be aware and in governing their policies and the management of their stockholders' funds, may well have widespread repercussions on the health of our entire economy. I hope the House of Representatives will forthrightly, speedily and vigorously repudiate the hate business philosophy implicit in these provisions.

In this context of international relations it should be observed that one of the most deplorable features of this tax bill is section 21, relating to treaty obligations. This section squarely overrides the principle of international law, embodied in section 7852(d) of the Internal Revenue Code, that the tax laws of the United States shall not apply in any case where their application would be contrary to any treaty obligation of the United States.

Section 21 raises a question of international law and elementary morality.

As of today there are 21 bilateral tax treaties in effect between the United States and foreign countries. If the Congress of the United States should ride roughshod over our treaty obligations, we must be prepared for retaliation by the other parties to these treaties.

More important still, the United States can ill afford the moral condemnation that will inevitably be forthcoming if it disregards international law and treats its treaty obligations as so many scraps of paper. Does this American policy of unilateral treaty abrogation provide any assurance to our Western Hemisphere allies of the sincerity of our intentions in regard to the much heralded Alliance for Progress? Just the opposite, Mr. Chairman. Does this policy of repudiating our solemn treaty obligations serve to strengthen our current endeavors to create new trade commitments among the countries of the free world? Again, Mr. Chairman, the answer is inescapably and emphatically in the negative.

Before the eyes of world opinion the U.S. Government has held itself out as the champion of morality in world affairs. We have repeatedly called the Government of Communist Russia to task as a treaty violator. How can we continue to take this firm moral position if we ourselves disregard treaty obligations when it suits our purpose to do so?

The principle of section 21 is thoroughly unsound. Its consequences could plague the United States in its foreign relations for years to come. It should be defeated; it should never have been proposed in the first instance.

The foreign income provisions of the tax bill will undermine and debilitate American business operations abroad and prevent private American capital from making the contribution to strengthening the free world through economic development which it otherwise could and would make without any cost to the American taxpayers. This is most unwise and amounts to killing the goose that lays the golden eggs.

Mr. CURTIS of Missouri. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. BETTS].

Mr. BETTS. Mr. Chairman, at a time when the American taxpayer is hoping for a simplification of tax procedures, this bill offers only more complexities. In particular, the section on withholding of income tax on dividends and interest is the worst offender. If there are any doubts about this, one has only to read that portion of the bill which deals with this subject. He will find 46 pages of complex rules which, of course, will be implemented by an equal number of pages of regulations. He will certainly not find it a simple matter to understand all he is supposed to do.

No one condones the failure to include taxable dividends and interest in a tax return. No doubt there have been many violations. But it is fair to assume that only a small fraction of these failures are willful violations and that the great majority include omissions due to oversight or plain ignorance. The fact that there has been a campaign to educate the public supports this belief. However, I am of the opinion that this campaign has not been given sufficient time to work and has not followed basic considerations. Treasury officials say they have been making speeches on the subject and that banks and corporations have been advising their depositors and shareholders that interest and dividends are taxable. But the average taxpayer does not hear the speeches or take the time to read and study all the notices that come with corporation or bank statements. The simple device of a notice in red ink on the face of a 1040 form that these items are taxable would have involved little effort and would have effectively apprised millions of taxpayers of something they did not know or had overlooked. They would thus have been spared the complicated procedures of this proposal.

If on the other hand, as might be implied in the bill, the failure to include the tax on interest and dividends is a matter of fraud on the part of the taxpayer, then there is no way of guessing how many fraudulent refund claims might be filed. There is no provision for the issuance to the individual of any statement or receipt of the amount withheld from him. This means that the Internal Revenue Service would have no ready means of verifying claims for refunds. It is entirely within the realm of possibility that we could be in for a worse problem on refunds than we are on withholding.

Completing the individual income tax form 1040 today is a formidable undertaking. This year's form is entirely new and yet it is supposed to be a simplified form. Those who have already completed their form this year know just how simple it is. I suppose it is simpler than last year's form but making a complex form simpler still does not make it a simple form.

To cope with these proposed withholding taxes, the form 1040 has to be substantially changed. Lines must be added for reporting dividends not subject to withholding tax and lines must be added to report interest not subject to withholding tax. Lines must also be added to report interest on which tax has been withheld and lines to report dividends on which tax has been withheld. More lines must be added so the taxpayer can add up in one place those dividends on which no tax has been withheld or which he is not entitled to tax credit, and other lines must be added for other computations. On the dividends and interest on which tax was withheld, he must divide the total by four, add the result back in to ascertain 100 percent of his taxable dividends, and also to ascertain the amount of the credit.

The taxpayer's only way of learning whether tax has been withheld on particular payments of dividend or interest is just to appraise and study the payment he received. He then must consult very complex regulations, definitions, and instructions to form a legal opinion as to whether withholding was required on the particular payment. When he has reached this happy point, he is now ready to tackle the other schedules on the tax return with which we are all familiar.

In addition to these difficulties, the withholding provision contains the certain possibility of creating ill will between the taxpaying public and the Internal Revenue Service. Basically, as is well known, the bulk of the huge annual revenue collections of this country are collected under the self-assessment system, and this system survives only with the helpful cooperation of the some 60 million taxpayers who annually do battle with form 1040 and many other Federal tax forms and faithfully report their tax liability. But with this proposal there is going to be incessant controversy between taxpayer and tax collector so that taxpayers can secure the full credit for tax withheld or refund for tax overwithheld. Taxpayer indignation is also going to be extended to the payor of the dividends or interest.

Our whole economic system is based on credit. If the average American did not pay his bills, all commerce would come to a halt. Until I am given proof to the contrary, I prefer to believe that he will also pay his just taxes. There is no absolute exactitude in our system, and there can be none. There is an underlying basic honesty which has made the system work better than any other in the world. I am opposed to anything that will destroy this fundamental premise on which our collection procedures are based.

Let us recognize that this withholding should in a large number of cases be known as a proposal for overwithholding. The rate of withholding is to be 20 percent and there is no withholding offset for deductions and exemptions that are generally available to a taxpayer in computing tax liability. Thus, the administration-supported withholding provision which has been approved by the unanimous vote of the majority membership of the Committee on Ways and Means has a built-in guarantee that millions of taxpayers will be subjected to a denial of funds at the time they are due and to the inconvenience of having to ask the tax collector for money that belongs to the taxpayer.

Mr. Chairman, I regret to say that when the voting public of this country, including the more than 30 million taxpayers who will be exposed to the infernal nuisances of the withholding tax monstrosity contained in H.R. 10650 realize what has been inflicted on them, their acceptance of our voluntary system of tax compliance will be impaired.

There seems to be an odd misconception that there are just a few people in this country with enough capital to own shares of stock or to own interest-producing investments. Let me warn you that there are more than 30 million. The number of persons holding shares of stock alone exceed 15 million. How many voters this represents I do not know. Certainly some of the 30 million are perhaps not of voting age—but they do have parents and other relatives of voting age.

If the shotgun approach of the Treasury withholding proposal were the only technique available for capturing unreported income and if the Treasury technique were workable, then perhaps it would be appropriate to give consideration to a withholding procedure. The fact is the Treasury plan is neither necessary nor workable.

For those of you who have been willing to listen, or to read, you have been shown by very simple facts that withholding taxes on dividends and interest are not necessary to close the underreporting gap of this type of income.

You have been shown in the House hearings and in statements on this floor that the Internal Revenue Service has today and has had for years the administrative tool to close this gap—but has not used it.

You have been told that the administrative procedures of the Internal Revenue Service are now well advanced into the electronic age. The Service has installed the automatic data processing machinery for handling taxpayers accounts which can trace underreporting of income automatically.

You have been shown that the Treasury came over to the Congress last year and begged for, and was given, the taxpayer account numbers bill as the last necessary tool it needed to make the automatic data process installation completely effective. The Commissioner of Internal Revenue himself has announced just within the last few weeks that on January 1, 1965, the Service's electronic automatic data processing operation will be fully operable on a national basis.

When the Treasury Department secured the enactment last year of the taxpayer account number bill, Treasury officials made representations to the distinguished chairman of the Finance Committee showing clearly that automatic data processing and taxpayer accounts numbers could close the gap on underreporting of income and the chairman referred to these statements on the floor of the Senate stating the following:

> This legislation, the Treasury testified, would result in closing loopholes so that those who are now avoiding the payment of taxes would be compelled to pay by operating this new number system through computing machines.

He further said:

> The tax revenue, the Treasury testified, would be increased by $5 billion.

And he added:

> The Treasury has told me it is the largest loophole closing bill that has ever been proposed.

It is thus clearly shown that the Internal Revenue Service has the working tools now in its hands to close any gap on the underreporting of dividends and interest: Automatic data processing and the authority to use taxpayer account numbers combined with electronic equipment to trace, automatically, any underreporting of income.

It is beyond belief that instead of relying on this simple instant method of modern tools to check and correct any underreporting of dividends and interest, the administrative monstrosity of a poorly conceived withholding system is to be imposed as a millstone on the necks of both taxpayers and the Internal Revenue Service.

Mr. Chairman, the proposed withholding tax system has many infirmities that should be considered in determining a position on this important subject. Let me take you through just one of them.

It has been known from the time these withholding proposals were first sent to the Congress that the withholding tax system would collect tax from many millions of people who would not owe any Federal tax at all or would owe less than the amount of tax withheld.

It was known in advance and is known now that these people who will be the victims of overwithholding number in the millions and a large part of them are our senior citizens living on small pensions or annuities or on small retirement funds.

To make this bill politically more salable a gesture was made to try to alleviate the situation of the excessive withholding on these people and the perfectly unnecessary withholding on such things as the savings of children.

Very late in the day in the committee consideration of this bill, when the administration realized that it would have trouble with this overwithholding on the House floor, some exemption-certificate rules were added to the bill on a vote-seeking basis.

One rule provides that a child under 18 may file an exemption certificate with a withholding agent to escape withholding.

Another rule provides that a person over 18 can secure a partial withholding exemption if he certifies—and listen to these amazing words carefully—that he "reasonably believes that he will not—after the application of the credits against tax provided by part IV of subchapter A of chapter 1 other than the credits under sections 31 and 39—be liable for the payment of any tax under chapter 1."

I invite your attention to the fact that the rule I have just read is for the little man. He is supposed to understand it.

Of course, the little man is a seasoned tax lawyer. He is quite an expert on part IV of subchapter A of chapter 1. And, of course, he knows by heart all about the credits under sections 31 and 39. Section 31 is only a full page of fine print. Section 39, on which the little man is expected to be an expert, begins on page 210 of the bill and prints three pages of complex rules.

This is all the little man has to read, understand, and take responsibility for in signing his exemption certificate to escape withholding. If he is a seasoned tax lawyer or a Member of Congress he can probably handle the problem and sign his name to the exemption certificate form with some sense of assurance.

But a surprise is in store for him. He was only reading the full contents of page 197 of the bill. He should have studied closely page 199. He would have then discovered that this exemption certificate is no good as to interest on bonds, debentures, notes or certificates of indebtedness issued by a corporation. Nor is his exemption certificate any good as to interest on savings in something called a transferrable certificate or share in a savings bank or building and loan association or that kind of an institution. He will also be shocked to learn that his exemption certificate is meaningless as to interest-paying obligations of the United States—Government bonds. Further, he will discover that if he had followed the Government's urgings over many years and invested in Government savings bonds, he will have to work out a separate exemption certificate every time he cashes in a baby bond.

As to whether his partial exemption certificate is worth anything if he holds a joint account with his wife is an answer he will not have until the Treasury issues a multipage regulation to cover joint accounts.

Such is one of the items of partial—and I quote—"relief"—unquote—for the little man from this withholding tax system.

Then the bill has another great relief project—and again I must quote the word "relief"—for some more of the little men. This one is for the little man who will owe some tax, but less than the 20 percent tax withheld, and who "reasonably expects" not to have more than $5,000 of gross income—or $10,000 if he is married.

This part of the bill which prints up a mere 3½ complex pages advises this little man that he can get a tax refund every quarter if he will don his hair shirt, take his tin cup in his hand, and crawl to the Federal tax collector's office begging to get his own money months after it is due him. To secure these refunds every quarter through the redtape mill of a Federal agency this little man has to be real sharp. He has to fill out a tax refund claim form—not yet designed—which will be worked out under these 3½ complex pages of statute—and probably 10 times that many pages of regulations—and in that claim for refund he must compute something called a refund allowance as of the time the claim for refund is filed. His refund allowance takes a page of tax bill to define.

All this little man has to do to work out how much refund allowance he must claim is to figure, and listen carefully to this from proposed section 3484 and its multiple subdivisions. His refund allowance is to be—

The excess, if any, of—

(1) an amount equal to 22 percent of—

(A) the total of the deductions which, on the basis of facts existing at the time the claim for refund is filed, such individual would be allowed for the taxable year under section 151 (relating to deductions for personal exemptions), plus

(B) in the case of an individual who, at the time the claim for refund is filed, reasonably expects that he will be allowed a credit under section 37 (relating to retirement income) for the taxable year, the amount which, at such time, such individual reasonably expects to be the amount of his retirement income (as defined in section 37 (c) and as limited by section 37(d)), for the taxable year, less—

Now add this to what I have just read to you—he must now compute—

(C) the amounts (other than amounts on which tax is required to be deducted and withheld under this chapter) which, at the time the claim for refund is filed, such individual reasonably expects to be includible in his gross income for the taxable year; over—

At this point—if he is still able to speak—he finds the answer to the mystery to what that word "excess" is all about. It is the excess of everything I have read to you over—

the amounts of tax with respect to which an allowable claim for refund has been previously filed.

This is the key to the system for simple, quickie refunds to the little man on whom tax has been overwithheld. He is supposed to battle these complexities and a Federal agency to get the small amount of money he needs for a daily living which was withheld from his interest and dividends.

From the quotations I have just given you from the statute you will note that even the bill is not optimistic about a quick refund. Those quotations which talk about the claim for refund the little man has filed in previous quarters does not talk about refunds that have been paid to the little man. The bill uses the word "filed" and talks about a refund claim filed, not a refund claim which has been paid.

Now this provision of the bill providing for these quickie refunds for the little man also shows tender solicitude for children on whom tax has been overwithheld.

It has a solicitous provision with the curious title "Individuals Not Eligible for Refunds," and this clause provides that a child is not eligible for this simple administrative relief "unless at the time the claim for refund is filed, he—the child—reasonably expects that no deduction would be allowed for him under section 151(e)(1)(B) for the taxable year of his parent." This reasonable expectation has to be entertained by the child under the language I have just read to you and that reasonable expectation has to be worked out from the child's knowledge of section 151(e)(1)(B). That section prints in the existing revenue laws only two long closely printed pages.

Will the Commissioner of Internal Revenue accept the reasonable expectation of an infant in arms, or that of a child aged 2, 4, 6, 8, or 10? What will the regulations say as to the age at which a child can develop enough competence to reasonably expect what will be allowed for him under the two printed pages of section 151(e)(1)(B)?

I have just given you a small, and a very simple, sample of the mumbo-jumbo that is to be inflicted on the voting public by the 45 technical pages of this bill imposing the withholding taxes. One could take any other topic in the withholding tax area and give you an equally illuminating sampling.

These withholding taxes are not to begin until 1963—which is conveniently after the elections in the fall of 1962. The public, therefore—and by public I mean the 30-odd million citizens of this country who vote and on whom this monstrosity is to be inflicted—will not know what is happening to them during the elections this coming fall. But they will find out in 1963 and they will feel it all during 1963 and all during 1964. And I emphasize—this public I am talking about is not a tiny little minority of rich capitalists. It is 30 million American voters spread through every State in the country. This is not a "soak the rich" provision; it is a "soak most of the voting public" provision—a "tax overwithholding" provision.

Witness after witness appeared before the House Committee on Ways and Means and revealed all these truths time and time again and everything they said has been swept aside or ignored by the administration and the committee majority. These witnesses might as well have stayed home for all the value their appearance at the hearings had in advising many Members of this legislative body.

Recently there have appeared in the CONGRESSIONAL RECORD desperate statements seeking to defend the administration's untenable position in favor of an unworkable overwithholding system and against effective use of automatic data processing machines and its taxpayer account number system in lieu of this unwise withholding system.

I would remind you again, as was cited on page 4630 in the CONGRESSIONAL RECORD for March 20, 1962, that as recently as last fall Treasury spokesmen told the distinguished chairman of the Senate Committee on Finance that the taxpayer account number system, coupled with automatic data processing, would, to quote again the chairman's statements on the Senate floor, "result in closing loopholes so that those who now are avoiding the payment of taxes would be compelled to pay by operating this new number system through computing machines," and that "the tax revenue, the Treasury testified, would be increased by $5 billion"; and further, "the Treasury told me it is the largest loophole closing bill that has ever been proposed."

But now we are told on this floor on March 22 in a speech supporting the administration position and quoting Treasury officials that the automatic data processing and account numbers system is just about so much junk. That it is uneconomic to use it to identify delinquent taxpayers or for purposes of closing any gap on the underreporting of income on tax returns.

If it is this bad and this useless, why all this administrative work and huge appropriations to set it up? Why has it been pointed to with so much pride and fanfare?

If the dividend and interest information returns on Form 1099 are also just so much junk why are people forced to the expense of filing them by the hundreds of millions and why are they to be fed into the automatic data processing machines? Why are all paying agents now being compelled by law to put each taxpayer's account number on these Forms 1099?

Why are we told—despite the Treasury's quoted position of just last fall that the taxpayer account number bill was the largest loophole closing bill in history and that this plus the automatic data processing system will increase revenue by $5 billion—and why are we told in this March 22 speech on page 4778 of the RECORD words to the following effect:

First. That what is really missing is $800 million of revenue, not $600 million.

Second. That automatic data processing plus account numbers can only catch up with $200 million of this.

Third. That even automatic data processing will cost $27 million of administrative expense.

If these administration-inspired contentions are correct, it looks like an admission that automatic data processing is just about 75 percent defective.

The Treasury knows, and it knows very well, that the withholding tax system will not—I repeat not—add to the tax rolls the name and address of a single tax dodger.

The Treasury also knows, and knows very well, that its automatic data processing machines, when fed the information returns on form 1099, will add—I repeat will add—to the tax rolls the names and addresses of people who have received dividends and interest—and that the names and addresses of the tax dodgers will then automatically go on the tax rolls. They will be right there included with the names of the honest people. The machines will have caught the dishonest or careless man without harassing the honest and careful man.

The Treasury knows that this proposed withholding tax system which might collect $1,000 from the tax dodger who actually owes $5,000 tax on his dividends or interest will not collect the missing $4,000 and will not reveal the name and address of the tax dodger. It is true the automatic data processing machines may not automatically collect that $1,000 but they will identify the tax dodger who owes the $5,000 and make the collection of the entire amount possible. The Treasury has to chase him anyway to get the $5,000—which is no more work than chasing him to get the $4,000. Now he is identified and out in the open.

Apparently the face of this administration is so deeply committed to imposing this overwithholding tax on 30-odd million taxpayers, that it has to resort to the amazing technique of deprecating and complaining about the inadequacies and weaknesses of its automatic data processing tool. It just does not dare admit that it already has the very administrative tool that makes a dividend and interest withholding system unnecessary.

In the administration's attempt to gloss over the needless hardships and inequities that will result from this Treasury proposal, we are told that the problem of overwithholding has been much magnified—that it is not really much of a problem. This we are told, despite the many simple truths only one of which is that a 20-percent withholding rate is automatically 10-percent overwithholding on all taxpayers who are in the 20-percent bracket. The effective rate, we all know, of the 20-percent bracket is only 18 percent because of the standard deduction.

Then we are given the same old phrases which attempt to parallel wage withholding with withholding on dividends and interest. But in the midst of these phrases you are not reminded of some simple facts that show there is no basis for saying that they are alike.

For example, an individual usually has one employer with whom he has a direct personal relationship, and no one has any trouble figuring out what the word "wages" means. In contrast, recipients of dividends and interest are nearly always just strange names on a paying agent's mailing list. And in this bill it takes four pages of complex technical rules to define the different kinds of dividend items subject to withholding. These pages are supplemented by other pages of exceptions or refinements.

It is not so simple as the Treasury and the committee majority would lead you to believe.

The Treasury officials who now give us warm assurances about the simplicity of withholding taxes and about the glories of the exemption certificate system apparently have done an about face since these same Treasury officials testified before the Committee on Ways and Means in public hearings last year and made the point that the withholding tax system would be unduly complex if payees were permitted to file exemption certificates to claim exemption from withholding tax. These Treasury officials overlook the fact that they recommended against any use of exemption certificates just last year. You can find these conflicting Treasury recommendations in the Treasury statements on pages 11, 39, and 277 of the Ways and Means Committee printed hearings.

The statement of my good friend from New York also shows that Treasury officials are disturbed by having to find some current sophistries to avoid the impact of another truth spoken in the past by a senior official. The present Deputy Commissioner of Internal Revenue had stated in a public speech:

> One of the important changes needed to make the information system an effective substitute for withholding is to obtain taxpayer account numbers on all fo ms 1099 and similar documents.

This was not too long before Congress passed the taxpayer account number legislation.

Not only will these taxpayers find their accounts completely scrambled by a no-receipts withholding system, but they are going to find the new form 1040 which must be designed to cope with all this gobbledygook a massive "inconvenience" to "experience". They are going to have to study numerous pages of instructions, and tedious legends on their forms 1040, to cope with the mystery of which dividend and which interest payments they receive fall under the withholding system and which do not. And then they will have to compute their refunds and establish their entitlement to them. Yes—certainly they "may experience inconvenience." Let us not be deceived by the blandishments of the Treasury that conceal a design to harass our taxpayers and collect taxes that are not due.

What I have said so far, as has been the case with the many full exposés of this unbelievable withholding tax proposal, will be brushed aside by the administration's propagandists. They have been feeding all of you and the press a steady patter of cliches erected around their theme song—withholding taxes are necessary to catch the cheaters, the tax dodgers.

But pause for a moment to think of the realities here, the real facts.

Over 30 million people are going to have this bumbling system fastened around their necks like a millstone.

You know, I know, and the administration knows, that these many millions of people are not cheaters—are not tax dodgers. Basically they file honest tax returns and report their dividend and interest income.

You and I know that it is the tiny fraction, the small fringe of taxpayers who are the cheaters and whose income tax returns are open to question.

But over 30-odd million people are going to be punished for the sins of the very, very few. These innocent millions are not going to like it when they have to pay taxes that may not be due to catch a few who may owe taxes.

And why is this bumbling monstrosity to be visited upon them?

Because, as I have said, the Treasury Department and the Internal Revenue Service are now seeking to discredit as a solution a simple new modern electronic tool that is now being installed to aid tax enforcement. I refer, of course, to automatic data processing.

Do you know that for many, many years payors of dividends and interest—called paying agents—have been required to file with the Internal Revenue Service information returns listing the amounts of dividends and interest they pay and listing the names and addresses of the payees on forms 1099?

And do you know that these paying agents file nearly 200 million of these forms 1099 each year?

In recent years the Internal Revenue Service has stepped up the associating of these information returns with the tax returns of the people to whom the interest and dividends were paid. This "matchine process" will be strengthened under ADP. This is a technique the service has now in its hands for checking failures to report dividends and interest. This is a tool it will not use because the administration has decided to urge a more costly withholding tax system which will certainly cost the Treasury itself $25 million a year in direct administrative cost, plus untold millions of dollars representing the tax deductions for the administrative expense piled on paying agents and taxpayers, plus untold millions of dollars lost through the absolute impossibility, built right into this bill, of checking the tens of millions of credit and refund claims this bumbling system will generate.

None of us is in favor of tax avoidance—and all of us want the tax dodgers brought to heel. But it is so easy, and so simple, and so inexpensive to close any gap on reporting of dividends and interest with simple existing administrative tools rather than resorting to the cumbersome withholding system proposed by this bill.

Why does the Treasury want to arouse the ire of so many millions of taxpayers? Why does the Treasury want to make the already complex individual income tax Form 1040 twice as complex? Why does the Treasury value so little the taxpayer goodwill so important to the successful operation of our income tax self-assessment system? Why does the Treasury insist on further complicating our already incredibly confused income tax structure?

The answer is simple: Once having made the mistake of proposing withholding taxes the administration cannot afford to lose face by admitting its mistake—by conferring error no matter how potent it may be.

In closing, I would make the point mentioned earlier that these 30 million American taxpayers who will be adversely affected by this bill represent not less than that many voters. They are the voice of public opinion, and public opinion is still a strong force in this country.

The millions of people may not know today what is about to happen to them—and they will not know until this withholding tax monstrosity starts grinding at them in the year 1963—when the 1962 elections are safely behind.

These millions of voters are going to grow angry when they find their accounts are confused; when they learn that money they have budgeted for necessary living expenses never reaches them but has been diverted into the Federal till; when they learn that to straighten out their accounts, to secure their refunds, to establish their credits, they are going to have to do business with a myriad of complex new forms and rules—and that for securing credits and refunds they are completely at the mercy of the whims of the redtape mill of the Federal Government.

They will not feel the impact for the fall election of 1962 in any big way, because the overwithholding tax does not fall on them until 1963. But beginning then these 30 million tax-bruised Americans are going to make their feelings felt at the polls at every opportunity. And that is a lot of votes.

When the questions come to you—"How did you vote and why?"—what are you going to tell them?

I know you will be honest and tell them the truth.

The truth you will tell them is the administration's economists and professors dreamed up an unwanted gadget called the investment credit for business. Having no business experience these economic planners ignored the national need for depreciation reform—campus economists were certain the investment credit gimmick would save the country. But it cost money. Who is going to pay the freight? Well the administration—the Treasury and the majority party in the Congress—agreed this withholding tax on the little man was a good idea to raise most of the money to pay the freight of the economists' dream boat, the investment credit. The little man must produce money to pay this subsidy to the businessman.

You might go further and tell them that when the administration first came to Congress to seek the investment dreamboat it was to be a 15-percent dreamboat. Then in the middle of 1961 it was reduced to an 8-percent dreamboat. Then the spokesman for the economists and professors said that a dreamboat credit of less than 7 percent was worthless for their grandiose schemes.

The 8-percent dreamboat was disclosed to the world by the committee as recently as March 12, 1962. And then, although nearly a year had been spent on celebrating and building the dreamboat, suddenly a few days after March 16 it was discovered that the country really did not need an 8-percent dreamboat credit. One much less would do the job.

But since the spokesmen for the economists and professors had said repeatedly that less than a 7-percent credit was not a good dreamboat, the dreamboat was sliced down to look like a 7-percent dreamboat; but inside the dreamboat a $100,000 figure was cut to $25,000—this the voters cannot see easily—and then a 50-percent figure was cut to 25 percent—this is even harder for the voters to see—and now we have just about a 3-percent dreamboat, which is certainly useless now for the great economic revolution it was supposed to create. But face must be saved, and the public interest is quite unimportant.

So now our 30 million voters are to take the overwithholding tax licking to supply the funds to just give a small bonus—an outright subsidy—to some business, mostly big business. Wait until the millions of voters wake up to this.

One other observation may be in order and that is the treatment of many diverse proposals in one bill which has to be voted on as a single issue. Including all the items with respect to income earned abroad as one, I count nine separate and distinct provisions. I find it difficult to rationalize a situation which prohibits a vote on each issue separately. I know the answer is that it is next to impossible to treat the bill otherwise. But it is hardly fair that the fortunes of one group of taxpayers has to rise or fall on the merits of the proposals affecting another. There is simply no community of interest between a farmer's cooperative and the subsidiary of a U.S. company doing business in a foreign country. And yet, with respect to the tax treatment of each in this bill, we are asked to vote for both or against both.

H.R. 10650 is objectionable because it affects so many groups with so many varied interests and requires that they be considered as one. The omnibus bill is customary practice in the House but in this instance it reveals in a harsh manner the inequities that it can produce.

The minority motion to recommit offers the only possibility of remotely removing any of these inequities. Unless the motion is carried, the bill should be defeated.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. DENT].

Mr. DENT. Mr. Chairman, I rise to support this legislation because I feel that it contains certain tax reforms that have been long overdue.

I cannot be accused as some have been of supporting the so-called Boggs bill, H.R. 5. I think I can speak from the opposite viewpoint. I said then, if you will remember, that time would cure everything, that if you lived long enough they would be back in here sooner or later recognizing the dangers I pointed out. I happen to be one of those who believes that foreign investments in American branches and production facilities have done more to curtail the growth of our domestic economy than any other single factor.

This is no time for a detailed discussion of the relationship of foreign investments to imports and exports and the depreciating effect of low wage competition of foreign-based American facilities in competition with domestic production for both our domestic market and our foreign market. It may come as a surprise to most of you that as far back as 1954, 30 percent of all of the imports into the United States came from American investments overseas. It seems somewhat strange to me how one can plead for tax advantages for foreign investors while at the same time depreciating the effect of investment credits. We in the United States may have a main plant in one State and have subsidiaries in other States. Whether we have different tax bases in these States makes no difference when it comes to assessment of the Federal tax. We in the United States cannot expand our facilities unless we do so out of tax-paid dollars. Just as the chairman of the Committee on Ways and Means so ably said, instead of criticizing this feature which is trying to equalize and put on the basis of equity foreign investments by American companies, we should be demanding that American investments here in the United States receive at least the same treatment. We are not asking for any more. We must realize that you cannot give an incentive to foreign investors with American capital and take away incentives in the United States.

During the past year I have been privileged, although you would not know it, to serve as chairman of a committee studying the impact of imports and exports on our employment. If you will take the time to read the printed hearings—you probably will not have time—you will note that the question of tax haven industries overseas creates by far the most damaging impact upon our domestic economy. Time has not been allotted to me to give you the complete story, but let me for a moment give you some detailed figures that have been put out by our own Department of Commerce.

In the last 7 years investments in Western Europe have amounted to $5,141 million. These investments returned to the American investor $2,261 million. Here comes the real crux of the whole program. We are told it is proper to give out-of-country investors the right to invest profits in underdeveloped countries as an aid to those countries.

Let us see how far this aid has gone. In the underdeveloped countries in the last 7 years Americans invested $5,552 million, but they took out of these same countries a profit of $8,794 million. I do not believe that bleeding red on the floor of this House is going to convince any sober-minded American that American investors are interested in anything except profit. That is what investments are for, whether they are made here in America or they are made in foreign countries. If you tie investments overseas with a complete embargo on the products of those plants coming into the United States, you might have a reasonable base upon which to place an argument that we should help underdeveloped countries with our private investments.

EXODUS OF AMERICAN INVESTMENTS AND PRODUCTION OVERSEAS

The proposal to tax oversea earnings same as U.S. domestic earnings means nothing when profits overseas can be what they have been:

Dollars invested abroad and the income the United States gets back

[In millions of dollars]

	Investment	Income
Investments in Western Europe:		
1956	516	280
1957	631	311
1958	422	325
1959	750	393
1960	1,322	427
1961	1,500	525
Total	5,141	2,261
Investments in underdeveloped areas:		
1956	1,270	1,406
1957	1,187	1,549
1958	780	1,429
1959	707	1,386
1960	608	1,474
1961	1,000	1,550
Total	5,552	8,794
Investments in Latin America:		
1956	826	800
1957	800	915
1958	317	653
1959	347	600
1960	267	641
1961	500	770
Total	3,057	4,379

You will note that the investments total, for this period alone, $13,750,000,000. Considering the ratio of 3 to 1, in cost differentials, between the United States and the Common Market, the $5 billion spent in Europe represents approximately $15 billion that would have had to be spent in the United States to build the same facilities; the figure in the underdeveloped countries is even more dramatic. It would have required a minimum of $32 billion in domestic investment.

Is there any wonder the opponents of this legislation who are in the international trade profits race have steamed up the little investors dividend receivers to kill the bill before us?

Of recent date, there has been a series of articles appearing under the caption of "Loopholes, Inc." The extent of foreign investments and their impact on the American economy, makes it imperative that this Congress pass this legislation at this time. I would suggest, also, that the Committee on Ways and Means pursue its study even further in this area of tax dodging. In this regard, I would like to quote from the Daily News, of New York:

LOOPHOLES, INC.—FAT CORPORATIONS AGILE AT DODGING THE TAX SQUEEZE

(By Joseph Martin and Kermit Jaediker)

NO. 1

WASHINGTON, March 5.—While Joe Blow sweats and schemes to lop a measly 25 bucks off his Federal income tax and then stays awake nights wondering if maybe he didn't go a little too far, a sizable number of American corporations are savings hundreds of millions yearly through one of the sweetest collections of tax dodges in or out of the book.

And they're sleeping quite peacefully nights.

This is because they have something Joe hasn't got and probably never will have—gall. Plus a highly paid array of brains behind them. Plus a little thing called a foreign subsidiary. No matter how bright Joe is, or gutsy, on a salary of five or six grand a year, he just can't go around setting up foreign subsidiaries.

The News has taken a deep, searching look into this phase of business and what it found proved highly fascinating. Also educational.

And now we're passing it all on to you, Joe, just to let you know that, in spite of what the pessimists say, there are still people with ingenuity and pluck and that with such attributes behind them, plus a good hunk of cash, a man can really go somewhere. And we don't mean jail.

The Internal Revenue Service, headed by Commissioner Mortimer M. Caplin, is all wrought up over these dodges but most of them lie within or on the razor edge of the law, and even in cases where they seem to cross the edge, it's up to Uncle Sam to prove there was criminal intent behind them.

This is difficult. The Treasury Department, which drafts legislation in such matters, has been trying desperately to plug up loopholes in the law. But this is difficult, too.

THE GENIUSES AND THE DODGERS MULTIPLY

The fun all began less than a dozen years ago.

What led to it was the Government's policy to encourage investment in Europe. Investment grew and then some unknown tax genius got an idea and investment boomed. The idea was some sort of tax dodge.

As time passed and more geniuses got into the act, the dodgers multiplied, flowered. Frills were added. The trickery developed to a point where the job of organizing it and putting it into motion became a pretty big thing, almost an industry.

The dodgers, or "tax avoidance devices" as the Government cautiously puts it, all hinge on the establishment of a foreign subsidiary. Government sources estimate that there are around 20,000 foreign corporations owned directly or indirectly by U.S. shareholders, and most of them are getting juicy tax breaks—but there's nothing fishy about it.

The fishy stuff is pulled by an untold number of Johnny-come-latelies who suddenly discovered what a tax bonanza foreign trade could be, if you had the gray matter and the daring.

To savor their shenanigans to the full, you must first understand precisely what the corporations are seeking to avoid—the 52-percent corporation tax exacted by Uncle Sam.

This is a pretty agonizing bite. For instance, if Loopholes, Inc., earned a modest $2 million last year, it had to fork over $1,040,000 of it to the Government.

TAX HAVENS, WHERE THE BITE IS LIGHT

It so happens, however, that there are other nations in the world that don't bite so hard. These are known, quite aptly, as tax havens. Panama won't tax a corporation a red cent if it doesn't transact business there. The same goes for several other places, including Bermuda, Nassau, Venezuela, Liechtenstein, Liberia.

Switzerland's cantons, or provinces, charge a tax but it's laughably small, not more than 8 percent.

So Loopholes, Inc., fed up with that 52-percent horror, sets up a subsidiary in one of these low-tax or no-tax countries. It goes without saying that good old Loopholes must be engaged in exporting or importing. Most of these companies are situated on the Nation's east and west coasts, with the greatest concentration in New York.

There are, basically, two types of foreign subsidiaries. There's the bona fide type that actually does something for a living. It may sell the parent company's products, or manufacture them, or assemble them, or mine ore.

And there's the type that twiddles its thumbs.

This type is a dummy, known in the trade as a shell. And that's just what it is—an empty shell that produces nothing, sells nothing, assembles nothing, yet still has a vital function: to keep those taxable corporate millions out of the hungry fingers of Internal Revenue.

THE SHELL GAME, MOST FLAGRANT OF THEM ALL

Some of the bona fide subsidiaries aren't above a little tax finagling, but let's deal with the shell game first. It is the most flagrant finagler of all.

The machinery for acquiring a subsidiary is all laid out for Loopholes, Inc., by some smart tax consultants. They advertise their wares in come-with-us-now-to-a-land-of sunny-skies-and-no-taxes brochures that read as enticingly as the booklets of a steamship company touting luxury cruises to Hawaii.

These brochures never, never mention that dirty word, "shells." But the Government strongly suspects that after the company has read the booklet and loved what it read and gotten together with the consultant, somehow the structure of a shell takes form; in some instances, anyway. After all, most tax consultants do organize bona fide subsidiaries.

Let's say the shell is to be set up in Panama.

For a fee of around $500 to $1,000 a Panama lawyer or CPA establishes a corporation called El Fakero. Its office is his office. By law, all these corporations must be proclaimed by signs on the facade of the building and it's quite a sight to see, in Panama or Nassau, a modern office building whose front is plastered with signboards as far up as the second or third story.

In addition to the initial fee, Loopholes, Inc., must get up licensing fees of about $250 a year. But look what Loopholes gets for its dough:

In pre-Panama days, Loopholes had a big customer in London. Loopholes would sell London four or five shiploads of home appliances a year. For the sake of simplicity, let's say the London firm paid $100,000 a cargo, and that the cargo actually cost Loopholes $50,000 to produce.

FIFTY GRAND PROFIT, BUT OH HOW IT'S NIPPED

That meant Loopholes made a profit of $50,000 per cargo. But Loopholes didn't keep the 50 grand; there was Uncle Samuel holding his mitt out. Out of that $50,000 in earnings, Loopholes had to pay $26,000 in U.S. taxes.

But that was in pre-Panama days. Now, on paper if not in actuality, Loopholes sells the same cargo to its own subsidiary, El Fakero, at slightly above cost, $52,000; it could actually sell at cost, but that might be a little too raw. It's got to show it's making some profit.

El Fakero sells the same cargo to London for the usual price of $100,000. Thus El Fakero garners a profit of $48,000. If El Fakero were in New York, where Loopholes is, it would have to pay a 52 percent corporation tax on the $48,000, but El Fakero is in Panama, where there is no tax. Uncle Sam, who used to collect more than half the profits of Loopholes' export business, now collects nothing.

In other words, Loopholes siphons its profits from the tax-happy United States to taxless Panama. So far so good. Now, there's a new problem: How to get that 48 grand back to the United States. Under law, once the earnings land in the United States, they become taxable.

At this point El Fakero gets kind to papa. It lends Loopholes the $48,000. Loans, of course, are not taxable here. El Fakero even garnishes the dish by charging Loopholes, its own daddy, 6 percent interest on the loan. Daddy-O isn't sore. When Pop's tax expert fills out the old income tax blank, he puts that interest down as a deduction.

What this boils down to is that the $48,000 profit has finally come home, pure profit, yet taxless, because now it isn't profit but a loan.

AND THE SHIPMENT NEVER REACHES PANAMA

Remember us saying a little while ago that Loopholes sells the cargo to El Fakero on paper?

Actually that shipload of appliances never goes to Panama. It goes, as usual, direct from New York to London. And El Fakero doesn't really send the profits back to Loopholes. It never gets the profits. The profits are sent directly from London to New York.

The entire transaction, selling to El Fakero, reselling to London, that phony loan—all this is performed on paper at the home office.

After all, El Fakero couldn't possibly receive a cargo, or ship it. El Fakero doesn't exist. It's just a name on a document of incorporation lying in the filing cabinet of the Panama lawyer or CPA who set El Fakero up. A ghost with a slight Spanish accent amiably thumbing its nose at the U.S. Internal Revenue Service.

NO. 2

In a long desk-studded room in one of the New York City district offices of the U.S. Internal Revenue Service, trained agents are going over income tax returns. They're not the familiar white 1040 forms issued to most citizens. They're the blue 1120 forms issued to corporations.

An agent studies the return of an outfit we'll call Tinhorn, Inc., and suddenly his eyes glow. It is the same glow that lights the eyes of a homicide squad detective when he glances at a window at the scene of a murder and spots a fingerprint.

The clue the Internal Revenue man has spotted doesn't concern anything as drastic as murder. It may not even be illegal, in the strict sense of the word.

But it is tricky as hell, a gizmo designed to keep Uncle Sam from taxing a chunk of Tinhorn's profits, and if the Government can get the goods on Tinhorn, Tinhorn will have to pay through the nose.

COSTS HIGH, PROFITS LOW: SUSPICIOUS

The clue lies in the ratio of the magnitude of Tinhorn's operations to Tinhorn's profits. If the scope of operations is tremendous and the cost high and the profits curiously low, the agent smells a foreign subsidiary set up to avoid the American 52-percent corporate tax.

The agent turns to page 3 of the return. Item L asks if the corporation has a foreign subsidiary and Tinhorn has left this question blank. This could be an honest error of omission. But the agent is suspicious.

If he has time to handle the assignment, the agent grabs his hat and hurries up to the office of Tinhorn, Inc. He meets Frank Tinhorn, the president, and gets right down to cases.

"You own a foreign subsidiary?" the agent asks.

Tinhorn goes a little gray, but he doesn't dare get caught in an outright lie. He admits he owns one in a country in Latin America.

"How come you didn't mention it on your income tax form?" demands the agent.

Tinhorn forces a smile. "Didn't I? It must have been an oversight."

The agent has hit paydirt. The country where the subsidiary is situated is notorious for its shells—ghost companies that exist for the sole purpose of preventing the United States from collecting the 52-percent tax on the parent company earnings.

"Let's see your books," says the agent.

Here he comes a cropper. The books may contain only vague references to transactions with El Spooko, the subsidiary, or there may be two sets of books. The set Tinhorn shows the agent says nothing.

MUST CLEAR IT WITH STATE DEPARTMENT

The only possible source of information is El Spooko. Since the agent can't be spared for a prolonged investigation of Tinhorn's dealings, his office phones the Office of International Operations of the Internal Revenue here in Washington, and they assign a man to the job.

This agent, before boarding a jet, must first see someone in the State Department. State might very well reject his request to go south of the border. The country where El Spooko is located may be conducting delicate diplomatic negotiations with the United States and it just wouldn't do right now, old chap, to have an American agent gumshoeing around down there.

However, if the striped-pants boys see no obstacles, the agent flies to the city where El Spooko was incorporated. It's a shell all right—no staff whatever.

Its office is the office of the local attorney who set El Spooko up. As a rule, this worthy tells the agent to go scram, or the Spanish equivalent thereof. But there are other avenues of inquiry.

Internal Revenue agents whom we interviewed declined to disclose the techniques they use in tax-haven countries to get at business records or loosen up tongues, but it's no secret that employees in banana republics often have greasable palms.

The agents did not deny that they had friends who would not hesitate to sneak, after dark, into a government building.

Next morning the agent would awake to find an unmarked envelope in his mailbox and some very interesting evidence in it, along with a curt note to please, senor, hurry up and photostat the contents as they must be back in the files in an hour.

The evidence might consist only of some names and addresses, but they are leads and the investigator continues his inquiry.

Some of these investigations last as long as 2 years. But even if the Government thinks it finally has a case against Tinhorn, it has to prove it in court. And that isn't always possible.

If the Government wins out, then Tinhorn must come across with taxes, plus penalties and interest, which could add up to millions.

The most productive source of information is the informer.

There's nothing more heart-warming to Internal Revenue than to have the bookkeeper of a New York corporation walk in and announce that he just got fired and that he is now going to retaliate by squealing on his boss who runs a shell subsidiary. He might even show the Government the company's books.

Or, maybe Tinhorn's wife has learned he's keeping another woman. That makes wifey a potential informer. And the same goes for the mistress, especially when Tinhorn gives her the gate.

CANARY TREATMENT, BELOW THE BORDER

The informer is rewarded with up to 10 percent of the taxes collected as a result of his or her information.

Last year the Internal Revenue Service paid $548,914 in rewards to 706 pigeons for information resulting in the collection of $12 million from all kinds of taxpayers. This dough, by the way, wasn't exempt from Internal Revenue Service. Every pigeon must pay income tax on the profits of his squeal.

Business chiselers operating shell subsidiaries seem to take a squeal in pretty civilized fashion, at least in the United States. There is no record of any informer ever getting knocked off or pushed around here.

The chiselers get a bit less inhibited, though, when they're handling a canary below the border. There, for example, a man suspected of blowing the whistle on an American firm was suddenly whisked out of bed one night and grilled. He denied everything.

He was suspended by his hands outside a window, nine stories up, and that got him talking. He unloaded all the info he had given an American agent, with the result that the U.S. company was able to take measures to cover its tracks.

THEY PLAY TRICKS, THE BIG AND THE SMALL

Corporation tax abuses committed with the help of subsidiaries are so new, in some instances, that Commissioner Mortimer M. Caplin, boss of the Internal Revenue Service, has developed a special training course to make enforcement personnel completely hip on tax avoidance patterns to divert abroad income that should be taxed in the United States.

"In recent months," Caplin told the News, "the need for a more vigorous tax enforcement program in the international area has been strongly emphasized.

"Among the many approaches used are sham corporations with no real business purpose or function, unrealistic sale or purchase prices in transactions between the domestic company and its foreign affiliates, and failure to properly allocate various expenses.

"We have discovered that these devices are used by all types of taxpayers, regardless of size or reputation, and many cases involving large corporations are now under active audit in the field. Undetected, these schemes cause a loss of revenue to the United States and create competitive economic inequities through tax dollars saved."

The Government is now busy trying to strengthen Internal Revenue's hand through new legislation designed to plug up tax law loopholes.

Under present tax laws, profits earned abroad by U.S. firms with foreign subsidiaries are subject to American taxation only when the earnings arrive here. This gives such companies a tremendous advantage over domestic corporations that get their profits solely in the United States.

The firms with subsidiaries, and we're talking about the honest ones, can continually postpone transfer of foreign profits and use the enormous tax saving to expand abroad.

OVERHAUL SYSTEM, PRESIDENT URGES

Tax deferral had for some time been favored by the Government as a means of encouraging American investment to restore the economies of wartorn nations, but now President Kennedy would like a complete overhaul of the system.

"Certainly," the President told Congress in a plea for tax reform, "since the postwar reconstruction of Europe and Japan has been completed, there are no longer foreign policy reasons for providing tax incentives for foreign investments in the economically advanced countries."

Not long ago the Treasury Department drafted legislation to kill tax deferral altogether by taxing the earnings of subsidiaries yearly, with the exception of those in underdeveloped countries.

But the House Ways and Means Committee refused to go along with this. The committee did make it clear, however, that it was anxious to stamp out the abuses, such as sham subsidiaries, phony loan gimmicks, and improperly inflated pricing.

Treasury redrafted legislation with this express aim. Among other things, the new measures would hit the liquidation gimmick hard. But first those laws have to be passed.

It may take months for them to be enacted and even then there's no certainty that the laws will emerge in their original form. And even if they should, there's no guarantee that the smart operators won't ignore the new laws, or try to.

After all, the profits are beautiful and the tax experts who advise the chiselers are bright and imaginative.

NO. 3

You've just mailed your form 1040 to the Internal Revenue people and you're feeling great. You're entitled to a $300 tax refund. Junior had his tonsils taken out, the wife had a cyst removed from her left hip and little Amelia has been getting shots to jazz up her blood. What with all the medical bills, and a few more items, Uncle Sam owes you money for a change. That 300 smackers should be just enough to get you a new set of golf clubs.

But you commit a fatal error. You tell the missus about the refund, and goodby golf clubs. She says, with typical womanly logic, "Fine. Now we can get a new car."

So, with the refund and $700 from your bank account, you and wifey go to your neighborhood auto dealer and wifey picks out a shiny new compact worth $2,000. You tell the dealer you're putting $1,000 down and financing the rest.

From that moment on, you, Joe Blow, ordinary citizen, become the hub of a web of intrigue, foreign and domestic, through which some very slick gents in the auto-financing business pocket millions of dollars that ordinarily would go in the form of taxes to the Internal Revenue Service.

JUST MORE GRIST FOR THE OLD MILL

You play no part in the intrigue.

The auto dealer tells you that the $1,000 loan will be provided by a finance company, with appropriate carrying charges.

He adds that inasmuch as this is a loan, a credit insurance policy on your life will be required. It goes, without saying, of course, that you pay the premium.

But you see nothing wrong with that. After all, if you drop dead before you've paid off the loan, why should the poor finance company be stuck?

Now here's what the dealer doesn't tell you. The finance company has an American insurance firm issue the policy. Since there are oodles of Joe Blows all over the United States buying cars on credit, the insurance company handles oodles of premiums.

If the firm were taxed by the United States on all those premiums, or earnings, the taxes would be immense. The U.S. corporate tax on earnings is 52 percent—more than half the profits.

Not that the American insurance firm would be exactly heartbroken. It still would be making lots of income.

But the finance company has other plans. At its bidding, the American insurance outfit keeps only 12 percent of the premium and then, as a bookie does when he's overloaded with bets on a certain horse, the company "lays off" the remaining 88 percent of your premium to an insurance company in Europe.

THEY LAY IT OFF IN TAX HAVENS

It's not just any old part of Europe. The European insurance firm is situated in a tax-haven country like Switzerland or Liechtenstein, where income taxes on corporation profits are either very small or nonexistent.

So what happens to the profits? The lion's share is shifted to a no-tax country. The premium may seem small. But multiply it by thousands of Joe Blows getting insurance and it all becomes quite imposing. And it all escapes that nasty 52-percent tax.

At this point you may be impelled to ask why the men who run the finance company are so anxious to throw pretty American dollars to a firm in Europe.

It's quite simple, Joseph. That tax-haven insurance company in Europe is a foreign subsidiary owned by the American finance company.

By running an insurance company in a tax-haven country, those finance company foxes keep the bulk of the premiums out of reach of the Internal Revenue Service's hungry hooks. Now how does the finance company get those profits back?

Well, if the subsidiary sent the profits back as profits, the U.S. Internal Revenue crowd would promptly demand their 52-percent cut. So the subsidiary sends the profits back in the form of a "loan." Loans are not taxable.

As in the case of the shell or dummy subsidiary described in yesterday's article, the entire insurance transaction is performed on paper in the United States. Actually the premium money never leaves the United States and the loan never really takes place—except in the finance company's books.

ACTUALLY THERE IS VERY LITTLE RISK

You might say, wanting to be fair about it, those foreign insurance firms deserve a break—after all, they're shouldering the bulk of the risk, all those Joe Blows might drop dead any day.

The truth is that there is very little risk in this branch of insurance. Car loans usually are on a short-term basis, 1 year, 2, 3, and as a rule within those time periods Joe Blow manages to stay alive.

So basically it isn't the risk that is laid off, it's the profits. And they're laid off in such a way that the United States doesn't get a piece of them.

At this point we would like to make it clear that not all auto-finance companies indulge in this foreign subsidiary dodge. Only some. But those that do are cleaning up.

We also want to add that there's nothing illegal about shifting the premiums to a tax-haven country. The only thing smelly about the deal is that loan back. But it's plenty smelly.

By the way, the insurance company in Europe could be a shell, with no staff whatever, or it could be an actual subsidiary. The point we want to make is that some bona fide subsidiaries and their parent companies also indulge in monkey business.

Here's another example. This one constitutes the most prevalent abuse in the foreign subsidiary setup.

Bigshot, Inc., a large American corporation, manufactures quite an assortment of articles, including, let's say, left-handed monkey wrenches.

THE LABOR IS CHEAP AND THE TAXES ARE NIL

So many southpaws in America are becoming mechanics that lefthanded monkey wrenches are selling like hotcakes. Bigshot's profits boom—but Uncle Samuel keeps grabbing 52 percent in corporate taxes.

If Bigshot could somehow divert a chunk of the profits to some tax-haven country, it would make much more money.

So Bigshot opens a subsidiary in a tax haven. A real factory, which we'll call Halfshot, Inc., goes into operation. Labor is cheap, but what's more important, there are virtually no income taxes on Halfshot's earnings.

In the fair competitive market, the wholesale price of a shipload of lefthanded wrenches is, let's say for the sake of simplicity, $1 million. Halfshot sells its wrenches to Bigshot, but not at the regular market price of $1 million per shipload. Instead, it charges Bigshot $2 million.

Awful, isn't it? Here's a kiddie company soaking its papa company twice as much as it would charge a stranger.

It isn't a bit awful, when you get down to cases. Because when Bigshot pays Halfshot that $2 million, the overcharge—$1 million—represents profits actually made in America and therefore subject to the American corporate tax of 52 percent or $520,000. Now that $1 million, worth $520,000 to Internal Revenue, eludes Internal Revenue and slips off to Halfshot, which is really Bigshot's baby.

Halfshot may do one of two things with the bonanza.

ONE GOT CAUGHT MOST OF THEM DON'T

It might invest it in still another operating subsidiary in Europe. This could go on and on until Bigshot runs a dozen subsidiaries—a hundred subsidiaries. The reinvested money is not subject to American taxation. What's more, Bigshot has become an international empire. With its built-up power and prestige, it will draw even more shareholders.

On the other hand, if Bigshot wanted the elusive profits back right away, it could simply arrange to have them sent back as a phony loan.

One company, with a subsidiary based in Latin America, used the inflated price gag with minor variations, but got caught and the U.S. Government clouted it with a $4,500,000 tax bill. In most instances, however, the boys don't get caught.

Some American corporations have the temerity to buy at inflated prices not from a genuine subsidiary but from a shell, a nonexistent subsidiary.

Such corporations cotton to the loan gizmo. Firms operating with shells are generally "closely held"—that is, there are only a handful of shareholders and when the "loan" is made, each shareholder gets a big chunk of pie.

Yes, the shareholder has to pay personal income taxes on his cut, but the savings on corporate taxes make that cut much, much larger.

THEY KILL THE GOOSE BUT KEEP THE GOLD

Another nice tax gimmick, to which construction firms and movie companies are especially partial, is liquidation.

Way it works, an American movie firm sets up a subsidiary in a foreign tax haven to produce a single film overseas. After the subsidiary cleans up on the film, assuming it's a hit, the present company liquidates the sub—puts it out of business.

Had the film been made in Hollywood, the earnings would have been subject to that 52 percent tax. But when a foreign subsidiary's liquidated, the movie company has to pay Uncle Sam only a capital gains tax. This is 25 percent—or 27 percent less than the corporate profits tax. The tax-haven country, of course, charges little or nothing.

It used to be deemed foolish to kill the goose that lays the golden eggs, but in this instance, the goose doesn't start laying eggs until it's dead.

NO. 4

It isn't only the big, bad corporations that make money in foreign lands and keep the profits away from Uncle Samuel. Joe Blow does it too, as soon as he grabs a fat job abroad.

There must be something in that alien air. Or maybe it's the comfortable feeling a man gets knowing there's a couple of thousand miles of deep salt water between him and the Internal Revenue Service.

Americans living overseas enjoy tax breaks undreamed of by Americans at home. You'd think that would satisfy them, but it doesn't. In spite of all the wonderful exemptions they get, they are blithely pocketing an estimated $200 million a year due our Government in Federal income taxes.

The individual American abroad isn't as cagey as the domestic corporation that sets up a foreign subsidiary as a tax dodge. What he owes the Government he owes purely out of ignorance. Just how much of this ignorance is real or feigned isn't known.

In an effort to pierce the dark veil of alleged dumbness, a gallant but paltry number of U.S. Government tax specialists—17 in all—are now flitting from foreign city to foreign city, setting up shop in American Embassies and consulates.

There are an estimated 575,000 American wage earners scattered throughout the world and it is the duty of the 17 to acquaint a large percentage of them with the harsh facts of tax life.

THE GLOBAL GANDER SEEMS TO PAY OFF

The round-the-world junket of the specialists, inaugurated in 1956, seems to be paying off.

In 1958, their program of education among the benighted "exiles" helped bring in 269,572 oversea returns and a total of $152,680,000 in taxes. Last year there were 394,827 returns and a total tax take of $272,441,000.

But Internal Revenue experts believe the current tax delinquency overseas is still close to 50 percent.

In one foreign district (a district may cover several countries), two hotshot Government specialists working less than 4 months picked up $500,000 in delinquent taxes from persons who had not previously filed oversea returns, primarily because they didn't know they were supposed to file.

The specialists reported back that in the main the taxpayers they talked with were downright "eager" to file and pay.

A specialist who worked elsewhere found little of this unwanted eagerness in his bailiwick. "Some of them," he morosely reported back, "take off for the hills when they know we're in their country."

The guys and gals who hit for the highlands apparently were getting salaries well over $20,000 a year and fell into what the

Internal Revenue people here call the "physical presence category."

These are Americans who live in a foreign country fairly long, but gad about. They are specifically required to be in a foreign country at least 510 full days during any consecutive 18 months. Also they can't work for the U.S. Government.

THE FIRST 20 GRAND IS EXEMPT FROM TAX

Americans in the "physical presence" category must pay taxes only on earned income exceeding $20,000. The first 20 grand is exempt from tax.

An American earning $20,000 a year, having a wife and two children, must kick in roughly $4,000 in Federal income taxes if he lives in the United States.

If he enjoyed physical presence status overseas, he would keep the four grand. The $4,000 is often a big selling point when an American company is trying to lure a bright technician or executive into working in a foreign subsidiary. The four grand amounts to a salary boost that in effect is subsidized by Uncle Sam.

But there's an even sweeter category than "physical presence."

To establish himself in this lovely classification, an American must have "bona fide residence" in a foreign country for one full tax year. He must set up permanent headquarters for himself and his family and settle down in the community.

If he fills the bill, he is completely exempt from paying any Federal tax on earned income.

The only income a bona fide resident may be taxed on is income derived from dividends, alimony, interest, capital gains, or a killing at Monte Carlo.

Government employees—and this goes for GI's—are completely excluded from the benefits enjoyed by non-Government residents overseas. The only exemptions they get are those that you, living here, get.

Why did American non-Government residents abroad become such a favored class?

The answer goes back to President Truman's point 4 program, which earmarked $48 million to develop the world's backward areas. Something had to be thought up to attract American managers, technicians and skilled workmen to go overseas for 18 to 36 months. The something turned out to be the big tax break.

THE GIMMICK: LIFE IN TAX-HAVEN LAND

Now such dedicated technicians and workmen as Hollywood movie stars, producers and writers are cashing in on the break.

All they have to do is establish bona fide residence in a tax haven and every dime of their earnings—even if aforesaid earnings are $1 million a year—goes untaxed by the United States. Dozens of movie people are doing it.

Ava Gardner restricted her income to U.S. tax-free earnings abroad and now some sources estimate her worth at more than $5 million.

Actor William Holden has been another beneficiary of the oversea tax break and he doesn't mince words about it. He's said frankly he'd much rather work in Europe than pay the enormous tax exacted here.

Writer William Saroyan, currently escaping a big tax bite on earnings abroad, says he hopes to pile up enough cash through the exemption to pay off an old tax bill of $20,000 confronting him on his return home.

Many others drawn by the Old World charm of Europe are leasing or buying homes or villas there, among them Yul Brynner, Jack Palance, Paulette Goddard, Audrey Hepburn, Van Johnson, George Sanders, Mel Ferrer, and Norman Krasna.

Brynner and company may not be wholly motivated by tax avoidance, but those who are may be in for an unpleasant setback.

KENNEDY SEEKS TO KO THE SETUP

President Kennedy, in a plea to Congress for tax reform, made it abundantly clear he didn't like a tax setup favoring citizens overseas. He said:

"I believe it is an unsound policy for the U.S. Government generally to subsidize through tax exemption those of its citizens who wish to live abroad. This is especially so for individuals who establish their residence abroad for tax purposes even though the nature of their business does not require it.

"It is manifestly unfair to other taxpayers to continue these exemptions which also contribute to our adverse balance-of-payments position."

The President called for complete elimination of the tax exemptions granted citizens living in economically developed countries and the Treasury Department drew up legislation in line with Kennedy's demands.

The House Ways and Means Committee deemed this a bit drastic. A compromise was worked out, which, though somewhat diluted, would hit such high-salaried foreign residents as movie stars pretty hard.

TECHNICAL EXPERT WILL STILL BE CLEAR

Under the proposed legislation, which is not expected to be put to a full vote for several months, the so-called bona fide resident loses his tax-free status. And he has to put in 3 years abroad to qualify for any exemption, at which time only the first $20,000 of his earnings will be exempt from tax. Beginning with 4 years, the exempt amount rises to $35,000.

This will still be a boon to many company executives and technical experts, but the benefits for film folks with astronomical earnings will be on the thin side. The bulk of their wages will be taxed precisely as earnings are taxed this side of the Atlantic.

No story about taxes and Americans abroad could be quite complete, we think, without the one about Charley Lehigh.

Charley, now 33, was an accountant employed in the Caracas, Venezuela, office of an American oil company. One day he went to a local racetrack called the Hippodrome. It was the first day at the track.

For $2.40 he bought a pool ticket. He picked the first six winners of the day's card.

He won $293,813. That's no misprint—$293,813.

Next day, naturally, he was back at the track. This time he dropped $2,000. He decided then and there he was through with horses.

Like the good American citizen he was, he filed an income tax return. But he contended that under exemption as an American abroad he could keep his horse winnings.

The Internal Revenue Service sharply disagreed. Ruling him deficient in the payment of his taxes, the IRS hit him with a tax bill which, including penalties and interest, totaled $304,225.76.

HE FOUGHT SUIT FOR 6 LONG YEARS

But the Government made a couple of mistakes. First, it sent the deficiency notice by ordinary mail. Secondly it addressed the notice to "Apartado 53, Correos Este, Distrite Federal, Venezuela," a post office mailbox.

The letter from the IRS came back with the notation that it had been incorrectly addressed. The post office had more than 3,000 mail boxes and Charley's box was "Apartado 5375" and not "Apartado 53."

The Government sued Charley and Charley fought back, for 6 bitter years. The case moved up to the U.S. Western District Court of Arkansas, the State in which Charley now resides. Charley's sole defense was that he had not received the notice and therefore the tax assessment was nullified.

The court cited the tax laws which stipulate (a) that such notices must be sent out as registered or certified mail and (b) that it is the responsibility of the Government to make every effort to establish the correct address and send the notice to that address.

The court ruled that whichever party, tax collector or taxpayer, failed to comply with the tax laws, that party must take the consequences.

In this case, Internal Revenue took the consequences and Charley took the dough.

His hometown in Arkansas is appropriately named—El Dorado.

Mr. CURTIS of Missouri. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. ALGER].

Mr. ALGER. Mr. Chairman, I will attempt to add a few additional thoughts here today, if that is possible, but I want to clearly identify myself at the outset with my colleagues on the Republican side of the Committee on Ways and Means, particularly with the minority report. I would identify my views very closely with the views expressed in both the separate views and the views expressed by the gentleman from Missouri [Mr. CURTIS]. I will add to those views.

There have been several contradictions I would like to make now to statements made earlier, which I will not develop, but I merely want to mention because others have and will develop them further today and tomorrow.

This bill is not a balanced budget bill.

Our position on the Republican side is a very responsible position. Indeed, I would challenge the gentleman from Oklahoma who spoke earlier about irresponsibility that the irresponsibility lies clearly on the Democratic side on this bill. I think the rule suggested by the Republican side was a good one, and would not live to haunt us. It asked for action on a series of amendments. The gentleman from Louisiana said that this bill had the fullest consideration ever given to a bill in committee. Well, apparently I find that is not the case, because somebody did not give consideration properly, for example, to this question of foreign investment.

This matter of investment credit has been designated heretofore as a bonanza, and so that my colleagues can look at it in the morning before debate concludes, I shall extend my remarks as to the withholding feature and shall describe it.

Now, to go on to what I did want to speak of, I want to speak briefly on the foreign investment feature. We have the Trade Extension Act of 1962 before us at this time, and I was appalled to see that the Secretary of Commerce did not understand the implications of the tax bill before us when it is so closely tied to the trade bill before our committee, which will be before this House fairly soon.

I would like to quote Secretary Hodges' statement before the Eighth Annual Business International Washington Roundtable, when he said this:

To the extent that U.S. investment abroad increases the financial strength and the competitive capacity of American companies, it reinforces our domestic economy.

I would say "amen" to that, even though this bill would virtually destroy what Secretary Hodges himself said would be good for this country. Secondly he said:

And, to the extent that the earnings on these investments are returned to the United States, they make a direct contribution to improving our balance of payments.

I say on both counts the Secretary is right. What a pity he could not have so testified before the committee during the hearings earlier this year.

Now, I would like to refer to a statement made on page b-24 of the supplemental views. It is about as strong a statement as I have ever heard in a report:

The real purpose of this part of the bill is to prevent American business from operating in the world market—an astounding proposition in view of the Kennedy administration's trade program. When taken together, the administration would invite the foreign-owned producer to come in duty free while locking his American-owned competitor in the closet.

Now, my colleagues, while there are very few here, I want to point out to you that in the tax bill before us today and in the trade bill before the Committee on Ways and Means, which is holding hearings at this time, and the hearing will be going on, one thing clearly stands out. The Democratic Party seems determined to prevent U.S. industry from competing in the world market, and oddly enough, that is the conclusion so clearly borne out in both bills. Somebody is masterminding the destruction of private enterprise in the United States. Now, I have already quoted from page 24 of the supplemental views. Now, let me tell you what the tariff bill does and see how it relates to this. It gives the President of the United States the right to cut the tariff 50 percent in 5 years; it does away with the peril point, the escape clause, the Tariff Commission findings; takes away from the Congress all control, at a time when our tariffs are lower than the rest of the world, so that the rest of the world can flood this market with imports and we cannot compete abroad.

That brings me to this tax bill. What does this tax bill do? The tax bill says we are going to tax income before it is repatriated and put our American industry at a disadvantage as far as tax burdens are concerned, which the foreign nations do not have, making it impossible for our industry to compete. It has been said time and time again that foreign nations do not have the tax burden to carry that the U.S. industry does.

So, I ask you, put the tariff bill and the tax bill together, and what have you got? You have the destruction, as I see it, of the private enterprise system at a time when we are engaged in a life struggle with communism.

We are destroying the genius of the American people and making it impossible for our industry to compete.

Mr. Chairman, since time is running short, I ask permission at this point to include as a part of my statement the statement which I would have given, save for the debate I have heard today and the manner in which I have changed my remarks, because I am fearful that we are unaware, even as Secretary Hodges was, that the tax bill and the trade bill are closely related. I would like to insert as a part of my views for those to read who are so minded, which I had prepared for tomorrow's debate, my speech entitled "The Disastrous New Foreign Tax Features." I will be around tomorrow, as I know my colleagues will, to expand on these views.

I hope to possibly see this bill defeated or, rather, recommitted so we can strike out of the bill those parts which we know are dangerous. I certainly want to make it clear that I share with my colleagues on the majority side, as do the Republicans on this side, the view with reference to those sections of the bill that we think are worthwhile and necessary. We are heartily opposed to the three sections—investment credit, the foreign control investment tax, and the withholding provision.

Mr. Chairman, I shall withhold my remarks on those other sections which the gentleman from New York and the other Members on the Republican side will expand for you.

The novel and far-reaching foreign tax provisions of the Revenue Act of 1962—H.R. 10650—became known only after the bill first became public on or about Friday, March 16. Complex and intricate, yet comprehensive in scope, these provisions go far beyond any attempt to reach so-called tax haven income abroad or to close tax loopholes or to reach tax evaders.

No hearings have ever been held by any committee of the Congress on these proposals as now constituted. Consequently, only a handful of Members of the Congress and the interested public at large can possibly comprehend the revolutionary impact which these complicated measures will have.

In their application they will actually result, in a very few years, in a revenue loss rather than an offsetting gain. They will injure our balance of payments in the longer run, and reduce U.S. jobs. They will require more U.S. aid dollars to the less-developed countries, and they will conflict with our expanded export trade objectives. Here are some of the things these measures will do:

First. Tax at the foreign operating level, as if it were tax-haven income, the earnings derived from all expansions of U.S. industries in developed countries unless confined to the same trade or business carried on since December 31, 1962, or for a consecutive 5-year period—section 953(b)(3), page 120. This foreshadows the demise of U.S. industry in the Common Market, for example, since it will permit normal expansion into new competitive product lines and evolutionary operations only on penalty of a U.S. tax burden borne by no European competitor. The U.S. oil company desiring to develop new facilities in Europe will be deterred, and this will retard its oil production in the less-developed countries.

Second. Tax operating U.S. manufacturing firms overseas on foreign operating income deemed by the Treasury Department to be attributable to the use of American technology such as patents, copyrights, and processes—section 952(c), page 110. This fantastic and unworkable proposition would require the tracing of income from such historic inventions as Bell's transistor through endless transactions into countless products in the assembly chain of innumerable user companies. No foreign competitor would have to bear this added tax and administrative burden.

Third. Tax at the operating level, as if it were a tax haven, the operating income of centralized multicountry selling companies formed to market U.S. products made abroad—section 952(e)(2), page 112. Foreign competitors in the Common Market will suffer no such tax restraint, since their governments encourage marketwide selling and do not commonly tax even repatriated earnings from lucrative foreign opportunities.

Fourth. Class as so-called personal holding company income, and subject it to tax-haven treatment, a large variety of ordinary operating income of foreign subsidiaries of widely owned U.S. parent companies, such as interest on loans and installment sales, rentals of equipment, and dividends from local operating affiliates—section 952(e)(1), page 112. This would subject vast amounts of ordinary operating business income to a noncompetitive tax on the preposterous theory that it is "personal holding company income," a theory not applicable to the ever-present foreign competition.

These new taxes on foreign operating earnings of U.S. firms, newly pieced together bit by bit under the disguise of correcting tax abuses, would, in fact—

First. Reduce U.S. tax revenue. In most cases, the so-called tax-haven company is used solely to reduce foreign taxes. The less foreign tax paid, the more U.S. taxes will be collected when the funds are repatriated. Why? Because the foreign tax is deducted as a tax credit from the U.S. tax. Any provision increasing the foreign-tax burden of these companies automatically reduces the U.S. tax on account of the same income.

Second. Atrophy the present foreign market position of U.S. firms overseas, now to be more valuable to foreign interests free of these new burdens.

Third. Reduce U.S. exports, since Commerce figures show that a large percentage of our exports are instigated by our foreign subsidiaries.

Fourth. Reduce U.S. jobs, dependent upon these exports and the investment of remitted earnings to the United States.

Fifth. Injure our balance of payments through the inevitable dwindling of the present repatriation surplus, and through a tax-induced flight of U.S. private capital from the stock of U.S. firms doing business abroad into portfolio investments in foreign companies not subject to these new taxes.

Sixth. Increase foreign aid, since Commerce figures show U.S. industry's profits in places like Europe flow to the less-developed countries. As noted, profits of U.S. oil companies' subsidiaries in Europe go in quantity into new investment in exploration and development in Latin America, Africa, and the Middle East where the oil is. The gross-up, also a part of this bill, will intensify this aid drain since U.S. firms will have to repatriate more from the less-developed low-tax nations to pay the U.S. tax on money they will have already paid in tax on the host governments there.

Seventh. Conflict with the objectives of the pending trade bill—H.R. 9900—since foreign trade and foreign investments are working partners, not conflicting antagonists.

Mr. Chairman, I would like to devote my remarks also to the "billion-dollar loophole" as the investment credit has been called. I cannot claim authorship for this description. It is taken from an editorial appearing in the Washington Daily News on February 14, 1962. I request permission to include this editorial in the RECORD at the conclusion of my remarks.

Why is the investment credit a billion-dollar loophole? Because we pay the taxpayer a subsidy for doing something that he was going to do anyway, and then give him a deduction on top of the subsidy. Here is how it works:

Let us take a manufacturing company that deducts from its taxes about $1 million per year on account of depreciation. It annually invests about the same amount, or slightly more, for new equipment. That process will continue whether we pass this bill or not. Under this bill, however, that company will get a bonanza of $70,000 without doing anything additional. What is worse, we do say to the company: "We will not charge you for this bonanza; you go ahead and write off the $70,000 as a part of your depreciation just as if you had never received the credit."

Now, my example does not involve a very large company. It would not be in the first 500 in regards to size—it might not even be on a list of the first 1,000 companies; it might not even qualify for listing on the New York Stock Exchange. To this hypothetical company—and thousands more like it—the bill gives a handout which grows with the size of the company's investment.

Let us take another example: We read about the thoroughbred yearling sales—racehorses—in the State of Kentucky. Suppose a racing stable buys three yearlings for $30,000. We will subsidize a part of the cost. In addition, the stable will pick up the full $30,000 and write that amount off over the racing life of the horses. Under this bill, the Government will pay a subsidy for every yearling sold.

There are other innumerable instances where there can be no justification for subsidizing the purchase of property by the taxpayer.

For example, the Government already subsidizes 50 percent of the cost of construction of U.S.-flag ships. The President's budget shows expenditures under this program for fiscal 1963 amounting to $122 million. Yet, this bill provides an additional subsidy of 7 percent for each and every subsidized vessel built in the United States.

On the other hand, there is rank discrimination against the utilities. The bill provides for only three-sevenths of the subsidy per dollar of investment by the regulated utilities. And why? Because, we are told, the utility would be required to reduce its rates and thereby to pass on the tax saving to its customers. Therefore, the administration says, it would not accomplish anything. I ask you: Is passing on a saving to the customer wrong? I do not think so.

At the end of World War II, we had about 6,000 independent telephone companies in the United States. Almost half of these have since been swallowed up by the larger companies. This Congress purports to look with favor upon small business. These 3,000 independent telephone companies are small business, and much more deserving of a subsidy, if we are going to give one, than would be a lot of other businesses which will get this windfall.

This bill gives the independent telephone company less than one-half of the subsidy for the same dollar of investment which it gives to the racing stables, gambling casinos, and the like. Yet, the administration purports to be concerned over the domination of the communications industry by one or two large industries. It just does not make sense to me.

The withholding provisions of this bill will produce a boom for the computer people. If we pass this bill, we will be requiring the banks, insurance companies, and other paying agents, to install additional computers. In a vast majority of cases, these computers are rented rather than sold to the customer.

Under this bill, the companies, which are making and renting computers, will get a credit—an actual tax subsidy—equal to 7 percent of the value of every computer leased to a customer. You will be told that the bill permits them to pass this credit on to the customers. I doubt whether that is very realistic. They obviously cannot favor new customers over the old customers who rented computers before this "bonanza" took effect.

The investment subsidy is referred to by the proponents as being necessary to provide an incentive for American industry to modernize and expand in order to create more jobs. Yet, when the head of one of our largest labor unions—Walter Reuther—appeared before the committee in connection with the trade bill, he pointed out that our problem today was not lack of capacity to produce, but lack of customers to buy.

We all know very well that industry expands without any incentive if there is a market for its products and will not expand where there is no market even if the Government does pay a part of the cost. The bill does not create any new market for our goods.

Most large corporations in American business have long-range programs for both replacement and expansion of facilities. These programs will be carried on regardless whether Congress approves this subsidy. The bill merely adds another burden to the individual American taxpayer for the financing of another Government subsidy program.

What will this subsidy really cost the American taxpayer? The true cost has been confused in the Treasury's statements by offsetting "stimulative effects" and psychological impacts which are supposed to minimize—actually to reduce by one-half the cost of this subsidy.

An impartial estimate was prepared by the staff of the Joint Committee on Internal Revenue Taxation—using the same assumptions which the Secretary of the Treasury adopted in a recent speech—but without taking into account any of these psychological factors.

Where will we get the money for this scandalous handout? This brings me to my second and major objection to this bill.

The principal major revenue-raising provision is withholding on interest and dividends—section 19. This is supposed to produce about $600 million. When all of the other provisions of the bill are taken together, we still have a deficit—and this only because the majority is determined to give industry this subsidy which industry did not seek and, in general, has actually opposed.

At the outset, I would like to challenge those who claim that there is any analogy between withholding on interest and dividends and withholding on wages and salaries.

If we pass this bill, there will be more than 500 million savings accounts, insurance policies, shareholder accounts, cooperative patron accounts, Government bond redemptions, and the like, which will be subject to withholding. This is more than five times greater than the number of accounts subject to withholding on wages and salaries. Yet, 90 percent of personal income is paid in the form of wages and salaries, while only 10 percent is paid in the form of interest, dividends, and the like. About one-third of the more than 500 million accounts will involve withholding of $1 or less.

In the case of withholding on wages and salaries, the employee claims his exemptions, and the withholding tables take into account his standard deductions. Yet, there is overwithholding in more than 40 million cases each year.

This bill provides for across-the-board withholding of 20 percent without taking into account the standard exemptions and deductions. It will cover all payments of interest, dividends, Federal bond redemptions, patronage dividends, interest and dividends on life insurance policies, and savings accounts, to mention only a few. It is an undisputed fact that an across-the-board rate of 20 percent for withholding will result in overwithholding.

How does the individual avoid this overwithholding? He cannot avoid it. For those 18 years of age and over, an exemption certificate may be filed only if the individual reasonably believes that he will owe no tax whatsoever from any source.

If an individual has wages on which taxes may be withheld, or will receive dividends and interest, which after all of his exemptions and deductions, will give rise to a tax liability of $1, the individual cannot file an exemption certificate. The full amount of that individual's income from savings accounts, dividends, Government savings bonds redemptions, dividends or interest on life insurance policies, annuities, or any other similar transaction, will be subject to withholding.

No record will be made of this withholding. The individual will get no receipts for the amounts withheld. Obviously, it will be impossible for the Treasury to make any record of the exemption certificates which may be filed.

For those few who may wish to cheat, the withholding provision is no deterrent. In fact, under this provision they could obtain refunds of taxes which they did not pay. The Internal Revenue Service will have no records to show which accounts on which there has been withholding and which accounts were exempted.

By the Treasury's own admission, it cannot keep any records. No one will ever know how much of the revenue from withholding will represent taxes actually due and how much will consist of amounts collected in excess of any tax liability. We do know that the latter will be a substantial factor in any revenue yield from withholding. It is for that reason that I unequivocally state that the Service is not ready for any system of withholding at this time.

A glaring inequity lies in the treatment of tax-exempt institutions. A token exemption procedure is provided for those individuals who owe no tax; namely, those who are not taxpayers in its broadest sense. The same exemption is not extended to churches, charitable foundations, pension trusts, and other organizations which are tax exempt. Such organizations can only exempt themselves from interest on bank accounts. Their dividends will be subject to withholding irrespective of their exempt status.

I realize that these tax-exempt organizations can file quarterly claims for refunds. While they are awaiting the processing of that claim, other funds will be withheld from them. In the withholding-refund cycle, the Government will always be ahead. Therefore, the bill permanently deprives these organizations of a part of their funds—and for no valid reason.

The tax-exempt organization cannot be avoiding taxes, because it owes none. If an exemption procedure is practical for individuals, it is certainly that much more practical to extend the same privilege to tax-exempt organizations.

For the reasons I have stated, I recommend to the House that it consider carefully its vote on these two provisions from the tax bill:

The investment credit should be stricken from the bill because it is an outrageous subsidy and cannot be justified in the face of an ever-increasing Federal deficit; and

The withholding provision should be stricken from the bill because the Internal Revenue Service is not ready for it. It will result in taxpayer confusion and administrative chaos.

And, I might add, that when the Internal Revenue Service does complete its installation of automatic processing equipment to handle all of these returns, withholding will be unnecessary. A 20-percent withholding rate not only will produce massive overwithholding, but in those other cases where the effective tax exceeds 20 percent, provides no assurance that the full tax will be collected. The automatic matching of information returns with taxpayer returns will result in the collection of any taxes which may be due.

[From the Washington Daily News, Feb. 14, 1962]

BILLION-DOLLAR LOOPHOLE

The proposed investment tax credit might almost be termed the handout nobody wants. Yet it is urged by the President and conceded an excellent chance of approval by Congress.

Labor union leaders condemn it as a windfall for industry and industrial leaders are hardly more favorably inclined.

Emerson P. Schmidt, economic consultant for the U.S. Chamber of Commerce, told the Joint Economic Committee of Congress:

"A mere tax credit for investment is a loophole in the sense of not being available to all; it is a subsidy which general taxpayers should resent."

George G. Hagedorn, director of research for the National Manufacturers Association, told the same committee:

"It is difficult to see how giving $1.5 billion with one hand, and taking the same amount away with the other, could increase the flow of savings available for investment. The chief result of the proposed investment credit would be to distort the patterns of capital formation, rather than to increase them in amount."

Under the plan, industries adding to their equipment would get an 8 percent tax credit. Thus if they spent a million dollars they could deduct $80,000 from their taxes.

As encouragement to the whole of industry this is pure gimmick. It is unfair to high-employment service industries with relatively small invested capital. It is unfair to companies which have built their plant and prefer to emphasize sales promotion with their money.

If the Government is able to give back to industry some of its own money, it should consider a cut in present sky-high taxes on business income, which inflate retail prices and discourage risk taking in new ventures.

Even more urgent is the modernization of depreciation tables for tax purposes. These should recognize that much modern machinery has a far shorter useful life than equipment in the last generation when these tables were written. Recent revision of these tables for the hard-pressed textile industry has been highly constructive. Other branches of industry should be given similar treatment promptly. American depreciation allowances are the least generous in the whole industrialized world.

Unsound provisions in our tax regulations are a basic hindrance to employment and economic progress. The remedy lies in removal of these obstacles rather than in new loopholes, still further cluttering up the tax system.

Congress has gone pretty far toward approval of this misguided plan but there still is time to substitute sound legislation.

Mr. KING of California. Mr. Chairman, I yield 15 minutes to the gentleman from Kentucky [Mr. WATTS].

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

Mr. WATTS. I yield to the gentleman from Ohio.

Mr. VANIK. Mr. Chairman, in order to conserve the time of the committee, I want to take this opportunity to set forth a series of questions which relate to the investment credit and withholding sections of the bill. It is my hope that the distinguished chairman or some other member of the Committee on Ways and Means will respond to these questions during the course of general debate tomorrow.

First. If the tax credit principle is adopted, would it not serve as an impetus to higher investment spending in periods of higher profits in order to conserve tax liability, and correspondingly slow down investment in periods of recession and low profits when there will be less tax liability toward which to apply the credit?

In other words, will the tax credit serve as an accelerator toward boom or toward recession rather than as an economic stabilizer or constant stimulant?

Second. When the Treasury first submitted the tax credit proposal last year, it was established as an incentive for investment in excess of normal new investment. As modified, the investment credit is made to apply on the first dollar of investment including such new investment as the taxpayer would undertake in the normal course of events. Would this not serve to provide a taxpayer with a bonus for doing something he would do anyway?

Third. Should a taxpayer be rewarded for such new investment annually required in the normal course of his business?

Fourth. On page 459 of the committee hearings, Dr. Heller is reported to have said: "Other countries have benefited from systematically investing a bigger share of their gross national product in plant expansion and modernization. With less of their total income going into military and foreign-aid expenditures, they have been able to spend more on automation and other forms of industrial improvement without squeezing their output of consumer goods."

Did the hearings before your committee indicate that this country was lagging behind in defense plant expansion and modernization?

Fifth. As a matter of fact, does not the lag in growth in this country result from disproprationate growth in military production?

Sixth. Will the tax credit prove most beneficial and serve as a tax windfall to the defense contract producers who are already the recipients of Government aid in the form of defense contracts, many of which are noncompetitive? Since military contracts are already a great prize—highly sought for—why should defense contractors be included in this bonanza?

Seventh. Insofar as the tax credit provides a credit against taxable income over and above regular depreciation, does not it constitute a return or recovery of capital to the taxpayer in excess of his original investment? If he collects depreciation plus 7 percent, does not the investor eventually get 107 percent on his investment or 114 percent if he is in the top tax bracket?

Eighth. Will an American taxpayer, for example, a utility, serving Washington, be entitled to a tax credit for the procurement of an electric turbine generator made in Switzerland provided it is acquired for use in the United States?

Ninth. Just how will that application of the tax credit create jobs in the United States?

Tenth. In the testimony before the committee, the Secretary of the Treasury indicated that his office was undertaking a revision of schedule F to synchronize it into the tax credit provisions. Am I correct in understanding that an updating of schedule F could cost the Treasury as much as another $1 billion annually?

Eleventh. Will the tax credit be applicable at the normal rate or the utility rate to (a) corporations engaged in international communications; (b) interstate gas or oil pipelines; (c) production of electric power for interstate consumption; and (d) natural gas extraction?

Twelfth. The staff of the Joint Committee on Internal Revenue has estimated that the revenue loss attributable to the investment credit under the bill before committee amendments would total $10,365 million for the period 1962–66 and approximately $26,635 million for the 10-year period 1962–72. Will you kindly advise the estimated Treasury loss in the same periods with the committee amendment?

Thirteenth. If the dividend withholding provisions are adopted, will they not serve to compel corporations to issue stock dividends instead of cash dividends, thereby reducing annual tax collections of cash dividends taxable as ordinary income?

Fourteenth. Will the increased use of stock dividends taxable at the lesser rate as capital gains substantially offset anticipated Treasury gains in dividend withholding?

Fifteenth. Has the Treasury provided any estimate of tax loss resulting from the shift of corporate profit distribution from cash dividends to stock dividends?

Sixteenth. If the withholding principle is enacted into law, would it not have the effect of driving investors into the tax-exempt issues where they would not be subject to withholding or to deposit in foreign banks or in foreign branches of American banks?

Seventeenth. Will foreign branches of American banks be compelled to withhold from savings accounts of American investors?

Eighteenth. Would the dividend withholding provisions relieve a taxpayer from any further obligation to report and pay on dividend income in his quarterly returns of estimated income?

Nineteenth. Under the withholding sections, withholding corporations are given express authority to use the Government's money for its own purpose for a period up to 30 days after the tax quarter period.

Does this grant of authority destroy the traditional trust relationship relating to tax funds which are the property of the United States?

Twentieth. Am I correct in understanding that the legislation actually invites the withholding institution to use these funds as part compensation for the additional expense of withholding?

Twenty-first. What recourse would the Government have against a withholding agent who permanently used withheld funds and fled into bankruptcy or receivership or simply absconded?

Twenty-second. Is there truth to the current report of the Bureau of National Affairs to business executives that the Treasury is working on further changes in the Internal Revenue Code to reduce the present 91-percent individual tax rate to 70 percent along with a cut of 2 or 3 percent in the lower tax brackets as well as the elimination of deductions for mortgage interest and property taxes?

Mr. WATTS. Mr. Chairman, I, too, would like to compliment the excellent work not only of our chairman but of the Members on both sides of the aisle for the many months that we have considered this tax bill.

Mr. Chairman, I urge rapid passage of the balanced tax bill so painstakingly constructed by the Ways and Means Committee. Its major provision—the investment credit—is essential to the economic health of our Nation.

Our ability to defend ourselves, to lead the free world, to create more jobs, to assure adequate business profits, to provide better highways, better schools, better housing—all of these urgent national needs are directly dependent on our capacity to accelerate our economic growth.

The tax bill now before us will increase that capacity by providing a tax credit for new investment by American industry in machinery and equipment.

This strong incentive to increase capital goods expenditures in this country by increasing the profitability or rate of return on such investment is the most effective and economical way of increasing our national growth.

The importance of increasing capital investment has recently been brought home to us with startling clarity by the experience of other major industrialized nations which have been outpacing us in overall economic growth. This growth has in almost every single case been accompanied by a level of capital investment correspondingly higher than our own.

New investment will create more jobs, as new technological developments, new processes, and new products are incorporated into our economic bloodstream through use of more productive equipment.

A rising level of investment will help sustain the pace and duration of the present economic recovery throughout this year and thereafter. It will reduce our vulnerability to an early slowdown in the present economic expansion, and avert any early return to a pattern of economic decline and recession.

New investment will stimulate more efficient production through employment of more modern equipment—and more efficient production is essential to maintenance of price stability.

New investment is the key to expanding our commercial trade surplus, for only if American industry is as modern and efficient as any in the world will we be able to sell at competitive prices both in world export markets and against imports in our markets here at home. A larger trade surplus is crucially important if we are to wipe out the deficit in our international balance of payments. With increasing imports it is becoming constantly more important that we step up our competitive resistance at home and our ability to sell abroad.

Other nations now give investment in machinery and equipment more favorable tax treatment than American industry receives at home—thus encouraging American capital to move abroad. The investment credit provision of the pending bill will lessen this inducement to foreign investment and spur increased investment in our own productive capacity.

Mr. Chairman, the administration tax measure before us is a balanced bill. It provides a maximum stimulus to our economic growth at a minimum cost in terms of tax revenues lost. Some substitute proposals for the administration's investment tax credit would provide relatively little stimulus to growth in relation to their heavy cost in lost tax revenues.

A 40-percent first-year depreciation writeoff would, for example, cost more than four times as much as the investment credit—$5.3 billion compared to $1.2 billion. And it would require just that level of first-year writeoffs—a whole 40 percent—to increase the profitability of a typical 15-year asset as much as the investment credit would.

There has been proposed a 20-percent increase in all depreciation allowances. While the cost of both proposals would be roughly the same over a 10-year period, the investment credit would provide several times as much actual incentive to new investment—in terms of increased profitability—as would the alternative suggestion.

Get more credit by 7 percent now, whereas the 20 percent depreciation is spread over a number of years.

The relative merits of the two proposals are most clearly seen when it is realized that about an 80-percent increase in annual depreciation writeoffs—rather than a mere 20 percent—would be required to achieve a rise in the profitability of investment equal to that attainable by the 7-percent investment credit. And such an 80-percent increase would involve a cost over the next 5 years about twice that of the investment credit.

I would also like to emphasize that, contrary to the assertions of some, the investment credit gives the same dollar benefit to all taxpayers, whether large or small. The very fact that it is a direct credit against tax instead of a deduction makes it the same for all taxpayers, regardless of tax brackets. A corporation paying tax at the 52-percent rate or at the 30-percent rate or any individual, whether in a high or a low bracket, will obtain the same tax reduction in dollars for the same amount of investment. Accelerated depreciation deductions, on the other hand, do favor the more prosperous corporation.

Moreover, the investment credit provision contains several features specifically designed to be of aid to our small businesses. Among these are the allowance of the credit for up to $50,000 per year on purchases of used property, and the allowance of the credit to the lessees of property in certain cases. Credit goes initially to lessor and he can treat the lessee as if he had bought it. Many of our small businesses cannot afford expensive new machinery and equipment, and it is their practice to modernize by replacing old, wornout equipment with more modern used equipment. The bill recognizes this problem and permits a credit for used property within limits commensurate to the needs of small businesses.

It is also a growing practice for some of our small businesses—which find it difficult to make the large outlays required for purchasing equipment—to lease it instead. By permitting the investment credit to be granted to lessees, the bill insures that small businesses will be able to gain the benefits of the credit.

One of the most significant benefits of the investment credit is its effects in materially shortening the payout period, which the businessman takes into account in weighing the feasibility of an investment. This payout period represents the time required for an investment to be recouped by the taxpayer. For a 15-year asset, a 7-percent credit—combined with double-declining balance depreciation—permits 27 percent of the cost of an asset to be recovered tax free in the first year, 39 percent in 2 years, and 65 percent in 5 years. The credit is especially effective in speeding investment cost recovery since it operates in the first year when funds are most needed and does not reduce depreciation deductions thereafter.

One of the major objections to the investment credit has been that it will give a tax benefit to companies which might have undertaken an expansion program without any additional tax incentive. This is, of course, true of any incentive, but it is incontestable that the best way to increase overall investment is to increase the incentive to invest. While the marginal investment produced by the incentive credit will never be precisely measurable, there is no doubt that a 7-percent credit against taxes will play a major role in influencing business decisions.

The investment credit is essential to increasing our export trade, so that we can earn the foreign exchange we need to wipe out our balance-of-payments deficits—deficits which have cost us almost $6 billion in gold in the last 4 years.

Substantially increased investment is necessary if we are to attain the degree of competitive effectiveness and productivity which can enable the Nation to balance its international payments without withdrawing its national security forces from oversea bases and abandoning the less developed countries of the free world to economic, political and military penetration of the Communist bloc.

The investment credit, by increasing efficiency, will make our producers more competitive both in foreign and domestic markets, will be of significant help to the U.S. trade position—and this is particularly important in the light of the coming trade legislation.

As for the implications for our national growth, I cannot do better than to quote the detailed discussion of this subject contained in a recent speech by Henry H. Fowler, Under Secretary of the Treasury. He gave the following factual analysis:

> Fifty percent of our present productive capacity was installed before or during World War II. More than 65 percent was installed before the Korean war. Thus, of all business plant and equipment, less than one-third is modern in the sense of being new since 1950.
>
> Estimates show that there has been a startling rise in recent years in the proportion of our national machinery and equipment which is over 10 years old. It now averages more than 9 years, and from 1954 to 1959 the stock of equipment over 10 years old rose by 50 percent. In a dynamic economy that average should be falling as new equipment is put into place.
>
> Meanwhile, other countries have been lowering the average age of their fixed capital. The German example is the most spectacular—their proportion of capital equipment and plant under 5 years of age grew from one-sixth of the total in 1948 to two-fifths in 1957.

Mr. Fowler went on to discuss the leveling-off in business expenditures on plant and equipment. Such investment for 1961 was more than 3 percent below 1960, and more than 6½ percent below 1957. While an increase is expected in 1962, the proportion of gross national product devoted to such investment will still be substantially below 1957 and 1958. The 1962 investment is expected to be about 6.5 percent of gross national product, compared to 8.3 and 8.4 percent in 1957 and 1958. Commenting on this lagging investment Mr. Fowler continued:

> This pattern is even more disturbing when measured against the performance of investment levels in productive machinery and equipment in other industrialized societies.
>
> Our gross fixed capital expenditures (other than housing) have declined from 12.5 percent of gross national product in 1948 to 9.5 percent in 1960. By comparison, the investment ratio in Western European countries rose from an average of 13.3 percent of gross national product in 1951–55 to 15.1 percent of gross national product in 1956–60.
>
> Even greater percentages of gross national product are said to be devoted to new machinery and equipment in Japan. This means our manufacturers must compete against their friendly rivals in the free world to get a larger share of export markets and to keep imports from getting a larger share of our domestic markets, with our machinery and equipment being replaced at a much slower rate than theirs.

Mr. Chairman, the investment credit is needed today to help keep the current recovery moving forward. In the last 12 months we have witnessed a substantial economic advance. But by late 1962 our continued advance will depend heavily on the ability of fixed investment outlays as a key expansionary force.

Increasing investment levels in machinery and equipment will help make our present economic recovery a vigorous and longer lasting one. The completion of plans and the authorization of additional private expenditures on machinery and equipment and the plants and facilities necessary to house them will create more jobs in the capital goods industry and more demand for a wide variety of products and services. This is the sector of the economy which has been lagging behind for the last 4 years. There is a strong association between full employment, vigorous and long upswings in the economic cycle, and the healthy increase in the levels of capital goods expenditures. The projection of a substantial increase in investment levels for machinery and equipment, whether for modernization or expansion, would be added assurance that the current recovery would achieve full employment and promise to be more enduring than the last one. The early enactment of the investment credit, as contained in H.R. 10650, would provide a strong incentive for this increased investment.

In summary, the investment credit provision of the legislation before us is important because this country has not been producing at full capacity for some years. Our Nation's reserves—the talent and skills of our people and the quality of our raw materials and physical plant—are impressive, but they are not presently being fully utilized and our level of unemployment is uncomfortably high.

We simply must grow faster, for economic strength is essential to our survival as a free and prospering nation. Certainly growth alone, or larger investment by itself, is no guarantee that we can solve all of our pressing problems. But accelerated growth—to which new investment can make such a vital contribution—will provide the economic underpinnings of our country's future strength.

An expanding economy will enable us to meet the challenges that confront us in the international area, and will furnish additional revenues that will enable us to provide better for the public and private needs of all of our people. The investment credit will greatly increase the ability of American business to make a maximum contribution to the achievement of these goals.

I call upon every Member of this House to join in passing the pending tax bill and without delay, for the stimulating effect of the investment credit is urgently required if our economy is to operate at full speed. This bill is an investment in America's future. It therefore merits the affirmative vote of the distinguished Members of this House on both sides of the aisle.

Mr. CURTIS of Missouri. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. DEROUNIAN].

Mr. DEROUNIAN. Mr. Chairman, before discussing the withholding provisions of this bill I must comment on the remarks made by the gentleman from Massachusetts [Mr. O'NEILL] when the rule was being debated. I recall that he stated in castigating the minority side for seeking a modified closed rule: "Why do not the Republicans bring in a rule where we could reduce oil depletion?" I think that is a very good question and I will give you a very good answer: We are only 10 on a committee of 25. I say that I do not think the chairman of our committee would dare bring that rule up to reduce the percentage oil depletion because it would be embarrassing to his majority leader, the gentleman from Oklahoma [Mr. ALBERT], who comes from an oil-producing State. He would be embarrassing his majority whip, the gentleman from Louisiana [Mr. BOGGS], who comes from an oil-producing State. He would be embarrassing a lot of subcomittee chairmen on his side who come from oil-producing States. I would make this categorical statement that a bill to reduce oil depletion allowances does not have a chance while the Democrats are in control of Congress.

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

Mr. DEROUNIAN. I yield to the gentleman from New York.

Mr. LINDSAY. That sounds like a big, great national issue.

Mr. DEROUNIAN. The majority leader of this House would not vote to reduce oil depletion, and the Democrats know it.

Let us get to the import of this bill.

Mr. Chairman, I wish to go on record as being unalterably opposed to the withholding tax on dividends and interest embodied in H.R. 10650. It is nothing more than a fraudulent scheme to destroy the exemptions which this Congress has written into our revenue laws for the young, for the old, for the thrifty, and for the small investor. It is a classic example of the meat-ax approach, and if we pass this bill we will be back here next year only because the people will not yet know what we have done to them. Undoubtedly with this in mind the administration asks that the withholding not be made operative until after January 1, 1963—after the November elections.

I would call this bill the IBM tax bill. By withholding, we make it essential for most businesses to rent a computer. By the investment credit, we give the computer companies a windfall or tax subsidy on every computer that they rent. For most of them, this will be the equivalent of a special tax rate on all of their new business. No one has estimated how much this would cost the Treasury, because no one can foresee the magnitude to which this bill will stimulate the demand for computers. As the caption of a recent article in the Wall Street Journal, on February 8, 1962, read, "Withholding Tax on Interest Promises Computer Boom and Depositor Confusion."

We have all heard the glib statement that "since there is withholding on salaries and wages, there should also be withholding on dividends and interest." Those who have studied the matter should know better than to advance such a specious argument.

In the case of withholding on salaries and wages, there is only one employer-employee relationship at any one time during the taxable year. The employee is permitted to claim any exemptions to which he might be entitled. The rate of withholding is supposed to take into account his normal deductions. Every effort has been made to be certain that there is no "overwithholding." Yet, the Treasury processes 40 million refunds each year on account of overwithholding. Instead of adding to this, we should be taking steps to minimize overwithholding on wages and salaries.

The new bill provides for a flat rate of 20 percent for withholding. The statistics show that for a large number of taxpayers, the rate of withholding is excessive. Furthermore—and this is particularly significant—the Treasury does not propose to keep any record of this withholding in order that it might refund to the individual money which has been unjustly withheld. The taxpayer gets no information return, and the Treasury keeps no records of withholding.

You will be told that the bill avoids any hardship because it provides for an exemption certificate for any taxpayer who will not owe any tax. You may not be told how this certificate will work. How effective will it be?

Except for those under 18 years of age, no one can file an exemption certificate who will file a return showing $1 of tax liability. In other words, to file an exemption certificate, you cannot be a taxpayer. If any part of your income is taxable, regardless of whether the tax on that income is paid by withholding, declaration of estimated tax, or otherwise, you cannot file an exemption certificate. It is an all-or-nothing proposition. Who can take this gamble and run the risk of incurring the penalty if they guessed wrong?

Of course, the fine is only $500 or imprisonment for not more than 1 year or both for filing a false certificate, but each individual will have to file an exemption certificate each year for each shareholder account, each transaction with a cooperative, each bond coupon cashed in, each savings bond redeemed, and each savings account on which interest may be credited. Multiply the $500 fine by the number of accounts, and you get a better idea of what the penalties might be in the case of a taxpayer who guessed wrong.

How many accounts will there be subject to withholding? Does anyone have any idea? In a recent speech, the Commissioner of Internal Revenue stated that there were 350 million payments of $10 or over just on accounts of dividends, saving account interest, and Federal and corporate bonds which would be subject to withholding. If we add to that number all of the accounts on which the payment would be less than $10, the dividends from cooperatives, interest credit on life insurance policies, and the other transactions which will be subject to this withholding provision, we get an astronomical figure. Five hundred million would be way too low. My guess is that it will exceed 1 billion transactions, but no one has any way of knowing. In a majority of the cases, the amounts involved will be nominal so that withholding will be nothing more than a nuisance tax.

What does this mean? There are more than 52 million savings accounts in our commercial banks and more than 29 million savings accounts in the savings and loan associations. In the case of commercial banks alone, there are about 32 million savings accounts on which the amount withheld will be less than $1. There are more than 50 million accounts overall on which the amount withheld will be less than $10.

The number of shareowners having a stake in American industry has more than doubled. More than 15 million Americans own shares in our major corporations. More than 3 million of these are shareowners with low incomes, for whom relief from double taxation of their dividend income makes the investment of their savings in American industry worth the risk. The bill would nullify that exemption as to these small shareholders. With respect to the first $50 of dividend income, the bill would levy a withholding tax of 20 percent even though the law says that the income is exempt. In the case of withholding $10 or less, the shareholder is required to wait until the end of the year and swear out a claim for refund to get his money back.

If the Treasury believed for a minute that these millions of small savers were going to file claims to get back withholdings of $1 or less, the administration-sponsored measure would result in a loss of revenue because of the administrative costs. Obviously, the Treasury is counting on the fact that very few depositors will go to the trouble and expense of swearing out a claim for refund to cover less than $1, particularly since most of these taxpayers will not even have a record of the amounts which have been withheld. There is no requirement for either the Treasury or the withholder to furnish the depositor with such a record.

We are adopting a scheme whereby the Government of the United States proposed to supplement its income by the simple expedient of collecting a small amount, not otherwise due, from millions of individuals who can reasonably be expected either to forget or to neglect to prosecute claims for the refund of their money. Many of our elder citizens will die without getting their money back. I doubt if such a proposal could get past the Better Business Bureau if it were not the Government itself.

The Treasury has the means at its disposal to collect any taxes on this money which might rightfully be due. The system of assigning numbers to taxpayers, and installing automatic data-processing centers for handling taxpayers' returns, could readily be extended to cover the matching of information returns with the individual returns. The Treasury is already using a "meat ax" on the paying agent in order to obtain such information returns.

I would like to include as part of my statement an announcement in the Washington Post of February 27, 1962, under the masthead "IRS Warns of Fines if Deadline Not Met," and the news release issued by the Internal Revenue Service, to which the newspaper refers:

[From the Washington Post, Feb. 27, 1962]

IRS WARNS OF FINES IF DEADLINE NOT MET

The Internal Revenue Service warned businessmen yesterday they will face fines of $1 if they willfully fail to report by Wednesday a 1961 payment to customers, stockholders and others.

Corporations, banks, insurance companies and other firms must file information returns covering all dividend payments of $10 or more and all payments of $600 or more in interest, fees, commissions, pensions, annuities, rents and royalties.

The announcement said penalties would be imposed for willful failure to file the returns. A spokesman, asked to specify the penalties, said a fine of $1 may be imposed for each offense.

IRS said the filing of information returns is becoming more important because of its shift to computer processing of income tax returns. The computers will automatically check data on information returns against the income reported by individual taxpayers.

[From Internal Revenue Service news release, Feb. 26, 1962]

Internal Revenue Commissioner Mortimer M. Caplin today reminded persons engaged in trades and businesses they are required to file by Wednesday, February 28, information returns on forms 1099 and 1096 reflecting payments of $600 or more to those with whom they did business in 1961.

The Commissioner pointed out that with the advent of the automatic data processing system, the Service will be making maximum use of these forms in checking whether the recipients of the income are reporting it on their Federal tax returns.

He said the Service therefore will check closely to see that banks, savings and loan companies, credit unions, insurance companies, and other business entities are meeting the requirement of filing information returns. These are necessary on payments of interest, rents, royalties, annuities, pensions, fees, commissions, etc., aggregating $600 or more.

The Service will also check to see that such forms are filed reflecting payments of dividends of $10 or more, as required by law.

Unlike Federal tax returns, the information returns are not filed with district directors of Internal Revenue. They are required to be filed with Internal Revenue Service centers, the addresses of which are listed in the instructions for such forms. The internal revenue laws provide penalties for willful failure to file these returns on or before the due date.

Forms 1099 and 1096, and the instructions, can be obtained from any Internal Revenue office.

In the same speech to which I referred previously, the Commissioner objected to the use of his new computer system for collecting any taxes which may be overlooked on dividends and interest because he stated that the cost of matching information returns would run about $5.5 million a year. This certainly is not an unreasonable expense if we can avoid at double the cost imposing the burdens of this withholding provision on individuals, churches, charitable organizations, and the like. It would be cheap at twice the price. However, the Commissioner then complains that a mere determination of the tax due would not produce the revenue—that the taxpayers would not pay their tax even if the Treasury billed them. I do not accept that statement.

All we have to do is look at the volume of consumer credit on which our economy is predicated if we have any doubt of the inherent capacity and integrity of the American citizen to pay his bills. All our commercial transactions are based upon the extension of credit to the consumer. However, the administration would have us believe that he cannot be trusted. This is indeed astounding.

If we pass this bill—with the withholding provision in it—we will be giving our approval to this administration's claim that the millions of recipients of dividends and interest are deadbeats, bill skippers, and cannot be trusted. I, for one, am unwilling to do this because I do not believe it.

Mr. Chairman, in order to illustrate that confusion was rampant on this section of the bill, this provision was changed four times before the bill was finally drafted as it came before the House today.

Mr. Chairman, speaking of the bill, reference was made to the expense accounts by another speaker. May I say this: One day in the committee we had what we called "Silly Day" because we passed this provision that if a businessman or taxpayer had proved he had spent $100 on entertainment, and if it were legitimate and provable, he could claim only 50 percent of it. In other words, the taxpayer proved himself 100-percent innocent but they found him 50-percent guilty. Even the Democrats who voted for this provision against the protest of the Republicans had to run from the Restaurant Union, the Bar Tenders Union, and then 16 Congressmen from the city of New York issued a release that this was an unreasonable provision, a provision which their own party had backed. Then we changed it, and rightfully so. So all of this bill has not been carefully thought out. There has been pressure in many cases. For that reason unless a motion to recommit by the minority side is approved, I am certainly not going to vote for the bill, and one of the main reasons will be this withholding provision.

Mr. KING of California. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. KARSTEN].

Mr. KARSTEN. Mr. Chairman, I am going to support this bill.

Mr. Chairman, the Revenue Act of 1962 is one of the most important measures upon which we shall vote during this session of Congress. Its impact upon our economy may be greater than any other single piece of legislation that has come before the Congress in recent years.

In its strict sense, it is a revenue bill but in its application it is much more than that. It represents an effort on the part of the administration and the Congress to encourage the modernization of American productive facilities to make them more competitive in expanding world trade and to stimulate our own economic growth. To accomplish these broad objectives we must first substantially increase the rate of capital equipment investment in order that our industries can provide themselves with modern tools and equipment. I know that American industry can successfully compete with any nation in the world if we will but make the effort to do so.

This bill is the instrument by which we can expand the economy of the United States, improve our competitive position, and open up new export outlets abroad.

Our economy is growing but it must grow at a faster rate during the decade ahead if it is to expand sufficiently to attain a gross national product of some $800 billion, and to provide 13 million new jobs by 1970. A large part of the gross national product will depend upon the ability of American industry to make its products competitive with products of other nations, both at home and abroad. Equally important will be the labor force of 85 million workers. In short, we must outproduce and outsell our competitors if we are to gain any economic ground in the next decade.

To accelerate business investment, the bill generally provides, in section 2, an allowance against income tax of 7 percent of the cost of new depreciable property, excluding real estate. This means principally machinery and plant equipment.

Testimony presented to the committee shows that if full advantage is taken of the investment credit provisions over the next year it will represent a plant modernization program approximating $40 billion. By 1970 we may expect a program aggregating almost $60 billion which will mean higher income, fuller employment and greater use of American industrial capacity.

The plant modernization program is really an investment in the future of America.

Tax programs as a business incentive have been in use by foreign countries for many years. This has resulted in many American companies locating new plants abroad, where they have been able to secure the benefit of so-called foreign tax havens.

If our domestic plant modernization program is to be successful we must also eliminate these foreign tax-haven incentives, which are resulting in the exportation of American industry and American jobs. Section 13 of the bill makes substantial progress in discouraging such practices by closing the tax loopholes on income earned abroad.

These two sections, section 2 to encourage the modernization of our domestic productive capacity, and section 13 to discourage the exportation of American industry abroad, constitute the major premise of the Revenue Act of 1962.

Furthermore, even though the allowance of the 7-percent investment incentive tax credit will result in a revenue loss of an estimated $1.175 billion in a full year of operation, the revenue-raising provisions which are contained in the other sections of the bill will more than offset this loss. In fact, the Treasury Department has estimated that the overall revenue effect of this bill will result in a net revenue gain of $120 million to the Government in a full year of operation. In addition, the revenue-raising provisions of this bill will provide greater overall equity in our income tax system through the elimination of a number of loopholes and special tax preferences that are presently contained in our tax laws.

In addition to the elimination of the foreign tax haven incentives referred to previously, the bill would make a number of changes in the tax treatment of foreign income which are designed to insure that such income bears its fair share of the current tax burden.

Another revenue-raising provision would impose stricter limitations on allowance of income tax deductions for business entertainment and related expenditures by requiring a more proximate and direct relationship between such expenditures and the active conduct of a trade or a business than is required under present law. This provision is designed to deal with the widely publicized and flagrant abuses that have developed under present law in the business entertainment expense area. It would also overrule the so-called Cohan rule of present law, under which courts have permitted a deduction for estimated amounts of business entertainment expenses in situations in which there was insufficient evidence to establish the actual amounts of such expenses. Under the bill, no deduction would be allowable for unsubstantiated business entertainment expenses.

The bill would also subject mutual insurance companies to a revised tax formula which would take into account the underwriting income realized by such companies. Under present law, mutual insurance companies are taxed only on their investment income, whereas competing stock insurance companies are taxed on both their underwriting and investment income. Under the bill, more equitable tax treatment is provided for these competing forms of business organizations.

Another revenue-raising provision would close a loophole that exists under present law which effectively permits the conversion of ordinary income to capital gains in circumstances in which property which has been subjected to depreciation is sold for a price in excess of its depreciated cost. Under the bill, any excess of the price for which such property is sold over its depreciated cost, which is attributable to depreciation deductions taken with respect to the property after December 31, 1961, will be treated as ordinary income rather than as capital gain.

In the area of the tax treatment of cooperatives, the bill would provide that the profits realized by these organizations will be taxed currently, either to the cooperative or to its member-patrons. This treatment is in accord with the intent of Congress in enacting legislation on this subject in 1951, but which intent was thwarted by certain court decisions. This provision of the bill will also go far toward eliminating the competitive inequities that exist under present law between cooperatives and competing forms of business organizations.

The most important revenue-raising provision contained in the pending bill is the one that will institute a system of withholding a tax at source on interest and dividends. This withholding system is designed to insure the collection of some $600 million of taxes on these income items which are presently due and owing to the Federal Government, but which, through negligence, inadvertence, or design, are not being reported by some taxpayers on their tax returns, and with respect to which tax is not being paid. It should be emphasized that this provision is in no sense a new or additional tax but is merely a method of collecting taxes that are imposed by present law. In order to minimize the inconvenience and hardship to taxpayers, however, exemption certificate procedures that are provided for those taxpayers who owe no current taxes and rapid, quarterly refund procedures are provided for taxpayers with respect to whom excess tax might be withheld.

These revenue-raising sections, as well as a number of other similar provisions contained in the bill, will provide greater equity in our income tax system and the revenue gains resulting therefrom will preclude the investment incentive credit from resulting in any overall revenue impact. I strongly urge my colleagues in the House to vote in favor of the pending bill.

Mr. CURTIS of Missouri. Mr. Chairman, I yield such time as she may require to the gentlewoman from New Jersey [Mrs. DWYER].

Mrs. DWYER. Mr. Chairman, the Revenue Act of 1962 as reported from the Committee on Ways and Means is, in my judgment, a bad bill and I intend to vote against it unless appropriate amendments are adopted or a motion to recommit the bill is successful.

It is a bad bill, I believe, because it is discriminatory, because it fails to cover a number of the most glaring loopholes in our tax laws, and because at a time when a balanced budget is essential this bill will almost certainly produce a significant budget deficit in fiscal year 1963.

It is important to emphasize, Mr. Chairman, that a vote against the pending bill would not be a matter of fiscal irresponsibility. On the contrary, it would be the most responsible possible vote. Members of Congress are sometimes accused of voting for expensive new Federal programs and then refusing to vote for the revenue measures necessary to pay for them. This is not the case with the pending legislation. The budget for fiscal 1963, as submitted by the President, was proposed to be balanced, and without the new revenues specified in the present bill. The revenues now under consideration are earmarked, in effect, to pay for the investment tax credit which is included in the same bill. In other words, the defeat of the bill would not affect the budget one way or another.

Before dealing with the substance of the tax bill, there is another consideration I believe we should keep in mind. It is no secret that a great many Members on both sides of the aisle are seriously disturbed about the provisions of this bill, either in whole or in part. To save as many of these votes as possible, it is being suggested by some that the House ought to pass the bill and then let the Senate delete or amend the questionable provisions. This argument has all the earmarks of irresponsibility, and I for one cannot accept it. Certainly, we in the House should not have to depend on our colleagues in the Senate to correct our mistakes. Unless we are satisfied that this is the best bill that can be written, we should return it to the Ways and Means Committee with instructions to rewrite the bill accordingly.

The greatest inequity in the bill, Mr. Chairman, is the impact of the proposed withholding scheme for income from dividends and interest on the millions of Americans who have a savings account, a few shares of stock, or an insurance policy. Despite the efforts of the committee to provide for quarterly refunds where a person's tax liability is less than the amounts of income withheld, the proposed plan will still result in a great deal of overwithholding. And overwithholding, by its very definition, deprives the taxpayer of income that belongs to him, not to the Government. Moreover, the procedures required to administer this withholding plan are necessarily involved and will introduce into the lives of taxpayers, especially the smaller taxpayers, a new flood of complicated tax forms, exemption certificates, refund claims and the like.

For these reasons, it is apparent, I believe, that the heaviest burden of the withholding plan will fall on those persons least able to carry it. This is a complete reversal of the basis on which our revenue system rests. To deprive people who need every cent of their income, especially the older and retired members of our population, of any part of that income for periods of a month or more cannot be justified. It is likewise unjustifiable to subject people unnecessarily to increasingly complicated income tax returns, especially people who cannot afford the services of tax accountants or lawyers.

I share the concern of the administration and the committee at the substantial loss of revenues from interest and dividends due to the failure of many taxpayers to report such income. I cannot believe, however, that the only alternative to these losses is the proposed withholding system, as full of inequities and other objectionable features as it is. I strongly agree with the minority report on the bill that the administration should pursue measures already initiated in an effort to increase the rate of compliance before resorting to the extreme solution of withholding. The use of information returns, for example, would be a simpler and much more convenient method of obtaining maximum compliance, especially since many people who do not report income from dividends and interest fail to do so only because of ignorance of the requirement.

The immediate purpose of the withholding provision is, of course, to raise sufficient new revenue to help pay the cost in lost revenues of the proposed new investment credit. There is an unfortunate irony involved in this arrangement. What it comes down to, apparently, is this: a highly inequitable revenue-raising procedure, particularly burdensome to those with lower incomes, is to be the means of providing a special tax windfall or bonanza to big business—a windfall which business in general has not asked for.

The purpose of the investment credit—to provide an incentive for economic growth and business expansion, an objective universally shared—can be achieved at far less cost to the taxpayers and without requiring costly tax windfalls by substituting for the tax credit a provision allowing for increased depreciation of the same kind of business assets. Instead of tax forgiveness or a new form of subsidy, this would be tax postponement. It would also, so far as I can determine, be a more effective and longer lasting form of incentive for business growth. And it would accomplish this without requiring the imposition of a withholding system, since its effect on the budget would be substantially more moderate than the investment credit.

There seems to be general agreement on all sides, Mr. Chairman, that we should use the tax system as a tool to achieve greater economic growth—together with all that economic growth means in terms of higher employment, a stronger competitive position in foreign trade, increased national security, and an improved balance-of-payments position, as well as greater overall prosperity for our people.

In seeking these objectives, however, we should use discrimination in the means we choose. We should make certain that in helping one part of the country we are not hurting another. We should avoid forcing one group of our people to pay for the prosperity of other groups. And we should take care not to open larger loopholes in our tax laws when we purport to shut existing ones.

In my judgment, Mr. Chairman, the pending bill fails on all these counts, and for that reason I must vote to recommit the bill or, failing that, I must vote against it on final passage.

Mr. CURTIS of Missouri. Mr. Chairman, I yield 3 minutes to the gentleman from New York [Mr. DOOLEY].

Mr. DOOLEY. Mr. Chairman, I strongly oppose this legislation.

We have heard many good arguments, fortified by statistics, against H.R. 10650, the Revenue Act of 1962. Most of these presentations have been in the form of possible national effects that would result with enactment of this bill.

I would like to read into the RECORD, however, the remarks of a president of a savings bank located in my district. I think they will add greatly to the current discussion. The writer of the statement, Mr. Danby C. Osborn, is not only one of my constituency's leading citizens but also one who has devoted his life to building a savings institution which has lent strength and vitality to the community which it serves.

Mr. Osborn's letter reads as follows:

THE HOME SAVINGS BANK,
White Plains, N.Y., March 27, 1962.

Hon. EDWIN B. DOOLEY,
Congress of the United States,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN DOOLEY: In reply to your letter of February 6, and as you suggested in that letter, I am taking the liberty of outlining for you in short form the effects that passage of the new tax bill would have on the Home Savings Bank here in White Plains, if passed.

First, my desk is out on the bank floor and I have many opportunities to greet and talk with the customers of the bank. I detect a very strong resentment on the part of many customers as to possible withholding. One result of the passage of the withholding provision would, we think, temporarily cause some withdrawals on the basis of psychological reaction, even though there would be no point in people doing so. As far as the bank itself is concerned, this represents a massive clerical job making the banking operation more cumbersome and less efficient, in addition to more expensive. The end result will be that the customer will suffer in some way, although the degree cannot be measured. It is true that if the withholding provision is passed, it will affect all financial institutions equally, therefore there is no disadvantage competitively.

Second, as to the revised schedule in the bill to increase the Federal tax on mutual savings banks and savings and loan associations, a short form summary will work out as follows: The deduction of 3 percent of net new real estate loans to be allowed as a free bad debt reserve would not give us the equivalent deduction available under the alternate of taking 60 percent of net taxable income.

Our net taxable income for the year 1962 is projected at	$500,000
Less 60 percent	300,000
Net subject to tax	200,000
Approximate tax	100,000

It can readily be determined that the effect of this tax proposal will deprive the bank of approximately 20 percent of its net retention for reserves. The bank would therefore be 20 percent less effective in its ability to set aside reserves in relation to deposit growth. Instead of being able to support deposit growth of $6 million adequately, the figure would be reduced to approximately $4,800,000. Growth would have to be arbitrarily controlled within these figures as a savings bank cannot continuously take on new growth without setting aside adequate reserves for the protection of depositors. The result would be at the very least about $1,250,000 less going into the mortgage market each year. This figure probably would be somewhat larger as it would be natural for the bank to seek tax exempt securities up to a certain point, therefore making still less available for the mortgage market.

The effect of this bill in our opinion is directly contrary to the objectives of the administration which seeks economic growth in the country to keep up with the population growth. Any country which puts the damper on thrift incentive and the progress which it produces, is performing a great disservice to the public.

Very sincerely yours,
DANBY C. OSBORN,
President.

Mr. MILLS. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose, and the Speaker having resumed the chair, Mr. ROOSEVELT, 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. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, had come to no resolution thereon.

SEVENTY-FIFTH ANNIVERSARY OF THE INTERSTATE COMMERCE COMMISSION

Mr. FORRESTER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 441) to commemorate the 75th anniversary of the Interstate Commerce Commission.

The Clerk read the title of the joint resolution.

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

There was no objection.

The Clerk read the resolution, as follows:

Whereas April 5, 1952, is the seventy-fifth anniversary of the Interstate Commerce Commission; and

Whereas the Interstate Commerce Commission is the oldest regulatory agency in the United States, having been established by the Act to regulate commerce enacted on February 4, 1887; and

Whereas the duties and responsibilities of the Interstate Commerce Commission have been expanded throughout the past seventy-five years so that its activities in regulating the transportation industry now affect the life of every citizen of the United States: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President of the United States is authorized and requested to issue a proclamation designating the 5th day of April 1962 as Interstate Commerce Commission Day, for the purpose of commemorating the seventy-fifth anniversary of the Interstate Commerce Commission.

The joint resolution 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.

HOUR OF MEETING TOMORROW

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

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

There was no objection.

PERSONAL ANNOUNCEMENT

Mr. CLEM MILLER. 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 California?

There was no objection.

Mr. CLEM MILLER. Mr. Speaker, during the last few days there has been a flurry of statements, speeches, and press releases concerning a book called "The Liberal Papers."

It has been alleged that this book or these papers were sponsored, proposed, supported, produced, or published by certain Members of this body—apparently because these Members of Congress are further alleged to be or to have been members of the liberal project.

Since the matter has been raised on the floor of the House, it now seems proper for me to comment here.

A Republican National Committee press release dated March 20, 1962, stated that the liberal project is or was sponsored by 35 Democrats, all present or former Members of the House of Representatives. This same press release also included the following correction:

Press reports used as source material for Republican National Committee comment on "The Liberal Papers" erroneously named Representative GEORGE P. MILLER, Democrat, California, as one of the sponsors. It is now understood that Representative CLEM MILLER, Democrat, California, was the person whom the press dispatches meant to name.

We deeply regret any injustice done to Representative GEORGE P. MILLER.

Insofar as any press release or any press report meant to name me, it was done without my knowledge or authority. If I had been informed it would have been repudiated.

I am not and never was a member of any liberal project. I do not and never did sponsor, propose, or support the book, "The Liberal Papers," or these papers separately, or the views expressed by their authors. I have had nothing to do with producing or publishing the book or the papers.

Although I have not read the book or the papers, I personally disagree with and do not and never did endorse the views or proposals which they express, as they have been reported by the press and as stated in the various press releases on this subject.

THE DEAD SEA SCROLLS

Mr. MATTHEWS. Mr. Speaker, I ask unanimous consent to extend my remarks at this point and include a talk by Mr. LIBONATI.

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

There was no objection.

Mr. MATTHEWS. Mr. Speaker, each Thursday morning a number of us meet for an hour's discussion of religion and for spiritual fellowship to help us meet the problems of the day. At one of our meetings several weeks ago, our able colleague, Hon. ROLAND V. LIBONATI, Representative from Illinois, gave a splendid talk on the discovery of ancient Hebrew manuscripts known as the Dead Sea Scrolls in a cave in the desert of Judea. This talk was so well received by our group that I know it will be of interest to all earnest students of religion. I am, therefore, happy to enclose a copy of this scholarly and inspiring address by our colleague, ROLAND V. LIBONATI, the gentleman from Illinois.

ADDRESS BY HON. ROLAND V. LIBONATI

It is now 15 years since the discovery of ancient Hebrew manuscripts, now known as the Dead Sea scrolls, in a cave in the desert of Judea.

They shed light on a number of questions—archeology, paleography, the text of the Old Testament, Jewish history, and other fields of knowledge.

We are specifically concerned with the connection of the documents with the New Testament and the relationship of the sect that produce these documents, with the origins, the spread, the organization, and tenets of Christianity.

It was in a cave, west of the Dead Sea, near the Khirbet Qumran, that the Bedouin discovered the first manuscript in 1947.

The scrolls were more or less complete, carefully wrapped in linen and preserved in jars. They comprised biblical texts in Hebrew; two scrolls of Isaiah's, one complete of writings heretofore unknown, labeled "Sectarian—A Commentary or Mildrash"; on the first two chapters in "Habacuc, the War of the Sons of Light and the Sons of Darkness"; a collection of 35 hymns or thanksgiving songs, and the community rule or manual of discipline; and, lastly, a work of an apocalyptic character, the lost "Apocalypse of Lamech," in a fragile condition. In addition, a large number of fragments (600) purchased from Bedouins and dealers, others collected during the systematic excavation of the cave in 1949, in possession of the Palestine Museum.

The genuineness of these scrolls is now accepted. The age or date of the actual composition on the copied scrolls is undetermined. The placing of the scrolls in the cave was determined through various explorations nearby, and the finding of similar jars with coins dating from the time of Augustus to that of the Jewish revolt of A.D. 66–70. During this later period, the buildings were destroyed by fire and abandoned. The conclusion can be fairly drawn that the scrolls were stored away for safekeeping before A.D. 70, and thus belonged to the early New Testament or pre-Christian period. Further explorations confirmed these conclusions, the central community building was built during the reign of Hasmonean John Hyrcanus (135–104 B.C.) and occupied until about 30 B.C. when it was ruined by an earthquake. It was rebuilt early in the first century A.D., and occupied until the time of the first Jewish war.

ORIGIN OF THE QUMRAN SECT

Regarding the precise origin of the Qumran sect and, notably, the historical identification of the persons mentioned in their scrolls ("Teacher of Righteousness," "Wicked Priest and the Invading Kitten," etc.) there have been a wealth of theories. However, there is some measure of agreement, now, among scholars as to broad outlines of the genesis and history of the sect.

The Dominican fathers actually working on the cave material in Jerusalem state that the remote origin of the sect takes us to the pietist milieu centered around the temple of Jerusalem, early in the second century B.C. The sect emerged as a distinct body in the Maccabean revolt of 166 B.C. as an element in the Hasidim "the pious," who rallied to the standard of Judah. From this period dates the war scroll and, possibly, an early form of the rule. After some years (Damascus document 20 years), the sect definitely broke with official Judaism. Some date this during the reigns of the two Maccabees, Jonathan 160–146 and Simon 142–134. Others during the early Hasmoneans, after 134 B.C.

The sect was led into exile, in all probability, by the "Teacher of Righteousness," who organized it there. "Damascus" was a symbolical name for Qumran.

From 142–134 B.C. were composed the "Teacher of Righteousness," the "Habacuc Commentary," and the gradual compilation of the rule in part or the whole by the same teacher. A final point regarding the connections of the Qumran sect. Many points of contact exist between their writings and the Old Testament Apocrypha (the books of "Henoch" and of the "Jubilees," the testament of the "Patriarchs," the "Assumption of Moses," etc.), which date from the second century B.C. to the first century A.D. It is significant that in all the Qumran caves, fragments of these Apocrypha and other similar works, previously unknown or lost, have been found.

The evidence seems to point, more and more, to the conclusion that it was the Qumran community that was responsible for these writings.

The Essenes were akin to the Qumran. Their practices were much like those of the Qumran community; i.e., exclusiveness, practice of celibacy, community goods, great attention to ritual purity, scrutiny of the law, secret doctrines and practices, abundant literary activity, allegorical ex-egisis of the Old Testament, general organization, etc. The location of the Khirbet Qumran corresponds exactly to the location of the principle center of the Essenes, as given by Pliny: near the shores of the Dead Sea, far from the noisesome city of Egaddi to the south.

The Essenes opposed slavery, practiced alms-giving and measure of hospitality in the cities. Palestine and Syria were not mentioned in the Qumran rule. It is said that the Damascus sectaries and Qumran represented the first and second stages in sect development and the Essenes, the third. We speak of the Qumran community as a group of Essenes.

Most of the books of the Old Testament were written during a period from about the eighth to the third centuries, B.C., but came from documents and fragments that are older. A few books are later than the third century, for example, "Ecclesiastes."

All the original manuscripts are lost, although it is now possible that there are fragments of the original manuscripts among those recovered from the Dead Sea caves. Even in the first century, B.C., only copies were available; some of these must have been copies many copyings removed from the originals.

We do not know how the earlier Hebrew Scriptures were preserved when the kingdoms of Israel and Judah were overcome and their temples destroyed. Did some of the archives survive? Did some priests escape and take the scriptures with them? Did the scriptures go with the people into exile? Who preserved the writings of the prophets? Who did the first compiling? The selecting?

The editing? We do not know the answers to these questions.

We do know that, during the passage of time, there were many variations in the manuscript copies and a standard text seemed necessary. It was completed in the seventh and eighth centuries A.D. by the Massoretes.

To Jewish scholars who, for several centuries of the Christian era, labored to insure a reliable text of the Old Testament Books of the Bible, the word "Massorah" meant tradition, and they were meticulous and scrupulous in their scholastic standards. They maintained the purity of the sacred text. There was never any certain way of determining how near these texts were in accuracy to the originals. It will be seen that the Hebrew University Isaiah Scroll, dating more than 1,000 years before our Massoretic Text, Ben Asher and Ben Naphtali (10th century A.D.), brings to Isaiah valuable assurance. Unfortunately, this reassurance is a good deal disturbed by fragments from Qumran cave 4, which show that certain other books of the Old Testament, the "Massoretic Text," is not as reliable as was accepted. The Books of the New Testament were written in a shorter period (from the last half of the first century to the end of the second century), with allowance for insertions, alterations, down to almost the fourth century. Here, again, we have none of the original manuscripts, only copies, the earliest of which cannot be older than the fourth century A.D.

After the writing of the Old Testament, other religious writings were composed, some in cryptic form; i.e., elaborate allegoric symbols were used, which only the initiated would understand, a security measure in case the writings fell into the hands of the enemy; example, the "Book of Daniel," Old Testament, and the "Book of Revelations," New Testament.

Some of these writings were predictions, especially the downfall of oppressive rulers against the Jewish nation, and a prediction which increasingly appeared was that of the coming of the "Anointed One" (Messiah). A considerable number of Jews believed it; there were some who did not.

There was considerable literature on Apocalyptic and Eschatological writings, and others of different style and content.

Now the Bible is an ecclesiastical selection from this far greater literature, and is not the same in all communions: the selection made by the Catholics, for instance, is somewhat larger than that made by the Protestants. And, of course, the Jewish Bible does not contain the New Testament. The selection was made by custom and selections were different from place to place. But later conventions were held, i.e., the Rabbinic Synod of Jamnia, circa A.D. 100, and several Christian church councils, where the books to be included were decided upon. Each communion, for itself, called, in Latin, canonical—"rule."

SIGNIFICANCE OF THE DISCOVERY

Until public interest was aroused by an article by Edmund Wilson, May 14, 1955, these were ignored by scholars of the New Testament; perhaps many of them do not have an adequate training in Hebrew to study these texts. Which is not a very good reason, in that many could rely upon the technical study under Semitic specialists, of whom there are a number in their field.

Others belittled Mr. Wilson's qualifications as a scholar, being a reporter. Experts on the scrolls have a high regard for his talented competency in his writings, by transmitting correctly what these experts have been thinking about them.

The scholarly Prof. M. Dupont-Semmer, University of Paris, and Prof. William Albright, Hopkins University, both agree that the new evidence bids fair to revolutionize our approach to the beginnings of Christianity. There is a concurrence among many distinguished scholars in their predictions that the subject must be reconsidered, completely.

New Testament scholars say that it is too early, yet, to draw inferences; we must wait until more is known and understood about it, perhaps for 50 years.

In 50 years they will no longer be teaching. Their unfortunate successors will inherit from them nil in this study. The fact is that an interpretation of the main significance of these documents is being studied now. No one can deny that the reconstruction of our detailed view of Christian origins will take considerable time and will involve prolonged debate. But that is a better reason for beginning the study on procedure now, rather than postponing it. Any mistakes, pointed by future discoveries, will give impetus to revision based on truth.

It has long been known that Christianity absorbed elements from pagan religions in the Mediterranean area, during the early centuries of its development.

The new slant on liturgical reform has been given impetus through the studies of the Dead Sea Scrolls. These studies have been carried out by scholars of all denominations. We have discovered a basic authority for comparisons of what has been written of the Biblical beginnings of Christianity at its source, and those writings subsequent to the scrolls. The public image of all churches of the Christian faith must be oriented with the new discovery. A complete survey of what we considered perfect in the liturgy of the church must be studied. The liturgy must be understood to hold its rightful place in the celebration of the ceremony and, if its true purpose is to be realized, in the majestic worship on the part of all. Christians worship as members of Christ's body. We worship with Him as one person the Father. To us, alone and together, the Holy Spirit is the soul of Christ's body—its living and creative force.

These concepts of religion are truly realistic in divine worship and must be made lucid in this life, through faith. These tenets are held by all Catholic scholars. To make these things real, the Holy Father, Pope John the Shepherd, has reiterated, time and again, that the Almighty must receive, directly, the prayers of the faithful, and this obligation must be kept uppermost in the minds of the laity, even while praying to one of the saints for intercession, in one's behalf, to the Almighty. The congregation should be considered as worshiping a family of Christ. The ritual should be close, in its inspiration, to the Last Supper. The apostles, together and alone, felt their oneness with Christ. They understood, in gesture and in language, the rite. This spirit of intimacy and closeness of friendship and love is the goal of all reforms.

The liturgy is simple. God the Father is the center. The approach to the Father is through the Son. The power that moves is the Holy Spirit. God is the core of all creeds in our formulas of faith. It is an approach, in common, to God and in God. The Roman liturgy is God centered in all its forms with great concern contributing to its majesty and beauty. Protestants are sometimes misled by Catholics who habitually are pursuing or straying into fields of minor devotions. Thus, the layman becoming an active participant in the church's worship gaining greater understanding of the Word of God would show a better and greater understanding for the separated churches. He would no longer be a mere occupant of a pew, praying without any attention given to the meaningful liturgy moving toward the true worshipful acceptance of God through Christ and the Holy Spirit as one.

After all, the study of the Dead Sea scrolls only brings out, more basically, the great truth that, without Christ, both the Old and New Testaments would be only a historical or mythical record of the lives of patriarchs who, in their predictions and parables given to the world, communed with God and left His messages unfulfilled to posterity.

Without Christ there would be no liturgy—no center or core of God's pattern and no Christian doctrine. Even paganism might still have its collection of gods personifying nature's forces, etc., for worship, as a religious contribution, to the edification of the ignorant masses.

WHAT THE SCROLLS CONTAIN

Bedouins—Qumran cave 1947. Scrolls, 11; 6 separate compositions.

Two versions of one of the compositions make seven called the "Seven Dead Sea Scrolls."

By manuscript is meant written by hand.

Scholars use the word "manuscript." They do not mean an original composition, but, really, a copy.

1. St. Mark's Isaiah Scroll.

Longest of the manuscripts; 54 columns in Hebrew contain complete "Book of Isaiah."

Strips of leather, stitched at the edges, 1 foot wide by 24 feet long. Condition good. This differs from the Massoretic text (translated in our Bible); it is, in the main, the same.

2. The Hebrew University Isaiah Scroll.

Another scroll, also of Isaiah, not complete, deteriorated. There is a large section with parts missing. Most of chapters 38 to 66 (the end) and several smaller sections containing parts of some of the earlier chapters.

Text close to Massoretic text (our Bible).

3. Mildrash on the "Book of Habakkuk."

A mildrash is an explanation or commentary applied to a sacred text. (Modern mind thinks this is a peculiar way.) The special nature of the commentary in this scroll, plus its reference to a Teacher of Righteousness, have made it the occasion of much controversy.

Five feet long, six feet wide (originally seven inches longer). The beginning is missing, there are holes, but find condition good. Continue page 24, first paragraph; second paragraph.

This is the first of seven references to a Teacher of Righteousness.

4. The Manual of Discipline.

A manuscript of two scrolls, with two sections reunited. It is 6 feet long, 10 inches wide (originally a foot or more longer). Coarse quality of leather in good condition. Other fragments appear to be a part of this scroll. The scroll described a covenant of steadfast love, in which members of a dedicated community are united with God. Then follows an account of the two spirits in man, the spirit of light and truth and its antagonist, the spirit of darkness and error. After this come the rules of the order, describing the entrance requirements and the penalties for the infringements of the rules. In conclusion, a long psalm of thanksgiving.

5. The War of the Sons of Light and the Sons of Darkness.

This is well preserved. It is a scroll 9 feet long and 6 inches wide. It still has its wrappings. It describes a stylized conflict between the righteous and the wicked—seems to be a narrative of an actual war. It is similar to the "Book of Revelations" in the New Testament. Apocalyptic in nature (writings of Greeks and Hebrews, second century B.C. to third century B.C., revealing the righteous purpose of God in relation to the end of the present world order. It is also eschatological, the last things to do with culminating events, particularly death and judgment. The end of the world order and the establishment of a supernatural regime.

In the Old Testament this is known as "the day of the Lord."

6. The Thanksgiving Psalms.

Consists of four rolls of leather, width about 13 inches. These are parts of 20 psalms, very similar to those in the Old Testament.

7. Aramaic Scroll.

This was first called Lamech. It is written in Aramaic, not in Hebrew. This scroll contains chapters from the "Book of Genesis," expanded by material from folklore tradition.

There are two of copper, recently found. Also, there are many fragments collected that are still being deciphered.

THE LATE HONORABLE JOHN W. MURPHY

Mr. SCRANTON. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

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

There was no objection.

Mr. SCRANTON. Mr. Speaker, Pennsylvania's 10th Congressional District, along with his legion of friends and admirers all over America, are saddened today to learn of the death early this morning of John W. Murphy, chief judge of the Federal district court of the middle district of Pennsylvania and a very distinguished former member of the House of Representatives.

Judge Murphy died as he lived, with great courage, with great dignity and with the lasting admiration of everyone who knew him.

He was a native of the hard coal region of Pennsylvania and it was once said about him that though on occasion he could be the gentlest of men, a fight with John Murphy never really began until John Murphy was on the floor.

That is the way he lived his life, fighting for the things he believed in, and the causes he espoused were many and worthy.

He served in the House of Representatives of the United States in the 78th and 79th Congresses and, though his political affiliation was different than mine, I know of no man I respected more.

He became a great Federal judge, known for his learning and for his fierce impartiality. It was a well-deserved honor in 1955 when, after 9 years in the middle district court, he became chief judge.

John Murphy never knew what was meant by the word "quit." The memory of his courage, tempered only by his resignation to God's will, will never be forgotten by those who knew him.

He was a distinguished lawyer, and his keen mind found stimulation in the world of ideas. He studied philosophy, law, history, and theology; and in northeastern Pennsylvania we loved this man.

The bare bones of any man's biography can never hope to catch the spirit of the life he lived. It is easy to recount that John William Murphy was born in the small town of Avoca, Pa.; that he attended the public schools and was graduated from the Wharton School of the University of Pennsylvania in 1926 and from the law school of the same university in 1929; that he was assistant district attorney in Lackawanna County from 1934 until 1941; that he served ably in the Congress from 1943 to 1946; that his ability was recognized when he was named a member of the Joint Committee on the Investigation of the Pearl Harbor Attack.

These are simply some of the highlights from a great life, but for those of us who knew him, it is the warm, mature personality of John Murphy that will be remembered.

Our great respect and affection for him is carried over in our condolences to his dear wife, his fine sons and daughters, his brother, his sisters, and his grandchildren.

The world John Murphy walked in was better for his having been there. May he rest in eternal peace.

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

Mr. SCRANTON. I am delighted to yield to our distinguished Speaker.

Mr. McCORMACK. I am grieved to learn of the death of my dear friend, Judge John Murphy. I met the gentleman from Pennsylvania [Mr. SCRANTON] earlier today, and he told me of the passing of our late beloved colleague and my valued friend.

John Murphy was one of the most dedicated Members of this great body, serious, able, courageous. He represented the people of his district and the people of our country in a responsible manner and in an honorable and trustworthy way. He was a man imbued with the love of his fellow men, with a fine, noble, understanding mind.

Between us there developed a very close and strong friendship, a friendship I valued very much and one that continued after his service in this body by an exchange of letters with each other and occasionally seeing each other at such times when he visited Washington.

As I said at the outset, I am deeply grieved at his passing. I extend to Mrs. Murphy and her loved ones my profound sympathy in their great loss and sorrow.

Mr. SCRANTON. I thank the Speaker very kindly for his wonderful words. I know they will go to the hearts of our late colleague's family.

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

Mr. SCRANTON. I yield.

Mr. CURTIN. Mr. Speaker, I join with my colleagues in noting with deep sorrow the passing of the Honorable John W. Murphy, of Scranton, Pa.

Judge Murphy was a former outstanding Member of this House and an illustrious jurist who served with great distinction in the Federal District Court for the Middle District of Pennsylvania for 16 years.

His passing away today marks the end of a distinguished career on the bench for this highly respected jurist.

All who appeared before him as an advocate during the years when he served in this Federal court were impressed by his fairness, his patience, and his knowledge of the law.

The Federal judiciary has lost a distinguished member with the death of Judge Murphy. Our sympathy goes out to his bereaved family.

Mr. FLOOD. Mr. Speaker, today I received the sad news of the death of one of our former colleagues and for the past 16 years a Federal judge for the middle district of Pennsylvania, the Honorable John W. Murphy, of Scranton.

Judge Murphy was a native of my congressional district, having been born in Avoca, and served in this body as the Representative from Lackawanna County, which is the adjacent congressional district to mine, during the 78th and 79th Congresses, resigning in July of 1946 to become a Federal judge.

Judge Murphy was a graduate of both the Wharton School of Finance and the Law School of the University of Pennsylvania and, therefore, had an impressive educational background upon which to launch his truly outstanding public and professional career.

Judge Murphy served as an assistant district attorney of Lackawanna County and member of the bar of Lackawanna County courts, Pennsylvania Superior Court, Pennsylvania Supreme Court, and the Supreme Court of the United States.

He served also as the director of the Lackawanna County Bar Association, member of the executive committee of the Pennsylvania Bar Association, and member of the American Bar Association. He also served as president of the Purple Club, member of the Scranton Club, and Fourth Degree Knights of Columbus. Judge Murphy is survived by his wife and four children—two sons and two daughters.

Judge Murphy was an outstanding Federal judge—well grounded in the law, firm but fair in his decisions and judgments He was always a distinct asset to the Federal judicial system and leaves a great void with his passing. I knew Judge Murphy well and I am deeply saddened at the news of his death. To his wife and children, I extend my deepest sympathy in this period of their great loss.

Mr. SCRANTON. Mr. Speaker, I ask unanimous consent to insert the remarks of our distinguished colleague, the gentleman from Pennsylvania [Mr. FLOOD], at this point in the RECORD, and ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the life, character, and public service of our late colleague.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mrs. GRANAHAN. Mr. Speaker, I deeply regret the passing of Federal Judge John W. Murphy, of Scranton, Pa., who was a distinguished and effective Member of the House of Representatives in the 78th and 79th Congresses. He was a close friend of my husband during their service here together, and I came to like and respect him highly. He was truly a gentleman, a fine person. Congressman Granahan and I always enjoyed being with Mr. and Mrs. Murphy.

Few men have won such recognition as an outstanding Member of Congress in such a short period of time as the late Judge Murphy did when he served here for less than two full terms. His work on the Joint Committee to Investigate the Pearl Harbor Attack won him the admiration of everyone familiar with his painstaking research and remarkable memory for detail in playing such an important role in that investigation. He was delighted at the opportunity to serve as a Federal judge, since law and the concept of justice under our Constitution were of such exciting interest to him, but I know that his decision to leave the Congress made many of his friends and colleagues a bit sad, knowing that he had the ability to become a truly great Member of this body.

I take this opportunity to express to the judge's fine family my sincere and heartfelt condolences. Judge Murphy was an outstanding citizen of our State, a man of integrity and decency.

Mr. *GAVIN*. Mr. Speaker, it was with deep sadness I learned of the passing of our good friend and former colleague, Judge John W. Murphy, of Scranton, Pa.

Judge Murphy was elected to the 78th and 79th Congresses, serving from January 1943 until he resigned July 17, 1946, to become judge of the U.S. District Court for the Middle District of Pennsylvania.

I counted John as my good friend whose lines of friendship extended to all elements of our social life. He was a man who contributed much to the life of the area in which he lived and the State he represented. While serving in the Congress he won the respect and admiration of the Members on both sides of the aisle.

He was a very kind and friendly man with the highest concept of citizenship; a firm believer in our American way of life with deep faith in the principles and ideals of our Government. It can be said that he was an outstanding citizen and a great American.

In all his actions John moved with ease and courtesy and respected in others the qualities he possessed himself—sincerity of conviction and frankness of expression.

So today it is with a feeling of sadness that we who were privileged to serve with him in the House record his passing. I shall remember him for the many acts of kindness that indicated his friendship and good will toward me and the Members of the House.

I extend to his family my deep and sincere sympathy.

Mr. WALTER. Mr. Speaker, the passing of the Honorable John W. Murphy, chief Federal judge of the middle Pennsylvania district court, removes a distinguished jurist, not from the State, but from the entire country.

It was my good fortune to know Judge Murphy for many years, and to have served with him in this great body, the House of Representatives, for 3 years.

One of the great marks of this man was his ability to be impartial and fair in all of his dealings, be it in the courtroom as a prosecutor or later as a judge. I have known few men who possessed the courage and wisdom displayed at all times by Judge Murphy.

Truly, Judge Murphy was a self-made man. He started earning money as a breakerboy in an anthracite mine in his hometown of Avoca, Luzerne County. After graduation from his hometown high school, he continued his studies at the University of Pennsylvania where he received a bachelor of science degree in 1926 and a law degree 3 years later.

Active in politics in his State, he came to this great body, the House of Representatives in 1943, and served with distinction. Former President Harry Truman recognized John's great abilities and appointed him to the Federal courts to serve in the middle Pennsylvania district.

His knowledge of the law was recognized nationwide, as he served on the board at the university school of law and also participated in a number of seminars at leading universities of the country. Judge Murphy also served on the Committee on Operation of the Jury System in the U.S. Courts for the Judicial Conference of the United States.

All of us join in extending deepest sympathy to his wife, Ella, and their two daughters and two sons.

THE VETERANS' HOME LOAN PROGRAM

Mr. KORNEGAY. 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 North Carolina?

There was no objection.

Mr. KORNEGAY. Mr. Speaker, I am anxious to say a few words today concerning the direct home loan program administered by the Veterans' Administration. This is a program which has worked exceedingly well and which has reflected great credit upon the veterans of this country.

As of February 28, 204,482 loans have been made under this program, with a total dollar value of $1,747,913,165. The average direct loan has amounted to $8,548, but under the provisions of Public Law 87–84, the maximum amount is $15,000. I am particularly interested in this act because it has had such a vital effect upon our economy and because it has worked so well in the small communities and rural areas of America.

I am distressed, however, by the fact that the provisions of Public Law 87–84 are not being fully complied with in the executive branch. That legislation, among other things, authorized $100 million immediately upon enactment of the legislation, which was July 6, 1961; after June 30, 1961, $400 million was to be available, an additional $200 million for June 30, 1962, $150 million after June 30, 1963, a like amount for June 30, 1964, and on June 30, 1965, $100 million, and on June 30, 1966, another $100 million. This program and this law if fully implemented would have wiped out the waiting list which existed, but I regret to say that administrative action has been taken to withhold between $250 and $300 million, thus maintaining the present loan disbursement rate and not reducing the long waiting list.

The Congress and the country should bear in mind that these astronomical sums authorized above are not the usual type of appropriations. This is a veterans' program on which the Federal Government has made a profit.

Interest, of course, is charged at the going rate and direct loans are only made after commercial lending facilities have been found to be unwilling to make loans. Yet on this program to date the Federal Government has shown a net profit of $92,800,000. For that reason I am at a loss to understand, and I am greatly distressed by, the decision in the executive branch to withhold these funds.

Before our Committee on Veterans' Affairs this morning, the national commander of AMVETS made a strong plea for the release of these funds and for full implementation of Public Law 87–84. I certainly support this sound and conservative position, and I am happy to know that the Subcommittee on Housing of our committee expects to look into this matter in the immediate future. It will certainly have my support in seeing that these funds are released and that the backlog of loan applications is erased and the program put on a current basis as intended and authorized by the Congress.

DIRECT HOME LOAN PROGRAM ADMINISTERED BY VETERANS' ADMINISTRATION

Mr. RANDALL. 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 Missouri?

There was no objection.

Mr. RANDALL. Mr. Speaker, I would like to associate myself with the remarks of my colleague [Mr. KORNEGAY], and suggest in discussion today with the chairman of the Committee on Veterans' Affairs of the House, hearings are scheduled to begin by the Housing Subcommittee of the Committee on Veterans' Affairs in reference to the problem the gentleman just discussed. These hearings will begin on April 4, and have to do with implementing the provisions of the GI Direct Loan Act passed in the last session of the Congress.

NEW YORK WORLD'S FAIR

The SPEAKER. Under previous order of the House, the gentleman from New York [Mr. ROSENTHAL] is recognized for 30 minutes.

Mr. ROSENTHAL. Mr. Speaker, today is the anniversary of my first month as a Member of this distinguished body, and I am both proud and grateful for the opportunity which permits me to address the House. Because of the fact that the proposed New York World's Fair is contained within the geographical limits of the Sixth Congressional District of New York, which I have the honor of representing, I have taken a special interest in the progress and development of this exciting venture. It was gratifying to me when President Kennedy on March 13 requested from the Congress an appropriation for an exhibit by this Government. That request is now under consideration by the House Committee on Appropriations and I am hopeful that favorable action will be forthcoming.

President Kennedy has stated that the basic purpose of the fair is to help achieve "peace through understanding," and it has been suggested that the theme of our American exhibit be called "Challenge to Greatness." Today, I want to direct my remarks to a suggestion that I make to the Honorable Robert Moses, president of the New York World's Fair Corp., for an exhibit which I feel is necessary to mirror the true greatness of our land.

I am fearful that at present there is no plan to include in any of the exhibits in the fair a theme which I submit is vitally important, particularly when the fair is viewed in the context of the continuing world struggle for men's minds between freedom and totalitarianism. This theme is the difference between what totalitarianism offers: a sterile security and absence of responsibility for making the key decisions of life, an unquestioning acceptance of authority, a rejection of the concept of man as a free individual who controls his own destiny, and what our free Western way of life offers—freedom of thought, of enterprise, of religion, with an acceptance of man's right to dignity as a free individual. Our record of progress in understanding our fellow men, in granting them the same right to mutual respect and dignity which we ask from them, is one of which we can well be proud.

I would suggest that this theme could best be illustrated by a separate Hall of Human Relations, to be one of the buildings in our U.S. Government exhibit. The very existence of such a hall would be a notice to visitors from overseas of the importance our country places on the continuing improvement in human relations. It would stand forth as a beacon light aimed at mutual understanding amid the many displays which would celebrate our country's leadership in achieving physical wealth, comfort, and power. It would serve to underline the fact that to our country the most important thing is still mutual respect and understanding, is still enhancement of the dignity of the individual, not simply feeding and clothing him and ministering to his physical needs at the cost of denying him the freedom which is an essential aspect of his needs as a spiritual being with a soul and mind. The theme of the entire exhibit might well be "How Man Can Better Understand His Fellow Man."

The forthcoming World's Fair will exhibit to visitors, not only from every part of our own country, but from every part of the world, a cross section of our American way of life. The fact that ours is a society of abundance which has reached levels of production far superior to that attained in any other country in the world, will, of course, be amply demonstrated not only by the displays of our many industrial giants but also by any display sponsored by our Government. Our achievements as a producer of things needed by man for satisfaction of his physical needs will be shown for all the world to admire. The richness and dynamic forces of our economy will be demonstrated not only in every exhibit with American sponsorship, but also in the way of life existing in the surroundings of the fair—the wonders of the mighty city of New York. Truly the fair will serve to prove that our free enterprise economy offers to mankind the most effective machinery for solving the basic problems of human existence.

There will also be, I am sure, a thoroughly adequate presentation of our country's preeminence in production of devices for recreation and entertainment. Our leadership in the fields of television, radio, motion pictures, sports, and other areas for recreational purposes will be effectively portrayed by displays at the fair. In addition, I am confident that there will be presentations which will make manifest our country's progress in the last half century in the arts—in painting, sculpture, music, and literature.

Another equally important achievement, our tremendous advances in education and science, will also be the subject of important comment and illustration. We shall proudly show our success in the effective elimination of illiteracy, our extraordinary expansion of facilities for education, for science and research, our great strides in space exploration, in electronics, in medicine, in the life sciences, and in conservation of our natural resources.

In the social sciences there will undoubtedly be displays to illustrate our remarkable economic development, the establishment of a social security system which helps minimize unemployment and promises a more secure old age for most Americans. There will be showings to reflect our country's proud history—its dedication to freedom of thought and expression and of economic opportunity, its concern with the poor and oppressed, its embodiment in our Constitution of guarantees of political and economic equality for all.

It is no accident that since the end of World War II our country has made marked advances in the elimination of many of the gaps which existed between the guarantees of equality embodied in our Constitution and our actual practices. As examples, let me point out that since 1945, 21 States have enacted legislation against discrimination in employment based on race, creed, color, ancestry, or national origin; 9 States have enacted legislation against such discrimination in housing; and a substantial number of States have enacted or strengthened previously existing laws against such discrimination in places of public accommodation. There is no need for me to restate that which is already familiar to you—the record of the Federal Government in helping bring about compliance with the constitutional requirements of equal protection of the laws and protection of due process.

We pride ourselves that it is a peculiarly American tradition that our religious communities, unlike those in Europe and Asia, seek no aid from the State and are protected against control or interference by the State by the first amendment. Our people have an uninhibited freedom of choice as to which religious group, if any, they wish to become affiliated with. This practice of mutual noninterference has served to make our country the strongest bastion of religious faith in the world today, even though it is also one of the few multisectarian countries in the world. This is an important example of what our country has done and is doing to spread understanding of man by man. Instead of religious strife and discord, there exists a wholesome dialog among the major religions—Catholicism, Protestantism and Judaism—the product of which is a growth of mutual understanding and respect and a recognition that differences of religious belief may exist alongside of cooperation toward improvement of the moral and spiritual standards of mankind and for strengthening existing safeguards of the dignity of the individual and against discrimination and prejudice based on race or ancestry.

Voluntary activity for civic betterment, as the strengthening of our American democracy, is not limited to religious groups. The vastness and diversity of voluntary organizations and of their activities in the body politic has been notable. The role of such groups as initiators of movements for laws against discrimination, for sociological and psychological exploration of the nature and sources of discrimination and prejudice and for development of educational programs to combat these patterns, is sometimes overlooked. The very existence of voluntary organizations of this type is an evidence of the concern of most Americans for the protection of the democratic rights of all Americans, and for better understanding by all persons of the nature of these rights.

This is part of the image of our country which should certainly be included in any presentation sponsored by our Government at the World's Fair. We should not leave the field to our detractors who make much of our shortcomings, and carefully suppress our great strides forward in the protection of equality of opportunity, in the elimination of discrimination, in the erection of safeguards of freedom of thought, speech, press, and religion.

There is a vast reservoir of material for presentation visually of the full picture. The upsurge of concern for human rights has been reflected in every one of our mass media. Television, motion pictures, the theater, radio, the press, periodicals and books have all dealt interestingly and successfully with situations involving such constructive developments. Their products could easily be reflected in an exhibit at the World's Fair.

I would like to comment briefly on a few of the concepts which should be embodied in the exhibits in such a Hall of Human Relations. Our Nation, truly indivisible, nevertheless consists of people who trace their ancestry to over 50 different nations, who adhere to over 250 different religious sects, and represent all the races of mankind. Under our free way of life our American unity has been able to draw upon and even help keep vital the unique aspects of each of the many national and religious cultures from which our people have sprung. This can be demonstrated in exhibits.

It is no accident that the United States of America was founded, settled, and developed by those from all over the world who sought freedom to worship as they pleased, to live as they wished, who thirsted for new worlds to explore and conquer, who searched for new sources of wealth, for a better life. The contributions to freedom and our country's welfare made by the successive waves of immigrants—the Germans of 1848, the Irish, the Jews, the Negro slaves, and even the indentured servants and the contract and coolie laborers—whether they came willingly or not, should be the source of a display. What they did to settle the prairie, to build our railroads, dig our mines, build our factories and develop our great universities—all should be shown.

Of course, exhibits should show how we have moved toward human equality from the Emancipation Proclamation to the many laws against discrimination in employment, education, housing, and places of public accommodation. The exhibit should show our progress toward implementing the beliefs on which the Founding Fathers based themselves—that the essence of the democratic philosophy is the dignity of the individual, a philosophy which flows from our Judeo-Christian heritage.

If our free world is to survive and triumph over totalitarianism, we must bring home to every human being we can reach the awareness that those who nurture and spread racial and religious hatred do so in order to dissolve the mutual respect and trust which is an essential ingredient for the successful operation of democratic life. The lessons of nazism, fascism, and communism—that to conquer and impose totalitarianism a minority must split the democratic majority by sowing racial and religious hatred—have been learned by every would-be dictator. We who prize our American democracy must be constantly reminded that we must checkmate the hate spreaders. This the exhibit should do by illustrating how hatemongering served to throw the world into the caldron of war from times of antiquity to the present.

Of course, the hall, like our country's exhibit at the Brussels Exposition, should also note that the task of insuring mutual understanding and full protection of equality of opportunity is by no means done. There should be a section dealing with what remains to be done—our unfinished task—complete elimination of public school segregation, wiping out of our racial ghettos, the end of segregation in interstate commerce, and the banning of religious and racial discrimination in employment everywhere. To fail to acknowledge the existence of such shortcomings would be to open ourselves to charges of hypocrisy and failure to take advantage of the opportunity to use the exhibit to press for continued progress in the field of human relations.

My constituents in the Sixth Congressional District are already proud of the fact that the World's Fair is located in their backyard. But if the proposal I have just set forth is acted on favorably they will be doubly proud. They themselves are a kind of League of Nations, from all parts of the world. They are concerned with the need for strengthening our democracy in every possible way. Hence, they will certainly hail the inclusion of a Hall of Human Relations in our country's exhibit at their World's Fair.

AMENDING RULES OF THE HOUSE OF REPRESENTATIVES RELATING TO APPOINTMENT OF PROFESSIONAL AND CLERICAL STAFFS OF COMMITTEES

The SPEAKER pro tempore (Mr. LIBONATI). Under previous order of the House, the gentleman from Iowa [Mr. SCHWENGEL] is recognized for 60 minutes.

GENERAL LEAVE TO EXTEND REMARKS

Mr. SCHWENGEL. Mr. Speaker, I ask unanimous consent that all Members who wish to do so may have 5 legislative days in which to extend their remarks on the resolution on which I propose to speak at this time, House Resolution 570.

The SPEAKER pro tempore (Mr. LIBONATI). Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. SCHWENGEL. Mr. Speaker, I rise today to speak on behalf of House Resolution 570, which was introduced by myself, and is a resolution which proposes to amend the Rules of the House of Representatives relating to the appointment of professional and clerical staffs to committees of the House so that the minority may have on its own motion more and better staff representation on the various committees of the House.

The extensive research I have made, the experience I have had on my own committee, and in reading and studying numerous articles that have been written by prominent members of the press, who have a good understanding of the legislative needs of this country, indicate, it seems to me, a great need for early consideration of this important question. From conversations I have had with many Members of the Congress who have had an opportunity similar to mine, I find that they share my concern about the present inadequacy and inefficiency of our committee system.

They believe with me that problems that are presented to the minority would be relieved, if not resolved, by the adoption of my resolution.

Mr. Speaker, it may be repetitious but it is not trite to remind ourselves that representative government is on trial before a great cross section of the world, especially that section that seeks to be free is on trial, too, before the eyes of those who are not yet free and may want to be free.

It behooves us, then, it seems to me, to set an example to prove anew to ourselves and to the world that our system holds more promise for the people than any other ever offered. To do this we must do all we can, whenever we can, within the framework of constitutional government, to improve the legislative processes upon which progress, growth, and freedom of opportunity depends in our country.

It is not hard for those of us who serve in the Congress to appreciate the fact that more has happened, through and with elected representatives in this Government of ours, to benefit people, both in protecting their individual rights and promoting their general welfare, than has happened anywhere else in all the rest of history.

The programs inspired by freedom and liberty, initiated here and promoted all over the land, have led us into a prosperity and abundant life unmatched anywhere else in the world.

This growth and activity has also brought problems. It has made our society a complex one. Dealing with these problems calls for our very best efforts.

It is my feeling, Mr. Speaker, that the adoption of my bill, or some similar legislation, will do much toward increasing the necessary research that is needed to present intelligent answers to the difficult problems that are presented. The security that could come to qualified members of our staff would encourage them and the committee to apply its very best efforts toward the resolving of the issues that are so important, as we deal with the problems on our domestic front, while at the same time contend with the problems that present themselves in foreign affairs. It may be well to note that what we do here makes so much difference in so many different places in the world where we have the emerging democracies.

My research has found that there are a few committees that are truly bipartisan or nonpartisan and where the minority seems to be very well satisfied. Therefore, I have written my bill so that these staffs and these arrangements will not be disturbed. My resolution proposes that when a minority, by a majority vote of the minority, is dissatisfied they may, on their own motion, call for arrangements whereby they will be given 40 percent of the professional staff and 40 percent of the clerical staff.

This, I am sure, will create a situation where we will be better able to fulfill our obligation as a minority. It will help us to become more effective—to become a constructive opposition and to be prepared to present well-thought-out answers based upon research and study as well as to more intelligently and effectively challenge the weaknesses and inadequacies of the propositions that are presented to the committees at the present time.

It is my feeling, Mr. Speaker, also that the programs offered by the majority would be better with this kind of a challenge. It would result in much more care in preparing legislation to carry out the program of the administration in power.

From my experience I have noted that even with a completely inadequate minority staff situation, our critical viewpoints have resulted many time in great changes and improvements which I believe establish this point beyond question.

Mr. Speaker, with the adoption of this resolution, I think we will be more truly a representative Government. Our Government will function better when and if we have better and more talent applied to these complex problems that are presented to this, the greatest legislative body in the world.

Mr. Speaker, to show the almost impossible and intolerable situation that prevails I call attention to the situation that the minority must contend with in some of the House committees. Time does not permit me to go into a discussion of the situation that prevails in all of the committees. So, let us just take a couple of them that point up this inequity and unfairness that I have been talking about and referring to. The great Committee on Education and Labor, for instance, has 40 employees, with an authorization to spend $633,000. All of the employees, except two owe their jobs and loyalty to the majority.

Mr. Speaker, the Committee on Government Operations, as of January 23, 1962, had 77 employees. The minority has 3 of the 77. This committee has an authorization to spend $640,000.

Mr. Speaker, here are two examples of the gross inequities that exist. It is easy to see that this kind of situation is intolerable for the minority and almost impossible for a minority under this situation to be a positive and wholesome influence in the committees. I believe representative government as we know it will not function at its best until and unless this unfair and unfortunate circumstance is fairly dealt with and fairly received.

I hope, Mr. Speaker, that the Rules Committee will give immediate consideration to this resolution so that the merits of it can be given consideration on the floor of the House.

Mr. Speaker, next week I plan to talk about the last section of this bill which will deal with the discussion of the special committees that have been created by the House and how they would be benefited by some further amendment of the House rules.

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

Mr. SCHWENGEL. I would be glad to yield to the gentleman from Minnesota.

Mr. LANGEN. Mr. Speaker, I thank the gentleman for yielding in order that I might compliment him for the resolution he has introduced and the very excellent statement he has made in its behalf. The statement, I am sure, indicates his dedicated concern that we increase the productivity and the efficiency of this House and that the principle of democracy be carried out to its fullest degree.

Mr. Speaker, I want to share with the gentleman from Iowa the concern that early and favorable consideration might be forthcoming on his resolution.

Mr. SCHWENGEL. I thank the gentleman.

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

Mr. SCHWENGEL. I would be glad to yield to the gentleman from Kansas.

Mr. McVEY. Mr. Speaker, I want to associate myself with the remarks made by the gentleman from Iowa and I wish to commend the gentleman for introducing House Resolution 570. I am pleased to say that I have also introduced an identical resolution and I hope that other Members of Congress will do likewise.

Since this is my first term in Congress, I sometimes have an advantage over Members with longer periods of service since my first impressions are still fresh in my mind. One of my first impressions has been the extreme partisanship demonstrated in the committees, as well as on the floor of the House. Along with this partisanship, I have oftentimes experienced a feeling of helplessness in the committee rooms because I have not been coached and prepared by staff members so that my knowledge is equal to that of Members of the majority party.

Like the gentleman from Iowa, I am a member of the subcommittee of the Public Works Committee investigating graft in our Federal aid highway program. Certainly, the professional staff members employed by the majority party have done an excellent job in conducting their investigations and the consequent hearings; however, their skills and services have been used according to the dictates of the majority members to whom they owe both allegiance and employment. Incidentally, the recent hearings on the graft in the highway program in Massachusetts have revealed almost unbelievable facts, yet these hearings have been closed after barely scratching the surface. We minority members feel that a broader investigation of the Massachusetts Federal aid highway program should be made; however, we do not have the professional staff necessary to continue, nor did we have sufficient professional staff to allow us to participate as effectively in these hearings as we might have done under more favorable circumstances.

By concidence, I am also a member of the House Administration Committee which is charged with the duty of reviewing the budgets of all other House committees. While this particular committee is considered to be a minor one, if it were properly staffed and operated, it could exert a major influence on the composition and operation of all other committees of the House. Unfortunately, the minority party to my knowledge, does not have a single employee on the professional staff of the House Administration Committee. Certainly, it should be obvious that we are handicapped in virtually all matters under consideration before that committee.

I want to make it clear that I have always found the professional staff members of the majority party on both these committees on which I serve, to be extremely courteous and helpful; however, a member of the minority party hesitates to discuss matters which might oppose the views of the majority party with these employees.

One of the great political strengths of America lies in the fact that we have a two-party system. It is not only desirable, but it is necessary to the maintenance of the two-party system that these parties oppose each other. If they were both in agreement, then the two-party system would be abolished and America would be the loser. Constructive and honest opposition is a healthy balance preventing one-sided rule and also preventing any tendency toward improprieties; however, this type of opposition is very difficult to maintain in the Congress where the rights of the minority party are not adequately protected in the committees, which are the workshops of this great body.

Because our body operates on the committee system, I think it is imperative that this resolution be adopted so that minority rights may always be justly protected.

Mr. KEARNS. Mr. Speaker, I rise in support of House Resolution 570 amending the Rules of the House of Representatives relating to the appointment of professional and clerical staffs of the committees of the House.

I have been in the forefront of this fight for committee minority rights from the very beginning.

The Washington (D.C.) Post recently pointed out editorially that the lopsided staffing of congressional committees has reached a point of shocking unfairness to the Republicans who are in the minority.

Roscoe Drummond, in a series of brilliant articles, has shown that the staff members are the real workhorses of the committees. They make investigations, draft reports, submit recommendations, and carry a large part of the legislative burden. This is what I have been fighting about in the Education and Labor Committee.

It is extremely interesting to go back over the recommendations made by the Joint Committee on the Organization of Congress in Report No. 1011, 79th Congress, 2d session, which was filed on March 4, 1946. The Joint Committee was headed by Senator Robert M. La Follette, Jr., of Wisconsin, and the then Representative A. S. MIKE MONRONEY, of Oklahoma, for the House.

The report filed by these able Members of Congress and their colleagues on the Joint Committee states that the professional staff members "should be paid salaries ranging between $6,000 and $8,000 a year, large enough to command a high level of technical skill, and appointment to these positions should be so restricted that only persons with adequate experience and understanding of the committee's work can qualify."

The Joint Committee also recommended that: "such personnel be eligible for appointment solely on merit and have qualifications to be determined by the director of congressional personnel. They should be appointed without regard to political affiliation and only persons whose qualifications are approved by the director of congressional personnel should be eligible for appointment by the committee. The staff members would be considered permanent employees of the Congress and should not be dismissed for political reasons."

A study prepared for me by Dr. George B. Galloway, senior specialist in American government and public administration, shows that the experts on the committee staffs in the House who have been appointed by and are responsible to the Democratic Party outnumber those selected by the Republicans by 14 to 1, and on the Senate side the ratio is 13 to 1.

The Washington Post editorial concludes that:

To deprive the minority of experts, therefore, is to cripple it as an effective opposition. The Republicans as a group need to wake up and demand a better distribution of the committee experts, and if the Democrats have any regard for their own welcome when and if they become a minority, they can scarcely afford to refuse.

In my fight in the Education and Labor Committee for minority rights, I have received constant encouragement and aid from members of both parties, and I am very grateful for this bipartisan encouragement and aid, and I consider the help I have gotten highly important.

I include at this point in my remarks a study prepared at my request by Dr. George Galloway of the Library of Congress, as well as other items related to my remarks:

MINORITY STAFFING OF CONGRESSIONAL COMMITTEES

(By George B. Galloway)

In the official tabulations of committee employees that have been published semiannually in the CONGRESSIONAL RECORD since 1946, such employees have been identified by name and profession. In the "Profession" column of the tables the following titles have appeared, among others: "Clerk to the minority," "Minority clerk," "Minority staff member," "Secretary to minority," "Minority secretary," "Minority professional staff member," "Minority counsel," "Minority clerical assistant," "Minority staff assistant," and so forth. These titles have not been defined in the tables or in the accompanying text, but it is assumed that they refer to committee employees who serve the minority members of the committees.

The official tabulation of committee employees of the House of Representatives during the 6-month period from July 1 to December 31, 1961, as published in the CONGRESSIONAL RECORD of January 23, 1962, at pages 799–805, shows that 538 persons were employed by committees of the House during that period and that 20 of them were listed as minority employees. Eleven committees had some minority employees. The following table gives the breakdown of these figures:

Minority staffing of House committees during 87th Cong., 1st sess.

Committee	Total employees	Minority employees
Agriculture	12	0
Appropriations [1]	49	1
Armed Services	16	0
Banking and Currency	16	2
District of Columbia	10	1
Education and Labor	10	1
Investigating staff	40	1
Foreign Affairs	16	0
Government Operations	57	2
House Administration	3	0
Interior and Insular Affairs	10	0
Interstate and Foreign Commerce	27	0
Judiciary	49	0
Merchant Marine and Fisheries	10	1
Post Office and Civil Service	10	0
Public Works	49	6
Rules	3	1
Science and Astronautics	19	0
Un-American Activities	60	0
Veterans' Affairs	18	1
Ways and Means	19	1
Small Business	30	2
Export Control	5	0
Total	538	20

[1] Not including investigating staff.

The official list of Senate officers and employees for the period October 1, 1961, through December 31, 1961, inclusive, shows that 15 employees of the Senate during this period were listed as minority employees. Of this number, 11 were listed as counsel, 1 as secretary to the minority counsel, 1 as a staff member, 1 as an assistant staff director, and 1 as a clerk. The breakdown of these figures by committee is shown in the following:

MINORITY STAFF MEMBERS OF SENATE COMMITTEES [1]

Committees:

Appropriations, investigations division, counsel; Government Operations, reorganization and international organizations, counsel; Government Operations, investigations, chief counsel; Judiciary, administrative practice and procedures, counsel; Judiciary, antitrust and monopoly legislation, counsel, secretary to counsel, counsel, counsel; Judiciary, constitutional rights, counsel; Judiciary, Federal judicial system, counsel; Judiciary, Immigration and Naturalization, staff member; Post Office and Civil Service, investigations, counsel; Public Works, investigations, clerk; Rules and Administration, counsel; Special Committee on Aging, assistant staff director.

On February 7, 1962, Senator CURTIS offered an amendment to a money resolution providing that for every 10 employees of Senate investigating committees the minority party would be entitled to one. After debate, his amendment was rejected by a vote of 55 to 30 (CONGRESSIONAL RECORD, Feb. 7, 1962, pp. 1872–1875). This vote disposed of the question of minority staffing of Senate investigating committees for the time being.

No data are available showing how many committee employees in addition to those designated "minority employees" serve minority as well as majority committee members. Political affiliation sometimes is and sometimes is not an important consideration in staff appointments. Likewise, staff members in some instances are assigned exclusively to serve the majority, and in other instances are made responsible for serving both majority and minority.

[1] For the period Oct. 1, 1961, through Dec. 31, 1961.

[From the Washington Post, Mar. 27, 1962]

LOPSIDED STAFFS

The lopsided staffing of congressional committees has reached a point of shocking unfairness to the Republicans, who are in the minority. Senator CARL T. CURTIS and Roscoe Drummond have been digging out the facts. Their data show that in the House of Representatives the experts on the committee staffs who have been appointed by and are responsible to the Democratic Party outnumber those selected by the Republicans by 14 to 1. On the Senate side the ratio is 13 to 1.

When experts were first generally employed to serve congressional committees some years ago, there was a strong effort to select professionals who would be aloof to partisan allegiance. This policy might have been maintained with frequent shifts in party control, but with the long predominance of the Democratic majority it has been largely discarded. The result is gross understaffing for the minority.

Mr. Drummond has pointed out that these experts are the real workhorses of the committees. They make investigations, draft reports, submit recommendations, and carry a large part of the legislative burden. Because of the heavy pressures on Members of Congress in many spheres, it is impossible for them to find time for detailed investigative and research work even if they were properly trained for it. To deprive the minority of experts, therefore, is to cripple it as an effective opposition. The Republicans as a group need to wake up and demand a better distribution of the committee experts, and if the Democrats have any regard for their own welfare when and if they become a minority, they can scarcely afford to refuse.

[From the Washington Post, Mar. 7, 1962]

WILL THE GOP ACT?

(By Roscoe Drummond)

The heavy ice of Democratic resistance to anything more than a token representation of the Republican Party on the powerful professional staffs of congressional committees is beginning to break a little bit.

Not much—but enough to show that when individual senior Republicans insist upon some of their rights as a minority party, it is not going to be easy for the Democratic chairman to stand forever against reform.

Senator PRESCOTT BUSH, of Connecticut, ranking Republican member of the Joint Economic Committee, which is responsible for studying the administration's new trade bill, has finally pressured the Democrats to allow the minority to employ the services of one expert and a secretary. The same for Representatives JOHN W. BYRNES, of Wisconsin, minority member of the House Ways and Means Committee, chairman of the Republican policy committee in the House.

But because the top Republican leadership in Congress has not yet been willing to make the crucial, if unpleasant, fight for adequate, competently paid professional staffing on all the committees, the minority representation remains so sparse it can hardly be seen with the naked eye. At present any little bare bone tossed to the minority is due largely to the character and whim of the Democratic chairman.

Thus Representative CARROLL D. KEARNS, of Pennsylvania, senior Republican on the House Committee on Education and Labor, himself a good scrapper, has run up against a "Berlin wall" in the form of Democratic Chairman ADAM CLAYTON POWELL, of New York.

Here is Chairman POWELL's record on staffing: When he became chairman last year his committee had a professional staff of 20; now it has about 48. Mr. POWELL assured Mr. KEARNS that if the committee received sufficient funds, he would authorize a minority professional staff of four, two professionals and two secretaries. With Mr. KEARNS' assistance the committee received the largest investigative appropriation in its history, $633,000. Now Chairman POWELL has cut the minority staff to two, one professional, one secretary. Thus on the vital House Education and Labor Committee the proportion of majority to minority staff is 24-to-1.

It needs to be understood that adequate and competent professional staffs for both the majority and minority parties are not a routine housekeeping matter. It is crucial to the effective functioning of the committees and to the functioning of our two-party system of government. One of the surest ways to cripple the minority is to deprive it of professional staffs on the congressional committees. There is no reason to doubt that the Democrats know exactly what they are doing in holding the minority staffs to somewhere between puny and zero.

These professional staffs draft practically everything which emerges from the congresssional committees—every report, every finding every recommendation, nearly every proposal for investigation.

What do you think the minority party staff can do when it is outnumbered 24 to 1?

It can't even keep track of what is going on.

With such egregious imbalance as now prevails, the Republican teams of these committees are usuallly left on the bleacher seats in center field with the majority at bat all the time.

Many Republican Congressmen are becoming restive under the inaction of their own leadership. Representative BRUCE ALGER, of Texas, for example, has just written every colleague in the House demanding a Republican conference to deal with this matter. Representative THOMAS B. CURTIS of Missouri and Senator CARL CURTIS of Nebraska, whose campaigns to end this crippling inequity have been lonely ones, are gaining new supporters.

What surprises me is that the leadership of the Republican Party has been willing to let this go on so long. If the Republican leadership does not get up out of its rocking chair soon—something is going to bust.

ALL AMERICA CITY AWARD TO ROCKVILLE, MD.

The SPEAKER pro tempore (Mr. LIBONATI). Under previous order of the House, the gentleman from Maryland [Mr. MATHIAS] is recognized for 10 minutes.

Mr. MATHIAS. Mr. Speaker, I hope I will be pardoned an understandable pride in calling to the attention of my colleagues the great honor bestowed on the city of Rockville, county seat of Montgomery County in my Sixth Congressional District of Maryland. For the second time in 7 years Rockville has won the All America City Award.

The coveted All America City flag which will fly over Rockville's new city hall this year is a tribute to the dynamic and constructive spirit of its people. Through active and conscientious participation in citizen planning committees the people themselves have been responsible for expanding services to keep pace with Rockville's rapid growth.

Rockville is one of 11 cities in America selected by the National Municipal League and Look magazine for the 1961 national annual award. In 1954 this Maryland city was chosen for adopting a bold, new and effective municipal administration.

Under the leadership of Mayor Alexander Greene and City Manager Walter Schriber, men of vision and acknowledged administrative ability, these citizen action groups have successfully contributed their efforts to bringing major needed services to their fast growing community.

Rockville today is the fourth largest incorporated city in Maryland. In the last decade its population has skyrocketed from 6,900 to more than 29,000. It is practically within sight of the Washington Monument and it is assuming an increasingly important status in the National Capital metropolitan area.

Among the major civic improvements in 1961 noted by the judges are, first, a comprehensive recreation program; second, a new $3 million water system; third, a modern $1.5 million sewer system; and, fourth, purchase of a civic center, construction of a 500-seat auditorium and a teenager's recreation center.

Here is an example of democracy at work—where the people do not stop with choosing their local government officials, but instead continue to manifest their interest in government by actively participating in their government. It is an actual instance of practical application of the ideal of government expounded nearly a century ago at Gettysburg by President Lincoln: "government of the people, by the people, for the people." It is assuring the rights of local government and control by assuming local responsibility.

Mayor Greene and his council, Frank A. Ecker, Glenn Koepenick, Ralph E. Williams and Achilles M. Tuchtan can well be proud of their city and its citizens. I hope that the people of Rockville will continue their untiring efforts to insure good government for themselves and their families by willingly assuming the burdens of citizen cooperation.

Awards for Rockville come naturally to a community which gives strong endorsement to its citizen government. The All American City Award is the fourth honor accorded Rockville this year. The others include:

First. An American Municipal Association citation for its successful month-long voter registration campaign last May.

Second. The Municipal Finance Officers Association recognition of the city's distinguished financial reporting.

Third. Acknowledgment by the National Association for the Advancement of Colored People for exceptional progress in race relations.

Mr. Speaker, I am proud to represent a city such as Rockville which embodies in its civic life those standards of democracy that we in the Congress endeavor daily to preserve at home and encourage throughout the world.

OPERATION HELP

The SPEAKER pro tempore (Mr. LIBONATI). Under previous order of the House, the gentleman from Pennsylvania [Mr. CURTIN] is recognized for 10 minutes.

Mr. CURTIN. Mr. Speaker, there occurred recently an event which I think is so unique and so remarkably humanitarian in its scope and impact upon the imagination of Americans everywhere that I believe it should be brought to the attention of this House. I refer to Operation Help, which was carried out last Sunday, March 25, by some 750 Allentown area men and boys who left their day with their families, and, in some cases, their offices and workbenches, for a mass trip to storm-damaged Ocean City, N.J., in a project designed to aid in cleaning up that storm-marked city.

These volunteers, nearly all of whom I am proud to say are residents of Lehigh County in our Eighth Pennsylvania Congressional District, were enrolled during a 12-day drive after the program was originated by Charles Zaimes, news director of Allentown radio station WSAN and a former staff member of the Allentown Call-Chronicle newspapers. From all walks of life, there assembled a gigantic Operation Help motorcade which gathered at the Allentown Fair Grounds Sunday at 4 in the morning, armed with hammers, shovels, strong arms, and strong backs. After church services for Protestant, Catholic, and Jew, they embarked in buses, trucks, and automobiles in a convoy that stretched for 1 mile. Escorted by Pennsylvania and New Jersey police, the motorcade arrived at Ocean City shortly after 9 in the morning. Within a few minutes, the men were at work—moving sand, repairing boardwalk installations, doing general cleanup work, and helping with the task of roping off completely ruined areas where security precautions are necessary.

They labored until late in the afternoon before returning home. In the words of John T. Cathers, Allentown newspaper columnist and writer, they went to their offices and shops Monday morning "with blisters on their hands and muscles strained, but with the satisfying feeling of having done a job well."

In the words of Charley Zaimes:

The thanks for the success of this whole operation belongs to the hundreds of people who gave up a day with their families just to help somebody else. We must thank the many others who supported the project in many ways—companies who gave us money, wives who packed lunches, older folks who helped in financial support, and the men who drove their own cars and brought their own gas. We are especially proud of the men and boys who behaved themselves in a manner that can make the entire Lehigh Valley feel proud. There was not one disorderly incident. The Ocean City police lauded the behavior of the men. And there were only four casualties—minor injuries, treated at the CAP field hospital.

In this day of uncertainty and so much that is written and said about the inhumanity of man for man, I submit that this is a refreshing and heartening evidence of the ingrained compassion which illustrates the truth that the true test of mercy is the feeling for another's adversity.

Mayor Nathaniel Smith, of Ocean City, perhaps said it best when he observed:

> We'll never forget Allentown, its strong arms of friendship in our hour of need. We are grateful. But grateful hardly seems the right word. Gov. Richard J. Hughes said, These are "men with an indomitable human spirit."

But perhaps the most poignant message of gratitude was to be observed in the moist eyes and unspoken words of the residents of the New Jersey shore community which was battered by the terrible storm of March 6 and 7.

The contribution of these Allentown area men cannot be measured in muscle power and human heart alone, but also in the example to which this Operation Help served to inspire the people of Ocean City and other area towns. As Mayor Smith pointed out:

> Our people have been dog tired from trying to dig out of the mess, but after watching the Allentown group in action, I know our people will redouble their efforts.

I am sure that all of the Members of this House will want to join in saluting an inspired army of volunteers who not only received no pay for their work but did, in fact, contribute their money as well as their time to make Operation Help possible. Here we have a marvelous display of what commonsense, good will, and unselfishness can do to help make America a better place in which to live.

LABOR RELATIONS IN AIRLINE INDUSTRY

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentleman from Michigan [Mr. FORD] may extend his remarks at this point in the RECORD.

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

There was no objection.

Mr. FORD. Mr. Speaker, for the past several years an interunion dispute between the pilots and flight engineers has focused public attention on labor relations in the airline industry. Strikes and numerous strike threats have impaired public confidence in airline operation. Numerous Presidential emergency boards and special commissions, one specifically appointed by the President to study this dispute, have made recommendations which would result in fair and equitable solution. These commissions and boards have been comprised of neutral experts in the field of labor-management relations. In many instances they were expert also in the problems involved with these two airline operating unions.

In practically every instance, after hearing testimony involving thousands of pages and innumerable exhibits, it was agreed that the present crew complement of four should be reduced to three. It was further recommended that the unions merge or get together to take care of their problems and that provisions be made to provide the necessary training, job protection, and severance pay arrangements for the personnel involved.

The AFL–CIO has concerned itself with this problem. President Meany appointed two separate committees in an effort to resolve ALPA–FEIA differences. One committee was comprised of Walter Reuther, UAW, and George M. Harrison, Brotherhood of Railway & Steamship Clerks. The other committee was made up of the presidents of the Glass Blowers Union, Communications Workers, and Stage and Motion Picture Employees. These trade union leaders, long experienced in interunion disputes, could not bring about an amicable settlement.

The President of the United States endorsed the report of the Presidential Commission on the Airlines Controversy. In urging the parties to negotiate a final settlement of their differences, the President stated:

> There can be no legitimate excuse for interruptions of service now that these Commissions have marked out the areas of fair and reasonable settlement. The public deserves, expects, and demands that such settlements be reached.

At the time the Feinsinger Commission made its first report, nearly a year ago, Secretary of Labor Goldberg stated that the men who made up the Commission were "the best and most objective men that could be obtained in the country to deal with this problem." He said further that the administration was 100 percent behind the Commission and urged that the unions cooperate by reaching an agreement based on it. The Honorable Najeeb E. Halaby, Administrator of the Federal Aviation Agency and aviation adviser to the President, urged acceptance of the report stating that "public confidence in the aviation community is at stake."

The Nation can ill afford to have its system of air transportation harassed by competing unions, particularly since solutions have been offered which carry with them the endorsement of the President of the United States; and recommendations by public bodies comprised of professional men whose integrity and expertise is unquestioned. Collective bargaining rights under our democratic system carry with them certain obligations and responsibilities. The time has long since passed when the unions representing the pilots and flight engineers should manifest concrete evidence of willingness to assume their obligations and responsibilities in a resolution of this dispute.

QUESTIONNAIRE RESULTS

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentleman from Illinois [Mr. FINDLEY] may extend his remarks at this point in the RECORD and include extraneous matter.

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

There was no objection.

Mr. FINDLEY. Mr. Speaker, each year, I send questionnaires to determine the attitude of people of west-central Illinois on proposals before Congress. I find this legislative survey extremely valuable, because it provides an indication of public sentiment on these proposals, and also provides a great amount of information and opinion which those responding add to their answers.

The survey is not complete and a final report will be made later.

To keep the survey as impartial as possible, names are selected at random.

Preliminary totals

	Yes	No
Should the Federal Government pay for job training for the unemployed?	2,701	5,695
Do you favor a medical program for the aged financed by higher social security taxes?	3,395	5,607
Does the feed grains program meet with your approval?	1,322	5,312
Do you favor a pay raise for Federal employees?	2,527	5,061
Should the United States purchase $100,000,000 in United Nations bonds?	2,813	5,281
Should the United States continue foreign aid to governments which curb freedom of speech, press, and religion?	1,839	6,954
Should the Federal Government pay for public fallout shelters?	2,604	4,908

NEWSPAPER MONOPOLY IN ERIE, PA., MUST BE INVESTIGATED

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania [Mr. KEARNS] may extend his remarks and include extraneous matter at this point in the RECORD.

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

There was no objection.

Mr. KEARNS. Mr. Speaker, I am introducing a resolution today calling upon the Committee on Interstate and Foreign Commerce, acting as a whole or by subcommittee, to conduct a full and complete investigation and study of the newspaper monopoly in Erie, Pa., under which the Erie Morning News and the Erie Daily Times are denying full and honest news coverage to the people of Erie and vicinity.

The text of my resolution follows:

> *Resolved*, That the Committee on Interstate and Foreign Commerce, acting as a whole or by subcommittee, is authorized and directed to conduct a full and complete in-

vestigation and study of the newspaper monopoly in Erie, Pennsylvania, under which the Erie Morning News and the Erie Daily Times are denying full and honest news coverage to the people of Erie and vicinity.

For the purpose of carrying out this resolution the committee or subcommittee is authorized to sit and act during the present Congress at such times and places within the United States, whether the House is in session, has recessed, or has adjourned, to hold such hearings, and to require, by subpena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memorandums, papers, and documents, as it deems necessary. Subpenas may be issued under the signature of the chairman of the committee or any member of the committee designated by him, and may be served by any person designated by such chairman or member.

The committee shall report to the House as soon as practicable during the present Congress the results of its investigation and study, together with such recommendations as it deems advisable. Any such report which is made when the House is not in session shall be filed with the Clerk of the House.

NEEDS OF OUR OLDER CITIZENS

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts [Mr. MORSE] may extend his remarks at this point in the RECORD.

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

There was no objection.

Mr. MORSE. Mr. Speaker, there has been a great deal of discussion in the Congress and in the press about the needs of our older citizens. Dozens of approaches have been suggested by public and private persons to meet the needs of these men and women. It seems to me that the Congress has consistently ignored one avenue to greater financial security which is more obvious than any other. I refer to the stringent income limitation now imposed on recipients of social security benefits and which I propose to ease in the bill I today am introducing.

The present limitation stifles the initiative of our older citizens. It erroneously presupposes a "rocking chair at 65" attitude which deprives our Nation of the skills of many people who still have a great deal to contribute to our economy and growth.

Even more important is that the current limitation, especially for those receiving lower benefit amounts, means real economic hardship. The inequity is compounded by the fact that the outside earnings test applies only to earned income. Thus, one man will have his benefits cut off because he is fortunate enough to have a job, while his neighbor, whose income is from stocks and bonds, receives all of his social security benefits without question.

My bill would permit a social security recipient to increase his outside job income to $1,800 annually without loss of benefits. I am most anxious that my colleagues on the Ways and Means Committee take action on the measure so that senior American citizens can have reasonable security in their retirement years.

TRIBUTE TO A PUBLIC HEALTH SERVICE OFFICER

Mr. RANDALL. Mr. Speaker, I ask unanimous consent that the gentleman from Rhode Island [Mr. FOGARTY] may extend his remarks at this point in the RECORD and include extraneous matter.

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

There was no objection.

Mr. FOGARTY. Mr. Speaker, I would like to draw the attention of the House to the retirement on April 1 of this year of one of our distinguished commissioned officers of the Public Health Service.

This man is Dr. G. Halsey Hunt, who is leaving the position of Chief of the Division of General Medical Sciences, National Institutes of Health, after 26 years of outstanding service to this Nation. I am very proud for the RECORD to show that this man is a graduate of Brown University, Providence, R.I.

During his 6-year assignment to the National Institutes of Health, Dr. Hunt directed programs of great significance and impact on several of our more crucial medical problems in this country today. These include research in aging, research in the basic medical and biological sciences, the improvement of clinical research throughout the Nation, and the development of improved mechanisms to aid the medical research activities of our private institutions.

The House is aware of my interest in the field of aging because of the measure we initiated to hold the White House Conference on Aging in January last year. Research is a very major part of our concerns with the problems of the aged and Dr. Hunt in 1956 was the first Director of the National Institutes of Health Center of Aging Research. In 1958 he was named the first Chief of the newly established Division of General Medical Sciences and the Center for Aging Research was assigned as a component of that Division. In the past 4 years the extramural activities of the National Institutes of Health in research in aging have grown from 274 research projects at a level of $4.5 million in 1958 to nearly 900 throughout the Nation at a level of approximately $30 million. There is no question that these programs already have provided real help for the citizens and will make even greater contributions in the future.

The Division of General Medical Sciences was established to help fill a gap area in our medical research effort, that is, the expansion and improvement of the roles of basic biomedical research and research training in the conquest of man's diseases. Fundamental research and research training in the medical and biological sciences are the necessary first steps in understanding man and his diseases and in devising those therapeutic measures which can help him recover from his diseases and keep him healthy. The great import of these programs under Dr. Hunt's direction on the American biomedical community is evinced by the overwhelming demand of our medical scientists for grants that would enable them to conduct research and research training in the basic sciences. This is apparent in the growth of the Division from an appropriation level of $26,637,000 in 1958 to $122 million today.

It is very correct and significant that there have been introduced in both the House and the Senate measures which would elevate the DGMS to the status of an Institute of the National Institutes of Health—a lasting tribute to Dr. Hunt's skill.

He also played a key role in the concept, organization, and initiation of two programs of high-ranking significance These are the Clinical Research Center's program which is improving and intensifying the levels of clinical research throughout the Nation, and the general research support grant program which is a mechanism for great flexibility and effectiveness in providing grant funds to private institutions for the encouragement and improvement of our research and research training programs.

His versatility is illustrated by the fact that in 1945, after 9 years as a surgeon in the Public Health Service, he was brought into the Public Health Service here in Washington to carry out a study on group practice. His administrative accomplishments, in addition to those as a surgeon, were such that he became Assistant Chief and then Chief of the Division of Hospitals in 1947 and 1949 respectively, and from 1952 to 1956 he was Associate Chief of the Bureau of Medical Services and Assistant Surgeon General. An example of a success in each of these assignments is illustrated, for example, by his skill in maintaining a high level of professional standards in Public Health Service hospitals across the Nation despite severe budgetary handicaps.

Such a varied and distinguished career on the part of Dr. Hunt obviously bespeaks character and competence of a truly remarkable nature. On behalf of the American people I would like to thank him sincerely for his productivity, proficiency, and dedication to the health of the Nation and I want to wish him every success in his new endeavors as associate executive director of the Educational Council for Foreign Medical Graduates.

BILL TO INCREASE AMOUNT OF OUTSIDE EARNINGS ALLOWED SOCIAL SECURITY RETIREMENT RECIPIENTS

Mr. RANDALL. Mr. Speaker, I ask unanimous consent that the gentleman from Missouri [Mr. HULL] may extend his remarks at this point in the RECORD and include extraneous matter.

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

There was no objection.

Mr. HULL. Mr. Speaker, I introduce, for appropriate reference, a bill to increase the amount of outside earnings allowed recipients of social security retirement benefits.

My bill would strengthen and modernize the social security program by increasing the opportunities that beneficiaries would have for performing work without losing their entitlement to benefits. The proposal would increase the annual amount individuals are permitted to earn without suffering deductions from their social security benefits to $1,800 a year from the present inadequate, unfair, and outdated level of $1,200.

One of the major economic problems facing this country today is the difficulty that our older citizens encounter in trying to provide a decent and dignified life for themselves on small fixed incomes, incomes which remain constant while the cost of living climbs ever higher.

These citizens paid funds for their retirement—through social security assessments and other means—in years when the American dollar had not depreciated to the extent at which it stands today. Many contributed toward retirement on the basis of a 100-cent dollar and now are being repaid on the basis of a 45-cent dollar.

The earnings limitation of $1,200 a year penalizes people for living long lives, for having the spirit to want to go on working past the retirement age specified by social security regulations and for having the ability to do so.

Raising the earnings limitation to $1,800 would not completely solve the financial problems of older citizens but it would ease them in many cases.

The fact is, this earnings limitation or retirement test poses an almost insoluble dilemma. There is, on the one hand, the need to conserve the funds of the program by not paying benefits to people who have substantial work income, and, on the other hand, the need to avoid interfering with incentives to work. Both of these objectives cannot be fully accomplished. The best that can be done is to accommodate the two and that is the purpose of my bill.

It is absurd, in my opinion, to have statutes on the books which virtually force full retirement on persons reaching the age of 62 or 65 years. Such regulations not only hurt the individual but also the Nation as a whole, which loses the skills that many older citizens can contribute to our economy. Many citizens are not interested in severing all ties with gainful employment merely because they have reached a certain age. Many hundreds of thousands want to go on working and need to go on working on a reduced basis and should have the opportunity to do so.

My bill would accomplish this goal of providing a better phasing-out process between full employment and full retirement and it would partly compensate for the reduced purchasing power suffered by our elder citizens, through no fault of their own, because of the drastic devaluation of the American dollar which has occurred since the adoption of the Social Security Act in 1935.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. CANNON (at the request of Mr. ALEXANDER), on account of death in family.

Mr. BYRNE of Pennsylvania (at the request of Mr. GREEN of Pennsylvania), on account of illness.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. CURTIN, for 10 minutes today.

Mrs. DWYER (at the request of Mr. LANGEN), for 15 minutes, on March 29.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

Mrs. SULLIVAN.

Mr. FINO.

Mr. MILLS to revise and extend remarks he made in general debate today in Committee of the Whole and to include extraneous material, charts and tables, and committee amendments that will be offered tomorrow to H.R. 10650.

Mr. RANDALL and to include extraneous matter.

Mr. DEROUNIAN in two instances in connection with his remarks on the tax bill this afternoon and to include extraneous matter.

Mr. ALGER (at the request of Mr. LANGEN) to include extraneous matter in connection with his remarks on the tax bill.

Mr. DENT (at the request of Mr. RANDALL) to revise and extend his remarks made in Committee of the Whole today on the bill H.R. 10650 and to include extraneous matter.

Mr. ULLMAN (at the request of Mr. RANDALL) to revise and extend remarks made in Committee of the Whole today on H.R. 10650 and to include extraneous matter.

(The following Member (at the request of Mr. LANGEN) and to include extraneous matter:)

Mr. BEERMANN.

(The following Members (at the request of Mr. RANDALL) and to include extraneous matter:)

Mr. NATCHER.

Mr. JENNINGS.

Mr. BAILEY.

Mr. SANTANGELO.

SENATE JOINT RESOLUTION AND CONCURRENT RESOLUTION REFERRED

A joint resolution and a concurrent resolution of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S.J. Res. 29. Joint resolution proposing an amendment to the Constitution of the United States relating to the qualification of electors; to the Committee on the Judiciary.

S. Con. Res. 65. Concurrent resolution designating the week of May 20 to May 26, 1962, as National Highway Week; to the Committee on the Judiciary.

SENATE ENROLLED JOINT RESOLUTIONS SIGNED

The SPEAKER announced his signature to enrolled joint resolutions of the Senate of the following titles:

S.J. Res. 152. Joint resolution to provide for the reappointment of Dr. Caryl P. Haskins as Citizen Regent of the Board of Regents of the Smithsonian Institution.

S.J. Res. 153. Joint resolution to provide for the reappointment of Dr. Crawford H. Greenewalt as Citizen Regent of the Board of Regents of the Smithsonian Institution.

ADJOURNMENT

Mr. RANDALL. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to.

Accordingly (at 6 o'clock and 36 minutes p.m.), under its previous order, the House adjourned until tomorrow, March 29, 1962, at 11 o'clock a.m.

REPORTS OF EXPENDITURES OF FOREIGN CURRENCIES AND APPROPRIATED FUNDS INCURRED IN TRAVEL OUTSIDE THE UNITED STATES

Mr. BURLESON. Mr. Speaker, section 502(b) of the Mutual Security Act of 1954, as amended by section 401(a) of Public Law 86-472, approved May 14, 1960, and section 105 of Public Law 86–628, approved July 12, 1960, require the reporting of expenses incurred in connection with travel outside the United States, including both foreign currencies expended and dollar expenditures made from appropriated funds by Members, employees, and committees of the Congress.

The law requires the chairman of each committee to prepare a consolidated report of foreign currency and dollar expenditures from appropriated funds within the first 60 days that Congress is in session in each calendar year, covering expenditures for the previous calendar year. The consolidated report is to be forwarded to the Committee on House Administration, which, in turn, shall print such report in the CONGRESSIONAL RECORD within 10 legislative days after receipt. Accordingly, there are submitted herewith the reports from the House Committee on Agriculture and the House Committee on Interstate and Foreign Commerce.

Also submitted are supplemental reports from the House Committee on Banking and Currency and the House Committee on Government Operations.

Report of expenditure of foreign currencies and appropriated funds by the Committee on Agriculture, U.S. House of Representatives, expended between Jan. 1 and Dec. 31, 1961

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Hon. D. R. (Billy) Matthews: Italy	Lira	39,200	63.12	73,425	118.23	19,756	31.00			132,381	212.35
Hon. Clifford McIntire: England	Mark					3,729.85	934.80			3,729.85	
	Pound	13-8-3	37.65	8-16-6	25.10	1-0-0	2.80	3-16-0	10.65	28-2-9	1,011.00
Hon. Paul C. Jones:											
Belgium	Belgian franc			250	5.00			100	2.00	350	7.00
Denmark	Danish kroner	275.20	40.00	240.80	35.00	20.64	3.00	41.28	6.00	577.92	84.00
Norway	Norwegian kroner.	120.70	17.00	193.83	27.30			14.20	2.00	328.73	46.30
Sweden	Swedish kroner	242.50	47.00	129.00	25.00			20.64	4.00	392.16	76.00
England	Pound	17.00	47.60	10.6	29.90	13.3	37.20	3.5	10.00	44.5	124.70
France	Franc			49.00	10.00			24.50	5.00	73.50	15.00
Hon. Ralph Harvey:											
France	do	294.00	60.00			5,708.70	1,162.67			6,002.70	1,222.67
Italy	Lira	124,200	200.00	55,890	90.00	124,104	200	15,525	25.00	319,719	515.00
Germany	Mark	179.55	99.75					39.90	10.00	179.55	109.75
Total			612.10		365.53		2,371.47		74.65		3,423.75
Hon. Ross Bass:											
Argentina	Peso	4,974.00	60.00	3,251.00	35.00	1,575.00	19.00	497.00	6.00	10,297	120.00
Chile	Escudo					75.00	71.36			75	71.36
Germany	Mark					8,885.62	2,353.60			8,885.62	2,353.60
Italy	Lira	18,600	29.95	22,300	35.91			15,171	24.43	56,071	90.29
Switzerland	Swiss franc	313.46	72.73	386.95	89.78			241.70	56.08	942.11	218.59
France	French franc	367.50	75.00	220.50	45.00			161.70	33.00	749.70	153.00
Hon. Harold D. Cooley:											
Belgium	Belgian franc	5,780.00	115.00	4,250.00	85.00	4,268.00	85.79			14,298	285.79
Egypt	UAR pound	84.31	202.35	45.25	108.62			8.93	21.45	138.50	332.42
France	Franc	1,787.00	364.69	1,020.00	208.10	4,655.00	950.00	495.13	101.15	7,957.13	1,623.94
Germany	Mark					4,441.71	1,116.10			4,441.71	1,116.10
Italy	Lira	18,630	30.00	21,815.73	35.13	620,300	998.87	9,936.00	16.00	670,681	1,080.00
Switzerland	Swiss franc	787.50	183.52	360.00	82.71	2,045.00	474.47	1,128.57	261.85	4,321.07	1,002.55
Total			1,133.24		725.25		6,069.19		519.96		8,447.64

MAR. 27, 1962.

HAROLD D. COOLEY,
Chairman, Committee on Agriculture.

Report of expenditure of foreign currencies and appropriated funds, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, expended between Jan. 1 and Dec. 31, 1961

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Samuel N. Friedel:											
Japan	Yen		135.00		60.00		90.00		86.11		371.11
Hong Kong	Dollar		190.00		84.00		98.00		48.16		420.16
Bangkok	Baht		95.00		45.00		45.00		40.00		225.00
India	Rupee		108.00		40.00		22.00		40.08		210.08
Israel	Pound		105.00		80.00		90.00		41.70		316.70
Greece	Drachma		115.00		60.00		50.00		30.50		255.50
Rome (Italy)	Lira		118.00		55.00		40.00		27.00		240.00
Paris (France)	Franc		141.00		51.00		80.90		30.10		303.00
Germany	Deutsche mark		47.00		30.00		33.00		9.05		119.05
Willard S. Curtin:											
Germany	do		22.31				1,000.10				1,022.41
Spain	Peseta		20.00		14.38		4.70				39.08
Robert W. Hemphill:											
Germany	Deutsche mark						1,082.70				1,082.70
Spain	Peseta		20.00		10.00		5.00				35.00
Abner W. Sibal:											
England	Pound		43.00		40.00				7.00		90.00
Belgium	Franc		25.00		20.00				4.80		49.80
France	do		68.00		37.00				15.00		120.00
Austria	Schilling		40.00		30.00				5.00		75.00
Germany	Deutsche mark		13.95		6.32				2.00		22.27
Italy	Lire		55.00		50.00				15.00		120.00
Morgan M. Moulder:											
Germany	Mark		50.00		65.00		125.00		11.88		251.88
Brazil	Cruzeiro		88.68		98.00		60.00		41.46		288.14
Spain	Peseta		135.00		215.00		265.00		49.12		664.12
Germany	Mark						1,647.90				1,647.90
James C. Healey:											
Spain	Peseta				372.00		120.00		188.00		680.00
Mexico	Peso		80.00		130.00		60.00		87.25		357.25
France	Franc						392.00				392.00
Torbert H. Macdonald:											
Italy	Lire		549.00		399.00		140.00		46.48		1,134.48
Germany	Mark						1,099.70				1,099.70
Total			2,263.94		1,991.70		6,551.00		825.69		11,632.33

RECAPITULATION

Foreign currency (U.S. dollars equivalent) $11,632.33

OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce.

MAR. 27, 1962.

Report of expenditure of foreign currencies and appropriated funds, Committee on Banking and Currency, U.S. House of Representatives, expended between Jan. 1 and Dec. 31, 1961

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Hugh J. Addonizio:											
Brazil	Cruzeiro	24,812.8	70.89	37,000	105.72			23,187.2	66.25	85,000	242.86
Argentina	Peso	9,044	109.09	5,860	70.68	6,100	73.58	1,496	18.06	22,500	271.41
Peru	Sol	1,826.40	68.15	900	33.59			218.60	8.16	2,945	109.90
Mexico	Peso	1,268.90	101.59	1,800	144.12			278.10	22.30	3,347	268.01
Germany	Deutsche mark					3,800	950.00			3,800	950.00
Mrs. Leonor Sullivan:											
Germany	do	305.68	76.42	256.72	64.18	108	27.00	129.60	32.40	800	200.00
Austria	Schilling	3,098.75	123.95	2,810	112.40	250	10.00	341.25	13.65	6,500	260.00
Greece	Drachma	908	30.25	1,820	60.66	165	5.50	607	20.25	3,500	116.66
Turkey	Turkish lira	264.50	29.39	510	56.65			75.50	8.40	850	94.44
Iran	Rial	11,980	126.06	1,400	18.42			320	4.20	3,700	148.68
India	Rupee	421	89.56	250.30	53.30	111.60	23.74	102.10	21.70	885	188.30
Thailand	Baht	757.90	36.35	968.10	46.43	100	4.80	174	8.34	2,000	95.92
Hong Kong	Hong Kong dollar.	646.10	113.35	892.05	156.50	326.15	57.22	283.46	49.73	2,147.76	376.80
Japan	Yen	27,433	76.20	32,400	90.00	4,320	12.00	4,847	13.47	69,000	191.67
Transportation	Deutsche mark					9,389.67	2,353.30			9,389.67	2,353.30
Jacob H. Gilbert:											
Brazil	Cruzeiro	20,449	58.43	36,750	105.00	3,800	10.86	2,251	64.29	83,500	238.58
Argentina	Peso	7,900	95.29	9,250	111.58			1,500	18.09	18,650	224.96
Peru	Sol	1,585.50	59.16	300	11.19	900	33.59	214.50	8.00	3,000	111.94
Mexico	Peso	912.34	73.04	1,900	152.12			334.66	26.80	3,147	251.96
Germany	Deutsche mark					3,800	950.00			3,800	950.00
William A. Barrett:											
England	Pound	23-8-7	65.62	56-5-5	157.55	7-1-0	19.75	13-5-0	37.08	100-0-0	280.00
Denmark	Kroner	727.50	105.43	583.70	84.60			88.80	12.87	1,400.00	202.90
Germany	Deutsche mark	1,279.20	319.80	1,040.80	260.20	550.60	137.65	139.40	34.85	3,010.00	752.50
Austria	Schilling	3,703.40	142.44	2,541.60	97.75	1,422.75	55.10	720.00	27.69	8,387.75	322.98
Italy	Lira	32,491	52.32	53,283	85.80	26,466	42.62	17,049	27.45	129,289	208.19
Thomas L. Ashley:											
Denmark	Kroner	402.20	67.03	241.80	40.30	46.00	7.67	123.00	20.50	813.00	135.50
Germany	Deutsche mark	497.11	124.28	552.12	138.03	70.40	17.60	80.37	20.09	1,200.00	300.00
Austria	Schilling	4,055.25	162.21	2,984.25	119.37	780.50	31.22	560.00	22.40	8,380.00	335.20
Greece	Drachma	937.00	31.22	1,764.00	58.79	426.00	14.20	373.00	12.45	3,500.00	116.66
Turkey	Lira	436.10	48.45	361.40	40.16			92.50	10.28	890.00	98.89
Iran	Rial	2,311	30.41	2,100	27.63	450	5.92	520	6.84	5,381	70.80
India	Rupee	473.20	100.69	347.80	73.99	91.50	19.47	72.50	15.42	985.00	209.57
Thailand	Baht	757.90	36.39	1,240.60	59.55	250.00	12.00	461.50	22.14	2,710.00	130.08
Hong Kong	Hong Kong dollar.	678.60	119.05	743.30	130.40	220.00	38.60	242.55	42.55	1,884.45	330.60
Japan	Yen	87,380	242.72	80,136	222.60	27,410	76.15	8,928	24.80	203,854	566.27
Transportation	Deutsche mark					8,722.20	2,180.55			8,722.20	2,180.55
Mrs. Martha W. Griffiths:											
Austria	Schilling	2,519.40	100.78	2,774.50	110.98	550.00	22.00	656.10	26.24	6,500.00	260.00
Greece	Drachma	930.00	31.00	1,713.50	57.10	70.50	2.35	336.00	11.21	3,050.00	101.66
Turkey	Lira	272.00	30.22	559.00	62.12	150.00	16.67	106.00	11.76	1,087.00	120.77
Iran	Rial	2,002.00	26.35	1,317.00	17.33			319.00	4.20	3,638.00	47.88
India	Rupee	447.73	95.25	340.40	72.40	111.60	23.74	100.27	21.37	1,000.00	212.76
Thailand	Baht	728.20	34.93	980.70	47.03	125.60	6.03	334.50	16.03	2,169.00	104.02
Hong Kong	Hong Kong dollar.	630.20	110.56	942.90	165.42	321.70	56.44	293.45	51.48	2,188.25	383.90
Japan	Yen	26,856	74.60	36,504	101.40	6,660	18.50	1,783	32.73	81,803	227.23
Transportation	Deutsche mark					8,058.40	2,019.65			8,058.40	2,019.65
Orman S. Fink:											
Brazil	Cruzeiro	18,339.6	52.39	42,750	122.14			21,010.4	60.03	82,100	234.56
Argentina	Peso	7,112	85.79	8,550	103.14			1,813	21.87	17,475	210.80
Peru	Sol	1,521.00	56.75	1,150	42.91			329.00	12.28	3,000	111.94
Mexico	Peso	791.98	63.42	1,760	140.91	1,570	125.70	159.02	12.75	4,281	342.78
Germany	Deutsche mark					3,800	950.00			3,800	950.00
Robert R. Poston (includes trip around the world and trip to Western Europe):											
England	Pound	17-9-1	48.87	7-6-6	20.53	1-19-3	5.50	2-5-0	6.30	29.00	81.20
Denmark	Kroner	71,670	103.84	445.00	64.54	192.40	27.88	44.90	6.50	1,399.00	202.76
Germany	Deutsche mark	84,665	211.66	784.40	196.10	146.50	36.63	96.00	24.00	1,879.55	468.39
Austria	Schilling	4,672.85	179.72	3,838.00	147.62	791.70	30.45	847.45	32.60	10,150.00	390.39
Greece	Drachma	853.00	28.42	1,159.00	38.64			438.00	14.60	2,450.00	81.66
Turkey	Lira	306.00	33.99	255.60	28.40			68.40	7.60	630.00	69.99
Iran	Rial	2,039.00	26.83	500.00	6.58			251.00	3.31	2,790.00	36.72
India	Rupee	43,435	92.41	13,050	27.77	6,700	14.26	42.15	8.97	674.00	143.41
Thailand	Baht	757.90	36.35	696.00	33.38			126.10	6.05	1,580.00	75.78
Hong Kong	Hong Kong dollar.	420.85	73.83	544.57	95.54	98.61	17.30	92.00	16.14	1,156.03	202.81
Japan	Yen	41,410	114.00	29,586	82.46	4,140	11.50	6,534	18.15	81,400	226.11
Italy	Lira	15,632	25.22	19,550	31.60	6,300	10.20	4,600	7.44	46,082	74.46
Netherlands	Guilder	55.15	15.32	2,550	7.08	835	2.32			8,900	24.72
Transportation	Deutsche mark					8,072.97	2,023.30			8,072.97	2,023.30
Seymour Halpern:											
Italy	Lira	130,410	210.00	74,520	120.00	58,470	96.15	22,356	36.00	675,460	462.15
Transportation	Deutsche mark					4,387.80	1,099.70			4,387.80	1,099.70
William S. Moorhead:											
England	Pound	70-0-3	207.20	40-15-0	114.10	49-14-2	139.18	9-13-8	27.15	174-3-1	487.63
France	Franc	983.35	200.27	1,195.25	243.43	419.40	85.42	261.20	53.26	2,849.20	582.38
Italy	Lira	113,350	182.53	74,830	120.50	176,849	284.78	11,820	19.02	376,849	606.83
Israel	Pound	249.60	115.56	290.40	134.44	141.25	65.39	140.00	64.81	821.25	380.20
Jordan	Dienar	6.215	17.40	8.550	23.94	7.435	20.82	2.300	6.44	24.500	68.60
Total			5,670.69		5,568.79		14,381.95		1,175.11		27,003.22

BRENT SPENCE,
Chairman, Committee on Banking and Currency.

Supplemental report of expenditure of foreign currencies and appropriated funds by the Committee on Government Operations, U.S. House of Representatives, expended between Jan. 1 and Dec. 31, 1961

RECAPITULATION

[U.S. dollars equivalent or U.S. currency]

Committee	Lodging	Meals	Transportation	Miscellaneous	Total
Full committee	$1,507.49	$1,321.53	$4,790.64	$555.90	$8,175.56
Executive and Legislative Reorganization Subcommittee	256.44	117.28	2,107.16	34.68	2,515.56
Military Operations Subcommittee	555.85	446.74	257.38	111.64	1,371.61
Foreign Operations and Monetary Affairs Subcommittee	1,595.72	1,569.34	9,507.59	2,335.70	15,008.35
Special Government Information Subcommittee	1,665.07	1,967.58	3,616.95	435.83	7,685.43
Grand total	5,580.57	5,422.47	20,279.72	3,473.75	34,756.51

RECAPITULATION

Foreign currency (U.S. dollar equivalent)	$34,756.51
Appropriated funds:	
H. Res. 70, 87th Cong.	572.20
Defense (MATS) TWA	399.40
Total	35,728.11

WILLIAM L. DAWSON,
Chairman, Committee on Government Operations.

MAR. 23, 1962.

Report of expenditure of foreign currencies and appropriated funds by the Committee on Government Operations, U.S. House of Representatives, expended between Jan. 1 and Dec. 31, 1961

FULL COMMITTEE

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Christine Ray Davis:											
Austria	Schilling	1,302.50	49.50	750	28.50	487.50	18.53	460.00	17.48	3,000	114.01
Denmark	Kroner	253.45	36.79	200	29.08	140	20.36	186.05	27.04	779	113.27
England	Pound	16–8	46.08	6–8	17.98	49–13	139.52	9–16	27.54	82–5	231.12
France	Franc	1,412.10	281.01	869.40	173.01	1,632	324.77	315	62.69	4,228.50	841.48
Germany	Deutsche mark	277.40	69.36	259.40	64.85	395	98.91	122	30.55	1,053.80	263.67
Italy	Lira	117,870	186.23	119,000	188.02	4,381	6.92	11,209	17.71	252,460	398.88
Spain	Peseta	2,856	46.45	1,850	30.25	617	10.06	577	9.41	5,900	96.17
Transportation [1]							856.00				856.00
James A. Lanigan:											
France	Franc	723.40	147.65	763.30	155.79	1,954.43	398.90	295.30	60.27	3,736.43	762.61
Germany	Deutsche mark	159.10	39.82	103	25.78	395	98.87	67.90	17.00	725	181.47
Denmark	Kroner	210	30.53	195.30	28.40	280.70	40.81	114	16.58	800	116.32
England	Pound	12.13.0	35.54	5.7.2	15.03	75.7.0	211.73	9.17.0	27.68	103.4.2	289.98
Austria	Schilling	1,219.50	47.44	807.50	31.41	492	19.13	711	27.66	3,230	125.64
Italy	Lira	37,720	60.92	63,410	102.41	47.710	77.05	20,760	33.53	169,600	273.91
Spain	Peseta	1,677	27.34	2,436	39.70	670	10.92	1,509	24.60	6,292	102.56
Transportation [1]							856.00				856.00
Miles Q. Romney:											
France	Franc	786	156.41	662	131.74	1,761	350.44	109	21.69	3,318	660.28
Germany	Deutche mark	175	43.82	131	32.80	407	101.91	107	26.79	820	205.32
Denmark	Krone	210	30.53	197	28.64	84	12.21	74	10.76	565	82.14
England	Pound	12–14–0	35.69	7–9–0	20.93	23–5–0	65.33	4–18–0	13.77	48–6–0	135.72
Austria	Schilling	1,219	46.32	708	26.90	779	29.60	855	32.49	3,561	135.31
Italy	Lira	39,700	62.73	65,300	103.17	75,340	119.04	23,400	36.97	203,740	321.91
Spain	Peseta	1,677	27.33	2,892	47.14	4,149	67.63	840	13.69	9,558	155.79
Transportation [1]							856.00				856.00
Total			1,507.49		1,321.53		4,790.64		555.90		8,175.56

[1] Round-trip steamship transportation purchased by U.S. State Department before departure via United States Lines (SS *United States*) reading New York-LeHavre, France and return. Return portion of ticket turned in to Embassy in France and applied against return transportation via air.

RECAPITULATION

Foreign currency (U.S. dollar equivalent)	$8,175.56
Appropriated funds: H. Res. 70, 87th Cong.	471.00
Total	8,646.56

WILLIAM L. DAWSON,
Chairman, Committee on Government Operations.

JAN. 30, 1962.

SUBCOMMITTEE ON EXECUTIVE AND LEGISLATIVE REORGANIZATION

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Elmer W. Henderson:											
Senegal	Franc	4,220	17.58	1,700	7.08	175	0.77	80	0.33	6,175	25.76
Ghana	Ghana pound	20.8	57.10	11	30.80	3	8.40	1.12	3.14	36	99.44
Nigeria	Nigeria pound	36.12	102.30	13	36.40	33	92.40	4.8	11.44	87	242.54
Sudan	Sudan pound	5.200	14.50	1	2.90			1	2.90	7	20.30
Kenya	East African schilling.	194.70	27.16	120	16.80	21	2.94	39	5.46	374	52.36
Uganda	do	75.40	10.50	70	9.80	10	1.40	19	2.66	174	24.36
United Arab Republic	Egyptian pound	12.14	27.30	6	13.50	3	6.75	3.85	8.75	25	56.30
Transportation [2]							1,994.50				1,994.50
Total			256.44		117.28		2,107.16		34.68		2,515.56

[2] NOTE.—Air transportation, Washington, D.C., to Dakar, Accra, Lagos, Khartoum, Nairobi, Kampala, Cairo, and return via Pan American Airlines. Ticket purchased by U.S. Department of State out of counterpart funds.

RECAPITULATION

Foreign currency (U.S. dollar equivalent)	$2,515.56

WILLIAM L. DAWSON,
Chairman, Committee on Government Operations.

JAN. 30, 1962.

Supplemental report of expenditure of foreign currencies and appropriated funds by Committee on Government Operations, U.S. House of Representatives, expended between Jan. 1 and Dec. 31, 1961

SUBCOMMITTEE ON MILITARY OPERATIONS

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Hon. R. Walter Riehlman:											
England	Pound	8	22.48	13	36.53	5	14.05			26	73.06
Denmark	Kroner	288	41.88	100	14.54	105	15.27			493	71.69
Germany	Deutsche mark	106.15	26.58	205.15	51.37	292	73.12	200	50.08	380.30	201.15
Austria	Schilling	2,103	79.91	1,019	38.72	640	24.32			3,762	142.95
Italy	Lira	107,642	170.07	90,800	143.46	10,650	16.83			209,092	330.36
Greece	Drachma	426	14.19	647	21.55	142	4.73			1,215	40.47
Egypt	Egyptian pound.	12.525	28.18	10.250	23.06	1.925	4.33			24.700	55.57
Lebanon	Lebanese pound	63.90	21.28	51	16.98	17.10	5.69			132.00	43.95
Israel	Israeli pound	20.100	9.31	42.900	19.86	21.000	9.72			84.000	38.89
Jordan	Jordanian pound.			2.000	5.60	12.000	33.60			14.000	39.20
France	Franc	713.40	141.97	377.25	75.07	280	55.72	309.35	61.56	1,680	334.32
Total			555.85		446.74		257.38		111.64		1,371.61

RECAPITULATION

Foreign currency (U.S. dollar equivalent)	$1,371.61
Appropriated funds:	
H. Res. 70, 87th Congress	101.20
Defense (MATS) TWA 10-16-61	96.00
Defense (MATS) TWA 12-18-61	151.70
Defense (MATS) TWA 12-22-61	151.70
Total	1,872.21

WILLIAM L. DAWSON,
Chairman, Committee on Government Operations.

MAR. 23, 1962.

Report of expenditure of foreign currencies and appropriated funds, Committee on Government Operations, Foreign Operations and Monetary Affairs Subcommittee, U.S. House of Representatives, expended between Jan. 1 and Dec. 31, 1961

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Hon. John Monagan:											
Brazil	Cruzeiro	12,200	36.63	3,980	11.95	18,285	54.91	12,163	36.53	46,628	140.02
Argentina	Peso	7,936	95.61	2,738	33.02	2,898	34.95	1,221	14.72	14,793	178.30
Chile	Escudo	61.80	58.80	9.92	9.44			27.77	26.42	99.49	94.66
Peru	Sol	2,300	85.82	938	35.00	607	22.64	102	3.80	3,947	147.26
Panama	Balboa								16.30		[1] 16.30
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.48		[1] 33.48
Puerto Rico	Dollar								53.31		[1] 53.31
Hon. George Meader:											
Brazil	Cruzeiro	12,200	36.63	15,614	46.89	18,285	54.91	13,543	40.67	59,642	179.10
Argentina	Peso	3,224	38.89	2,919	35.21	2,898	34.95	976	11.77	10,017	120.82
Chile	Escudo	61.80	58.80	31.24	29.72			24.77	23.57	117.81	112.09
Peru	Sol	1,841	68.69	1,364	50.89	607	22.64	67	2.50	3,879	144.72
Panama	Balboa								16.30		[1] 16.30
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.48		[1] 33.48
Puerto Rico	Dollar								53.31		[1] 53.31
Hon. Henry Reuss:											
Argentina	Peso	1,612	19.44	1,475	17.79	2,898	34.95	406	4.89	6,391	77.07
Chile	Escudo	61.80	58.80	23.46	22.32			28.92	27.52	114.18	108.64
Peru	Sol	1,841	68.69	1,455	54.29	607	22.64	296	11.04	4,199	156.66
Panama	Balboa								16.30		[1] 16.30
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.48		[1] 33.48
Puerto Rico	Dollar								53.31		[1] 53.31
John T. M. Reddan:											
Brazil	Cruzeiro	12,200	36.63	7,692	23.10	18,285	54.91	12,963	38.93	51,140	153.57
Argentina	Peso	2,728	32.90	3,214	38.76	2,898	34.95	1,126	13.58	9,966	120.19
Chile	Escudo	61.80	58.80	50.37	47.93			25.77	24.52	137.94	131.25
Peru	Sol	1,150	42.91	1,625	60.63	607	22.64	347	12.94	3,729	139.12
Panama	Balboa								16.30		[1] 16.30
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.48		[1] 33.48
Puerto Rico	Dollar								53.30		[1] 53.30
Total			798.04		516.94		305.09		1,009.95		2,720.02
Lanham Connor (reporter):											
Brazil	Cruzeiro	12,200	36.63	7,264	21.81	18,285	54.91	12,408	37.26	50,157	150.61
Argentina	Peso	2,728	32.90	520	6.27	2,898	34.95	296	3.57	6,442	77.69
Chile	Escudo	61.80	58.80	78.23	74.43			26.17	24.90	166.20	158.13
Peru	Sol	690	25.74	1,339	49.96	607	22.64	212	7.91	2,848	106.25
Panama	Balboa								16.29		[1] 16.29
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.47		[1] 33.47
Puerto Rico	Dollar								53.30		[1] 53.30
Leslie Grant (ICA):											
Brazil	Cruzeiro	10,400	31.23	12,593	37.82	18,285	54.91	17,295	51.94	58,573	175.90
Argentina	Peso	3,224	38.89	2,200	26.53	2,898	34.95	261	3.14	8,583	103.51
Chile	Escudo	61.80	58.80	34	32.35			24.77	23.57	120.57	114.72
Peru	Sol	1,150	42.91	1,225	45.70	607	22.64	128	4.77	3,110	116.02
Panama	Balboa								16.29		[1] 16.29
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.47		[1] 33.47
Puerto Rico	Dollar								53.30		[1] 53.30

See footnotes at end of table.

Report of expenditure of foreign currencies and appropriated funds, Committee on Government Operations, Foreign Operations and Monetary Affairs Subcommittee, U.S. House of Representatives, expended between Jan. 1 and Dec. 31, 1961—Continued

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Frank Hill (Navy Department):											
Brazil	Cruzeiro	7,800	23.42	33,889	101.77	18,285	54.91	16,283	48.90	76,257	229.00
Argentina	Peso	3,224	38.89	2,836	34.20	2,898	34.95	366	4.41	9,234	112.45
Chile	Escudo	61.80	58.80	66.89	63.64			23.77	22.62	152.46	145.06
Peru	Sol	690	25.74	1,020	38.05	607	22.64	32	1.19	2,349	87.62
Panama	Balboa								16.29		[1] 16.29
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.47		[1] 33.47
Puerto Rico	Dollar								53.30		[1] 53.30
John Robinson (ICA):											
Brazil	Cruzeiro	12,200	36.63	12,823	38.51	18,285	54.91	16,593	49.83	59,901	179.88
Argentina	Peso	2,976	35.89	3,340	40.28	3,898	34.95	316	3.81	9,530	114.93
Chile	Escudo	61.80	58.80	87.34	83.10			35.92	34.18	185.06	176.08
Peru	Sol	1,074	40.07	1,958	73.05	607	22.64	481	17.94	4,120	153.70
Panama	Balboa								16.29		[1] 16.29
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.47		[1] 33.47
Puerto Rico	Dollar								53.30		[1] 53.30
Melvin Sinn (State Department):											
Brazil	Cruzeiro	10,400	31.23	44,180	132.67	18,285	54.91	18,336	55.06	91,201	273.87
Argentina	Peso	3,224	38.89	4,209	50.77	2,898	34.95	346	4.17	10,677	128.78
Chile	Escudo	61.80	58.80	52.28	49.74			26.77	24.99	140.35	133.53
Peru	Sol	660	24.62	1,387	51.75	607	22.64	162	6.04	2,816	105.05
Panama	Balboa								16.29		[1] 16.29
Venezuela	Bolivar								76.05		[1] 76.05
Curaçao	Guilder								33.47		[1] 33.47
Puerto Rico	Dollar								53.30		[1] 53.30
Transportation [2]							8,550.00				8,550.00
Grand total			1,595.72		1,569.34		9,507.59		2,335.70		15, 08.35

[1] Only summary figures available from Department of State.

[2] 9 round-trip airline tickets via Pan American Airways at $950 each.

RECAPITULATION

Foreign currency (U.S. dollar equivalent) $15,008.35

WILLIAM L. DAWSON,
Chairman, Committee on Government Operations.

JAN. 30, 1962.

SPECIAL SUBCOMMITTEE ON GOVERNMENT INFORMATION

Name and country	Name of currency	Lodging		Meals		Transportation		Miscellaneous		Total	
		Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency	Foreign currency	U.S. dollar equivalent or U.S. currency
Samuel J. Archibald:											
United Kingdom	Pound	27-2-6	76.58	23-4-1	65.00	42-10-0	119.00	2-3-5	6.07	95-0-0	266.65
France	Franc	841	171.66	821	167.73	290	59.15	236	48.15	2,118	446.69
Germany	Deutsche mark	224	53.23	423	100.70	316	75.25	37	8.80	1,000	237.98
Italy	Lire	71,371	114.93	105,756	170.30	22,511	36.25	10,836	17.45	210,474	338.93
Greece	Drachma	484	16.15	786	26.19			30	1.00	1,300	43.34
Egypt	Dollar							75	1.69	75	1.69
Philippines	Peso	60.48	18.90	66.08	20.65	26.78	8.37	10.06	3.14	163.40	51.06
Hong Kong	Hong Kong dollar.	285.00	50.00	408.12	71.60	145.06	25.45	20.80	3.65	858.98	150.70
Japan	Yen	40,320	112.00	51,318	142.55	17,352	48.20	5,130	14.25	114,120	317.00
Transportation [3]							934.80				934.80
Phineas Indritz:											
United Kingdom	Pound	25-6-0	70.84	15-3-4	42.47	8-3-8	22.91	2-5-0	6.30	50-18-0	142.52
France	Franc	700	142.57	708.20	144.24	89.20	18.17	366.58	74.66	1,863.98	379.64
Germany	Deutsche mark	185.25	46.43	160.55	40.24	153.50	38.47	69	17.29	568.30	142.43
Italy	Lire	48,889	78.73	52,190	84.04	22,000	35.43	22,995	37.03	146,074	235.23
Greece	Drachma	450	15.00	869	28.97	90	3.00	583	19.43	1,992	66.40
Egypt	Egyptian pound.			.40	.90			.45	1.01	.85	1.91
Philippines	Peso	50.10	18.22	62.75	22.82	7.40	2.69	25.70	9.35	145.95	53.08
Hong Kong	Dollar	210	36.91	100.50	17.67	28.60	5.03	32.10	5.64	371.20	65.25
Japan	Yen	21,860	60.72	29,517	81.99	5,425	15.07	8,333	23.15	65,135	180.93
Transportation [3]							934.80				934.80
Jack Howard:											
United Kingdom	Pound	25-6-0	70.90	29-13-4	83.07	16-13-5	46.69	9-15-11	27.42	81-8-8	228.08
France	Franc	832.45	169.82	857.75	174.98	253.35	51.68	181.45	37.02	2,125	433.50
Germany	Deutsche mark	181.80	43.28	257.33	61.28	487.57	116.09	108.05	25.72	1,034.75	246.37
Italy	Lira	68,325	110.05	91,290	147.09	17,505	28.06	8,380	13.52	185,500	298.72
Greece	Drachma	377	12.53	621	20.70	123	4.10	78	2.60	1,199	39.93
Egypt	Egyptian pound			.70	1.57			.35	.79	1.05	2.36
Philippines	Peso	50.10	15.60	74.60	23.37	28.20	8.81	10.40	3.25	163.30	51.03
Hong Kong	Dollar	255	44.74	295	51.75	59	10.35	38.00	6.66	647	113.50
Japan	Yen	41,500	115.28	63,300	175.71	12,360	34.33	7,500	20.79	124,660	346.11
Transportation [3]							934.80				934.80
Total			1,665.07		1,967.58		3,616.95		435.83		7,685.43

[3] Round-trip air transportation purchased by U.S. State Department before departure via Pan American Airways System, reading "Washington-New York-London, etc., and return."

RECAPITULATION

Foreign currency (U.S. dollar equivalent) $7,685.43

WILLIAM L. DAWSON,
Chairman, Committee on Government Operations.

JAN. 30, 1962.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1867. A communication from the President of the United States, transmitting a report by the Secretary of the Treasury reviewing the wide variety of measures undertaken by this administration to cope with the urgent balance of payments problem that faces this country; to the Committee on Ways and Means.

1868. A letter from the Secretary of Defense, transmitting a semiannual report with respect to the exercise of authority granted him to establish or develop installations and facilities required for advanced research projects, pursuant to Public Law 85-685; to the Committee on Armed Services.

1869. A letter from the Comptroller General of the United States, transmitting a report on the review of Government housing rental rates at Los Alamos, N. Mex., Atomic Energy Commission, September 1961; to the Committee on Government Operations.

1870. A letter from the Secretary of the Interior, transmitting a report relative to operations of the Department of the Interior during calendar year 1961 under the Saline Water Act of 1952, Public Law 448, 82d Congress, as amended; to the Committee on Interior and Insular Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. COOLEY: Committee on Agriculture. S. 860. An act to provide greater protection against the introduction and dissemination of diseases of livestock and poultry, and for other purposes; with amendment (Rept. No. 1516). Referred to the Committee of the Whole House on the State of the Union.

Mr. DELANEY: Committee on Rules. House Resolution 579. Resolution for consideration of H.R. 10700, a bill to amend the Peace Corps Act; without amendment (Rept. No. 1517). Referred to the House Calendar.

Mr. LANE: Committee on the Judiciary. H.R. 298. A bill to provide for the recovery from tortiously liable third persons of the cost of hospital and medical care and treatment furnished by the United States; with amendment (Rept. No. 1534). Referred to the Committee of the Whole House on the State of the Union.

Mr. RUTHERFORD: Committee on Interior and Insular Affairs. House Joint Resolution 449. Joint resolution providing for the establishing of the former dwelling house of Alexander Hamilton as a national memorial; with amendment (Rept. No. 1535). Referred to the Committee of the Whole House on the State of the Union.

Mr. O'BRIEN of New York: Committee on Interior and Insular Affairs. H.R. 10062. A bill to extend the application of certain laws to American Samoa; with amendment (Rept. No. 1536). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. WALTER: Committee on the Judiciary. S. 193. An act for the relief of Rev. Patrick Floyd; without amendment (Rept. No. 1518). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 899. An act for the relief of Liu Shui Chen; without amendment (Rept. No. 1519). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 1372. A bill for the relief of Rocco Cambrea; with amendment (Rept. No. 1520). Referred to the Committee of the Whole House.

Mr. POFF: Committee on the Judiciary. H.R. 1533. A bill for the relief of Lee Kyong Ja; without amendment (Rept. No. 1521). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 1700. A bill for the relief of Jaime Abejuro; without amendment (Rept. No. 1522). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 3005. A bill for the relief of Sister Mary Aurelia (Chiara Di Gesu); without amendment (Rept. No. 1523). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. H.R. 5689. A bill for the relief of Felicja Saulevicz; with amendment (Rept. No. 1524). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 6344. A bill for the relief of Mon (Fred) Young; without amendment (Rept. No. 1525). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 971. An act for the relief of Salvatore Briganti; with amendment (Rept. No. 1526). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 1305. An act for the relief of Kazuo Ito and Satomi Ito; without amendment (Rept. No. 1527). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 1520. An act for the relief of Mary Elizabeth Sidor Polkowska; without amendment (Rept. No. 1528). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 1578. An act for the relief of Edward Yin Liang; without amendment (Rept. No. 1529). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 1638. An act for the relief of Felix Ledina Mendoza; without amendment (Rept. No. 1530). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 1841. An act for the relief of Maria Zambetoulla; without amendment (Rept. No. 1531). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 1874. An act for the relief of Roland Fernando Mishutani; without amendment (Rept. No. 1532). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 2101. An act for the relief of Aida Mary Sorino Boccalery; without amendment (Rept. No. 1533). Referred to the Committee of the Whole House.

Mr. POFF: Committee on the Judiciary. H.R. 1404. A bill for the relief of Mrs. Frances Mangiaracina, and her children, Concetta Maria, Rosetta, and Tomasino; with amendment (Rept. No. 1537). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 1650. A bill for the relief of Irene Kemeny; without amendment (Rept. No. 1538). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. H.R. 1651. A bill for the relief of Adela Glicman; with amendment (Rept. No. 1539). 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. ABBITT:

H.R. 10965. A bill defining the jurisdiction of the U.S. Supreme Court and all Federal courts inferior thereto, in certain instances; to the Committee on the Judiciary.

By Mr. CELLER:

H.R. 10966. A bill to fix the fees payable to the Patent Office and for other purposes; to the Committee on the Judiciary.

By Mr. CLARK:

H.R. 10967. A bill to amend title 23 of the United States Code to provide for a National Highway Academy; to the Committee on Public Works.

By Mr. COHELAN:

H.R. 10968. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. DIGGS:

H.R. 10969. A bill to help achieve the objectives of the Employment Act of 1946 by providing standby authority to accelerate capital expenditure programs of the Federal Government and State and local public bodies; to the Committee on Public Works.

By Mr. KARTH:

H.R. 10970. A bill to amend the Davis-Bacon Act, as amended; the Federal Airport Act, as amended; and the National Housing Act, as amended; and for other purposes; to the Committee on Education and Labor.

By Mr. KLUCZYNSKI:

H.R. 10971. A bill to amend title 23 of the United States Code to provide for a National Highway Academy; to the Committee on Public Works.

By Mr. KYL:

H.R. 10972. A bill to amend section 401 of the Internal Revenue Code of 1954 to provide that plans which provide certain medical and other benefits for retired employees and their families may be qualified pension plans; to the Committee on Ways and Means.

By Mr. LAIRD (by request):

H.R. 10973. A bill to amend the act of September 30, 1961, relating to the application of the antitrust laws to certain organized sports; to the Committee on the Judiciary.

By Mr. McFALL:

H.R. 10974. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. REUSS:

H.R. 10975. A bill to amend the Internal Revenue Code of 1954 to provide for the nonrecognition of gain on the disposition of stock of a corporation by a retiring employee of such corporation, where the employee is required to make such disposition and where he reinvests the proceeds thereof in other securities; to the Committee on Ways and Means.

By Mr. RIVERS of Alaska:

H.R. 10976. A bill to authorize the construction of the Bradley Lake project in the State of Alaska for the generation of hydroelectric power; to the Committee on Public Works.

By Mr. ROGERS of Texas:

H.R. 10977. A bill to provide that certain information relating to the national security shall be made available to the Speaker of the House of Representatives; to the Committee on Post Office and Civil Service.

By Mr. ROOSEVELT:

H.R. 10978. A bill to provide for the establishment, ownership, operation, and regulation of a commercial communications satellite system, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. SANTANGELO:

H.R. 10979. A bill to amend the Internal Revenue Code of 1954 to provide that the undistributed investment income of a tax-exempt nonprofit organization (other than a religious or educational organization) shall within certain limits be taxable as regular business income; to the Committee on Ways and Means.

By Mr. VINSON:

H.R. 10980. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. BOW:

H.R. 10981. A bill to provide for the medical and hospital care of the aged through a system of voluntary health insurance, and for other purposes; to the Committee on Ways and Means.

By Mr. BUCKLEY (by request):

H.R. 10982. A bill to authorize an adequate White House Police force, and for other purposes; to the Committee on Public Works.

By Mr. HAGEN of California:

H.R. 10983. A bill to amend the Agricultural Adjustment Act of 1938, as amended, to provide for marketing quotas on Irish potatoes through establishment of acreage allotments; to the Committee on Agriculture.

H.R. 10984. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. HARVEY of Michigan:

H.R. 10985. A bill to continue for a temporary period the existing suspension of duty on certain amorphous graphite; to the Committee on Ways and Means.

H.R. 10986. A bill to amend the Tariff Act of 1930 to place certain natural amorphous graphite on the free list; to the Committee on Ways and Means.

By Mr. JENSEN:

H.R. 10987. A bill to establish a cropland retirement program; to the Committee on Agriculture.

By Mr. MacGREGOR:

H.R. 10988. A bill to amend the Mutual Security Act of 1954 relating to certain reports required of expenditures by committees, Members, and employees of Congress and for other purposes; to the Committee on Foreign Affairs.

By Mr. CLEM MILLER:

H.R. 10989. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. MORSE:

H.R. 10990. A bill to amend title II of the Social Security Act to increase to $1,800 a year the amount of outside earnings permitted without deductions from benefits thereunder; to the Committee on Ways and Means.

By Mr. MURPHY:

H.R. 10991. A bill to amend the law relating to pay for postal employees; to the Committee on Post Office and Civil Service.

By Mr. TUCK:

H.R. 10992. A bill defining the jurisdiction of the U.S. Supreme Court and all Federal courts inferior thereto, in certain instances; to the Committee on the Judiciary.

By Mr. HULL:

H.R. 10993. A bill to amend title II of the Social Security Act to increase the amount of outside earnings permitted during a calendar year from $1,200 to $1,800 without deductions from benefits thereunder; to the Committee on Ways and Means.

By Mr. PUCINSKI:

H.R. 10994. A bill to amend the Immigration and Nationality Act; to the Committee on the Judiciary.

By Mr. KEARNS:

H.R. 10995. A bill to establish the Capitol Hill National Historical Park and to provide for the protection and preservation of its historic character, dignity, and environment; to the Committee on Interior and Insular Affairs.

By Mr. LATTA:

H.J. Res. 678. Joint resolution to amend the Constitution of the United States to provide the right of States to establish their own election districts; to the Committee on the Judiciary.

By Mr. KEARNS:

H. Res. 580. Resolution to authorize the Committee on Interstate and Foreign Commerce to conduct an investigation and study of the newspaper monopoly in Erie, Pa.; to the Committee on Rules.

By Mr. DERWINSKI:

H. Res. 581. Resolution amending the Rules of the House of Representatives relating to the appointment of professional and clerical staffs of the committees of the House; to the Committee on Rules.

By Mr. McVEY:

H. Res. 582. Resolution amending the Rules of the House of Representatives relating to the appointment of professional and clerical staffs of the committees of the House; to the Committee on Rules.

MEMORIALS

Under clause 4 of rule XXII,

The SPEAKER presented a memorial of the Legislature of the State of New York, memorializing the President and the Congress of the United States to authorize a review of plans for the multipurpose development of the Genesee River Basin, which was referred to the Committee on Public Works.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. ADDONIZIO:

H.R. 10996. A bill for the relief of Dr. Kyu Soo Kim; to the Committee on the Judiciary.

By Mr. INOUYE:

H.R. 10997. A bill for the relief of Chi Sheng Liu; to the Committee on the Judiciary.

By Mr. MOSS:

H.R. 10998. A bill for the relief of Lucy Malca; to the Committee on the Judiciary.

By Mr. SCOTT:

H.R. 10999. A bill for the relief of Edward Kuen Sang Shum; to the Committee on the Judiciary.

By Mr. SHELLEY:

H.R. 11000. A bill for the relief of Donald A. MacMasters; to the Committee on the Judiciary.

H.R. 11001. A bill for the relief of Jennie Lim; to the Committee on the Judiciary.

By Mr. TEAGUE of Texas:

H.R. 11002. A bill to incorporate the Metropolitan Police Relief Association of the District of Columbia; to the Committee on the District of Columbia.

By Mr. FLYNT:

H.R. 11003. A bill for the relief of Lloyd T. Bridges; 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:

268. By the SPEAKER: Petition of James E. Collins, city clerk, Niagara Falls, N.Y., requesting the appropriation of the sum of $23,000 to carry out a survey to study flooding conditions on the upper Niagara River; to the Committee on Appropriations.

269. Also, petition of David J. Calderon, mayor, San Fernando, Calif., relative to opposing any amendment to the Constitution of the United States which would subject income from State and local bonds to a Federal tax; to the Committee on the Judiciary.

270. Also, petition of Henry Stoner, Fort Wayne, Ind., relative to congratulating the Supreme Court for having decided favorably for Baker in the Tennessee reapportionment case; to the Committee on the Judiciary.

271. Also, petition of Raymond Hanson and other citizens of the United States of America, Christian National Crusade, Los Angeles, Calif., relative to requesting the Congress of the United States to take whatever steps are necessary to withdraw from the United Nations; to the Committee on Foreign Affairs.

EXTENSIONS OF REMARKS

Farm Bureau's Sane Policy

EXTENSION OF REMARKS

OF

HON. RALPH F. BEERMANN

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 28, 1962

Mr. BEERMANN. Mr. Speaker, on March 13, the American Farm Bureau Federation, through its president, Charles B. Shuman, presented its views on general farm legislation before the House Agriculture Committee.

One might ask: What of it? What is extraordinary about the presentation of testimony on farm legislation by a farm organization? Is it not as routine as the convening of the House or the Senate?

But this was not an ordinary presentation. It had great significance as follows:

First. It illustrates the steady rise in influence in Washington and elsewhere of the American Farm Bureau Federation, the farm organization which believes in free enterprise for agriculture.

Second. Conversely, it illustrates the defeat of the administration's supply-management concept, which means Government control of all agriculture in production and marketing, and so forth; and the decline in influence of the Secretary of Agriculture, Orville Freeman.

Third. It emphasizes the complete bankruptcy of farm policy based on controls.