William R. Allen	James G. Williams	Martin J. Moynihan	Manuel Josephs, Jr.	Donald A. Naples	William E. Ecker, Jr.
Frederick M. Casciano	Ronald P. Hunter	Charles L. Keller	Michael B. Dunn	David F. Cunningham	Eugene M. Kelly
Robert A. Ginn	Alfred D. Utara	Joseph B. Goodwin III	William H. Hall, Jr.	William H. Hayes, Jr.	Theodore H. Purcell
Robert E. Isherwood	Eugene J. Hickey, Jr.	Merlin G. Nygren	Donald F. Jenkins	Michael A. Duke	Carl M. Brothers
David S. Smith	Carl E. Kunkel, Jr.	Wesley G. Davis, Jr.	Robert G. Williams	Leon E. Beaudin	Alan F. Miller
Richard R. Kuhn	Edwin J. Roland, Jr.	James D. Partin	Paul K. Hinkley	Lawrence A. Kidd	Kenneth C. Cutler
William J. Walsh	John A. Schmidt	Jerome M. Myers	Paul R. Lewis	Lloyd C. Burger	Robert S. Bates
Ralph E. Giffin	Richard W. Zins	Michael P. Maurice	James F. Butler	Daniel F. Bobeck	
Joseph S. Blackett, Jr.	John E. McCarty	Hugh D. Williams	Merrill C. Louks	James H. Parent	
John R. Sproat	Jefferson J. Walsh IV	James W. Haugen	Paul A. J. Martino	Jerome P. Foley	

EXTENSIONS OF REMARKS

Commendation of Station WNEW, New York City

EXTENSION OF REMARKS
OF
HON. HARRISON A. WILLIAMS, JR.
OF NEW JERSEY
IN THE SENATE OF THE UNITED STATES
Thursday, January 30, 1964

Mr. WILLIAMS of New Jersey. Mr. President, one of the most important factors in the continued success of our democracy is an informed citizenry. Deprive the citizenry of the knowledge of our governmental activities and our system will fail. The primary force for informing the public is the press. It stands to reason that the United States should pride itself in the quality of the press corps, for it does an amazingly thorough job. But we should not be content with anything less than expert press coverage of the activities in our governmental centers.

WNEW radio in New York City has taken this responsibility seriously. Last year they sponsored for the first time a news workshop to train newsmen in the basic orientation of the radio news operation and to give them an insight into radio newswriting. The workshop was conceived by Lee Hanna, news director of WNEW radio. The station received enthusiastic cooperation from Columbia, Fordham, Rutgers, Long Island University, and New York University.

According to Hanna the workshop was established "to implement our belief that the broadcasting industry has a continuing responsibility to strengthen journalism."

The workshop gave students the opportunity to participate in on-the-job training at the station under the supervision of the WNEW radio news staff.

The students who participated in the first session of the workshop were Terrence Montgomery and Barry Kramer, Columbia; Ruth Kohn and Stephen Sheppard, New York University; John Halligan and L. Michael McCartney, Fordham; Steven Shifman and Joan Rosenstein, Long Island University; and Carolyn Tanton and John Armstrong, Rutgers. The students were selected by the heads of the departments at the various universities.

Members of the workshop's board of directors are: Chairman, John Van Buren Sullivan, vice president and general manager of WNEW radio; Edward W. Barrett, dean of the Graduate School of Journalism, Columbia; Prof. Hillier Krieghbaum, chairman of the Department of Journalism, New York University; Rev. William K. Trivett, S.J., chairman of the Department of Communication Arts, Fordham; Dr. Frederic E. Merwin, chairman of the Department of Journalism, Rutgers; Prof. Jacob H. Jaffe, chairman of the Department of Journalism, Long Island University; and Miss Evelyn Burkey of the Writer's Guild of America, east.

I would like to commend station WNEW in New York for its dedication to responsible journalism.

SENATE

FRIDAY, JANUARY 31, 1964

The Senate met at 11 o'clock a.m., and was called to order by the President pro tempore.

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

Father of all mankind, as together we pause at this shrine of devotion our fathers built, grant us, we pray Thee, the steadying vision of Thy eternal goodness and a sense of Thy guidance.

We give Thee thanks for the lofty souls of the yesterdays which in the silence of this Chamber are our cloud of witnesses today, and whose fidelity in the past still urges us on to golden goals not yet reached. Join us to—

That company of souls supreme
The conscripts of the mighty dream.

In a day when all we value most seems so often to be at the mercy of what we value least, so direct Thy servants who here conduct the affairs of the Republic that the best which is expected of them, and of which their dedicated faculties are capable, may be brought to bear without fear or favor upon the confused issues of this critical day.

We ask it in the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. SMATHERS, and by unanimous consent, the reading of the Journal of the proceedings of Thursday, January 30, 1964, was dispensed with.

COMMITTEE MEETING DURING SENATE SESSION

On request of Mr. SMATHERS, and by unanimous consent, the Committee on Rules and Administration was authorized to meet during the session of the Senate today.

REQUEST FOR 3-MINUTE LIMITATION ON STATEMENTS DURING MORNING HOUR

Mr. SMATHERS. Mr. President, I ask unanimous consent that during the morning hour, statements be limited to 3 minutes.

Mr. DIRKSEN. Mr. President, I must object; and I do object.

The PRESIDENT pro tempore. Objection is heard.

AUTHORIZATION FOR ARMED SERVICES COMMITTEE TO MEET DURING SENATE SESSIONS NEXT WEEK

Mr. RUSSELL. Mr. President, I ask unanimous consent that the Committee on Armed Services and the Committee on Appropriations be authorized to meet next week, during the sessions of the Senate, to consider the authorization for procurement of military materiel, as required by Public Law 86–149 and appropriations for the Department of Defense; and I ask unanimous consent that the provision of any rule to the contrary notwithstanding, I may be permitted to make a brief statement in regard to the reason for this request.

The PRESIDENT pro tempore. Is there objection?

Mr. DIRKSEN. Mr. President, reserving the right to object—although I shall not object—I have discussed this matter with the distinguished Senator from Georgia. These committee hearings relate to an emergency situation, inasmuch as it is necessary to meet a deadline for a most important authorization. For that reason, I shall not object.

Mr. RUSSELL. I thank the Senator from Illinois.

The PRESIDENT pro tempore. Without objection, the request is granted.

Mr. RUSSELL. Mr. President, it is impossible for the Appropriations Committee to act on the appropriation bill until the authorization bill has been passed. Since the basic testimony supporting the authorization request is largely similar to that supporting the appropriations request, the Subcommittee on Department of Defense Appro-

priations will participate jointly with the Committee on Armed Services in these hearings. It is hoped that this procedure will expedite Senate consideration of the defense program and will avoid unnecessarily repetitious participation in hearings, both for the witnesses and the Senators concerned.

Of the $47,643 million requested in the budget for the Department of Defense, for the fiscal year 1965, $17,186 million must be authorized before any appropriations for that Department can be made.

Mr. President, I ask unanimous consent that there be printed in the RECORD a statement of the various items in the 1965 budget for the Department of Defense which must be authorized.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF DEFENSE BUDGET REQUESTS, FISCAL YEAR 1965

Appropriations included in the Department of Defense appropriation act

[In millions of dollars]

Title	Fiscal year 1965 budget estimate	Authorization required (sec. 412(b), Public Law 86-149, as amended)
I. Personnel	14,769	None
II. Operation and maintenance	12,396	None
III. Procurement:		
Army:		
Aircraft	444	444
Missiles	283	283
Ordnance, vehicles, and related equipment	695	None
Electronics and communications	201	None
Other	156	None
Total, Army	1,779	727
Navy:		
Aircraft	1,855	1,855
Missiles	[1] 673	[1] 673
Ships	1,966	1,966
Ordnance, vehicles, and related equipment	440	None
Electronics and communications	444	None
Other	342	None
Total, Navy	5,720	4,494
Air Force:		
Aircraft	3,663	3,663
Missiles	1,730	1,730
Ordnance, vehicles, and related equipment	230	None
Electronics and communications	435	None
Other	137	None
Total, Air Force	6,195	5,393
Defense agencies	62	None
Total, procurement	[2] 13,756	[3] 10,614
IV. Research, development, test, and evaluation:		
Army	1,397	1,397
Navy	1,451	1,451
Air Force	3,205	3,205
Defense agencies	519	519
Emergency fund	150	None
Total, R.D.T. & E	[2] 6,722	[4] 6,572
Grand total, Department of Defense Appropriation Act	[2] 47,643	[5] 17,186

[1] Includes $13,100,000 for Marine Corps.
[2] 100 percent.
[3] Actually, $10,613,300,000; 77 percent.
[4] 98 percent.
[5] Actually, $17,185,300,000; 36 percent.

Mr. RUSSELL. Mr. President, I thank the Senator from Illinois.

TRANSACTION OF ROUTINE BUSINESS

The PRESIDENT pro tempore. The presentation of petitions and memorials is in order.

Reports of committees are in order.

The introduction of bills and joint resolutions is in order.

The submission of concurrent and other resolutions is in order.

If there be no morning business to be transacted, morning business is closed.

Subsequently, by unanimous consent, the following routine business was transacted:

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries.

AGRICULTURAL ECONOMY—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 210)

The PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which was referred to the Committee on Agriculture and Forestry:

To the Congress of the United States:

American agricultural economy is the most productive in the world. Its efficiency is constantly increasing. One American farmer today provides 25 domestic consumers and 4 people overseas with their total food and fiber needs. His output has increased 140 percent since the end of World War II, almost three times the gain in nonfarm productivity. The consumer, as a result, must spend a smaller percentage of his budget to meet his food needs than ever before in our history.

During the past 3 years a series of new farm programs and policies has achieved considerable progress toward three basic goals of this administration's agricultural policy, higher farm income, reduced farm surpluses, and lower governmental costs.

Gross farm income in 1963 was $3.2 billion higher than in 1960, a gain of 8 percent.

Net income per farm rose during this same period from $2,961 to $3,425, a gain of 16 percent.

Government stocks of feed grains have declined by 22 million tons from their 1961 high of 85 million tons, enabling us to save $230 million a year on storage and other carrying charges.

Our agricultural exports in 1963 were $5.6 billion, the highest in history. They represented one quarter of our total exports of goods and services.

Farm-dependent towns and industries have reflected this economic improvement. Bank deposits in agricultural counties have increased 20 percent; and farmers have been able to purchase an estimated $800 million more in farm equipment in the past 3 years than they would have been able to buy with a 1960 level of income.

But statistical totals can be deceiving. The income of the average farm family is still only 55 percent of that received by the average nonfarm family.

Steadily rising costs are still eating up the major portion of the increase in gross farm income, forcing upon the farmer a cruel cost-price squeeze.

Almost one half of our Nation's poor live in rural areas.

Farming communities have three times the proportion of dilapidated and substandard homes as the rest of the Nation.

Three-quarters of those employed as farm laborers earned less than $2,000 a year in cash wages from all sources.

Our task, therefore, is threefold:

First, to maintain and improve farm income, strengthening the family farm in particular; second, to use our food abundance to raise standards of living both at home and around the world; and third, to accelerate the development and conservation of both material and human resources in rural America, where one-third of our citizens live.

Policies to strengthen the economy of rural and urban areas must go hand in hand. Prosperity on the farm gives impetus to prosperity in the city. New uses of land and water which are no longer required to produce food and fiber can serve the needs of both urban and rural residents.

The family farm is, and should remain, the key production unit. Exposed over the years to the most severe comparative and competitive tests, it has proved itself to be the best adapted to the American free enterprise system.

I. STRENGTHENING AMERICAN AGRICULTURE

The agricultural commodity programs developed during the past 30 years have served us well. They are now an indispensable bulwark of our agricultural economy. Without them our food supply would be much less secure than it is today.

But they are in need of improvement. New conditions arising from the technological revolution in agriculture present a special challenge—a challenge based upon the problems of abundance rather than scarcity.

Food and fiber policies must reflect the opportunities as well as the problems which accompany abundance. The need to consider our agriculture policies in this light has recently been reflected in joint resolutions introduced in both Houses of the Congress which would establish a bipartisan Commission to study the food and fiber programs of the United States. The programs which I am proposing to the Congress in this message, reflect in turn, my own determination to view our agricultural abundance as an opportunity for achievement rather than a cause for alarm.

Those commodities requiring immediate attention are cotton, wheat, dairy products, sugar, and potatoes. At present, the programs for these foods and fibers serve neither the producer, the consumer nor the taxpayer as well as they should.

First. Cotton: The needs of neither the cottongrower, the cotton handler, the cotton textile mill, nor the consumer are being satisfied by the existing legislation. The cotton industry as a whole is our

second largest. More than 1 million people are engaged in growing cotton—an additional 1.5 million people are employed in the production of cotton cloth and cotton products for consumers—and additional millions work in firms which supply the goods, machinery, and services to the industry.

Domestic cotton prices are much higher than world prices. Consequently, our textile mills must pay more for cotton than their foreign competitors.

In addition, despite the fact that the 1963 acreage allotment was held to the statutory minimum, sharply increased farm yields, combined with a continuing loss of markets—as cotton products are displaced by imports and by other fibers—has caused a sharp rise in the inventories of cotton held by the Commodity Credit Corporation. The carryover on August 1 will be almost 2 million bales higher than it was last year—adding over $300 million to the cost of the cotton program. The carryover will be enough to supply our domestic needs for 18 months.

Several legislative proposals are now pending before the Congress to deal with this program. I recommend the enactment of legislation which will first, make cotton more competitive with other fibers and eliminate the inequity of the present two-price system under which cotton used domestically is priced substantially higher than cotton sold for export; second, make it possible for growers who desire to do so to produce cotton at world prices, without any subsidy, on a basis which will not add to our stocks; and third, maintain the income of cotton growers while reducing excessive carryover stocks.

Second. Wheat: Changes in the wheat program are urgently needed to check a drastic decline in producer income from the 1964 crop. In the absence of additional legislation it is estimated that wheat producers will receive between $500 million and $700 million less in 1964 than they did in 1963.

I recommend that the existing law be amended to permit producers to participate in a certificate program on a voluntary basis. The law should be designed to, first, raise the income of wheatgrowers substantially above what it would be in the absence of new legislation; second, avoid increases in budgetary costs; third, maintain the price of wheat at a level which will not increase the price of bread to the consumer, and fourth, enable the United States to discharge its responsibilities and realize the benefits of the International Wheat Agreement.

In order to be effective for the 1964 wheat crop, the legislation must be enacted immediately. I urge prompt consideration and disposition of this legislation.

Third. Dairy: Modern dairying requires a large capital investment and a high degree of technical skill. No industry is more important to our health. Yet income to many efficient farmers is cruelly low, and this year it was reduced considerably by drought in many areas. I believe that a system for voluntary adjustment of output is the key to a successful dairy program. I recommend legislation to, first, provide incentives to dairy farmers to reduce surplus production, and, second, permit producers in Federal milk marketing order areas, through a "base excess plan" to reduce their production of milk without reducing their share of the class I market.

Fourth. Sugar: The rise in sugar prices in 1963 reflected a reduction in world supplies. The Cuban crop was about one-half the pre-Castro level. Europe had two poor sugarbeet crops. But the fears voiced last year that the United States would be unable to obtain sufficient sugar proved groundless. Action by the Department of Agriculture assured sugar users an adequate supply and helped halt the price increases that attended heavy buying in anticipation of shortages.

However, the experience of the past year—and the fact that foreign sugar quotas expire at the end of 1964—highlight the need for some action at this session of Congress to assure ample supplies of sugar to consumers at fair prices.

I recommend the removal of marketing restrictions on the sale of domestically produced sugar during the calendar year 1964. This legislation will relieve the pressure on world market supplies at a time when these supplies are short.

The effectiveness of our present arrangements for foreign sugar procurement are under intensive study. On the basis of this study I shall—early in this session—make recommendations for remedial legislation.

Fifth. Potatoes: Potato production is vulnerable to extreme price fluctuations resulting from wide variations in production. I recommend the enactment of legislation which will permit potato producers, if they so approve by referendum, to be given acreage allotment and marketing quotas aimed at stabilizing potato prices.

Sixth. Strengthening cooperatives: Farmers should be encouraged to maintain their position in the marketplace through their own efforts, and to utilize cooperative organizations for this purpose. This has been the declared policy of the Congress for many years, and the extremely large capital investments required in modern farming have increased the need for such cooperatives to furnish harvesting, storing, processing, transporting and marketing services, as well as electric and telephone services and other consumer needs, as a means of increasing net farm income. New legislation is needed to clarify the right of cooperatives to expand their operations by merger and acquisition. I shall shortly transmit to the Congress, also, legislation to provide additional credit facilities to permit rural cooperatives to assume additional responsibilities in the war to combat poverty.

Seventh. Futures trading: Trading in futures contracts on commodity exchanges is an old and valuable method of providing essential pricing service to farmers, processors, and handlers. When adequately policed and protected, it is an essential means of shielding producers from the hazards of major price fluctuations. Yet it is clear that the present authority of the Secretary of Agriculture—which covers trading of an annual value of nearly $50 billion—is inadequate for effective supervision of the futures markets. Accordingly, I shall shortly transmit to the Congress legislation to remedy the defects of the present law without impairing the basic operations of commodity exchanges.

Eighth. Shifting cropland to less intensive uses: One of the major problems facing American agriculture today involves the balance between land devoted to various crops and land used for other purposes. Cropland should be sufficient to produce all of the food and fiber we can expect to consume at home and export abroad; and all land not needed for this purpose should be shifted to other uses.

Rental contracts on 7.4 million acres of cropland that were placed in the conservation reserve between 1956 and 1960 expired December 31, 1963. That program was expensive, for it was designed—not to encourage long-term shifts of land to more desirable uses—but as a short-term measure. In its place I recommend a program which encourages the permanent transfer of excess cropland into trees, grass, wildlife habitat, outdoor recreation and other uses for which there is a growing public demand.

The Agricultural Act of 1962 authorized a pilot program of this kind under which $10 million is the maximum available. This limitation should be increased to $50 million.

Ninth. Market power: There is one more pressing need if American agriculture is to be strengthened. The recent changes in the marketing structure for distribution of food are as revolutionary as those in production. There are some 200,000 retail grocery stores, but we know that one out of every $2 spent for groceries goes to fewer than 100 corporate, voluntary or cooperative chains. Our information about how this greatly increased concentration of power is affecting farmers, handlers, and consumers is inadequate. The implications of other changes that take place as vertical integration and contract farming have not been fully explored. I urge that the Congress establish a bipartisan Commission to study and appraise these changes so that farmers and business people may make appropriate adjustments and our Government may properly discharge its responsibility to consumers.

II. INCREASING THE USE OF AGRICULTURAL ABUNDANCE

First. Domestic food distribution programs: Inadequate and poorly balanced diets both accompany and contribute to low income and low productivity. We now distribute surplus foods to nearly 6 million needy Americans.

Under the pilot food stamp program, initiated administratively in 1961, needy people in 43 areas can increase their food purchases through regular commercial channels. I recommend legislation to place this program on a permanent basis and to make it more widely available.

The school lunch program now insures nutritious lunches in 68,000 schools to one-third of the schoolchildren of the Nation. Federal funds to be provided for the attack on poverty should be used

to enable schools in eligible low-income areas to install food preparation facilities necessary to permit participation in the school lunch program.

As a part of our war on poverty, I am directing the Secretary of Agriculture to give special attention to our hardest hit areas in all of the food distribution programs.

Second. Food for peace: The immense efficiency of American agriculture is dramatically illustrated to the rest of the world by our food-for-peace program. Under this unprecedented effort, the United States has supplied nearly $11 billion worth of food and fiber to over 100 countries. It is a powerful instrument of our foreign policy—directed toward peace, progress, freedom, and human dignity.

Food for peace serves many purposes. It feeds the hungry throughout the world; it is both symbolic of our concern for the less fortunate and concrete evidence of our own system's success; it furnishes resources for investment in the developing countries; and it opens up a productive outlet for current farm surplus while developing new commercial markets for future output.

Titles I and II of this law expire on December 31, 1964. Under title I—the principal authority for the food-for-peace program—sales of agricultural commodities are made for foreign currencies. Under title II, grants of food and other agricultural commodities are made to needy people abroad. I recommend extension of both of these titles for 5 years.

III. RURAL AREAS DEVELOPMENT

We have declared a relentless war on poverty in America. Our goal is not merely relief for the poverty stricken. We must undertake measures that will give the poor an opportunity to become productive citizens. No one weapon is enough. I shall shortly transmit to the Congress a special message on poverty. It will apply to both urban and rural people. The varied resources of many Federal agencies and of the State and local governments must be joined together. Better education, training, health services, and housing must be provided. Measures to increase the ability of our poorest citizens to become more productive must be devised, not as temporary relief, but as an investment in human resources.

The economic distress of many small communities is frequently different from its counterpart in the larger cities. There are many problems of those who use farming as a part-time occupation and must find their major livelihood in town; the special problems of the rural aged, and many others. I am asking the Secretary of Agriculture to increase the efforts of the Department in devising an effective attack on these problems, and to utilize the newly created Rural Development Committee in order to bring to bear the resources of other departments and services on these problems.

Much progress has been made under the Watershed Protection and Flood Prevention Act passed by the Congress 10 years ago. Watershed developments are now underway in more than 500 communities. Over 40 percent of these developments have multipurpose objectives, combining watershed protection and flood prevention with recreation, irrigation, fishing, and municipal water supply. These projects, though small, are of vital importance to rural areas. I recommend, therefore, that the Congress enact legislation to increase the project limitation of floodwater detention capacity from 5,000 acre-feet to 12,500 acre-feet.

Better use of our timber, wildlife, scenic, and other renewable resources of forest land presents a related and major challenge. Economically distressed areas often exist where there are heavy concentrations of forest land. Yet there is a great backlog of work to be done in these forests that can both provide employment and strengthen our economy. I am directing the Department of Agriculture to speed completion of a comprehensive review and appraisal of our timber resources, and to accelerate forest research to find new methods of wood utilization, better timber management techniques, improved fire protection, and more effective use of forest ranges.

More than a million rural families live in houses in such poor condition that they endanger the health and safety of the occupants. Another 3 million live in homes that need major repair. About one-third of our older citizens live on farms and in small country towns and villages—and too often their homes are poorly heated and lack bare necessities such as running water.

I renew the recommendation in the message on housing that the expiring authorization in the Housing Act of 1949 to insure loans on rental housing for the rural elderly be extended, and that the Congress authorize an insured loan program of reasonable dimensions in order to enlist the resources of private lenders in the construction of rural housing.

Among the poorest housed families are our 400,000 migratory farmworkers. They frequently live in shelters little better than the ditchbank housing of the thirties. I recommend that the Congress enact legislation broadening the assistance available to provide better housing for migratory workers and other farm laborers.

IV. CONCLUSION

Our agricultural problems are deep-seate. Yet they are problems of abundance, not of scarcity. They tax our ingenuity, but they do not—unlike the situation in many other nations—form a bottleneck to economic growth. We must continue to seek methods for reconciling the needs of our farm families for a decent income with the necessity of making this abundance available at reasonable prices for domestic consumption and export. The improvements in farm commodity programs which I am recommending are a major step in that direction.

We must also look beyond agriculture to rural America as a whole. Fifty-five million Americans live in rural areas. Too many of them have not had an opportunity to acquire the education, skills, and earning power which their talents warrant. For too many of them the rural environment has proven a hindrance to a full life rather than the advantage it rightly can be. In this message, in my housing message, and in forthcoming special messages on poverty, education, and health, I am proposing a series of actions which will assist rural America to realize the promise of its potential—to carry out the Federal Government's responsibility to help these citizens help themselves. We have made great progress in recent years—but we can and must do better.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *January 31, 1964.*

REPORT OF U.S. CIVIL SERVICE COMMISSION—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 263)

The PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which, with the accompanying report, was referred to the Committee on Post Office and Civil Service:

To the Congress of the United States:

I transmit herewith the Annual Report of the U.S. Civil Service Commission for the fiscal year ended June 30, 1963.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *January 31, 1964.*

MESSAGE FROM THE HOUSE—ENROLLED BILL AND JOINT RESOLUTION SIGNED

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bill and joint resolution, and they were signed by the President pro tempore:

H.R. 9076. An act to provide for the striking of medals in commemoration of the 200 anniversary of the founding of St. Louis; and

H.J. Res. 875. Joint resolution making supplemental appropriations for the fiscal year ending June 30, 1964, for certain activities of the Department of Health, Education, and Welfare related to mental retardation, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

REPORT ON REVIEW OF VOLUNTARY AGREEMENTS AND PROGRAMS

A letter from the Attorney General, transmitting, pursuant to law, a report on review of voluntary agreements and programs, as of November 9, 1963 (with an accompanying report); to the Committee on Banking and Currency.

AMENDMENT OF ACT RELATING TO THE PRACTICE OF PODIATRY IN THE DISTRICT OF COLUMBIA

A letter from the President, Board of Commissioners, District of Columbia, transmitting a draft of proposed legislation to amend the act entitled "An act to regulate the practice of podiatry in the District of Columbia," approved May 23, 1918, as amended (with

an accompanying paper); to the Committee on the District of Columbia.

STATEMENT OF RECEIPTS AND EXPENDITURES OF THE CHESAPEAKE & POTOMAC TELEPHONE CO.

A letter from the vice president, the Chesapeake & Potomac Telephone Co., Washington, D.C., transmitting, pursuant to law, a statement of receipts and expenditures of that company, for the year 1963 (with accompanying papers); to the Committee on the District of Columbia.

REPORT OF U.S. ADVISORY COMMISSION ON INFORMATION

A letter from the Chairman, U.S. Advisory Commission on Information, Washington, D.C., transmitting, pursuant to law, a report of that Commission, dated January, 1964 (with an accompanying report); to the Committee on Foreign Relations.

REPORT OF ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

A letter from the Chairman, Advisory Commission on Intergovernmental Relations, Washington, D.C., transmitting, pursuant to law, a report of that Commission, for the year 1963 (with an accompanying report); to the Committee on Government Operations.

REPORT ON OVERBUYING AND UNNECESSARY OVERHAUL COSTS RELATING TO CERTAIN PRACTICES OF THE ARMY

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on overbuying and unnecessary overhaul costs resulting from the failure of the Army to follow the Navy's practice of separating accessories from spare reciprocating aircraft engines, Department of the Army, dated January 1964 (with an accompanying report); to the Committee on Government Operations.

REPORT ON INCREASED RISK OF LOSS BECAUSE OF INADEQUATE MORTGAGE SERVICING ACTIVITIES, FEDERAL HOUSING ADMINISTRATION

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a report on the increased risk of loss because of inadequate mortgage servicing activities, Federal Housing Administration, Housing and Home Finance Agency, dated January 1964 (with an accompanying report); to the Committee on Government Operations.

CERTIFICATION OF ADEQUATE SOIL SURVEY AND LAND CLASSIFICATION, SOUTH GILA VALLEY UNIT, YUMA MESA DIVISION, GILA PROJECT, ARIZONA

A letter from the Assistant Secretary of the Interior, reporting, pursuant to law, that an adequate soil survey and land classification has been made of the lands in the South Gila Valley unit, Yuma Mesa division, Gila project, Arizona, and that the lands to be irrigated are susceptible to the production of agricultural crops by means of irrigation (with an accompanying paper); to the Committee on Interior and Insular Affairs.

REPORTS ON POSITIONS IN GRADES GS–16, GS–17, AND GS–18

A letter from the Chairman, U.S. Civil Service Commission, transmitting, pursuant to law, a report on positions in grades GS–16, GS–17, and GS–18, for the calendar year 1963 (with an accompanying report); to the Committee on Post Office and Civil Service.

A letter from the Assistant Administrator for Legislative Affairs, National Aeronautics and Space Administration, Washington, D.C., transmitting, pursuant to law, a report on positions in grades GS–16, GS–17, and GS–18, during the calendar year 1963 (with accompanying papers); to the Committee on Post Office and Civil Service.

A letter from the Director, Administrative Office of the U.S. Courts, Washington, D.C., reporting, pursuant to law, on the GS–17 positions allocated to that Office, for the calendar year 1963; to the Committee on Post Office and Civil Service.

REVENUE ACT OF 1964—SUPPLEMENTAL REPORT OF A COMMITTEE (PT. 2 OF REPT. NO. 830)

Mr. LONG of Louisiana, from the Committee on Finance, submitted a supplemental report on the bill (H.R. 8363) to amend the Internal Revenue Code of 1954 to reduce individual and corporate income taxes, to make certain structural changes with respect to the income tax, and for other purposes, which was ordered to be printed.

BILLS INTRODUCED

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

By Mr. HRUSKA:

S. 2485. A bill to provide for the issuance of a special postage stamp in commemoration of the 100th anniversary of the founding of the Sokol Movement in America; to the Committee on Post Office and Civil Service.

(See the remarks of Mr. HRUSKA when he introduced the above bill, which appear under a separate heading.)

By Mr. MCNAMARA:

S. 2486. A bill to increase employment by providing a higher penalty rate for overtime work; and

S. 2487. A bill to amend the Fair Labor Standards Act to extend its protection to additional employees and for other purposes; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. MCNAMARA when he introduced the above bills, which appear under a separate heading.)

ISSUANCE OF SPECIAL POSTAGE STAMP IN COMMEMORATION OF THE 100TH ANNIVERSARY OF FOUNDING OF THE SOKOL MOVEMENT IN AMERICA

Mr. HRUSKA. Mr. President, I introduce, for appropriate reference, a bill to provide for the issuance of a special postage stamp in commemoration of the 100th anniversary of the founding of the Sokol Movement in America. I ask unanimous consent that the bill be printed in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

The bill (S. 2485) to provide for the issuance of a special postage stamp in commemoration of the 100th anniversary of the founding of the Sokol Movement in America, introduced by Mr. HRUSKA, was received, read twice by its title, referred to the Committee on Post Office and Civil Service, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Postmaster General is authorized and directed to issue a special postage stamp, of such appropriate design and denomination as he shall prescribe, in commemoration of the one-hundredth anniversary of the founding of the Sokol Movement in America. Such stamp shall be first offered for sale to the public on February 14, 1965, the date of such anniversary.

PROPOSED LEGISLATION TO AMEND THE FAIR LABOR STANDARDS ACT

Mr. MCNAMARA. Mr. President, I introduce two bills to amend the Fair Labor Standards Act and ask that they be appropriately referred.

I ask unanimous consent that brief explanations of both bills be printed in the RECORD at this point in my remarks.

The PRESIDING OFFICER (Mr. BURDICK in the chair). The bills will be received an appropriately referred; and, without objection, the explanatory statements will be printed in the RECORD.

The bills, introduced by Mr. MCNAMARA, were received, read twice by their titles, and referred to the Committee on Labor and Public Welfare, as follows:

S. 2486. A bill to increase employment by providing a higher penalty rate for overtime work.

The explanatory statement accompanying Senate bill 2486, presented by Mr. MCNAMARA, is as follows:

EXPLANATORY STATEMENT OF A BILL TO INCREASE EMPLOYMENT BY PROVIDING A HIGHER PENALTY RATE FOR OVERTIME WORK

The draft bill establishes industry committee procedures under which double time compensation would have to be paid for overtime work. These procedures would extend to employees who were covered by the provisions of the Fair Labor Standards Act prior to the 1961 amendments. The work period to which the double time standard applies could be longer than a workweek; however, payment of double time could not be required unless the hours of work exceeded 40 in a week.

The time and one-half overtime rate would continue to apply to work in excess of 40 hours in a workweek but less than the maximum hours prescribed through the industry committee procedures. It would also apply in periods of extraordinary emergency, including a national emergency, or where other compelling reasons exist.

The maximum hours in a work period for a particular industry would be specified in an order of the Secretary of Labor based on the recommendations of a special tripartite industry committee. The order would be issued only after the Secretary finds (after notice and hearing) that regular and substantial overtime employment exists in the industry and such overtime limitations will increase opportunities for employment in the industry without unduly increasing costs.

INDUSTRY COMMITTEE PROCEDURES

The bill authorizes the Secretary of Labor to appoint a special industry committee to recommend the maximum hours in a work period for the industry. The committee would be composed of an equal number of persons representing the public, employees in the industry, and employers in the industry. Any decision of the committee would require a majority vote of its members. If the members cannot agree, the public member or members would report this fact to the Secretary.

To assist in the committee's deliberations, the Secretary would furnish the committee with data pertinent to the inquiry. The committee is also authorized to summon witnesses or call upon the Secretary for additional information.

After the committee completed its study of conditions in the industry, it would rec-

ommend the hours of work during a work period (not less than 40 in a workweek) which it determines will have the effect of reducing work hours and increasing employment in the industry without excessive costs and with due regard to economic and competitive factors including costs, prices, and dislocations in the industry.

When the special industry committee has filed its report with the Secretary of Labor, he would—after notice and hearing—issue an order carrying out the committee's recommendations, if he finds that (1) the recommendations are in accordance with law, (2) they are supported by evidence adduced at the hearing, and (3) taking into account those factors the industry committee is required to consider, they will carry out the purposes for which the recommendations are made. Otherwise he would disapprove the recommendations. If he disapproves, the Secretary may again refer the matter to the committee or to another industry committee. The Secretary may also reestablish or reconvene a committee in order to redetermine and make new recommendations concerning the maximum hours standard for an industry.

In addition, the Secretary on his own motion or on petition could convene an industry committee to reconsider an existing order for that industry taking into consideration the same factors required in issuing the existing order.

NEED FOR THE LEGISLATION

The 40-hour workweek has become the standard in many industries. However, workweeks considerably in excess of 40 hours are widespread throughout the economy. They are not concentrated in any region, group of industries, or size-of-establishment group.

In industries generally subject to the FLSA maximum hour provisions, which account for about three-fifths of all nonsupervisory workers, the proportion of employees working over 40 hours a week is 28 percent. In manufacturing industries alone some 35 million hours of overtime were worked in 1963. This is the equivalent of 919,000 full time jobs.

In those industries and occupations in which sufficient skilled labor is available and where the average workweek can be reduced without unduly increasing costs, employment of some workers for excessively long hours while others remain unemployed cannot be defended. Tripartite committees, familiar with the work of these industries, could determine whether the required skills were available among the unemployed in the locality, whether a sufficient number of skilled workers could be obtained from other localities and the costs involved in replacing overtime hours with new employees. They could also determine the feasibility of training new workers, and the nature and extent of the required training.

Thus, on an industry-by-industry basis, guided by informed committees, a reduction in the amount of overtime by the means provided in this bill would serve to reduce unemployment.

S. 2487. A bill to amend the Fair Labor Standards Act to extend its protection to additional employees and for other purposes.

The explanatory statement accompanying Senate bill 2487, presented by Mr. MCNAMARA, is as follows:

EXPLANATION OF DRAFT BILL "THE FAIR LABOR STANDARDS AMENDMENTS OF 1964"

The draft bill would amend the Fair Labor Standards Act of 1938, as amended, to (1) extend its minimum wage and overtime provisions to workers employed in certain laundry, hotel, motel, restaurant, and other food service enterprises and in logging operations; (2) consolidate and clarify the act's present exemptions for the handling, packing, and processing of agricultural and horticultural commodities; and (3) apply the overtime pay standards of the act to the transportation industry and gasoline service stations.

The minimum wage and overtime standards to be applied to these newly covered employees would be at the same levels and scheduled in the same manner as was provided for employees brought under the act by the 1961 amendments. The 1961 amendments provided newly covered employees with a three-step minimum wage rate—an initial rate of $1 an hour for the 3-year period beginning on the effective date (120 days after enactment), $1.15 an hour during the fourth year, and $1.25 an hour thereafter.

Similarly, the 1961 amendments provided overtime protection for newly covered employees as follows: for a workweek in excess of 44 hours during the third year from the effective date; for a workweek in excess of 42 hours during the fourth year; for a workweek in excess of 40 hours thereafter.

COVERAGE OF WORKERS IN LAUNDRIES AND DRYCLEANING ESTABLISHMENTS

The laundry and drycleaning industry is one of our major service industries, with employment in excess of 500,000. Only 17,000 workers in this industry, however—those employed by industrial laundries, power laundries, and linen supply plants engaged in services to industrial users—are protected by the Fair Labor Standards Act.

Laundry workers are among the poorest paid in the country, and the disparity between their wages and the wages of workers in even the low wage manufacturing industries has been steadily increasing. For example, in 1947, average hourly earnings in laundries were 16 cents less than in fertilizer plants. By 1960 this difference had quadrupled—to 63 cents an hour. In three other low wage industries, the gap in average hourly earnings widened to 50 cents or more during this period.

State minimum wage legislation has proved inadequate to cope with this problem. Twenty-one States have no minimum wage legislation whatsoever for workers in the laundry and drycleaning industry. Only 14 of the 29 State laws covering these workers apply to both sexes.

To provide protection under the Federal wage and hour law for these employees, the draft bill would add a new section 3(s)(6) to the act extending coverage to employees in laundering and cleaning enterprises engaged in commerce or the production of goods for commerce and having gross annual sales of $1 million or more. These employees and certain other employees of laundry and cleaning plants would be excluded from the minimum wage and overtime exemption in section 13(a)(3).

COVERAGE OF WORKERS IN THE HOTEL, MOTEL, AND RESTAURANT INDUSTRIES

The draft proposal deletes from the minimum wage and overtime exemption in section 13(a)(2) of the act the special exemption for employees of hotels, motels, and restaurants; and repeals section 13(a)(20), which exempts employees employed by a retail or service establishment in preparing or offering food or beverages for human consumption. It also amends the definition of "wage" in section 3(m) to include the value of tips or gratuities accounted for or turned over by the employee to the employer, and authorizes the Secretary of Labor to determine their fair value. Of course, only those tips or gratuities actually apportioned among employees or otherwise returned to them by the employer would be counted in determining whether the employer has met the requirements of the act.

Much the same situation exists with respect to the level of wages in the hotel and motel industry as has already been described in laundries. Earnings data published by the Bureau of Labor Statistics show that over the 13-year period from 1947 to 1960, the spread between the wages of workers in year-round hotels and wages in the low-wage manufacturing industries has been widening. For example, in 1947 average hourly earnings in the fertilizer industry were 28 cents higher than the average hourly wage in year-round hotels. By 1960, this differential had expanded to 63 cents.

Occupational wage structure studies conducted by the Bureau of Labor Statistics in 1948, 1955, and 1960 in selected metropolitan areas also indicate the slow movement of wages in the hotel industry. In July 1948, when the minimum wage was 40 cents an hour, chambermaids in one large metropolitan area averaged 29 cents an hour. In June 1960, 4 years after the minimum had been raised to $1 an hour for industries under the Fair Labor Standards Act, the average hourly wage of chambermaids was only 41 cents an hour.

The level of wages paid in restaurants and other food service enterprises throughout the country is also substandard. In the Nation's large metropolitan areas, almost 75,000 of the 431,531 workers in eating and drinking places—17 percent of the total—were paid less than 75 cents an hour in June 1961. About one-third of the employees were paid less than $1 an hour. The situation is even worse in nonmetropolitan areas. In the South, 71 percent of the employees in nonmetropolitan areas were paid less than 75 cents an hour and 87 percent were paid less than $1. In nonmetropolitan areas of the north-central region, 30 percent of the workers were paid less than 75 cents an hour and 60 percent less than $1.

CLARIFICATION AND CONSOLIDATION OF EXEMPTIONS RELATED TO HANDLING AND PROCESSING OF FARM PRODUCTS

In enacting the 1961 amendments to the act, Congress directed the Secretary of Labor to "study the complicated system of exemptions now available for the handling and processing of agricultural products under such act and particularly sections 7(b)(3), 7(c), and 13(a)(10)," and to make "recommendations for further legislation designed to simplify and remove the inequities in the application of such exemptions."

The Department has made a detailed study of these exemptions and the amendments in the draft bill are a result of this study.

The bill would repeal the overtime exemption provided by section 7(c) and the minimum wage and overtime exemption in section 13(a)(10). Two other provisions closely related to the section 13(a)(10) exemption (sections 13(a)(17)—country grain elevators—and 13(a)(18)—cotton ginning) would also be repealed. The expanded section 7(b)(3), which would be substituted for the deleted provisions, would continue to provide a 14-week overtime exemption, limited to 12 hours a day and 56 hours a week, for employment in industries found by the Secretary of Labor to be of a seasonal nature. It would provide a similar exemption on an industry basis for all operations covered by the deleted provisions (except livestock slaughtering) if the Secretary of Labor finds that the industry is "characterized by marked annually recurring seasonal peaks of operation."

Legislation in this area is long past due. The "area of production" concept which is applied under the section 13(a)(10) and related exemptions and to some operations under section 7(c), is so complicated that employers and employees alike have found it difficult to ascertain their rights and responsibilities, despite extensive litigation.

The exemptions from the maximum hours provisions are also complex and frequently overlap. They apply on a number of different bases, and the extent of their application is limited by different terms. For some types of employment, an unlimited year-round overtime exemption is provided. For

other operations, 28 weeks of exemption is provided—14 weeks unlimited and 14 weeks limited to 56 hours of the workweek. Since many processors are able to qualify for both the 7(b)(3) and 7(c) exemptions, their employees are not protected by the 40-hour workweek standard for a period of nearly 7 months in any year.

EXTENSION OF OVERTIME PROTECTION TO EMPLOYEES IN THE TRANSPORTATION INDUSTRY

1. Section 13(b)(1) of the act provides an overtime exemption for "any employee with respect to whom the ICC has power to establish qualifications and maximum hours of service pursuant to the provisions of section 204 of the Motor Carrier Act, 1935."

This exemption was included in the original act on the assumption that the hours of service of all motor carrier employees were being regulated by the ICC. Actually, the ICC has limited its regulations under section 204 of the Motor Carrier Act to drivers, thus leaving wholly unregulated the hours of work of many other motor carrier employees, including drivers' helpers, loaders and mechanics.

There are no persuasive reasons why all loaders and mechanics, as well as drivers and drivers' helpers working within a metropolitan area or within a limited radius of the home terminal at which their workday begins and ends, should not be subject to the overtime provisions of the FLSA. Many of these employees are already working a basic 40-hour week under union agreements. All of them have been subject to the act's minimum wage requirements since its inception.

On the other hand, the situation is somewhat different with respect to overtime regulation of the workweek of over-the-road drivers and helpers for whom maximum hours for safe operation are prescribed by the Interstate Commerce Commission. Overtime regulation of these employees does present somewhat greater difficulties, especially in connection with long hauls where there is no practical method of stopping the trip in order to conform with a 40-hour workweek standard.

The draft bill proposes that the exemption for motor carrier employees be limited to those employees who spend the greater part of their time as drivers or as helpers who ride on a motor vehicle and to workweeks in which such employees engage in over-the-road transportation of persons or property and are subject to regulations of the Interstate Commerce Commission prescribing maximum hours of service in such transportation.

2. Section 13(b)(2) of the act provides an exemption from its overtime provisions for all employees of an employer "subject to the provision of part I of the Interstate Commerce Act." These employers include not only the majority of railroad and express companies but also oil pipeline companies.

Hours of work of railroad employees are regulated by the ICC under the provisions of the Federal Hours of Service Act of 1907. However, this act (which is intended to promote the safety of employees and not to establish a standard workweek) applies only to train service employees—employees who either operate or are closely connected with the operation of trains. Since oil pipeline employers have no employees engaged in "train service" or comparable occupations, even that act's limited restrictions have no application in this industry.

Thus, while oil pipeline employees are completely exempt from the hours provisions of the FLSA, they are also entirely outside the limited protection of the hours of service requirements of the ICC.

The draft bill would remedy this situation by narrowing the overtime exemption in section 13(b)(2) to provide maximum hours protection for these employees.

(3) The draft bill would limit the overtime exemption in section 13(b)(3) of the act for employees of carriers by air to flight personnel.

Section 13(b)(3) provides an overtime exemption for "any employee of a carrier by air subject to the provisions of title II of the Railway Labor Act."

There is some justification for continuing to exempt flight personnel from the act's overtime requirements. However, they constitute only 15 to 20 percent of air carrier employees, and there is no reason why other employees of air lines should be denied the overtime protection of the act.

As in the case of motor carriers, the exemption of air transportation employees was based on the belief that exemption was necessary to avoid a conflict of regulatory authority between Federal agencies. However, no problems arising out of conflicts between the act's minimum wage provisions and CAB or FAA regulations have developed, and it could be anticipated that none would arise if nonflight crew members were extended overtime protection as proposed.

COVERAGE OF EMPLOYEES OF SMALL LOGGING CONTRACTORS

The proposal would repeal section 13(a)(15) of the act, which exempts from the minimum wage and overtime provisions small logging operations involving not more than 12 employees.

Employees of small logging contractors constitute one of those groups for which the act's protection is urgently required. Their work is irregular and uncertain, not only because of weather or other natural conditions, but also because of the quota system under which the logging contractors operate. Under this system the buyers, largely paper and pulp companies, divide their requirements among many contractors, so that each may obtain a relatively small order. This results in very low annual earnings for these workers, as well as low hourly wages. State minimum wage laws generally do not cover logging workers.

Since the enactment of the 13(a)(15) exemption in 1949 many large pulp and paper companies which previously operated their own woods departments have been subcontracting out their logging operations to the so-called independent contractors to avoid the requirements of the act. This practice results in the denial of the act's protection to large numbers of workers.

EXTENSION OF OVERTIME PROTECTION TO CERTAIN GASOLINE STATION EMPLOYEES

The draft bill repeals the present overtime exemption in section 13(b)(8) for "any employee of a gasoline service station." Approximately 86,000 employees would thus receive maximum hours protection.

The 1961 amendments to the FLSA extended coverage to five categories of enterprises engaged in commerce or production for commerce, including "Any gasoline service establishment if the annual gross volume of sales of such establishment is not less than $250,000, exclusive of excise taxes at the retail level which are separately stated" (sec. 3(s)(5)).

However, the amendments also included an overtime exemption in section 13(b)(8) for "any employee of a gasoline service station."

These employees work longer hours than employees in any other retail line, and their hours of work have been increasing rather than diminishing. In June 1961, 44 percent of the workers in large gasoline service stations worked 44 hours or more a week. By June 1962, the proportion had increased to 58 percent. Even more significantly, in June 1961, 24 percent of the employees of gasoline service stations worked 49 hours or more a week. By June 1962 the proportion working long hours had increased to 36 percent.

Requiring these employees to be paid premium pay for overtime work would undoubtedly reduce their workweeks even if all overtime were not eliminated. Premium pay for overtime hours which were continued would be a boon to this low-wage segment of the work force.

The President stated in his state of the Union message, January 8, 1964: "We must extend the coverage of our minimum wage laws to more than 2 million workers now lacking this basic protection of purchasing power."

	Number of workers
Extension of Fair Labor Standards Act coverage to	2,616,000
I. Minimum wage and overtime	735,000
A. Employees of large establishments of large enterprises: [1]	
Retail trade (food service workers)	74,000
Restaurants	180,000
Hotels	190,000
Laundries	80,000
B. Processing farm products within area of production	90,000
C. Cotton ginning	34,000
D. Small logging	87,000
II. Overtime coverage	1,881,000
A. Agricultural products processing and seasonal industries [2]	584,000
B. Transportation	1,211,000
C. Gas service stations	86,000

[1] Establishments with $250,000 or more in annual sales which are parts of enterprises with $1,000,000 or more in annual sales.

[2] Currently exempt from overtime provisions for all or part of the year.

AMENDMENT TO THE TAX BILL REPEALING THE THEATER ADMISSIONS TAX (AMENDMENT NO. 395)

Mr. JAVITS. Mr. President, on behalf of myself and Senators BEALL, BENNETT, and KEATING, I send to the desk an amendment to H.R. 8363, the pending tax rate reduction bill, which would repeal the 10-percent Federal excise tax on tickets to live dramatic and musical performances.

The amendment achieves the same purpose as a bill which I have introduced in the Senate over a period of years and which has been introduced in the House of Representatives by Congressman JOHN LINDSAY. It is similar to an amendment introduced in the Senate Finance Committee last week by Senator FULBRIGHT which was at first accepted by the committee and later dropped along with the other excise tax repeal amendments.

The excise tax on commercial theater tickets hampers very materially the development and growth of the live theater in the United States. The Finance Committee apparently understood and sympathized with this until the administration made it known that it opposed the repeal of any excise taxes.

The amendment would add to section 4233(a) of the Internal Revenue Code of 1954, relating to exemptions from the tax on admissions, the following new paragraph:

(12) Live dramatic or musical performances.—No tax shall be imposed under sec-

tion 4231 in respect of any admission to a live dramatic or musical performance presented in a theater, or presented in any other place if the presentation of such performance is the principal activity being conducted in such place at the time of such admission.

The PRESIDING OFFICER. The amendment will be received, printed, and lie on the table.

NOTICE CONCERNING NOMINATIONS BEFORE COMMITTEE ON THE JUDICIARY

Mr. EASTLAND. Mr. President, the following nominations have been referred to and are now pending before the Committee on the Judiciary:

Edward V. Hanrahan, of Illinois, to be U.S. attorney, northern district of Illinois, for a term of 4 years, vice James P. O'Brien, deceased.

Roy Lee Call, of Alabama, to be U.S. marshal, northern district of Alabama, for a term of 4 years, vice Peyton Norville, Jr., deceased.

On behalf of the Committee on the Judiciary, notice is hereby given to all persons interested in these nominations to file with the committee, in writing, on or before Friday, February 7, 1964, any representations or objections they may wish to present concerning the above nominations, with a further statement whether it is their intention to appear at any hearing which may be scheduled.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. RANDOLPH:

Address by Senator DANIEL B. BREWSTER delivered at the Jefferson County, W. Va., Jaycees Distinguished Service Award dinner, January 29, 1964.

SENATOR ROBERTSON OF VIRGINIA TELLS WHY AREA REDEVELOPMENT ADMINISTRATION WILL NOT WORK

Mr. SIMPSON. Mr. President, the February issue of Nation's Business magazine features an interview with the distinguished chairman of the Senate Banking and Currency Committee, my friend from Virginia, Mr. ROBERTSON.

The Senator's incisive remarks are concerned primarily with the Area Redevelopment Administration, that massive pork barrel project created not as much to cut unemployment as to cut private enterprise and conservatism.

As Senator ROBERTSON points out:

The ARA is competition on one hand (with private enterprise) and taxation is a penalty on private enterprise on the other.

Through ARA we have the paradox of a nation's private enterprise establishments being taxed to finance their federally subsidized competitors in a program that is already, as Senator ROBERTSON points out, "beyond efficient congressional control." The sum of all the parts is to give the administration and the liberals in Washington a device with which to exact political support from areas of chronic unemployment.

I ask unanimous consent that this salient interview be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From Nation's Business, February 1964]

KEY SENATOR TELLS WHY ARA WON'T WORK—HEAD OF SENATE BANKING COMMITTEE CALLS ADMINISTRATION ACTION WRONG APPROACH

President Johnson's attempts to expand the activities of the Area Redevelopment Administration face stiff opposition from a key Senator.

The nationwide operations of ARA are already beyond effective congressional control, according to Virginia Democrat A. WILLIS ROBERTSON, chairman of the Senate Banking and Currency Committee, which has jurisdiction over the program to subsidize industry in depressed areas.

Existing machinery for routine scrutiny of Government programs simply lacks the resources to measure performance against the promises of the agency, he says, making it impossible to determine whether ARA helps create jobs as it claims.

In this interview, Senator ROBERTSON tells how his initial misgivings about the program have been borne out during the agency's 2 years of operations, and urges that a special investigation be undertaken if the program is to be expanded.

Question. Senator ROBERTSON, why have you consistently opposed the Area Redevelopment Act?

Answer. From the beginning I thought it was a wrong approach at the wrong time.

The bill was aimed, for example, at unemployment in the coal fields of Illinois, Pennsylvania, and West Virginia. Yet, we know that when John L. Lewis got the wages of miners up to $22.50 a day, he priced about half of his workers out of the market. This bill was supposed to put them back to work, and didn't do it.

The fundamental principle of the bill was that, if the Government would lend at a subsidized rate, it could expand industry in depressed areas. I predicted that would not work. I felt we should proceed on the assumption that business can be attracted by high-profit opportunities.

Question. Are you still of this opinion?

Answer. I certainly am. I can't see any tangible results that would justify the expenditures that are proposed.

I will give you an illustration. In the coalfields of southwest Virginia, where unemployment ran 15 percent, or three times the national average, they set up a program to train sewing machine workers. Well, there were no suitable factories there, and they trained mostly women, who had to go somewhere else to get a job.

Question. Has there been unusual pressure to continue the national program?

Answer. I couldn't really say that. The main reason advanced by the advocates was that it hadn't been fully tried: "Let's give it a better chance."

But I don't think it has justified itself.

We still have unemployment, although, of course, in the past 2 years a great many were employed that weren't employed before. Even in the most acute areas, there has been some relief.

Another thing, we found that the figures on unemployment were not too accurate, if you examine all the parts. They include 16- and 17-year-old boys who dropped out of school, who never had worked, and never wanted work. They just wanted to loaf.

Women who never had worked full time were listed as unemployed. That's not a realistic statistic. When you eliminate those that shouldn't be included, the figures—while higher than you would want—are not as discouraging as some would think.

Question. What causes an area to go into an economic decline?

Answer. I think that the unreasonable control of wages and working conditions by union labor is a great threat to some sections where industries don't have enough money to put into automation to offset the high cost of production. These areas will be squeezed out of the market.

Then you have the question of taxation. The corporate tax now is 52 percent, so the corporation has only 48 percent left. Then the stockholder can be nicked again on what he gets, up to 91 percent. Well, that doesn't leave much for investment. That's an invitation for programs like this.

Question. Would you characterize the situation as Government giving with one hand and taking with the other?

Answer. Well, to some extent that would be true. The ARA is competition on the one hand and taxation is a penalty on private enterprise on the other.

And laws that are very favorable to organized labor are a further handicap.

We have grown to our present strength under a system of private enterprise and we have outproduced any nation in the world under this system. So the faster we get away from our present system of private enterprise, and the more we go toward socialism, the faster we will approach the condition of bankruptcy that now confronts a nation like Brazil.

Question. How far do you feel that ARA would go if it got the chance?

Answer. My grandfather used to say the tendency of everything to be more so. I have never known a new agency that didn't try to expand its operations, to become more important, and to continue itself and to increase its compensation by saying, "Look at the number of people under us and how much we are doing."

I think that the political campaign this year is going to produce a check on these agencies that are headed in the direction of socialism. I believe that, unless the taxpayers of this Nation are less concerned about their own future than I feel they are, we are going to have some changes after next November.

Question. Do you feel there should be a more extensive congressional investigation of ARA?

Answer. We don't have the staff on the Banking and Currency Committee to go into a full study. It would take 25 men working 2 or 3 months to find out all the details of what this Agency has done in every State of the Union.

We would need $25,000 to employ a technical staff to make a study of that kind and we don't have it.

But if this is going to be expanded, I think Congress would be well advised to appropriate the necessary funds to find out just what is being done.

You are not going to get agencies, a bureaucracy of this kind, to come in and say, "Gentlemen, we wasted a lot of your money, but we want more money, and we want to stay in office."

Question. If ARA is not the answer to the unemployment problem, what is?

Answer. The tax cut will help. Making labor unions subject to the antitrust laws, so their programs can't go beyond the legitimate functions of wages and working conditions—that would help.

A little more encouragement to business, and less threat of prosecution if you happen to make a profit, would go far in solving legitimate unemployment.

GONZALO FACIO COMMENTS ON CUBA

Mr. SIMPSON. Mr. President, the former Chairman of the much maligned Council of the Organization of American States, Gonzalo J. Facio, who is the Costa Rican Ambassador to the United States, has written a perceptive article for the February issue of Reader's Digest entitled "Castro Must Go."

In the hope, I would assume, of reviving now-dormant congressional opposition to the Communist dictatorship off our southern coast, Ambassador Facio states his premise unequivocally:

> The Soviet satellite regime of Fidel Castro in Cuba must be overthrown and replaced with a democratic government truly representative of its people.

It is the Cuban-based Communists, he points out, who have led the bombings, burnings, sabotage, and riots against the Government and industry of Venezuela in the past 18 months. It is they who intend to destroy law and order in Latin America and who work toward the day when Russian communism is in complete control of the Western Hemisphere and the world.

Ambassador Facio speculates that because of America's indecisiveness and timidity, the crisis in Latin America has reached the point at which "not even the United States could be confident of a quick, clean, military success," against Cuba.

The author lists four important ways in which we can help the enslaved people of Cuba and the refugees scattered throughout the hemisphere regain freedom for their island.

We can first hold to a clear firm policy; we can maintain economic strangulation; we can aid the freedom fighters, instead of treating them as if they were the enemy; and we can stamp out subversive activities. The latter step would undoubtedly be the most difficult, as the problems inherent in stamping out anything are axiomatic when the courage to lift the foot—or the voice—is lacking.

I feel, Mr. President, that Ambassador Facio has made an important contribution to the dialog on communism in the Western Hemisphere, and I ask unanimous consent that his program for removing the "cancer of subversion from our hemisphere" be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From Reader's Digest, February 1964]

CASTRO MUST GO

(By Gonzalo J. Facio, Ambassador from Costa Rica to the United States; Chairman of the Council of the Organization of American States, 1962–63)

("We Latin Americans have both the power and the responsibility to remove this cancer of subversion from our hemisphere," says a ranking Latin American leader. Here is his program for getting it done.)

We who are members of the Organization of American States must face up to a challenging, historymaking task. We must move promptly and decisively to eliminate the terrible danger that threatens all of us: the ominous menace of Communist subversion being thrust upon us from the unhappy island of Cuba. The Soviet satellite regime of Fidel Castro in Cuba must be overthrown and replaced with a democratic government truly representative of its people.

As a spokesman of a small but freedom-loving nation, I realize that our big neighbor, the United States is in no immediate danger from Cuba. But Latin American peoples and governments are. For example: every year there is a steady flow of Latin Americans to Cuba for ideological and paramilitary training. The number totaled 1,500 in 1962 alone. These "students" are taught all types of subversive techniques, then returned to their homelands to foment disorder and chaos aimed at the overthrow of legitimate democratic governments and the establishment of Castro-like regimes. It is they who have led the bombings, burnings, sabotage, and riots against the Government and industry of Venezuela in the last 18 months. They singled out Venezuela for special attention because Venezuela is oil rich, and oil is a vital need of the Soviet-Castro regime.

Tons of Communist literature, featuring antigovernment and "hate America" themes, are shipped into our countries from Cuba. Cuban radio stations beam programs of hate and revolt into our countries day and night. And then there are arms shipments. Just a few weeks ago, President Romulo Betancourt of Venezuela reported that a cache of 3 tons of modern automatic weapons had been found early in November on a Venezuela beach. He offered proof, in the form of markings, that these arms came from Cuba. "Joint action will be necessary," he said, "to finish with this bridgehead of communism in Latin America."

There is no doubt of the intention of our enemies: It is to destroy law and order in Latin America and to work toward the day when Russian communism is in complete control.

It is up to all members of the Organization of American States, not just the United States, to erase this danger to our stability and security. We Latin countries have both the power and the responsibility to do it. As U.S. Secretary of State Dean Rusk said at the national convention of the American Legion last September: "The political or military intrusion of Moscow into this hemisphere and the continued ambition of Castro to interfere in the affairs of other nations in this hemisphere are neither acceptable nor negotiable."

There are some who fear that any sort of action against Cuba would be a violation of our united policy of nonintervention. It is true that all nations of the OAS are pledged not to intervene in the domestic affairs of their neighbors. But an enemy intervention has already taken place. Through Cuba the Soviet Union has intervened in the very heart of the Americas. The proposal here is thus not to intervene, but to put an end to Soviet intervention.

What method can properly be used to remove the cancer of subversion that the Castro regime represents? Not direct military action. During the 1962 missile crisis such action by the United States would have been justified under the Monroe Doctrine, and would have been applauded by nearly all freedom-loving Latin American leaders. And it would have been effective. Today, however, not even the United States could be confident of a quick, clean military success.

Nor can we, as some people in apparent desperation have suggested, negotiate with the Soviet Union to bring an end to the bearded satrap. Khrushchev could not possibly entertain such a plan. Soviet leadership will suffer a tremendous loss of prestige when Castro falls; to expect the collaboration of that leadership in the process is unthinkable. What, then? The only solution is to encourage an internal revolt by the Cuban people.

The brave and talented people of Cuba do not willingly endure the subjection into which they have been betrayed. Yet they cannot shake off Castro and the Soviets without help from outside. We, their neighbors, can best give that help in four important ways. We must:

1. Hold to a clear, firm policy. We must make clear, repeatedly and unmistakably, through our respective governments, that it is our united policy to assist the Cuban people in regaining their independence. There can be no relaxation of diplomatic pressure, no "normalizing" of relations with Castro. A firm policy will give heart to the people of Cuba to endure hardship and to work with patience toward the day when their betrayer will be overthrown. And it will give notice to the Russians and the Castro gang that their days of rule in Cuba are numbered. Nothing so quickly saps the strength of a tyrant as to find that he is outnumbered and will one day be overpowered by those he oppresses.

2. Maintain economic strangulation. At a meeting of American foreign ministers at Punta del Este, Uruguay, in January 1962, it was agreed to suspend all trade in military and strategic materials to Cuba. I am proud to say that most Latin American countries have faithfully observed this policy of isolation. Moreover, shipping of all kinds to and from Cuba by firms in the Americas has fallen off to a mere dribble. The Government of Panama, which registers ships of many nations, recently canceled the registry of a vessel that delivered a cargo to Cuba. True, some West European countries and Canada still maintain a small volume of trade with Cuba. But, whereas more than 95 percent of Cuba's pre-Castro trade was conducted with free countries and less than 5 percent with the Communists, today these figures are being reversed—80 percent of Cuba's trade is now with the Communist bloc.

There can be no doubt that this policy is putting a severe strain on the Castro regime. Cuban export trade, worth $745 million the year before Castro, dropped to $521 million in 1962, and estimates for 1963 indicate a further drop—the remainder being mostly sugar to Soviet-bloc countries. In a speech last September, Castro complained of the "economic noose" about his neck and of his debt of 100 million pesos to the Soviet Union. He is increasingly dependent upon Moscow to prop him up, and Moscow is finding this colonial venture a more and more expensive drain.

We must make this economic weapon still more effective by gaining the cooperation of all free nations.

3. Aid freedom fighters. By every possible means short of military intervention we must help the Cuban people prepare for their revolt. With encouragement, the revolt is sure to come. Despite its boastful claims of popular backing, the Castro government has lost the support of an overwhelming majority of the population. Nearly 300,000 men, women, and children have fled the island since Castro betrayed the revolution into Communist hands. At least 315,000 more have requested visa waivers to leave. An average of a dozen persons per week still slip out in little boats.

Farmers and workers in Cuba express their unhappiness by refusal to produce. Castro and other officials are constantly making frantic appeals for "worker cooperation." Sugar is the basis of the Cuban economy, and Cuba normally produces nearly 6 million tons a year. Only 3,800,000 tons were harvested in 1963, and the estimates for 1964 are even lower.

The militia and the army are too close to their families back home to be indifferent to the popular mood. Aware of the security threat that these soldiers pose, the regime is following a policy of frequent and unexpected rotation of officers and units, as well

as rationing of ammunition and close control over all issuance of arms. Still, there are constant defections and conspiracies. Late last summer several hundred navy officers and men were dismissed or arrested. Air force officers from three different bases were arrested, accused of disloyalty.

Many groups throughout the island are secretly preparing for insurrection. I know many of their leaders personally; I have seen their secret reports; I have read their appeals to their Latin American neighbors to be ready to assist them. At present, they lack the central leadership that will catalyze them into effective action. This cannot be handpicked by any foreign government; it must be born of the people themselves. All attempts by agencies of the United States to select leaders for the Cuban people have failed. But this leadership will come. When it does, it will need a sanctuary, a secret place where it can be armed and trained, from which to raid and return, and from which its propaganda can be broadcast. We of the OAS must provide that. And we must provide all Cubans with the assurance that when the revolt comes, they will receive all the military and economic assistance they need to succeed.

To hasten this insurrection for liberty, we must give Cuban exile groups all reasonable encouragement and help. At the very least, their activities must not be discouraged. The people of the United States should remember that their own Congress declared in September 1962 that the U.S. Government was determined to work with the OAS and freedom-loving Cubans to support the aspirations of the Cuban people for self-determination. Never let it be said that any of us prevented courageous citizens of our own hemisphere from trying to regain their homeland from an alien power across the globe.

4. Stamp out subversive activities. Each of us in the OAS, also, has a job to do at home. When the problem of defending free governments against Communist subversion was first presented to the American republics at the Conference of Bogotá in 1948, Communist-led rioters attacked the building where the conference was being held and set fire to downtown Bogotá. One of the rioters was the same Fidel Castro whose government now provides the base for Communist subversion throughout the Americas.

We must search out and punish all agents of international communism in each of our countries. We must cut off completely the transit across international boundaries of those foreigners who, there is good reason to expect, will attempt subversive acts against the security of any Western Hemisphere nation. We must make effective the resolution of the Inter-American Conference at Caracas in 1954, "to require disclosure of the identity, activities, and sources of funds of those who travel in the interests of the international Communist movement and act as its agents."

Finally, now that Cuba has clearly been caught slipping arms into Venezuela, I believe we must use whatever military power is needed to prevent such flagrant subversion. Secretary of State Rusk has warned that the United States would use its Armed Forces to intercept Cuban or Soviet arms shipments to any countries of this hemisphere. He told Congress that we intend to enforce the right to conduct surveillance of Cuba and surrounding waters despite the risk of incidents. Everything possible must be done in the months ahead to stop Cuba's aggressive ventures. Otherwise, we will only be faced with bolder, more dangerous Communist intrusions.

The program I have suggested for the restoration of freedom in Cuba depends upon collective action. But it grows out of a tradition. The hearts of all American peoples have always gone out to those willing to fight for their country's freedom. Certainly in their struggle for independence in 1898 the Cuban people had the active support of the United States. And when Castro was preparing for the revolution that overthrew Fulgencio Batista, many people in the Caribbean and in the United States, deceived by his promises of establishing a democratic regime, aided him in his struggle.

Now our hearts go out to the Cuban people, betrayed into the hands of a foreign oppressor. It is to them, for their sakes and ours, that we must devote our knowledge and our strength. We must help the Cuban people liberate themselves from the iron grip of communism; we must do it now, before that grip closes more tightly on our throats.

AMERICAN INDIAN LEADERS EXPRESS CONFIDENCE IN PRESIDENT JOHNSON

Mr. McGOVERN. Mr. President, on January 20, during the annual meeting of the National Congress of American Indians, a representative group of the congress called upon President Johnson at the White House. Albert S. Wetzel, president of the National Congress of American Indians, presented President Johnson with a letter setting forth the problems and objectives of the American Indian. This letter outlines eight specific considerations which the national congress considers paramount for Indian welfare. I ask unanimous consent that the letter to the President be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL CONGRESS
OF AMERICAN INDIANS,
Washington, D.C., January 20, 1964.

THE PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: The National Congress of American Indians, representing the Indians of America, is deeply grateful for this opportunity to meet with you. We are fortunate that you are chosen to lead the Nation in these difficult times.

We are thankful that the great policies and programs of our late, beloved, fallen President, John Fitzgerald Kennedy, will go forward under your administration. We again express our deep sorrow and grief for our late chief, known to our people as Chief High Eagle.

President Kennedy twice met with us during his short years in office. We talked about the great objectives of this administration for the American Indians. We expressed our pleasure and thanks to him for bringing public housing to Indian reservations, for making jobs on Indian reservations under the Public Works Acceleration Act, and for permitting our people to share in the Federal benefits of community development.

We are delighted that you are going forward with President Kennedy's programs and that you desire to make his hopes for the American Indian come true. You remembered us in your state of the Union message, and this gave heart to all of our people. Now, in aid of your programs we should like to bring to your consideration our thoughts on some of our problems.

1. Unemployment is our major concern. Almost one-half of the employable American Indians are without jobs. On some reservations more than three-fourths are unemployed. Indian reservations are indeed pockets of poverty. We urge that they be given special consideration in the allocation of jobs under public works and other Federal programs, with special emphasis on continuation of force account operations.

2. Our trust land base must be protected from legislation reflecting the unrelenting pressures of external interests to separate the Indian from his trust land. This is not a case for the compromise heretofore expressed in the Department of the Interior's support of S. 1049, which has passed the Senate. We are unalterably opposed to that bill. It is a device which will shift much Indian trust land to non-Indian ownership.

3. Your administration is opposed to termination of the Federal relationship without the consent of the Indian people affected. But, termination may be accomplished by conferring a vote on nonreservation Indians who have no interest in the lives and welfare of the home folks who live on the reservation. For that reason we oppose S. 156 and similar bills and the Department of the Interior should unequivocally oppose such legislation.

4. Under existing law (Public Law 83-280) States may extend their jurisdiction over Indians in Indian country, without the consent of the Indians affected. This violates fundamental principles of self-determination. We urge that effective steps be taken to amend Public Law 280 to require consent by the Indians and to provide for Federal acceptance where a State wishes to return to the United States, jurisdiction it has assumed over Indians.

5. Funds in a meaningful amount should be sought from Congress to maintain the revolving loan fund by the Bureau of Indian Affairs. Tribes should not be charged interest up to 5½ percent on their loans, the current practice. Interest on loans to Indian tribes ought not be higher than interest on Federal loans for carrying out other Federal programs, such as REA.

6. Treaty rights and rights under the law should be enforced and protected. Tribal land protected against alienation by treaty with the United States ought not be subject to taking by eminent domain until there has been agreement and settlement with the Indian tribe.

7. The Indian Claims Commission should be called upon to exercise its powers to establish administrative procedures so that Indian claims cases, all now at least 14 years old, may be speedily completed. Justice delayed is justice denied.

8. The tribes of the United States and their people wish to cooperate and work in carrying out the policies and programs of your administration for the Indian people. We feel that it would be helpful if the responsible administrators were reminded of the need to carry out the spirit and intent of the policies. A good policy uttered in Washington has no significance unless it is brought to life on the reservation level.

Respectfully submitted.

WALTER S. WETZEL,
President, National Congress of American Indians.

RETIREMENT OF DR. LEONARD CARMICHAEL FROM SMITHSONIAN INSTITUTION

Mr. SALTONSTALL. Mr. President, Dr. Leonard Carmichael is retiring today as Secretary of the Smithsonian Institution. He was appointed to the top administrative job in the Smithsonian 11 years ago while he was president of Tufts University in Massachusetts.

Leonard Carmichael has been the chief architect and moving force behind the remarkable job which has been done to modernize, enliven, and increase the complement of buildings, exhibits, publications, and research projects which comprise our historic Smithsonian Institution. He has turned a somewhat dusty,

drab museum into a national showcase of history, technology, science and art. The exhibits now capture the attention and imagination of young and old alike and are presented in an attractive and educational manner. The Smithsonian's cataloged treasures have grown from 35 million to more than 57 million under Dr. Carmichael's management. It is astounding to realize that less than 1 percent of these treasures are actually on display at any one time. Just last week, Dr. Carmichael opened the new Museum of History and Technology on Constitution Avenue. He is particularly respected for his judgment on the quality of exhibits and for his ability to attract top scholars, researchers, and artists for Smithsonian projects.

I think one of the greatest tributes to Dr. Carmichael's work is the fact that the number of visitors to the Smithsonian has increased from 2 million to over 10 million annually since 1953.

As a regent of the Smithsonian, I have worked with Leonard Carmichael and shared his enthusiasm and pride in the accomplishments we now see at the Smithsonian. He has proved himself cooperative, understanding and zealous in his undertakings for the Institution. We owe him a great debt of gratitude for this outstanding public service.

I personally have valued his friendship from his Tufts University days throughout his 11 years as Secretary of the Smithsonian. Mrs. Carmichael, too, has been of immeasurable aid to him in his many civic endeavors in Washington. I know that Leonard Carmichael will continue in the future, as he has in so many ways in the past, to contribute his time and his talents to projects which benefit so many of us. We who have worked with him will miss him, but we wish him well in his new undertakings.

PROPOSED ELEVATION OF STATUS OF U.S. LEGATION IN BUCHAREST, RUMANIA

Mr. LAUSCHE. Mr. President, recently, the British Government agreed to raise its Legation in Bucharest to the rank of embassy and to admit a Communist Rumanian ambassador in London. Representatives of the Communist regime in Rumania have announced that the U.S. Government, in turn, would also be raising the status of the U.S. Legation in Bucharest to the rank of embassy.

I hope that the Government of the United States will not follow the British Government's example which, in effect, constitutes a new step towards the acceptance of the status quo in Eastern Europe and a heavy blow to the rights and hopes of the Rumanian people for liberty and independence.

The present Rumanian regime was forced upon the Rumanian people through Soviet Russia's use of armed force after having given the King a 2-hour ultimatum demanding the formation of a government drawn up in Moscow and dominated by Communists. This tragic violation of Rumania's sovereignty was committed by the Soviet Government only 2 weeks after the Yalta agreements, signed by the President of the United States, had promised Rumania a national, democratic, and representative government.

Furthermore, in an official statement endorsed by the Secretary of State of the United States of America and by the Prime Minister of Great Britain, the Soviet Government had pledged itself "to not interfere in the internal affairs of Rumania and to not change by force the social and economic structure of the country."

The Soviet Government likewise violated the armistice convention and the peace treaty, both signed also by the United States, guaranteeing the restoration of a national and democratic government.

Moreover, in December 1945, at the Moscow conference, the Soviet Government gave the United States and Great Britain her pledge that the Communist regime she had imposed upon Rumania would proceed to hold free elections. On the basis of this Soviet promise, the U.S. representative, Mr. Averell Harriman, gave the Rumanian democratic parties formal assurances, pledging the honor of the United States, that they would be able to participate in free elections for drawing up a representative and democratic government. But the elections which followed were declared by the American Government itself to have been "the most fraudulent elections ever known in history."

These Soviet aggressions and violations are the basis upon which the present Communist government of Rumania is founded. With all its good will, the American Government could not halt their consequences, but the Rumanian people hope it will not approve them.

The present "government" of Rumania was and has remained convicted—at the demand of the United States—by the United Nations and by the World Court at The Hague for violation of article 3 of the peace treaty, through which it had been pledged to respect the rights of man and the fundamental freedoms.

Today, in spite of all the propaganda it carries on for independence, the Communist regime in Rumania remains one of the harshest behind the Iron Curtain:

First. The prisons are filled with innocent men, and an atmosphere of persecution and terror hangs heavily over the entire country. The leaders of the three democratic parties have died in the Communist prisons in which the prominent members of those parties still languish, perishing one by one. Suffering with them are imprisoned peasants, workers, priests, intellectuals, et cetera, who have no other fault than that they love their country and worship God.

With the exception of a restricted number no one can leave the country. It is worth mentioning that a small number of Rumanians—some 20 or 30 in all—ransomed by their relatives in other countries, have been able to reach the free world.

Second. Religious persecution is greater in Rumania than in any other captive nation. The Uniate Church was suppressed by force and its leaders thrown in prison. Of the eight Catholic bishops in the country, six died in prison and the two who are still living, old and ill, are deprived of their liberty. The Orthodox Church is subjected to all kinds of pressure, even to the grave matter of corrupting its own ideals. Its natural hierarchy was destroyed and replaced with one subservient to Communist propaganda and activity. Hundreds of its priests were arrested.

The Communist regime in Rumania was the only one of the Communist regimes which did not permit a single Catholic prelate to attend the Ecumenical Council in Rome and which did not send an observer to that event.

Third. More than in any other captive country, writers and artists in Rumania are subjected to rigorous Communist control and are transformed forcibly into instruments of Communist propaganda. Released from prison only if they are willing to write for the glorification of communism, they are humiliated and terrorized as nowhere else.

Fourth. The peasantry was subjected to all kinds of persecution so that the regime could by force put into practice the collectivization of agricultural property. They live repressed and in poverty, as do industrial workers, too, for misery and terror reign over the greater part of the land.

These are but several examples of the regime of oppression in our country. The slight relief which has been permitted in some areas surely cannot justify a change of attitude on the part of the free world. And the propaganda for "independence" carried on by the Rumanian Communist regime, viewed close up in Rumania and not just by superficial or self-interested visitors, has no basis in reality.

The raising of the status of the U.S. Legation in Bucharest to the rank of embassy would be received with great sorrow by people. They would interpret this move as a sign that the Government of the United States is about to accept the status quo imposed upon them by Soviet aggression. The Communist regime would find it a sign of approval and prestige. But the Communist regime is an agent of Soviet Russia, while the Rumanian people—in any grave circumstances—are and will be the ally of the United States.

Our Government should have at heart the aim of maintaining the faith and courage of the Rumanian people and not of taking a course that will dim the hopes of these people for eventual freedom.

VOLUNTARY TYPE WHEAT PROGRAM

Mr. PEARSON. Mr. President, during 1962, the last year for which complete figures are available, wheat producers in this country harvested approximately 1,091 million bushels of wheat, with a value of approximately $2½ billion. Kansas was the largest producing State, providing approximately one-fifth of all of the wheat.

In many of our discussions of agricultural legislation, we tend to think of the problems and the solutions in terms of the specific agricultural commodity and, in this case, wheat. Wheat production,

however, has much deeper roots in our Kansas economy. The agribusiness is often split off and represented in industrial payrolls or in retail activities when, in fact, it is so closely associated to wheat production that serious fluctuations in wheat prices or regulations adversely affecting wheat have equally destructive effects upon the agribusiness and, in fact, upon the total public and private economy of the State.

The concern of the people of Kansas regarding legislation which might be considered by this session of the 88th Congress is represented by a resolution adopted overwhelmingly by the Kansas House of Representatives, which is now in session.

I ask unanimous consent for this resolution to be placed in the RECORD at this point.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

HOUSE CONCURRENT RESOLUTON 12

A concurrent resolution memorializing the Congress of the United States and the U.S. Secretary of Agriculture to provide for a voluntary type wheat program which will improve the economic condition of wheat producers in the United States

Whereas the production of Hard Red Winter wheat of superior breadmaking quality is the largest agricultural industry in the State of Kansas, and is one of the basic industries of our Nation; and

Whereas the economy of the State of Kansas is largely dependent upon the prosperity of the wheat industry; and

Whereas many businesses such as transportation, milling, storage, and merchandising, baking, wholesaling, and retailing firms, and all working people, as well as a vast field of agribusinesses are affected adversely by losses of income in the wheat industry; and

Whereas any adverse effect in our economy will affect State budgets and revenues and prevent accomplishment of the will of the people through governmental activities; and

Whereas a similar situation exists in all major wheat-producing States: Now, therefore, be it

Resolved by the House of Representatives of the State of Kansas (the Senate concurring therein), That we respectfully urge and request the Congress of the United States and the Secretary of the U.S. Department of Agriculture to provide a voluntary type wheat program for the wheat producers of the Nation. Any new legislation recommended and passed should provide for the maintenance and improvement of income and also allow some of our wheat production to be competitive in the markets of the world; and be it further

Resolved, That the secretary of State be directed to transmit enrolled copies of this resolution to the President and to the Secretary of Agriculture of the United States, and to each member of the Kansas delegation in the Congress of the United States.

U.S. REPRESENTATIVE ON INTER-AMERICAN COMMITTEE FOR ALLIANCE FOR PROGRESS

Mr. BURDICK. Mr. President, I invite attention to an editorial that appeared in the Washington Post, January 28, 1964, entitled "Moscoso's New Post." I join the Post in wishing Mr. Moscoso every success as the American representative on the Inter-American Committee for the Alliance for Progress. I ask unanimous consent that the article be inserted at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MOSCOSO'S NEW POST

Teodoro Moscoso, who has served with distinction as coordinator of the Alliance for Progress, has moved on to a new job of great potential importance. He will be serving as U.S. representative on the Inter-American Committee for the Alliance for Progress. This body, known as CIAP (the initials of the name in Spanish) is a major innovation agreed upon at last fall's hemisphere meeting in São Paulo. The purpose of CIAP is to strengthen the multilateral aspects of the Alliance.

No one as yet is certain how the system will work, and the man who will head CIAP remains to be appointed. But few question that there is a need for what President Johnson has called an effective multilateral organ to provide guidance and greater momentum to the Alliance.

Mr. Moscoso is deeply committed to the multilateral concept—in other words, to the proposition that our neighbors must share on a collective basis in the decisions of the Alliance. From this country's viewpoint, it is preferable that pressure for controversial domestic reforms come from a Latin American body rather than from the United States. Mr. Moscoso should prove an able adjutant at CIAP, providing he gets the understanding and support he deserves from the White House and the State Department.

STUDENT EXCHANGE PROGRAM

Mr. JAVITS. Mr. President, educational exchange programs have been carried on by Americans long before the Federal Government decided to participate in it as a part of our foreign policy. In New York City, a residence and program center for graduate foreign and American students has been functioning successfully since 1924. International House on Riverside Drive is a private charitable and educational organization famous throughout the world for its distinctive contribution to a better understanding of the United States. It is an outstanding example of the importance of private initiative in this essential area.

I ask unanimous consent to have printed in the RECORD the report of Howard A. Cook, president of International House.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

THE PRESIDENT REPORTS ON THE YEAR SEPTEMBER 1, 1962, THROUGH AUGUST 31, 1963

As every organization needs to do periodically, this past year we have taken a serious look at our program in the light of the current needs of our graduate students. The gravity of the world situation and the highly advanced technology of the times has produced a different kind of student today than in decades past. He is far more earnest about his studies, has to work harder to gain his educational goals, and feels the keen competition imposed by the inflation of the student population and the necessity to obtain a higher degree of professional specialization. In addition, students from developing countries are anxious to bridge huge educational gaps and are under far greater pressures in order to catch up.

We feel that International House, with 96 countries represented under its roof, has a unique opportunity in planning its program to assist tomorrow's leaders to work together in a common effort, while preparing themselves professionally. Our trustees' recognition of the importance of our program was reflected in the creation of a new position, that of vice president in charge of program, to give the program new balance, new dimensions. Dr. Richard P. Taylor, our program director for the past 2 years, was appointed to this post and the new emphasis he is giving the program can be seen in the program review following.

One of our House residents, James Davis, is completing a 2-year study on International House foreign alumni for his doctoral thesis. The findings from this study, presented to the board of trustees, show that International House has contributed significantly to the professional growth of its former members. It has likewise reemphasized our own conviction that the American students, residents in the House, play a vital role in molding the foreign students' attitudes toward the United States. We are now formulating plans for an Alumni Association of the New York House to strengthen the bonds between this important group and our country.

The man who first conceived the idea of an international student association back in 1909, which later materialized as International House, reached the venerable age of 80 years last spring. Harry Edmonds was honored by the House and hundreds of the alumni who knew him as the director of the House from 1924 to 1935. Scores of letters, congratulatory telegrams, and gifts poured into the House and a special dinner celebration on May 10 marked the warmth and admiration felt for this hale and hearty octogenarian, whose inspiration started the chain of events which has led to today's worldwide movement of international houses and centers.

"Gifted with rare insight and sympathetic understanding, you have made your own the family tradition of service throughout the world. Pursuing a strenuous life with zest and efficiency, you have challenged us by your example." Thus read, in part, the citation presented to David Rockefeller upon his retirement from our board of trustees in July of this year after 22 years of service. We shall sorely miss his presence on the board, but his interest and concern for the House remains as he takes the honorary position of trustee emeritus.

I would like to mention our pleasure at noting three of our trustees included in President Kennedy's list of 31 receiving the highest civilian award of the year, the Presidential Medal of Freedom. The honored are Ralph Bunche, Ellsworth Bunker, and our chairman of the board, John J. McCloy.

I want to extend special thanks to my staff and to the trustees for their patience and forbearance during the completion of my year as president of the National Association of Foreign Student Advisers. Devoting much time and energy to this professional organization was a most stimulating experience and involved International House in the wider horizons of the total foreign student exchange program. I was especially pleased that through a special grant from the Johnson Foundation, three of our students were able to attend the national NAFSA conference in California, meeting with professionals in their field. These students were taking part in our foreign student advisor training program which has been financed by that foundation for 3 years.

The financial picture for International House is a sound one. Corporate support increased from 85 to 97 donors this year, and a very high percentage of our friends, including individuals, and foundations, continued their generous gifts to make the program possible. Our increase in contributions this year was due to the untiring efforts of our development committee under the able chairmanship of Stanley Rumbough, Jr.

Also notable were the additions to our scholarship and fellowship funds, both annual, and endowment, with which we were able to give assistance to 54 students. Of special note was the gift of $13,750 from the Stiftung Volkswagenwerk in Germany to endow a room scholarship for a German student. This was the first grant made by the foundation to an organization in the United States.

No organization like International House could function without the concerted efforts of trustees, volunteers, and staff members. Because of their dedication to the ideals of International House, their contributions of knowledge, time, and talent are of singular importance to the success of this unique institution. My deepest appreciation goes to each and every one.

HOWARD A. COOK,
President.

NOVEMBER 1963.

NEW EVIDENCE OF CASTRO SUBVERSION

Mr. KEATING. Mr. President, the announcement that Castro-Communist agents are proven to have played a very large role in the recent outbreak of violence in Panama should be sufficient evidence that the United States can no longer delay effective measures to combat the export of terrorism and subversion from Cuba.

In mid-December I proposed and called to the attention of our Department of State the possibility of creating an Inter-American Subversion Control Board. Such a group, I believe, could perform the same kind of function that is performed so effectively and efficiently by Interpol. There is pressing need throughout this hemisphere for greater coordination of information. Every Latin American government should have immediate access to detailed records of Cuban-trained Communist agents, their whereabouts, their financial status, and their techniques of operation. This information should have been promptly available and made known to the world at the time of the Panamanian riots.

The need is critical but unfortunately the machinery is not yet in existence to provide the necessary surveillance of Communist movements. The entire hemisphere would benefit by the creation of a board with adequate authority to follow and to follow up on Castro's agents in the Western Hemisphere.

Mr. President, it is not enough just to talk. We have seen that that does not even persuade our own allies not to renew contact with Castro. What is needed is some action to set up the kind of machinery necessary to do the job that needs to be done. We cannot afford further delay. In 1961 and 1962 we permitted the progressive buildup of Soviet military power in Cuba until the United States and the world were confronted with a major military confrontation in the cold war. In 1963 we have permitted the progressive buildup of subversive training activities and terrorist potentialities in Cuba until the United States and the hemisphere are again confronted with a major threat to security and peaceful progress. How long will we continue to face the Cuba problem inadequately and ineffectively? How long will we continue to wait until a major crisis occurs before we establish the machinery and formulate the policies necessary to cope with it?

REVENUE ACT OF 1964

Mr. SMATHERS. Mr. President, I ask that the unfinished business be laid before the Senate.

The PRESIDENT pro tempore. The Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H.R. 8363) to amend the Internal Revenue Code of 1954 to reduce individual and corporate income taxes, to make certain structural changes with respect to the income tax, and for other purposes.

The PRESIDENT pro tempore. Under the rule, the 3-hour period for germaneness of debate is now in effect.

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. DIRKSEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator from Illinois will state it.

Mr. DOUGLAS. I should like to inquire of the Senator in charge of the bill, the distinguished junior Senator from Louisiana [Mr. LONG], whether any motion or request has been made to accept the committee amendments en bloc as a basis for discussion and action.

Mr. LONG of Louisiana. The request has not been made because it would not be agreed to. I expect to make such a unanimous-consent request later today, or perhaps on Monday. I have discussed this subject with a number of Senators. There would be objection if the request were made at the present moment. That being the case, I see no reason to make a futile request.

Mr. DOUGLAS. Speaking for myself, the Senator from Tennessee [Mr. GORE], the Senator from Wisconsin [Mr. PROXMIRE], and I believe the Senator from Connecticut [Mr. RIBICOFF], we are ready to accept the committee amendments as text, with one exception—namely, the provision with respect to capital gains. We wish that provision to be put to a vote, in order to support the committee's position. I suggest that the Senate get on with the business of voting on the bill.

Mr. LONG of Louisiana. As far as I am concerned, I am perfectly content to do that, but a number of Senators are not.

Mr. DOUGLAS. Who is holding up the bill?

Mr. LONG of Louisiana. I am not holding up the bill, but there are others——

Mr. DOUGLAS. Who is holding it up?

Mr. LONG of Louisiana. I do not know, but various Senators are out of the city.

Mr. DOUGLAS. Let us test it by moving to adopt the committee's amendments as original text with the exception of the capital gains provision and if no objection is heard, let that amendment be brought up.

Mr. LONG of Louisiana. I do not wish to vote until they can return to Washington. As far as I am concerned, I am willing to accommodate them. I have no choice.

Mr. DOUGLAS. The Senator states he does not know who the Senators are, but he is ready to accommodate them. Who are these mysterious strangers who are holding up action on the bill?

Mr. LONG of Louisiana. I have no choice. As far as I am concerned, the pending business would be to vote on striking the preamble; and on that issue I am ready to vote now. I hope it may be done by unanimous consent.

Mr. DOUGLAS. Why not try a unanimous-consent request that the committee amendments be agreed to en bloc, and that the bill, as amended, be treated as original text for purposes of amendment? Ask unanimous consent.

Mr. DIRKSEN. Mr. President, I would object to the request.

Mr. RIBICOFF. Mr. President, I have received expressions of cooperation and courtesy from the Senator in charge of the bill, the Senator from Louisiana [Mr. LONG], and also the minority leader. Without question, one of the major amendments to the bill will be my proposed tax credit for education expenses of youngsters in college.

I was interested in the considerable amount of attention paid to the so-called Ribicoff amendment at the start of the debate on the tax bill yesterday. I am honored by my distinguished colleagues' interest in my proposal to give a break to those who foot the bill for the education of our Nation's college youngsters.

But I was surprised at the amount of misinformation that crept into the discussion. In the public interest, I feel it is necessary to correct this misinformation. Therefore, I will discuss the amendment on the floor of the Senate in detail on Monday, if I can get the floor.

Meanwhile I will simply state a few facts. The senior Senator from Oregon, my eminent colleague and good friend, Senator MORSE, called my amendment a "rich man's amendment."

It is anything but this.

Fact No. 1: My amendment provides not one dollar of benefit to the millionaire.

Fact No. 2: Families with incomes between $3,000 and $10,000 are 62 percent of our population.

Fact No. 3: Families with incomes between $3,000 and $10,000 get 62 percent of the dollar benefit under my amendment.

My amendment is an average man's amendment. It benefits the average American family. It helps them at a time when they need help.

By benefiting education, it would benefit America.

People—average people—seem to sense this. Everywhere I go nowadays, they stop to tell me they are rooting for my proposal. At home in Connecticut,

here in Washington, and in other parts of the country where I have had speaking engagements, men, women—and youngsters too—speak to me about it.

College costs hit a family in just a few short years—and they hit with an impact that hurts. A $3,000 college expense is a staggering burden for a man earning $8,000, or $12,000, or $15,000. That is why when I was riding the elevator with the distinguished minority leader the other day, the elevator operator said, "Gee, Mr. RIBICOFF, you really are doing a job for all of us who are trying to get a college education. I hope your amendment passes."

The distinguished chairman of the Foreign Relations Committee, Senator FULBRIGHT, inserted editorials from the Washington newspapers about my amendment. Mr. President, I ask unanimous consent to insert in the RECORD at this point the letters I wrote in response to two of these editorials.

And, Mr. President, I also ask unanimous consent to insert in the RECORD at this point, editorials from across the land—where people live—supporting this measure. They show why it would further the cause of education in our land by helping to make college education realistically available to all boys and girls with a capacity for it.

There being no objection, the letters and editorials were ordered to be printed in the RECORD, as follows:

[From the Washington Post, Dec. 19, 1963]

TAX CREDIT FOR EDUCATION?

The Washington Post's opposition to my amendment giving tax credits for college costs deserves further discussion. Let me deal with your three objections in order.

"First," you write, "it discriminates against those families who cannot in any case help their children through college." If this is a criticism, it applies with equal force to every deduction and credit now allowed by the Internal Revenue Code, for it simply means that those who pay no expenses and have nothing to deduct, get no deduction. Surely, that is not discrimination.

The man too poor to pay his hospital bill gets no benefit from the medical deduction available to his neighbor who does pay his bill. That proves we need to help those who cannot pay their hospital bills; it does not prove that we should deny tax relief to those who pay these costs.

"Unlike direct Federal grants," you continue, "tax credits would provide no assistance to talented young people of limited means who must work their way through college." Not true. My amendment provides a credit for any person who pays for a student's tuition, including the student himself. A student working full-time in summers and part time during the school year will pay, even under the new lower rates, $225 in taxes on $2,400 income. If his tuition and books are $500 or more, my credit proposal would wipe out that tax.

"Worse still," you conclude, "the granting of tax credits would encourage private and public institutions to raise tuition and other fees." First, colleges have been raising their tuitions anyway. A recent study showed that in just 4 years a group of private colleges raised student costs 29 percent and the increase for a group of public colleges was 21 percent.

Furthermore, you assume that colleges set their costs by what the traffic will bear. I do not. I believe their student charges reflect the increased costs they face, not the increased ability of parents to pay. But if you are right, then tuition costs are going up anyway, because every college will know that the basic rate reductions in the pending bill give parents funds, which can be absorbed through increased tuitions.

I think it unlikely that colleges would raise tuitions to cover the entire tax relief given to parents by the pending bill, with or without my amendment. Conceivably, there would be possibility of a slight increase due to tax relief, if the tuition increase were fully or even substantially deductible.

But under my amendment, the major share of the credit is based on the first $500 of tuition and books. The credit is 10 percent on the next $1,000. So every $100 increase in tuition above $500 gives the taxpayer only a $10 credit. There is no more reason to oppose this 10 percent credit because of tuition increase than there was to oppose last year's 7 percent investment credit on the ground that equipment manufacturers would raise their prices.

In sum, I believe those who pay the high costs of a college education are as entitled to some tax relief as those who receive a deduction for medical expenses or casualty losses. There is no doubt that we also need aid to the colleges, as provided in the bill signed by the President this week. And we also need scholarship aid. But it is time to extend some relief to the middle income person who pays in a short span of years a high cost that benefits the entire Nation.

The middle income families are generally not eligible for financial aid. They are the ones my amendment benefits: 51 percent of the dollar benefit goes to families with incomes between $5,000 and $10,000, and 91 percent goes to families with incomes below $20,000.

ABRAHAM RIBICOFF.

[From the Evening Star, Jan. 24, 1964]

COLLEGE TAX RELIEF

I am very pleased the Star agrees that college costs, like medical expenses, are entitled to tax relief. And if, as your editorial said, some changes should be made in the amendment 16 Senators and I have proposed, we would be glad to have suggestions for improving it.

The college tax credit amendment I proposed has already benefited from the suggestions that have been made to improve the various proposals that have been introduced in prior years. For example, earlier proposals had been criticized for giving a preference to private colleges as against public colleges. We therefore adopted the idea of a sliding scale credit so that proportionately greater tax relief is given for the low tuition costs generally found at public colleges.

Even where the public college charges no tuition, the fees, books, and supplies generally add up to $200. My amendment would provide a credit of $150. That's 75 percent. Compare that to the $275 credit that would be available at a private college where tuition is $1,000; this comes to only 27 percent. Costs at low tuition colleges would get the greatest share of the benefit under my amendment.

Another criticism concerned the very wealthy person who benefited under prior proposals. My amendment reduces the credit in upper income groups and excludes the high income groups completely; 91 percent of the dollar benefit would go to families with incomes below $20,000. The millionaire would get no benefit at all.

Even with these points already written into the amendment, there may well be other suggestions worth adding. I would certainly give them careful consideration. In any event, I am glad you recognize that a basic problem exists and view with approval the general approach I have taken. You may be sure that every Senator will have a chance to vote on this proposal when I call it up on the Senate floor as an amendment to the tax bill.

ABRAHAM RIBICOFF.

[From the New York Daily News, Jan. 23, 1964]

HOPE RIBICOFF KEEPS FIGHTING

As a rule, we think pretty well of the Senate Finance Committee. We think anything but well of its vote Tuesday to leave out of the tax cut bill a provision for special income tax credits on college students' expenses.

This carefully thought out plan was offered by Senator ABRAHAM RIBICOFF, Democrat, of Connecticut. It blueprints only a modest amount of tax-deduction aid to college students and their parents.

We know of no fairer deductions—and we hope Senator RIBICOFF will take this fight to the Senate floor.

[From the Baltimore Sun, Jan. 23, 1964]

COLLEGE TAX CREDIT

It used to be that a family's biggest expense in the lifetime of its chief wage earner was the cost of buying a home—something that is entered into with many safeguards and paid off slowly over many years. Now the biggest expense may be the cost of sending three or four children to college, something that must be paid off more quickly and hits—as a rule—within a short period of time. Even at a State or other public college, the cost of 4 years of education can run as high as $6,600; an education at a good private college can cost double that sum.

Hence, millions of parents will watch anxiously the fate of Senator RIBICOFF's proposal to allow families special income tax credits (to a maximum of $325 a year) for each student in college. The administration is opposed to this amendment to its tax bill, but Mr. RIBICOFF, a former Secretary of Health, Education, and Welfare, feels that there is enough support for his plan to override an unfavorable vote by the Senate Finance Committee. The committee majority opposes the Ribicoff proposal following the administration's contention that education can be financed more efficiently through grants and loans.

But can it? The administrative costs involved in any Federal (or, for that matter, State) scholarship plan, the general tendency of scholarships to be restricted to levels below the middle-income group and the inevitable selectivity of Federal support for college scholarship systems provide less help for the average student, and at higher cost, than would a straightforward modest tax reduction. Mr. RIBICOFF's proposal, which would help a great number of families in the most direct way, is likely to be approved if it gets to the floor.

[From the Hartford (Conn.) Courant, Oct. 8, 1963]

WHY NOT TAX RELIEF FOR COLLEGE EXPENSES?

Senator RIBICOFF will find warm supporters among parents of children who are now in college, or who plan to go soon. Mr. RIBICOFF is hoping to introduce an amendment to the tax cut bill that will give some relief to those who are sending their children through college, and are footing the bills. He hopes to introduce a measure that would give these parents full tax relief for all expenditures up to $1,500. It is estimated that this relief would cost the Treasury around $750 million a year at this point, and that in a few years the figure will climb to $1 billion.

Even so, there are all kinds of relief measures built into the tax law that permit allowances for depreciation and depletion. For years some businessmen have had all kinds of extravagances deductible from their tax bills. Of all the citizens the one group that has never been recognized for tax relief

is that great middle class that politicians like to call the backbone of their country. And these are the ones who pay their way, and try to give their children a decent education.

The Government itself has recognized the need for superior education, and stimulates higher education by a wide variety of grants and subsidies. But the one area where there is no relief is that where it pinches most. The man of moderate means whose children have not earned scholarships is doomed to at least 4 years of deprivation as he sends his boy or girl through college. And the parent of modest means who has two or more can look forward to a long period of shabby clothing and beat-up cars. It is not a nice feeling for these people to survey the tender, loving care that owners of oil wells, gold mines, or big industries get in contrast to their own shabby lot.

A part of this neglect stems from a now outmoded bit of folklore that only the rich send their children to college. The corollary is that a college education is a luxury. That is untrue now on both counts. A college education is as necessary now in earning a livelihood as high school education used to be 50 years ago. And today the colleges are filled with earnest and intelligent children from moderate income homes—or sometimes indeed from the homes of immigrants. Quality is the watchword, and our colleges were never so filled with intelligence as they are today. Only the most illiterate person would say that a college education is a luxury.

Still, the Ribicoff proposal may not have easy going. For one thing, the parents of these children who would profit are not organized the way the oil industry is. And many Congressmen still are moved by ignorant prejudices. Despite these bad omens, let us hope for the best.

[From the White Plains Reporter Dispatch, Dec. 26, 1963]

TAX CREDIT FOR TUITION

Gathering momentum in Washington is the proposal for a tax credit for college tuition. It is being offered as an amendment to the pending tax-cut bill.

The proposal isn't new. What makes it impressive at the moment is that 14 Senators who had introduced their own bills have now consolidated forces by cosponsoring the measure being pushed by Senator ABRAHAM RIBICOFF, Democrat, of Connecticut. Senatorial support is broad, including even such unlikely bedmates as HUBERT HUMPHREY and BARRY GOLDWATER.

The scale of tax credits that would be granted to parents of college students ranges from $150 for the first $200 at tuition up to a maximum of $325 for tuition of $1,500. That would apply to parental income up to $25,000.

The scale for parents with larger incomes slides the other way, until income exceeding $57,500 would exclude any credit.

Senator RIBICOFF contends this works out equitably, with 51 percent of the credit helping families in the $5,000 to $10,000 bracket, and 91 percent going to families with incomes under $20,000.

One big obstacle is that this arrangement would cost the Treasury more than $1 billion a year. Besides the revenue loss, there is the argument that it creates a new loophole at a time when Congress is being urged to close loopholes.

Ordinary mortals may, however, find it hard to get excited about the loophole of a tuition tax credit when Congress shows no discernible interest in doing a thing about truck-size loopholes that enable some of the highest income people to avoid paying a cent in taxes.

That, of course, doesn't make further loopholes any more desirable, per se. But is it fair to term a tuition tax credit a loophole? Is it any more of a loophole than certain dependency, age or illness exemptions with which there is no moral or practical argument?

We'd say the answer is no—particularly when the tuition tax credit is considered as an alternative to proposed multibillion dollar Federal programs designed to help pay faculty salaries and operating costs—in other words, via a roundabout tuition subsidy.

The difference is that the tax credit would be granted directly and without administrative expense. As we well know, the dollar that goes to Washington suffers shrinkage from the standard bureaucratic "handling charge" before it returns as Federal aid.

If the Government proposes to help parents meet the high cost of today's college education, why not do it the most efficient and inexpensive way? At that, $325 won't go far—but it'll go a lot farther if deducted at the source.

[From the Newark News, Jan. 23, 1964]

HELP TO PARENTS

Senator RIBICOFF's efforts to amend the tax-cut bill to permit deductions for college costs have suffered a setback in the Senate Finance Committee. Undaunted, Mr. RIBICOFF plans to carry the amendment to the Senate floor, where he views its chance as "excellent."

The Connecticut Democrat's optimism stems from the 10-to-7 vote, which found all 6 Republicans on the committee joining him in favor of the amendment. The deserting Democrats reflect the administration's feeling that Federal aid to education is best provided through grants and loans, rather than tax relief. But Senator RIBICOFF thinks he can convince his party colleagues to the contrary.

Mr. RIBICOFF argues that the Federal assistance programs benefit only the low-income family. His plan is designed to help parents who are neither wealthy enough to absorb the high cost of college education without hardship, nor poor enough to qualify for financial aid under existing scholarship programs. It would allow maximum credit of $325 for each student, with a descending scale for taxpayers in higher brackets.

Considering Congress' liberal policy toward business expense deductions, parents would seem entitled to some relief from the financial burden of sending their children to college. But they have no lobby in Washington and, along with Senator RIBICOFF, can only hope the Senate will view their plight with more sympathy than either the administration or the Finance Committee majority has shown.

[From the Denver Post, Oct. 8, 1963]

COULD HELP THE KIDS, COLLEGES AND PARENTS

A tax idea that strikes us as quite worthwhile is gaining support on Capitol Hill in Washington. It should appeal to every parent burdened with the expense of putting a child through college.

The idea is simply that parents would be allowed to add to their itemized Federal income tax deductions the cost of their children's college tuition, books and fees, up to a maximum of $1,500 a year.

This is the way a bill sponsored by Senator ABE RIBICOFF, Democrat, of Connecticut, reads, and RIBICOFF, as a member of the tax-writing Senate Finance Committee, is in a potent position to do something about it. The extent of support for the idea is shown by the fact that more than 120 bills of this general type have been introduced in Congress this session, and their sponsors range from liberals such as RIBICOFF to conservatives such as BARRY GOLDWATER.

RIBICOFF said this week that when the House-passed $11 billion tax cut bill comes up in the Finance Committee, he will try to get the college expenses tax deduction plan written into it.

The idea has been around for some years now, and was opposed by both the Eisenhower and Kennedy administrations on grounds that (1) direct student aid is better, and (2) tax deductions are no help to low-income families who pay no income tax.

Both administrations seem to have preferred direct support—loans or grants—presumably because these could be restricted to worthy students, whereas tax deductions might go to parents of children loafing their way through college for social status.

This was a more valid argument 5 or 6 years ago—before the sputnik era—than it is now. The better colleges are weeding out goof-offs more ruthlessly every year.

The other argument—that tax relief is no help to low-income families—doesn't impress us much. The Federal tax bite starts at $3,000 for a couple with one child, $4,000 for the parents of two children. Hence there aren't going to be many parents, who are interested in having a child go to college, who wouldn't get tax relief under this proposal. And for those in this bracket who are interested, such a tax deduction might well make the difference as to whether they could afford it or not.

Certainly, for the vast middle class, from which most collegians come, a college expenses tax deduction would be a real boon.

We checked with one father of a full-scholarship winner, who nevertheless has to foot a $750-per-year bill for books and other expenses for his son. His reaction was blunt:

"If wealthy people can get a tax break for their contributions to college endowment funds, why shouldn't I get one for my sizable—to me—contributions toward meeting college expenses?"

Why not indeed? Any proposal that has the backing of people as politically different as ABE RIBICOFF and BARRY GOLDWATER must have nonpolitical merit. We hope the Senate Finance Committee gives it an A-plus.

[From the Herald-Advertiser, Nov. 17, 1963]

AID FOR PARENTS

Parents with college-age children may be divided into three groups: Those who can afford, without question, to send their children to college; those who, without question, cannot afford to do so; and those who cannot afford to but who manage, somehow, to do it.

Interested lawmakers who sympathize with the last group and would like to make their sacrifices a little less painful, have sought for years to get these parents a better break with the tax collector.

West Virginia's Senator JENNINGS RANDOLPH is one Member of the Congress who repeatedly offered bills that would give parents with children in college larger deductions or tax credit to offset the high costs of higher education. Others have been equally solicitous and equally unsuccessful.

Senator ABRAHAM RIBICOFF, Democrat, of Connecticut, tried to interest the administration in some kind of tax relief for the parents of college students when he was Secretary of Health, Education, and Welfare. Now that he is in the Senate, he is reported to be trying to coordinate the efforts of individual Senators in a concerted move to get a tax-relief bill through Congress.

According to a copyrighted article in the Washington Star by Charles Bartlett, the bipartisan bill will have good support in Congress, but will be opposed by the administration, the Treasury Department, and even some education groups. Their opposition is explained as follows:

It would cost the Treasury about half a billion tax dollars on top of the antici-

pated $11 billion deficit involved in a general tax reduction:

Tax "purists" dislike the idea because it moves in the opposite direction of their drive to remove the "gimmicks" from the tax laws.

The education groups are afraid that enactment of such a bill will reduce chances of getting a Federal program of undergraduate scholarships to match the present program of Federal loans. They say scholarships would go only to deserving students, whereas tax relief would benefit both the deserving and the undeserving.

The Ribicoff compromise bill would offer a graduated scale of benefits to parents based on their incomes. The maximum tax credit, $325, would be available to parents with incomes up to $20,000. Then it would taper off, ending entirely if parental income was $60,000 or more.

As Mr. RIBICOFF is discovering, it is not an easy bill to write or to defend against charges that it favors the middle-income and high-income groups. But the fact that there is general recognition of the painful sacrifices which middle-class parents must make—and do make—in order to send their children to college, gives hope that a satisfactory solution to this urgent problem will be found.

[From the Montgomery (Ala.) Advertising Journal]

FEDERAL AID THAT'S SOUND

Why not give special tax consideration to parents who are trying to put children through college? A Democratic Senator sponsored this plan and a Democratic administration is opposing it, but it makes more sense than most other education measures that originate in Washington.

Senator RIBICOFF's is simplicity itself. For each child in college, a parent would be allowed a tax credit of 75 percent of the first $200 in tuition, books, fees, and supplies, 25 percent of the second $300 and 10 percent of the next $1,000—a total of $325 for each student. This amount would be directly subtracted from the amount of taxes due, except that parents in higher income tax brackets would be entitled to a smaller deduction or, above $60,000 a year income, none at all.

The Senate Finance Committee turned down RIBICOFF's proposal by a vote of 10 to 7. RIBICOFF's opposition included the Treasury Department, which estimated that the tax-credit scheme would cost the Government $750 million the first year and more than $1 billion by the third year.

So it might, but that's no greater than the 3-year $1 billion college aid bill approved by Congress last month and is considerably less than some other aid-to-education bills that have been proposed.

Better yet, it's a step toward making it easier for the States to sustain their educational systems without Federal help—by leaving more money at home.

If the Federal Government weren't sitting astride most of the productive tax sources, there would be no reason for the tax dollar to make that wearing, eroding trip to Washington and back, and the States could solve their own problems more easily.

Mr. RIBICOFF. Now, Mr. President, I have talked with the distinguished Senator in charge of the bill about the prospect of considering my college credit amendment on Monday. My hope that the Senate will enter into a unanimous-consent agreement to call up the amendment at about 4 o'clock on Monday afternoon and vote on the amendment some time late on Tuesday. I have discussed the subject with the distinguished minority leader. He said he would be more than willing to agree to that arrangement and he has indicated a desire to expedite the major amendments.

Mr. LONG of Louisiana. Mr. President, I am perfectly willing to make the request that the Senator from Connecticut be recognized as soon as the Senate has concluded its consideration of whatever amendment is pending at 4 o'clock on Monday.

I am not prepared to enter into a unanimous-consent request that the vote be taken at that time, because the amendment is a very important amendment and is one which should be discussed long enough so that Senators on both sides will feel that their arguments have been fully heard and that their answers to the opposing arguments have been heard. I assume that the Senate could vote on the question some time on Tuesday; but not knowing how the debate would go, I would not wish to ask unanimous consent that the Senate vote at any particular time.

I ask unanimous consent that the Senator from Connecticut [Mr. RIBICOFF] be recognized immediately after the disposition of whatever amendment is pending on Monday at 4 o'clock for the purpose of offering his amendment related to tax credit for education expenses.

Mr. SMATHERS. Mr. President, reluctantly I am obliged to object to the unanimous-consent request at this time. I make the objection not because I believe that the Senate cannot get to the Ribicoff amendment, and not because I do not believe it should get to it. We have made great progress. We have proceeded with the bill within the committee in a fashion and at a rate that was much greater than any of us originally thought possible.

We discovered that rather than try to force any hard rules on the Senate, the best thing to do was to let the matter take its course. We would not try to set up any hard, fast, and rigid rules, but let the committee work its will.

The bill was reported from the committee considerably sooner than we expected. Every Senator knows that. The bill is now before the Senate. We desire to dispose of it as quickly as we can. At the moment the majority leader is in his own State, I believe, on necessary business. Other Senators who are interested in the bill are not present at this particular moment. There has been no disposition on the part of the Senator from Florida, the Senator from Louisiana [Mr. LONG], the Senator from Connecticut [Mr. RIBICOFF], the Senator from Wisconsin [Mr. PROXMIRE], or the Senator from Tennessee [Mr. GORE] to delay the bill. The Senator from Tennessee, who opposes the bill, has been the very soul of courtesy and cooperation on the whole question, even while he expressed his views. Nor has the bill been delayed by the Senator from Illinois [Mr. DOUGLAS] or any other Senator. I do not believe it would be. A number of Senators are deeply concerned about the question. It would be a mistake at this particular time for the Senate to enter into any unanimous-consent agreement as to the time that the Senate would vote on the amendment.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. I am not in the least perturbed because the unanimous-consent request was objected to. Since the Senate proceeded to the consideration of the bill we have not been able to get 100 Senators to agree on anything. That is not unusual in this body. When we reach the point at which the Senate will be ready to vote, it will vote. That is the way we proceed on major proposed legislation. A number of Senators wish to make speeches for or against the bill, or desire to explain their positions against various amendments. Those speeches could be made today.

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

Mr. SMATHERS. I yield.

Mr. RIBICOFF. It is interesting to me that the Senator from Illinois [Mr. DOUGLAS], the Senator from Tennessee [Mr. GORE], and myself, who are unhappy with many parts of the bill and intend to offer amendments, are anxious to expedite the procedure. Yet Senators who are in charge of the bill and those who are supposed to be anxious to expedite it do not seem to be disposed to expedite the measure. At best that situation seems to be ironical.

Mr. SMATHERS. It seems that way to the Senator. It merely seems that way. The fact is that, through hard experience, we have learned that matters are expedited a little better when the leadership, in addition to the Senator in charge of the bill, gets the troops who have some interest in it in the Senate Chamber so that there can be some general accommodation. We know where we stand on the bill. There is no doubt in the mind of any Senator present. There are certain provisions in the bill of which I am not totally in favor. But I believe the bill is a good one. I voted for it, and I expect to vote for it again. I expect to continue to support it, although it is not exactly what I would like.

I believe that consideration of the bill will have been finished by the end of next week. I believe there is little doubt about that. I certainly hope so. But I do not believe that in order to succeed in that endeavor we need to enter into a unanimous-consent agreement in the absence of so many Senators who have a great interest in it, without at least checking with some of those Senators. Having told a number of Senators that they could be about other affairs and other business matters in connection with their duties in the Senate, I have some responsibility at least to discuss that particular point with them.

Mr. RIBICOFF and Mr. DOUGLAS addressed the Chair.

The PRESIDING OFFICER (Mr. JORDAN of Idaho in the chair). To whom does the Senator yield?

Mr. SMATHERS. I yield to the Senator from Connecticut.

Mr. RIBICOFF. I do not see how any commitment the Senator might have made to any Senators for today, Friday, would interfere with the endeavor to bring before the Senate late on Monday

the amendment to which I have referred, and then continue the discussion on the amendment into Tuesday and Wednesday, if necessary.

I talked with the Senator in charge of the bill about that point. Then I went to the distinguished minority leader to clear it with him. There was willingness on the part of both the minority leader and the Senator in charge of the bill to expedite its consideration. It was apparent from the statement yesterday of the Senator in charge of the bill that this amendment is worthy of discussion, and that it will require considerable time. I certainly do not wish to be accused of delaying the bill. I am ready to proceed to consider the major amendments as early as possible. I had cleared the question with the distinguished minority leader, who said that the procedure was satisfactory with him, and with the Senator in charge of the bill, who said that it was satisfactory with him. Obviously, a few major amendments will be offered, and if we get those major amendments out of the way, we shall be in a position to expedite consideration of minor amendments to make sure that the bill is cleared before the Lincoln Day recess.

Mr. SMATHERS. I thank the Senator. Everything he has said is crystal clear. It is exactly correct. He is ready to proceed. So is the Senator from Illinois [Mr. DOUGLAS], the Senator from Tennessee [Mr. GORE], and, in some respects, as an individual, the Senator from Florida. But our problem is that other Senators in this body of 100 Senators have necessary business elsewhere at this particular time.

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

Mr. SMATHERS. I should like to finish my statement first. Those Senators have necessary business elsewhere. They are greatly interested in the amendment. Some are for and some are opposed to the amendment that will be offered.

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

Mr. SMATHERS. I will yield in a moment. Certain Senators are interested in the Ribicoff amendment. We have made some commitments to them. Therefore I am in no position at this time to agree to any unanimous-consent request without at least checking with some of them. Perhaps later in the day we could enter into a unanimous-consent agreement, but we would have to get on the telephone and talk with some of them. It may be that they would favor the request. In the absence of those Senators or checking with them, I would have to object to the unanimous-consent request, as much as I dislike doing so.

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

Mr. SMATHERS. I yield.

Mr. DOUGLAS. Abundant notice has been given to every Senator that the debate and action on the bill was to be started today, Friday, the 31st of January. The initial statement on the schedule was that the Senate would meet on Saturday and work through the evenings, if necessary, in order to complete consideration of the bill by nightfall on February 8, so that Republican Senators could then go out over the country and praise the memory of Abraham Lincoln.

I had hoped action could begin today. In order to facilitate action, in the previous days and weeks I have put several speeches in the RECORD at the conclusion of the day's business lest they take time on the floor during the discussion of the bill. In spite of that fact, a leading Member of this body from across the aisle declared a few days ago on a national television program, that Senator DOUGLAS and GORE intended to filibuster the bill. That is not our intention at all. We are anxious for action on the bill. I believe there should be a showdown as to who is delaying action on the bill. I want to see the Senate move into a discussion of it and take action upon it as rapidly as possible. I suggest, therefore, that the leadership propose the capital gains amendment. I can assure the Senate that the Senator from Tennessee [Mr. GORE], the Senator from Wisconsin [Mr. PROXMIRE], and I will support the leadership vigorously, and we can then get the bill off to a good start.

I would be willing to make the motion, myself, but I would perhaps be thought to be brash if I did, because it would be usurping the function of the leadership.

Mr. LONG of Louisiana. I have no objection to the Senator's doing so.

Mr. DOUGLAS. I think before discussion or action on the amendment, there should be a quorum call, which I think should be a "live" quorum call. Then we can see where Senators stand. And who are here and who have been encouraged to absent themselves from the city.

Mr. SMATHERS. Mr. President, if the Senator wants to look for someone to blame for delaying the bill, the Senator from Florida is willing to assume that responsibility.

Mr. DIRKSEN. Mr. President, let me share that responsibility.

Mr. SMATHERS. That is what we are doing, if the Senator wants to call it delay. The fact is that we are not delaying action. Actually, we are trying to facilitate action on the bill. But we are human. We are different from those who have all the answers to all the questions all the time.

In any event, we think that is what will happen. We can make mistakes. But the idea at the moment is that this is a better way to do it. We may be entirely wrong. For the time being I suppose we are responsible for a slowdown, if the Senator wants to call it such, for a couple of hours. I want to make a speech about the tax bill. I am sure some questions will be asked me, which will take a little time. In any event, we think that, overall, action on the bill will proceed with greater rapidity if we consult with some of the other Members of this 100-membered body who have some interest in the bill.

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

Mr. SMATHERS. I yield.

Mr. DIRKSEN. First of all, I am glad to share with my friend from Florida the responsibility for what is happening. There were a good many discussions yesterday with respect to consideration of the amendments en bloc. All that will be taken care of in good time.

Open confession is good for the soul, and we may as well spread the facts on the record. Twenty-nine Members of the Senate are out of the city or elsewhere. Six or seven of those are from my side of the aisle. Frankly, after this discussion, I intend to protect them by every rule in the book that I can use. I may have to sharpen my knowledge of the rulebook in order to do it, although I have a decent familiarity with the book. But Senators were given assurance that there would be no yea and nay votes today, and I propose, by calling for live quorums and otherwise, and by any other dilatory method that I can use, to see that it is not done. So I rest my statement. I fully share responsibility with the Senator from Florida. My shoulders are broad enough.

Mr. SMATHERS. I thank the Senator from Illinois. I appreciate his statement. The Senator stated, frankly, that a number of Senators are absent. We did not think we would reach a vote on the so-called major amendments. As the Senator from Louisiana [Mr. LONG] knows, we had discussed the matter of trying to have the committee amendments accepted en bloc, and members of the committee said they would not agree to that on Friday, but that it might be done on Monday. So, if we can have 150 amendments agreed to en bloc by delaying action on them until Monday, we are going to make better time than if it is necessary to discuss 100 or 150 amendments now, some of which are very technical.

We are trying to accomplish a speedup of the bill. Some persons might say that it seems peculiar to say we are speeding up by slowing down, but this is the way the Senate works its will. Certain Senators are not present. They are Senators in their own right, and they want to be here when action is taken. It is only fair, after giving them the assurance we did, that we protect them.

I thank the Senator from Illinois for sharing this responsibility with me. I appreciate it because he is a man of good character.

CHARGES BY PANAMA AGAINST UNITED STATES

Mr. JAVITS. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. SMATHERS. I yield.

Mr. JAVITS. Mr. President, I ask unanimous consent that certain material may appear in the RECORD with respect to the way in which the riots in Panama resulted in the death of Panamanians and Americans.

At 4 o'clock this afternoon the United States is going to be accused of aggression before the Council of American States. These revelations bear upon that subject. We have great generosity as a nation. I am confident we shall negotiate a treaty, or anything else necessary, with the Panamanian Government. But I do think the United States should not be painted in the eyes of the world as an aggressor in the face of these facts,

and without at least these facts appearing in the RECORD, which indicate the fomenting of the riots by Castroites and other Communist leaders in Panama. They should appear in the RECORD. Whatever may be any other justification, they certainly ought to be a fact of record for our Government.

Mr. DIRKSEN. I suggest to my friend that at 2:03 p.m. the germaneness rule will run out. There will be plenty of opportunity to discuss this charge of aggression.

Mr. JAVITS. I gave the time of 4 because of that fact. I knew the Senator knew I was not pressing any point against the principle he has established; but the Senate is really proceeding under a time basis here.

The PRESIDING OFFICER. Is there objection to the request of the Senator from New York?

There being no objection, the material was ordered to be printed in the RECORD, as follows:

NEW YORK.—Communists and Castroites helped organize the anti-American rioting in Panama in which 21 persons were killed and several hundred wounded earlier this month, authoritative sources told the UPI today.

These sources supplied several photographs and identifications of participants.

About 70 known Communists and Fidelistas (Castro sympathizers) seized on an incident to spark and develop the outbreaks. Some 40 of these, who played leading roles, were said to have been recent visitors to Cuba, Soviet Russia, and Red China.

The Reds who led the demonstrations all were armed.

Panama authorities were reported to have arrested some of the better known subversives after American complaints. These were reported to have been released quickly because of their leading roles in student affairs and government fears of adverse public reaction in Panama. (A palace guard spokesman in Panama said he did not know anything about such arrests.)

The sources said a flag-raising incident at the Balboa High School in the Canal Zone, for which American students were to blame, gave the Communists and Castroites the incident they long had been seeking to provoke violence.

Their subsequent actions responded to appeals from Havana for riots and disorders throughout Latin America. It was hoped these would divert world opinion from formal Venezuelan charges to the Organization of American States that Communist Cuba supplied arms to the terrorist underground armed forces for national liberation (FALN). The appeals were intercepted in Caracas and form part of the Venezuelan case against Cuba.

UPI's sources traced organized agitation in the day's immediately preceding and following the flag-raising incident as follows:

On January 9, Communist speakers interrupted a student rally at the National Institute in Panama City to announce a march on the Balboa High School. The Communist orators at this rally were identified as Floyd Britton, Carlos Nunez and the leader of a women's affiliate, Virginia Ramirez.

The sources said they openly called for violence to follow the march.

Britton, 26, was described as the sparkplug at the January 9 rally.

A card-carrying Communist since 1960, he instigated demonstrations against the U.S. Embassy in Panama City in 1955, participated in the Cuban-sponsored guerrilla activity in the Panamanian interior in 1959, and in student riots against the Panama Canal.

He was a Castro guest in Cuba in late 1961 and early 1962.

On January 10, following a night of rioting, Panamanian Communist leaders appeared at the National Institute to distribute arms to demonstrators. Identified and reported to the Panamanian National Guard were Cleto Souza, Ruben Dario Souza, Jorge Turner and Cesar Carrasquilla.

Carrasquilla, the ringleader, was identified as a Communist cell leader in the science faculty at the University of Panama.

Speakers were heard urging the crowd to "kill Americans" and keep up the disorders "until all Americans have left Panama."

Later the same day, a deputy in the national assembly, Thelma King, a close friend of Fidel Castro and a frequent visitor to Communist Cuba, personally led a mob of about 1,000 persons to national guard headquarters to demand weapons.

At the same time, Radio Tribuna, a transmitter partly owned by Miss King, openly broadcast appeals for mob violence.

A subsequent meeting at Panama University, which led to further violence, was organized by Victor Avila, 24, Communist student leader. He was described as a Communist since 1960 and a former secretary general of the Panamanian Students Federation.

Avila, like Britton, was trained in Cuba. after the meeting, Britton was observed leading the demonstrations along the Zone border.

Other Panamanian Communists linked to active roles in the 4 days of anti-American sniping, rioting, looting, and sabotage, were said to include David Turner, Samuel Gutierrez and Alvaro Menendez Franco. They were photographed provoking violence.

One Communist leader was seen and identified as a sniper firing into the Canal Zone January 11 from the Johnny Waler Building in Cristobal, on the Atlantic side of Panama.

The sources also identified Andres Galvan Lorenzo, a leader of the Communist group, National Action Vanguard. He was seen during the Colon fighting with several other armed members of the party. They were among those arrested and released by the Panama National Guard. (The guard said subsequently it "knew nothing" of such arrests.)

Galvan Lorenzo trained for 6 months in Cuba in 1962.

Other known radicals identified in photographs by the sources included Alberto Calvo, 25, and Eligio Salas, Communist leaders in the law school, Augusto Arosemena, 23, who visited Cuba in 1960, an active Communist and former Student Federation secretary general.

Also Humberto Bruggiay, 22, a militant Communist in the School of Sciences and Pedro Rivera, a Communist student leader and member of the Central Committee of the University Students Union.

REVENUE ACT OF 1964

The Senate resumed the consideration of the bill (H.R. 8363) to amend the Internal Revenue Code of 1954 to reduce individual and corporate income taxes, to make certain structural changes with respect to the income tax, and for other purposes.

Mr. SMATHERS. Mr. President, prompt enactment of the pending tax bill is, in my opinion, vitally essential to provide a dynamic and vibrant economy, to strengthen the national security and economic well-being of this Nation.

The measure will provide an $11.6 billion tax reduction over a 2-year period for individuals and corporations.

When fully effective in 1965, it will reduce tax liabilities of individuals by $9.2 billion and corporations by $2.4 billion. Individual rates are reduced from the present range of 20 to 91 percent to a new range of 16 to 77 percent in 1964 and 14 to 70 percent in 1965.

Corporate rates will be reduced from 52 to 50 percent in 1964, and from 50 to 48 percent in 1965.

The withholding tax rate will be reduced from 18 to 14 percent effective 1 week after enactment. This action will give an immediate effect to the greater portion of the tax relief provided for in the bill.

The new budget recently submitted to this Congress gives clear testimony that the administration is determined to hold Government spending to the minimum necessary for essential needs.

The pending measure emphasizes that henceforth it shall be private spending—rather than Government spending—that serves as the larger and expanding force in stimulating the economic life of this Nation.

Together the new budget and the tax program make up a carefully considered and closely knit fiscal policy.

This policy is based on the assumption that in the long run Government should not usurp the prerogatives nor the responsibilities of the private sector of the economy.

As Secretary of Treasury Douglas Dillon put it recently:

The tax bill represents a firm decision to rely upon greater private spending rather than upon greater Government spending as the prime factor in our economic growth.

By April 1 the present recovery will be 37 months old. That will make it the longest peacetime recovery since the turn of the century with the sole exception of the 1933–37 recovery from the great depression. Every succeeding hour thereafter is an hour of borrowed time—an hour in which the likelihood of continued recovery becomes less likely—if we do not have a tax bill on the books.

Another recession even of the fairly mild character of the last two downturns, could easily cost between $5 and $10 billion in lost tax revenue alone. Much worse, it would bring with it skyrocketing unemployment which in turn would inevitably lead to greater Government spending.

The result would be a deficit that could range as high as $15 to $20 billion.

The more we delay on the tax cut, the less time there is to choose. The choice before us today is whether to pass the tax bill now and promptly expand the role of the private sector in achieving economic growth and meeting national needs, or to delay and seriously impair the opportunity of choosing for ourselves which road to take. Let us make no mistake of the fact that another recession will require heavy Federal spending.

President Johnson's budget is almost $1 billion below the budget of the previous year. It cuts the Federal deficit more than in half. Yet—because of the tax bill—it provides for a fiscal stimulus greater by more than $3 billion than

that of any other peacetime year in the history of the United States.

Despite the sharp spending cuts, the combination of tax reduction and prudent Federal expenditures will provide a stimulus to the economy this year, three times as great as any in the last 3 years.

There is no doubt in anyone's mind, I believe, that the performance of our economy since 1957, despite some rather optimistic statistics with respect to corporate profits and personal income, has been, on the whole, unsatisfactory, for our unemployment rate has averaged roughly 6 percent, about half again as high as the average for the first 10 years, after World War II. Our growth rate in that time has also been overall unsatisfactory, dropping well below 4 percent a year, for several years; and while in the last 2 years investment in new capital equipment has improved considerably, yet overall the best thinking of our most respected economists is that the levels of capital investment should be improved.

The Government has been well aware of the problem of lagging investment. That was the basis for the 7-percent investment credit which formed the principal provision of the Revenue Act of 1962. That was also why the Government hastened to complete in that same year its sweeping revision of the rules and guidelines governing the tax treatment of depreciable assets.

These two measures alone reduced business taxes by some $2½ billion a year, and significantly improved the investment outlook. They will prove more effective in the future. But with an ever-increasing population and an ever-increasing labor supply, more jobs for our people must be created. The late beloved President Kennedy recognized this fact a year ago when he sent his tax message to the Congress recommending a substantial reduction in the corporate and individual tax rates designed to spur investment and create consumer demand.

Unless we can increase the level of private investment in plant and equipment, it will be extremely difficult to produce more jobs, or achieve a lasting improvement in our national economic performance.

The investment level has shown a disappointing decline in recent years. It has dropped from 11 percent of gross national product in 1956 and 1957 to about 9 percent. The rate of increase in our stock of business plant and equipment has risen since 1957 by less than 2 percent a year. That is only half the rate of increase during the first postwar decade. Naturally, in this situation the proportion of our machinery and equipment over 10 years has risen significantly.

In that connection, sometimes we hear people talk about the fact that in our society today there is a great deal of idle plant capacity. Economists state that there is a 14-percent idle plant capacity. Approximately half of that results from the fact that much of our machinery and equipment is obsolete. Because there has been so little modernization until recent years in our industrial capacity we find it extremely difficult to compete with more modern machinery, which has been produced, with our financial help, in countries like Japan, West Germany, Italy, and other areas of the world.

Recently, the Finance Committee was told by the Business Committee for Tax Reduction, a group of 2,800 business leaders, that over a period of years corporate profits after taxes have come down. This was true whether measured as a percentage of investment capital, of sales, or of the corporate portion of gross national product.

The business group presented to the Finance Committee figures on the three major sources of economic growth—Government spending, consumer demand, and private investment.

These figures clearly show that, since 1957, the investment lag has played a major role in the failure of our economy to move closer to full employment.

The figures indicated that, from 1957 to 1962, Federal purchases of goods and services rose more than 13 percent, the gross national product went up more than 16 percent, consumer expenditures went up more than 17 percent, State and local government purchases went up 28 percent, but plant and equipment spending declined by more than 1 percent of the gross national product. The business group also made the following point:

> As a percent of stockholders' equity, profits of manufacturing corporations are far below the levels of 1955–57 and earlier postwar periods of prosperity. In fact, after-tax profit as a percent of stockholders' equity for the period since 1957 is below the recession level of 1953–54.

One of the most important aspects of creating a sustained economic expansion is the need to utilize the fruits of new technology in the form of new products or the adaptation of existing products to new markets.

Increasing the profitability of new investment is the most effective way to make more attractive the investment decisions which are not being taken today. It is the most effective way to make today's marginal project the acceptable venture of tomorrow. It is the most effective way to maximize the benefits of the tremendous technological, educational, and human resources of the United States.

As new techniques and new products are developed and as new markets are opened up, new demand will be created, new investment will be fostered, and most important of all, new jobs will be available that would never have been available otherwise.

Parenthetically, approximately 1 million young people are entering the labor force at the present time. It is estimated that that number will increase to 1,500,000 within the next 4 years. Some persons have estimated that the need for jobs will be even greater than that because of the increasing number of young people who will be entering the labor market for the first time.

In short, unless we get a substantial increase in investment, we are not going to create the jobs that are needed to reduce unemployment, the jobs that are needed to withstand automation or the jobs that are needed to provide productive work for the huge number of young people who are already beginning to enter the labor force.

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I am happy to yield to the distinguished Senator from Louisiana.

Mr. LONG of Louisiana. As the Senator well knows, the traditional Democratic argument for stimulating the economy, an argument which is usually supported by organized labor, takes the approach that generally if consumer spending power is stimulated by directing cash into the hands of the workingman, that will put people to work.

The argument that businessmen usually make, and which perhaps has more appeal to the Republican side of the aisle, is that the way to put more people to work is to provide some incentive to encourage persons to invest money to build or expand industry; that this will assist business to make money; and that by doing so, generally, society will be benefited by the creation of jobs and the improvement of industry and commerce.

Does not the tax bill now before the Senate really support both arguments?

Mr. SMATHERS. The Senator is correct. The bill supports both arguments. Of the $11,600 million which will be left, so to speak, in the private sector of the economy, to stimulate the economy and to provide jobs, $9,200 million will go to individuals in order to stimulate consumer demand.

The remaining $2.4 billion will go into the business and industrial community, so that it may invest money in modernization of plant and equipment or in the erection of new plants and the purchase of new equipment, which in itself will provide more jobs.

Mr. LONG of Louisiana. So, in effect, the bill answers the arguments of the person who says that the way to provide more jobs and get full production is to place more money in the pockets of the workingman. The bill, in effect, provides that $9.2 billion will go into the pockets of the workingman, to enable him to spend his tax reduction in whatever way he thinks is necessary, whether it be to educate his child or to buy something that his family needs, and which they have been denied for some time.

For persons who say that the way to get the economy rolling is to give business some tax advantage, if it is willing to risk its capital and build new plants or modernize old ones or expand existing ones, the bill provides that that argument will be accepted, too. The bill will provide advantages and benefits which the business community says will be good for the country, and that we agree will be good for the country.

Mr. SMATHERS. The Senator from Louisiana is correct. That has been established by the consensus of a large number of economists, who say that a dollar spent in the private sector of the economy will have a greater multiplier effect than a dollar spent by the Govern-

ment. In other words, rather than to collect a tax dollar from the citizen and bring it to Washington and have it administered, washed up, and sent out to a WPA project, or even to a big dam or a flood control project, perhaps in my State of Florida—and Florida would like to have more of them—that Federal tax dollar will not do as much good in stimulating the economy as a dollar left in the hands of private or corporate business, on the one hand, or a private individual, on the other hand.

If the dollar is left in the taxpayer's pocket rather than taken from him in taxes, it will have a greater multiplier effect and will do the economy more good. The great weight of economic opinion agrees with that view. That is the theory of the bill before the Senate. It is believed that if $1,600 million is left in the private sector, it will do more good than if it were administered by the Federal Government. We are always talking about free enterprise and saying that we believe in it. Why not give free enterprise an opportunity to work?

In 1954, after the tax reduction bill had been passed, the budget was balanced and revenue was increased within the two succeeding years. I do not say this to start an argument or to compare what happened 8 years ago with what is happening today, but there were a number of deficits, but one of the few times the budget was balanced in the Eisenhower administration was 2 years following the tax reduction of 1954.

The Senator from Louisiana is absolutely correct.

Mr. GORE. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield to the Senator from Tennessee.

Mr. GORE. If the way to balance the budget is to reduce taxes, we should have made a substantial reduction in the national debt by now, because the tax cut in 1954 was approximately the same percentage of gross national product as the tax cut in the bill today. But, instead of that reduction resulting in a balanced budget and a reduction in the national debt, as the Senator from Virginia [Mr. BYRD] pointed out yesterday, since that time the national debt has been increased by more than $40 billion. So the nostrum of which the distinguished Senator from Florida seems to be enamored has not worked very well.

Since he is now advocating a tax reduction of $11,700 million as a means of balancing the budget, I wonder if he does not think that if a tax cut of $11,700 million would balance the budget in the near but as yet indefinite future, the addition of the excise tax reduction to the bill would accomplish this great feat a little more readily and a little sooner. If this magic formula works, why stop at an $11 billion or $12 billion tax cut? Why not make the reduction $22 billion and make a substantial reduction in the national debt?

Mr. SMATHERS. I have deep affection and respect for the distinguished Senator from Tennessee. I am sure he recognizes that when a patient is sick, a blood transfusion of a pint or a quart can sometimes be beneficial. But if the patient were given a transfusion of a gallon of blood, the effect might be severely in the reverse. It is often possible to carry a good thing too far. It is possible to destroy one's health even with steak. Steak is good for us. But it is possible to overextend anything to the point of diminishing return. We believe that in this bill we have struck a fairly good balance.

The Senator from Tennessee used the term "nostrum." I agree with him that actually we do not know precisely how much benefit will be derived from it. However, we are taking the best advice we can obtain from most of the economists, and also from the A.F. of L. and the CIO. They approve of this bill, although they would like to have a little more emphasis placed on consumption—a course which the Senator from Tennessee also favors. We are also taking the best advice of the business community and of everyone else who could possibly be affected. We have tried to arrive at a consensus. It is their consensus that the pending bill is the best way to proceed.

Three different courses are advocated to improve economic conditions. The able Senator from Virginia [Mr. BYRD] has consistently advocated the course in which he believes; and no one is more consistent than he. He wants the budget to be balanced; and he is convinced that so long as the budget is not balanced, Government expenditures should not be increased, nor should Congress pass a bill which would cause a decrease in the Treasury's revenues. The Senator from Virginia wants the budget to be balanced; and he believes that the best way to balance the budget is to have Congress refuse to pass a tax reduction bill of this sort, and also to reduce Government spending.

I know the Senator from Tennessee does not agree with the Senator from Virginia, even though from time to time the Senator from Tennessee quotes the Senator from Virginia. However, I know the Senator from Tennessee does not agree with the conviction of the Senator from Virginia in regard to the best means of dealing with the fact that in 24 of the last 30 years our Government has had deficits.

Both the Senator from Virginia and the Senator from Tennessee ask how we are to put an end to chronic deficits—which is what we seek to do by means of this bill. I do not subscribe to the view of the Senator from Virginia as to the best course for us to follow.

The second theory is the one subscribed to by Leon Keyserling; it is the so-called Keyserling theory. I do not subscribe to his view, although I know the Senator from Tennessee does. Mr. Keyserling believes that the best way is, not to decrease taxes, but to have high taxes, and use them for WPA projects, and so forth—in other words, to have the Government, not the private sector of the economy, spend that money.

The third course is the one the Senator from Tennessee calls a nostrum. However, we hope it is not; and it is the judgment of most people—including President Johnson and, I believe, two former Presidents, many Senators, and many other persons in the United States—that it is not a nostrum. This course is the one which accomplishes this result through private enterprise, which believes that we can end the chronic deficits by doing two things: First, by reducing the amount of the Government's expenditures, and—as the President advocates—by making the best possible use of every dollar of revenue. In this manner the estimated deficit has been reduced by 50 percent. Second, by releasing into the private sector of the economy approximately $11,600 million as a result of the tax reductions to be made by this bill. Of course, the exact amount of the tax reductions will be determined only after the conference report on the bill is written and is agreed to by both Houses. In that way, we release the private sector of the economy to give it a chance to achieve the result which all of us want achieved. We favor this course and most of the economists to whom I have listened, or whose works I have read, agree—although, as I have previously stated, not all of them do. The dollars spent by private business or by private individuals have a multiplying effect, and thus are definitely more effective than Government expenditures of the same amount.

Mr. GORE. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I am happy to yield to the Senator from Tennessee.

Mr. GORE. Mr. President, the distinguished junior Senator from Florida has made some very astute observations. He has said it is possible to eat too much steak—however good the steak may be. I agree. But I suggest to the able Senator from Florida that unless one examines the substance with some care, it is also possible to mistake leather for steak, and then very little nourishment will be had.

The Senator from Florida says he wants us to try this nostrum, in order to attempt to achieve a balanced budget. But I can suggest a much easier way. I am not sure it would be easier for him, but certainly it is a much quicker and a much more certain way to balance the budget; namely, to defeat this bill.

This is a budget-busting bill. The President's budget calls for a deficit, next year, of $4.9 billion, including the amount by which that deficit would be increased as a result of the enactment of this $11.7 billion tax-reduction bill. So if the distinguished Senator from Florida wants to balance the budget, and wants to balance it quickly, we should reject this bill. That would balance the budget next year.

If the Senator from Florida will let me go one step further, I point out that he has said he took the advice of certain economists and experts, and that this bill is the result of their recommendations.

This nostrum was recommended by the same men—Dr. Heller and Secretary Dillon—who forecast a recession in 1964. Indeed, this bill was urged as insurance against recession in 1964.

This bill is not particularly new; the same thing that Secretary Dillon says now, can be found almost verbatim in

the book of the former Secretary of the Treasury, Andrew Mellon, in the late 1920's. That course was tried then, but with sad and disastrous results. So this bill is not based on a new notion; instead, it is based on one which has been advocated many times.

The same thing was said in 1954. We had a big tax cut then; we also had a big tax cut the year before last, with the passage of the investment credit and adoption of liberalized depreciation procedures.

These three actions, when taken together, add up to tax reduction of $5 billion annually, and largely for the benefit of the same segment of our society which would be the principal beneficiary of the pending bill.

But have those actions resulted in balanced budgets and a solution of the unemployment problem? Indeed, no. As the Senator from Virginia cited yesterday, the national debt has gone up more than $40 billion in that length of time. What has happened to the unemployment? True, we have seen much improvement in plants and facilities, and our factories are turning out many new products and much more production. But despite the fact that the production of our factories has greatly increased, today almost 1 million fewer men and women are working at production jobs in factories, as compared to the number who were working there 7 years ago.

So it does not automatically follow that the provision of Treasury funds for the purchase of labor-saving devices will create more jobs. I would not stop progress or automation, but I certainly will resist any phony argument to the effect that speeding up automation by taking funds out of the Treasury is the way to create more jobs. The result may well be fewer jobs.

I thank the distinguished Senator from Florida [Mr. SMATHERS] for yielding so generously of his time.

Mr. SMATHERS. I thank the Senator from Tennessee. I shall respond briefly to his remarks, and then shall yield to the Senator from Louisiana.

As to the predictions of Dr. Heller and Secretary of the Treasury Dillon, I do not believe they said that. What they said was that we might run into a recession in 1964, and that since World War II we have had an average period of 34 or 35 months during which the economy has risen.

If we can get safely through the next few months, the period will be the longest period during which the economy has been steady since the end of World War II. It has gone up slightly in the past 2 years, by virtue of investment credit and by virtue of the depreciation changes with respect to machinery and depreciable property. It has improved to the extent that the deficit has been cut in half this year, compared with what it was last year.

So there is evidence that the so-called "nostrums" are already working. The belief that we will pass this well-balanced tax bill has already led to an improvement. The tax cut we had in 1954 was only helpful temporarily, because it was not the right kind. The report of the Ways and Means Committee of the House states, on page 7:

> In 1954 Congress allowed the individual income tax increases imposed during the Korean war to expire, made certain excise tax reductions, allowed the excess profits tax to expire and made certain other tax reductions as well. The total of these reductions amounted to about $7.4 billion. Yet, only 2 years later, in 1956, receipts were $3.2 billion above the level existing before the reductions were made.

That proves that some stimulus was gained from that reduction. The report continues:

> However, these reductions did not get to the root of the matter, the high World War II rates, with the result that the poor economic performance of the economy since 1956 has left a heavy mark on the Federal debt.

I agree with the Senator from Tennessee that we do have unemployment, which he has talked about, and we do have automation, which he has also talked about. This bill is advocated in an endeavor to increase employment. Even though we build more machines—machines which will throw workers out of jobs—we must employ them in the increased activity resulting both from increased investment and from increased consumption.

The theory of the bill is that we hope to be able to stimulate the economy in a way to make possible greater capital investment to create more jobs. The $9.2 billion reduction provided in this bill to the consumer also will stimulate demand. Because of the increased consumer demand and investment stimulants, there will be additional plant expansion and modernization, and that will create more jobs. That is what we are working for.

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. The Senator will be interested to know that more than 400 leading academic economists in 43 major universities and colleges of America agree with his argument.

Mr. SMATHERS. How many?

Mr. LONG of Louisiana. More than 400 leading academic economists in 43 major universities and colleges agree with the arguments of the Senator from Florida.

Mr. SMATHERS. Is it not a fact, when one looks at the various elements in our economic, political, and working life, that ranging from the labor movement at one end of the spectrum to business councils on the other, they all approve of this approach?

Mr. LONG of Louisiana. Labor agrees that this is a good bill. The AFL and the CIO came before our committee to testify in its support. The bankers agree that it is a good bill. The chamber of commerce agrees that it is a good bill. The National Association of Manufacturers agrees that it is a good bill. The insurance interests agree that it is a good bill. Any time a crowd of that size gets together under one tent, there is a real combination working to agree that this is a good idea. That does not mean, of course, that we can get everyone to agree.

The overwhelming majority of people who think about these questions, and are paid to think about them, agree that this is a good bill.

Mr. SMATHERS. As I recall, Lou Harris, who, I understand, is one of the most respected pollsters in the United States, conducted a poll which showed that the people of America favor the bill by well over 2 to 1. Yet certain highly respected Senators, some of whom serve on the Finance Committee with the Senator from Louisiana, still continue to wish to save the people in the fashion in which those Senators wish to save them, even if the people do not wish to be saved in that fashion. That is how it goes. That is what makes debate. But in response to the Senator from Tennessee [Mr. GORE], I believe that the approach we have taken in the bill, which puts the emphasis upon private enterprise and the private sector of the economy, will be much more effective than anything we have tried thus far. In the final analysis, it will prove to be the remedy which this country needs so badly, in order to reduce the number of unemployed and at the same time increase business activity so that the country will be strong, with plenty of jobs for everyone.

Mr. President, let me state what the bill is expected to do for corporate investment. It is expected, as the President indicated in his budget message, to increase corporate profits to about $56 billion—more than $12 billion above the level for 1961.

That figure, of course, does not reflect the $2½ billion a year in tax benefits from the investment credit and depreciation reform. Neither does it reflect the $1½ billion which the tax cut will provide in after-tax business profits this year, or the $2⅓ billion it will provide next year.

UNANIMOUS-CONSENT REQUEST

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield for a unanimous-consent request?

Mr. SMATHERS. I am glad to yield.

Mr. LONG of Louisiana. I have discussed the proposed unanimous-consent request with all Senators on both sides of the aisle who to my knowledge are interested in it. Therefore, as far as I know, it should be agreeable.

On the pending measure, H.R. 8363, I ask unanimous consent that the committee amendments, with the exception of those relating to capital gains taxes beginning on page 233 of the bill, be agreed to en bloc, and that the bill as amended be considered as original text for the purpose of amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The amendments agreed to en bloc are as follows:

> On page 1, after the enacting clause, to strike out:
>
> "SECTION 1. DECLARATION BY CONGRESS.
>
> "It is the sense of Congress that the tax reduction provided by this Act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the

deficits in the administrative budgets and then to reduce the public debt. To further the objective of obtaining balanced budgets in the near future, Congress by this action, recognizes the importance of taking all reasonable means to restrain Government spending and urges the President to declare his accord with this objective."

On page 2, at the beginning of line 6, to strike out "SEC. 2." and insert "SECTION 1.".

On page 2, line 8, after the word "of", to strike out "1963" and insert "1964".

On page 13, at the beginning of line 21, to strike out "or the amount determined under section 1561 (relating to surtax exemptions in case of certain controlled corporations)" and insert a comma and "except that, with respect to a corporation to which section 1561 (relating to surtax exemptions in case of certain controlled corporations) applies for the taxable year, the surtax exemption for the taxable year is the amount determined under such section."

On page 26, line 13, after the word "of", to strike out "1963" and insert "1964".

On page 26, line 22, after the word "of", to strike out "1963" and insert "1964".

On page 32, after line 2, to insert a new section, as follows:

"SEC. 202. LIMITATION ON RETIREMENT INCOME.

(a) INCREASE IN LIMITATION IN CASE OF CERTAIN MARRIED COUPLES.—Section 37 (relating to retirement income) is amended by redesignating subsection (i) as subsection (j) and inserting after subsection (h) the following new subsection:

"'(i) EXCEPTIONS TO LIMITATION ON AMOUNT OF RETIREMENT INCOME IN CASE OF CERTAIN JOINT RETURNS.—In the case of a joint return of a husband and wife both of whom have attained the age of 65 before the close of the taxable year—

"'(1) BOTH SPOUSES HAVE RECEIVED EARNED INCOME.—If both spouses are individuals who have received earned income before the beginning of the taxable year (within the meaning of subsection (b)) and if the sum of the retirement income and the amounts described in paragraphs (1) and (2) of subsection (d) received by either spouse during the taxable year is less than $762, the $1,524 amount referred to in subsection (d) shall, with respect to the other spouse, be increased by an amount equal to the amount by which such sum is less than $762.

"'(2) ONE SPOUSE HAS NOT RECEIVED EARNED INCOME.—If either spouse is an individual who has not received earned income before the beginning of the taxable year (within the meaning of subsection (b)), the $1,524 amount referred to in subsection (d) shall, with respect to the other spouse, be increased by $762, minus the sum of the amounts described in paragraphs (1) and (2) of subsection (d) received by his spouse.'"

"(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1963."

On page 33, at the beginning of line 10, to change the section number from "202" to "203".

On page 33, line 21, after the word "before", to strike out "July 1, 1963" and insert "January 1, 1964".

On page 33, line 24, after the word "before", to strike out "July 1, 1963" and insert "January 1, 1964".

On page 34, line 13, to strike out "July 1, 1963" and insert "January 1, 1964".

On page 35, line 1, after the word "after", to strike out "June 30, 1963" and insert "December 31, 1963".

On page 35, line 11, after the word "section", to strike out "202" and insert "203", and in the same line, after the word "of", where it appears the second time, to strike out "1963" and insert "1964".

On page 35, line 20, after the word "after", to strike out "June 30, 1963" and insert "December 31, 1963".

On page 35, line 23, after the word "before", to strike out "July 1, 1963" and insert "January 1, 1964", and on page 36, line 1, after the word "after", to strike out "June 30, 1963" and insert "December 31, 1963".

On page 40, line 1, to change the section number from "203" to "204".

On page 40, after line 16, to strike out:

"(1) the cost of so much of such insurance as does not exceed $30,000 of protection, and".

And, in lieu thereof, to insert:

"(1) the cost of $70,000 of such insurance, and".

On page 41, after line 19, to strike out:

"(c) DETERMINATION OF COST OF INSURANCE.—

"(1) UNIFORM PREMIUM TABLE METHOD.—For purposes of this section and chapter 24, the cost of group-term life insurance on the life of an employee provided during any period shall be determined on the basis of uniform premiums (computed on the basis of 5-year age brackets) prescribed by regulations by the Secretary or his delegate.

"(2) POLICY COST METHOD.—If the employer so elects (at such time and in such manner as the Secretary or his delegate prescribes) with respect to any employee for any period, the cost of group-term life insurance on the life of such employee shall (in lieu of being determined under paragraph (1)) be determined on the basis of the average premium cost under the policy for the ages included within the age bracket which would be applicable to such employee under paragraph (1). The preceding sentence shall not apply for purposes of determining the cost of insurance provided under a policy if the premium on such policy is not computed on the basis of the cost of such insurance at the ages (or at the age brackets applicable under paragraph (1)) of the individuals comprising the group.

"(3) EMPLOYED INDIVIDUALS OVER AGE 64.—In the case of an employee who has attained age 64, the cost determined under paragraph (1) or (2), as the case may be, shall not exceed the cost which would be determined under such paragraph with respect to such individual if he were age 63."

And, in lieu thereof, to insert:

"(c) DETERMINATION OF COST OF INSURANCE.—For purposes of this section and section 6052, the cost of group-term insurance on the life of an employee provided during any period shall be determined on the basis of uniform premiums (computed on the basis of 5-year age brackets) prescribed by regulations by the Secretary or his delegate. In the case of an employee who has attained age 64, the cost prescribed shall not exceed the cost with respect to such individual if he were age 63."

On page 43, at the beginning of line 17, to strike out "sections 79 and 218" and insert "section 79".

On page 43, after line 19, to strike out:

"(b) CERTAIN CONTRIBUTIONS BY EMPLOYEES FOR GROUP TERM LIFE INSURANCE.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by inserting after section 217 the following new section:

"SEC. 218. CERTAIN CONTRIBUTIONS BY EMPLOYEES FOR GROUP-TERM LIFE INSURANCE

"'In the case of an employee on whose life group term life insurance in excess of $30,000 is provided for part or all of the taxable year under a policy (or policies) carried directly or indirectly by his employer (or employers), there shall be allowed as a deduction for such taxable year an amount equal to the excess (if any) of—

"'(1) the amount paid by the employee toward the purchase of such insurance in excess of $30,000, over

"'(2) the cost (determined in the manner provided by paragraph (1) of section 79(c), without regard to paragraph (3) thereof) of such insurance in excess of $30,000.

For purposes of this section, there shall not be taken into account any insurance the cost of which is excepted from the application of subsection (a) of section 79 by subsection (b) thereof.'"

On page 44, at the beginning of line 24, to strike out "(c)" and insert "(b)".

On page 45, line 5, after the word "employee", to strike out the comma and "but only to the extent the cost of such insurance is not includible in the employee's gross income under section 79(a). For purposes of this paragraph, the extent to which the cost of group-term life insurance is includible in the employee's gross income under section 79(a) shall be determined as if the employer were the only employer paying such employee remuneration in the form of such insurance" and insert a semicolon.

On page 45, after line 13, to insert:

"(c) INFORMATION REPORTING.—

"(1) REQUIREMENT.—Subpart C of part III of subchapter A of chapter 61 (relating to information and returns) is amended by adding at the end thereof the following new section:

"'SEC. 6052. RETURNS REGARDING PAYMENT OF WAGES IN THE FORM OF GROUP-TERM LIFE INSURANCE.

"'(a) REQUIREMENT OF REPORTING.—Every employer who during any calendar year provides group-term life insurance on the life of an employee during part or all of such calendar year under a policy (or policies) carried directly or indirectly by such employer shall make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the cost of such insurance and the name and address of the employee on whose life such insurance is provided, but only to the extent that the cost of such insurance is includible in the employee's gross income under section 79(a). For purposes of this section, the extent to which the cost of group-term life insurance is includible in the employee's gross income under section 79(a) shall be determined as if the employer were the only employer paying such employee remuneration in the form of such insurance.

"'(b) STATEMENTS TO BE FURNISHED TO EMPLOYEES WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every employer making a return under subsection (a) shall furnish to each employee whose name is set forth in such return a written statement showing the cost of the group-term life insurance shown on such return. The written statement required under the preceding sentence shall be furnished to the employee on or before January 31 of the year following the calendar year for which the return under subsection (a) was made.'

"(2) PENALTIES FOR FAILURE TO FURNISH STATEMENTS TO PERSONS WITH RESPECT TO WHOM RETURNS ARE FILED.—Section 6678 (relating to failure to furnish certain statements) is amended—

"(A) by striking out 'or 6049(c)' and inserting in lieu thereof '6049(c), or 6052(b)'; and

"(B) by striking out 'or 6049(a)(1),' and inserting in lieu thereof '6049(a)(1), or 6052(a),'.

"(3) CLERICAL AMENDMENT.—The table of sections for subpart C of part III of subchapter A of chapter 61 is amended by adding at the end thereof the following:

"'SEC. 6052. Returns regarding payment of wages in the form of group-term life insurance.'

"(4) CROSS REFERENCE.—

"For penalty for failure to file information returns required by section 602(a) of the Internal Revenue Code of 1954 (added by

paragraph (1) of this subsection), see section 6652(a)(3) of such Code (as amended by section 222(b)(2) of this Act)."

On page 47, line 11, after the word "and", to strike out "(b)" and insert "(c), and paragraph (3) of section 6652(a) of the Internal Revenue Code of 1954 (as amended by section 222(b)(2) of this Act)", and in line 16, after the word "subsection", to strike out "(c)" and insert "(b)".

At the top of page 48, to strike out:

"SEC. 204. INCLUSION IN GROSS INCOME OF REIMBURSED MEDICAL EXPENSES TO THE EXTENT THAT THE REIMBURSEMENT EXCEEDS THE EXPENSES.

"(a) GENERAL RULE.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding at the end thereof the following new section:

"'SEC. 80. REIMBURSEMENT OF MEDICAL EXPENSES IN EXCESS OF SUCH EXPENSES.

"'Notwithstanding any other provision of this subchapter, amounts received through accident or health insurance for medical expenses shall be included in gross income to the extent the aggregate of such amounts received for any personal injury or sickness exceeds the aggregate amount of the medical expenses incurred by the taxpayer for such personal injury or sickness. For purposes of this section, the term "medical expenses" means expenses for medical care as defined in section 213(e), except that it does not include amounts paid for accident or health insurance.'

"(b) CLERICAL AMENDMENT.—The table of sections for such part II is amended by adding at the end thereof the following:

"SEC. 80. Reimbursement of medical expenses in excess of such expenses'.

"(c) TECHNICAL AMENDMENT.—Subsection (c) of section 105 (relating to the definition of accident and health plans) is amended by striking out 'this section' and inserting in lieu thereof 'this section, section 80,'.

"(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1963."

On page 55, after line 21, to insert:

"(5) State and local taxes on the sale of gasoline, diesel fuel, and other motor fuels."

On page 55, after line 23, to insert:

"(6) State and local taxes on the registration or licensing of highway motor vehicles and on licenses for the operation of highway motor vehicles."

On page 57, after line 23, to strike out:

"(E) SEPARATELY STATED GENERAL SALES TAXES.—If the amount of any general sales tax is separately stated, then, to the extent that the amount so stated is paid by the consumer (otherwise than in connection with the consumer's trade or business) to his seller, such amount shall be treated as a tax imposed on, and paid by, such consumer."

On page 58, after line 12, to insert:

"(5) SEPARATELY STATED GENERAL SALES TAXES AND GASOLINE TAXES.—If the amount of any general sales tax or of any tax on the sale of gasoline, diesel fuel, or other motor fuel is separately stated, then, to the extent that the amount so stated is paid by the consumer (otherwise than in connection with the consumer's trade or business) to his seller, such amount shall be treated as a tax imposed on, and paid by, such consumer."

On page 62, after line 5, to strike out:

"(c) EFFECTIVE DATE. The amendments made by this section shall apply to taxable years beginning after December 31, 1963."

And, in lieu thereof, to insert:

"(c) EFFECTIVE DATE.—

"(1) GENERAL RULE.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1963.

"(2) SPECIAL TAXING DISTRICTS.—Section 164(c)(1) of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not prevent the deduction under section 164 of such Code (as so amended) of taxes levied by a special taxing district which is described in section 164(b)(5) of such Code (as in effect for a taxable year ending on December 31, 1963) and which was in existence on December 31, 1963, for the purpose of retiring indebtedness existing on such date."

On page 64, after line 19, to insert:

"(b) LIMITATION OF UNLIMITED CHARITABLE CONTRIBUTION DEDUCTION.—Section 170(b)(1) (relating to limitations on amount of deduction for charitable contributions by individuals) is amended by redesignating subparagraph (D) as subparagraph (E) and by inserting after subparagraph (C) the following new subparagraph:

"'(D) APPLICATION OF SUBPARAGRAPH (C) FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1963.—If the taxable year begins after December 31, 1963—

"'(i) subparagraph (C) shall apply only if the taxpayer so elects (at such time and in such manner as the Secretary or his delegate by regulations prescribes), and

"'(ii) for purposes of subparagraph (C), the amount of the charitable contributions for the taxable year (and for all prior taxable years beginning after December 31, 1963) shall be determined without the application of paragraph (5) and solely by reference to charitable contributions described in subparagraph (A).

If the taxpayer elects to have subparagraph (C) apply for the taxable year, then for such taxable year subsection (a) shall apply only with respect to charitable contributions described in subparagraph (A), and no amount of charitable contributions made in the taxable year or any prior taxable year may be treated under paragraph (5) as having been made in the taxable year or in any succeeding taxable year.'

"(c) 5-YEAR CARRYOVER OF CERTAIN CHARITABLE CONTRIBUTIONS MADE BY INDIVIDUALS.—

"(1) IN GENERAL.—Section 170(b) (relating to limitations on amount of deduction for charitable contribution) is amended by adding at the end thereof the following new paragraph:

"'(5) CARRYOVER OF CERTAIN EXCESS CONTRIBUTIONS BY INDIVIDUALS.—

"'(A) In the case of an individual, if the amount of charitable contributions described in paragraph (1)(A) payment of which is made within a taxable year (hereinafter in this paragraph referred to as the "contribution year") beginning after December 31, 1963, exceeds 30 percent of the taxpayer's adjusted gross income for such year (computed without regard to any net operating loss carryback to such year under section 172), such excess shall be treated as a charitable contribution described in paragraph (1)(A) paid in each of the 5 succeeding taxable years in order of time, but, with respect to any such succeeding taxable year, only to the extent of the lesser of the two following amounts:

"'(i) the amount by which 30 percent of the taxpayer's adjusted gross income for such succeeding taxable year (computed without regard to any net operating loss carryback to such succeeding taxable year under section 172) exceeds the sum of the charitable contributions described in paragraph (1)(A) payment of which is made by the taxpayer within such succeeding taxable year (determined without regard to this subparagraph) and the charitable contributions described in paragraph (1)(A) payment of which was made in taxable years (beginning after December 31, 1963) before the contribution year which are treated under this subparagraph as having been paid in such succeeding taxable year; or

"'(ii) in the case of the first succeeding taxable year, the amount of such excess, and in the case of the second, third, fourth, or fifth succeeding taxable year, the portion of such excess not treated under this subparagraph as a charitable contribution described in paragraph (1)(A) paid in any intervening year between the contribution year and such succeeding taxable year.

"'(B) In applying subparagraph (A), the excess determined under subparagraph (A) for the contribution year shall be reduced to the extent that such excess reduces taxable income (as computed for purposes of the second sentence of section 172(b)(2)) and increases the net operating loss deduction for a taxable year succeeding the contribution year.'

"(2) TECHNICAL AMENDMENTS.—Section 545(b)(2) (relating to deductions for charitable contributions by personal holding companies) and 556(b)(2) (relating to deductions for charitable contributions by foreign personal holding companies) are each amended by striking out 'section 170(b)(2)' and inserting in lieu thereof 'section 170(b)(2) and (5)'.

On page 68, at the beginning of line 11, to strike out "(b)" and insert "(d)".

On page 70, at the beginning of line 7, to strike out "(c)" and insert "(e)".

On page 70, line 23, after the word "property.", to strike out "This subsection shall not apply to any charitable contribution where—

"'(1) the sole intervening interest or right is a non-transferable life interest reserved by the donor, or

"'(2) in the case of a joint gift by husband and wife, the sole intervening interest or right is a nontransferable life interest reserved by the donors which expires not later than the death of whichever of such donors dies later.

For purposes of the preceding sentence, a right to make an earlier transfer of the reserved life interest to the donee of the future interest shall not be treated as making a life interest transferable.'

"(d) EFFECTIVE DATES.—The amendments made by subsections (a) and (b) shall apply with respect to contributions which are paid (or treated as paid under section 170(a)(2) of the Internal Revenue Code of 1954) in taxable years beginning after December 31, 1963. The amendments made by subsection (c) shall apply to transfers of future interests made after December 31, 1963, in taxable years ending after such date."

On page 71, after line 19, to insert:

"(f) EFFECTIVE DATES.—

"(1) The amendments made by subsections (a), (b), and (c), shall apply with respect to contributions which are paid in taxable years beginning after December 31, 1963.

"(2) The amendments made by subsection (d) shall apply to taxable years beginning after December 31, 1963, with respect to contributions which are paid (or treated as paid under section 170(a)(2) of the Internal Revenue Code of 1954) in taxable years beginning after December 31, 1961.

"(3) The amendments made by subsection (e) shall apply to transfers of future interests made after December 31, 1963, in taxable years ending after such date."

On page 72, after line 9, to insert:

"SEC. 210. LOSSES ARISING FROM EXPROPRIATION OF PROPERTY BY GOVERNMENTS OF FOREIGN COUNTRIES.

"(a) NET OPERATING LOSS CARRYOVER.—Section 172 (relating to net operating loss deduction) is amended—

"(1) by striking out 'Except as provided in clause (ii)' in subsection (b)(1)(A)(i) and inserting in lieu thereof 'Except as provided in clause (ii) and in subparagraph (D)';

"(2) by striking out 'Except as provided in subparagraph (C)' in subsection (b)(1)(B) and inserting in lieu thereof 'Except as provided in subparagraphs (C) and (D)';

"(3) by adding at the end of subsection (b)(1) the following new subparagraphs:

"'(D) In the case of a taxpayer which has a foreign expropriation loss (as defined in subsection (k)) for any taxable year ending after December 31, 1958, the portion of the net operating loss for such year attributable to such foreign expropriation loss shall not be a net operating loss carryback to any taxable year preceding the taxable year of such loss and shall be a net operating loss carryover to each of the 10 taxable years following the taxable year of such loss.';

"(4) by adding at the end of subsection (b)(3) the following new subparagraphs:

"'(C) Paragraph (1)(D) shall apply only if—

"'(i) the foreign expropriation loss (as defined in subsection (k)) for the taxable year equals or exceeds 50 percent of the net operating loss for the taxable year,

"'(ii) in the case of a foreign expropriation loss for a taxable year ending after December 31, 1963, the taxpayer elects (at such time and in such manner as the Secretary or his delegate by regulations prescribes) to have paragraph (1)(D) apply, and

"'(iii) in the case of a foreign expropriation loss for a taxable year ending after December 31, 1958, and before January 1, 1964, the taxpayer elects (in such manner as may be prescribed by the Secretary or his delegate) on or before December 31, 1965, to have paragraph (1)(D) apply.

"'(D) If a taxpayer makes an election under subparagraph (C)(iii), then (notwithstanding any law or rule of law), with respect to any taxable year ending before January 1, 1964, affected by the election—

"'(i) the time for making or changing any choice or election under subpart A of part III of subchapter N (relating to foreign tax credit) shall not expire before January 1, 1966,

"'(ii) any deficiency attributable to the election under subparagraph (C)(iii) or to the application of clause (i) of this subparagraph may be assessed at any time before January 1, 1969, and

"'(iii) refund or credit of any overpayment attributable to the election under subparagraph (C)(iii) or to the application of clause (i) of this subparagraph may be made or allowed if claim therefore is filed before January 1, 1969.';

"(5) by redesignating subsection (k) as (l), and by inserting after subsection (j) the following new subsection:

"'(k) FOREIGN EXPROPRIATION LOSS DEFINED.—For purposes of subsection (b)—

"'(1) The term "foreign expropriation loss" means, for any taxable year, the sum of the losses sustained with respect to property by reason of the expropriation, intervention, seizure, or similar taking of such property by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing.

"'(2) The portion of the net operating loss for such year attributable to a foreign expropriation loss is the amount of the foreign expropriation loss for such year (but not in excess of the net operating loss for such year).'

"(b) TECHNICAL AMENDMENTS.—Section 172(b)(2) is amended—

"(1) by striking out subparagraph (B) and inserting in lieu thereof the following:

"'(B) by determining the amount of the net operating loss deduction—

"'(i) without regard to the net operating loss for the loss year or for any taxable year thereafter, and

"'(ii) without regard to that portion, if any, of a net operating loss for a taxable year attributable to a foreign expropriation loss, if such portion may not, under paragraph (1)(D), be carried back to such prior taxable year.'; and

"(2) by adding at the end thereof the following new sentence: 'For purposes of this paragraph, if a portion of the net operating loss for the loss year is attributable to a foreign expropriation to which paragraph (1)(D) applies, such portion shall be considered to be a separate net operating loss for such year to be applied after the other portion of such net operating loss.'

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply in respect of foreign expropriation losses (as defined in section 172(k) of the Internal Revenue Code of 1954, as amended by subsection (a)(5) of this section), sustained in taxable years ending after December 31, 1958.

On page 76, at the beginning of line 22, to change the section number from "210" to "211".

On page 77, at the beginning of line 12, to change the section number from "211" to "212".

On page 78, after line 5, to strike out:

"(B) The $600 limit of subparagraph (A) shall be increased (to an amount not above $900) by the amount of expenses incurred by the taxpayer for any period during which—

"(i) the taxpayer had 2 or more dependents, and

"(ii) paragraph (2) does not apply."

And, in lieu thereof, to insert:

"(B) The $600 limit of subparagraph (A)—

"(i) shall be increased (to an amount not above $900) by the amount of expenses incurred by the taxpayer for any period during which the taxpayer had 2 dependents, and

"(ii) shall be increased (to an amount not above $1,000) by the amount of expenses incurred by the taxpayer for any period during which the taxpayer had 3 or more dependents."

On page 78, after line 21, to strike out:

"(2) WORKING WIVES. In the case of a woman who is married, the deduction under subsection (a)—

"(A) shall not be allowed unless she files a joint return with her husband for the taxable year, and

"(B) shall be reduced by the amount (if any) by which the adjusted gross income of the taxpayer and her spouse exceeds $4,500. This paragraph shall not apply to expenses incurred while the taxpayer's husband is incapable of self-support because mentally or physically defective.

"(3) HUSBANDS WITH INCAPACITATED WIVES.—In the case of a husband whose wife is incapacitated, the deduction under subsection (a)—

"(A) shall not be allowed unless he files a joint return with his wife for the taxable year, and

"(B) shall be reduced by the amount (if any) by which the adjusted gross income of the taxpayer and his spouse exceeds $4,500. This paragraph shall not apply to expenses incurred while the taxpayer's wife is institutionalized if such institutionalization is for a period of at least 90 consecutive days (whether or not within one taxable year) or a shorter period if terminated by her death."

And, in lieu thereof, to insert:

"(2) WORKING WIVES AND HUSBANDS WITH INCAPACITATED WIVES.—In the case of a woman who is married and in the case of a husband whose wife is incapacitated, the deduction under subsection (a)—

"(A) shall not be allowed unless the taxpayer and his spouse file a joint return for the taxable year, and

"(B) shall be reduced by the amount (if any) by which the adjusted gross income of the taxpayer and his spouse exceeds $7,000. This paragraph shall not apply, in the case of a woman who is married, to expenses incurred while her husband is incapable of self-support because mentally or physically defective, or, in the case of a husband whose wife is incapacitated, to expenses incurred while his wife is institutionalized if such institutionalization is for a period of at least 90 consecutive days (whether or not within one taxable year) or a shorter period if terminated by her death."

On page 80, at the beginning of line 19, to strike out "(4)" and insert "(3)".

On page 83, at the beginning of line 1, to change the section number from "212" to "213".

On page 86, after line 5, to strike out:

"SEC. 218. Certain contributions by employees for group term life insurance."

And, in lieu thereof, to insert:

"SEC. 218. Contributions to political candidates and political committees."

On page 86, line 13, after the word "section", to strike out "203(c)" and insert "204(b)".

On page 87, line 2, after the word "after", to strike out "December 31, 1963" and insert "the seventh day following the date of enactment of this Act".

On page 87, after line 3, to insert a new section, as follows:

"SEC. 214. DEDUCTION FOR POLITICAL CONTRIBUTIONS.

"(a) ALLOWANCE OF DEDUCTIONS.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by inserting after section 217 (as added by section 213(a)(1) of this Act) the following new section:

"SEC. 218. CONTRIBUTIONS TO POLITICAL CANDIDATES AND POLITICAL COMMITTEES.

"'(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction any political contribution payment of which is made by the taxpayer within the taxable year.

"'(b) LIMITATIONS.—

"'(1) AMOUNT.—The deduction under subsection (a) shall not exceed $50 for any taxable year, except that, in the case of a joint return of a husband and wife under section 6013 for the taxable year, the deduction shall not exceed $100 for the taxable year.

"'(2) VERIFICATION.—The deduction under subsection (a) shall be allowed, with respect to any political contribution, only if such political contribution is verified in such manner as the Secretary or his delegate shall prescribe by regulations.

"'(c) POLITICAL CONTRIBUTION DEFINED.—For purposes of this section, the term 'political contribution' means a contribution or gift to—

"'(1) any political candidate, or

"'(2) any political committee,

but only if such contribution or gift is made to further the candidacy of one or more individuals in a general, special, or primary election or a convention of a political party.

"'(d) CROSS REFERENCE.—

"'For disallowance of deduction to estates and trusts, see section 642(i).'

"(b) TECHNICAL AMENDMENT.—Section 642 (relating to special rules for credits and deductions of estates and trusts) is amended by redesignating subsection (i) as subsection (j), and by inserting after subsection (h) the following new subsection:

"'(i) POLITICAL CONTRIBUTIONS.—An estate or trust shall not be allowed the deduction for political contributions provided by section 218.'

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply only with respect to contributions or gifts made on or after the date of the enactment of this Act in taxable years ending after such date."

At the top of page 89, to insert a new section, as follows:

"SEC. 215. 100 PERCENT DIVIDENDS RECEIVED DEDUCTION FOR MEMBERS OF ELECTING AFFILIATED GROUPS.

"(a) 100 PERCENT DIVIDENDS RECEIVED DEDUCTION.—Section 243 (relating to dividends received by corporations) is amended to read as follows:

"'SEC. 243. DIVIDENDS RECEIVED BY CORPORATIONS.

"'(a) GENERAL RULE.—In the case of a corporation, there shall be allowed as a deduction an amount equal to the following percentages of the amount received as dividends from a domestic corporation which is subject to taxation under this chapter:

"'(1) 85 percent, in the case of dividends other than dividends described in paragraph (2) or (3);

"'(2) 100 percent, in the case of dividends received by a small business investment company operating under the Small Business Investment Act of 1958; and

"'(3) 100 percent, in the case of qualifying dividends (as defined in subsection (b)(1)).

"'(b) QUALIFYING DIVIDENDS.—

"'(1) DEFINITION.—For purposes of subsection (a)(3), the term "qualifying dividends" means dividends received by a corporation which, at the close of the day the dividends are received, is a member of the same affiliated group of corporations (as defined in paragraph (5)) as the corporation distributing the dividends, if—

"'(A) such affiliated group has made an election under paragraph (2) which is effective for the taxable years of its members which include such day, and

"'(B) such dividends are distributed out of earnings and profits of a taxable year of the distributing corporation ending after December 31, 1963—

"'(i) on each day of which the distributing corporation and the corporation receiving the dividends were members of such affiliated group, and

"'(ii) for which an election under section 1562 (relating to election of multiple surtax exemptions) is not effective.

"'(2) ELECTION.—An election under this paragraph shall be made for an affiliated group by the common parent corporation, and shall be made for any taxable year of the common parent corporation at such time and in such manner as the Secretary or his delegate by regulations prescribes. Such election may not be made for an affiliated group for any taxable year of the common parent corporation for which an election under section 1562 is effective. Each corporation which is a member of such group at any time during its taxable year which includes the last day of such taxable year of the common parent corporation must consent to such election at such time and in such manner as the Secretary or his delegate by regulations prescribes. An election under this paragraph shall be effective—

"'(A) for the taxable year of each member of such affiliated group which includes the last day of the taxable year of the common parent corporation with respect to which the election is made (except that in the case of a taxable year of a member beginning in 1963 and ending in 1964, if the election is effective for the taxable year of the common parent corporation which includes the last day of such taxable year of such member, such election shall be effective for such taxable year of such member, if such member consents to such election with respect to such taxable year), and

"'(B) for the taxable year of each member of such affiliated group which ends after the last day of such taxable year of the common parent corporation but which does not include such date, unless the election is terminated under paragraph (4).

"'(3) EFFECT OF ELECTION.—If an election by an affiliated group is effective with respect to a taxable year of the common parent corporation, then under regulations prescribed by the Secretary or his delegate—

"'(A) no member of such affiliated group may consent to an election under section 1562 for such taxable year.

"'(B) the members of such affiliated group shall be treated as one taxpayer for purposes of making the elections under section 901(a) (relating to allowance of foreign tax credit) and section 904(b)(1) (relating to election of overall limitation), and

"'(C) the members of such affiliated group shall be limited to one—

"'(i) $100,000 minimum accumulated earnings credit under section 535(c)(2) or (3),

"'(ii) $100,000 limitation for exploration expenditures under section 615 (a) and (b),

"'(iii) $400,000 limitation for exploration expenditures under section 615(c)(1),

"'(iv) $25,000 limitation on small business deduction of life insurance companies under sections 804(a)(4) and 809(d)(10), and

"'(v) $100,000 exemption for purposes of estimated tax filing requirements under section 6016 and the addition to tax under section 6655 for failure to pay estimated tax.

"'(4) TERMINATION.—An election by an affiliated group under paragraph (2) shall terminate with respect to the taxable year of the common parent corporation and with respect to the taxable years of the members of such affiliated group which include the last day of such taxable year of the common parent corporation if—

"'(A) CONSENT OF MEMBERS.—Such affiliated group files a termination of such election (at such time and in such manner as the Secretary or his delegate by regulations prescribes) with respect to such taxable year of the common parent corporation, and each corporation which is a member of such affiliated group at any time during its taxable year which includes the last day of such taxable year of the common parent corporation consents to such termination, or

"'(B) REFUSAL BY NEW MEMBER TO CONSENT.—During such taxable year of the common parent corporation such affiliated group includes a member which—

"'(i) was not a member of such group during such common parent corporation's immediately preceding taxable year, and

"'(ii) such member files a statement that it does not consent to the election at such time and in such manner as the Secretary or his delegate by regulations prescribes.

"'(5) DEFINITION OF AFFILIATED GROUP.—For purposes of this subsection, the term "affiliated group" has the meaning assigned to it by section 1504(a), except that for such purposes sections 1504(b)(2) and 1504(c) shall not apply.

"'(6) SPECIAL RULES FOR INSURANCE COMPANIES.—If an election under this subsection is effective for the taxable year of an insurance company subject to taxation under section 802 or 821—

"'(A) part II of subchapter B of chapter 6 (relating to certain controlled corporations) shall be applied without regard to section 1563(a)(4) (relating to certain insurance companies) and section 1563(b)(2)(D) (relating to certain excluded members) with respect to such company and the other corporations which are members of the controlled group of corporations (as determined under section 1563 without regard to subsections (a)(4) and (b)(2)(D)) of which such company is a member, and

"'(B) for purposes of paragraph (1), a distribution by such company out of earnings and profits of a taxable year for which an election under this subsection was not effective, and for which such company was not a component member of a controlled group of corporations within the meaning of section 1563 solely by reason of section 1563(b)(2)(D), shall not be a qualifying dividend.'

"(c) SPECIAL RULES FOR CERTAIN DISTRIBUTIONS.—For purposes of subsection (a)—

"'(1) Any amount allowed as a deduction under section 591 (relating to deduction for dividends paid by mutual savings banks, etc.) shall not be treated as a dividend.

"'(2) A dividend received from a regulated investment company shall be subject to the limitations prescribed in section 854.

"'(3) Any dividend received from a real estate investment trust which, for the taxable year of the trust in which the dividend is paid, qualifies under part II of subchapter M (section 856 and following) shall not be treated as a dividend.

"'(4) Any dividend received which is described in section 244 (relating to dividends received on preferred stock of a public utility) shall not be treated as a dividend.

"'(d) CERTAIN DIVIDENDS FROM FOREIGN CORPORATIONS.—For purposes of subsection (a) and for purposes of section 245, any dividend from a foreign corporation from earnings and profits accumulated by a domestic corporation during a period with respect to which such domestic corporation was subject to taxation under this chapter (or corresponding provisions of prior law) shall be treated as a dividend from a domestic corporation which is subject to taxation under this chapter.'

"(b) TECHNICAL AMENDMENTS.—

"(1) Section 244 (relating to dividends received on certain preferred stock) is amended by inserting '(a) GENERAL RULE.—' before 'in case of a corporation,' and by adding at the end thereof the following new subsection:

"'(b) EXCEPTION.—If the dividends described in subsection (a)(1) are qualifying dividends (as defined in section 243(b)(1), but determined without regard to section 243(c)(4))—

"'(2) for purposes of subsection (a)(3), the percentage applicable to such qualifying dividends shall be 100 percent in lieu of 85 percent.'

"(2) Section 246(b) (relating to limitation on aggregate amount of deductions for dividends received) is amended by striking out '243(a), 244,' each place it appears therein and inserting in lieu thereof '243(a)(1), 244(a),'.

"(3) Section 804(a)(5) (relating to the application of section 246(b) to taxable investment income of life insurance companies) is amended by striking out '243(a), 244,' and inserting in lieu thereof '243(a)(1), 244(a),'.

"(4) Section 809(d)(8)(B) (relating to the application of section 246(b) to the life insurance company's share of certain dividends) is amended by striking out '243(a), 244,' each place it appears therein and inserting in lieu thereof '243(a)(1), 244(a),'.

"(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply with respect to dividends received in taxable years ending after December 31, 1963."

On page 98, at the beginning of line 1, to change the section number from "213" to "216".

On page 98, line 20, after the word "after", to strike out "August 6, 1963" and insert "December 31, 1963".

On page 100, after line 2, to insert a new section, as follows:

"SEC. 217. INTEREST ON INDEBTEDNESS INCURRED OR CONTINUED TO PURCHASE OR CARRY TAX-EXEMPT BONDS.

"(a) APPLICATION WITH RESPECT TO CERTAIN FINANCIAL INSTITUTIONS.—Section 265 (relating to expenses and interest relating to tax-exempt income) is amended by adding at the end of paragraph (2) the following new sentence: 'In applying the preceding sentence to a financial institution (other than a bank) which is subject to the banking laws of the State in which such institution is incorporated, interest on face-amount certificates (as defined in section 2(a)(15)

of the Investment Company Act of 1940 (15 U.S.C. 80a-2)) issued by such institution, and interest on amounts received for the purchase of such certificates to be issued by such institution, shall not be considered as interest on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by this subtitle, to the extent that the average amount of such obligations held by such institution during the taxable year (as determined under regulations prescribed by the Secretary or his delegate) does not exceed 25 percent of the average of the total assets held by such institution during the taxable year (as so determined).'

"(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to taxable years ending after the date of the enactment of this Act."

On page 101, after line 5, to insert a new section, as follows:

"SEC. 218. REPEAL OF REQUIREMENT OF ALLOCATION OF CERTAIN TRAVELING EXPENSES

"(a) REPEAL OF SECTION 274(c).—Section 274 (relating to disallowance of certain entertainment, etc., expenses) is amended by striking out subsection (c) (relating to traveling).

"(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to taxable years ending after December 31, 1962, but only in respect of periods after such date."

On page 101, after line 15, to insert a new section, as follows:

"SEC. 219. ACQUISITION OF STOCK IN EXCHANGE FOR STOCK OF CORPORATION WHICH IS IN CONTROL OF ACQUIRING CORPORATION.

"(a) DEFINITION OF REORGANIZATION.—Section 368(a)(1) (relating to definition of reorganization) is amended by inserting after 'voting stock' in subparagraph (B) '(or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation)'.

"(b) TECHNICAL AMENDMENTS.—

"(1) Section 368(a)(2)(C) (relating to special rules) is amended to read as follows:

"'(C) TRANSFERS OF ASSETS OR STOCK TO SUBSIDIARIES IN CERTAIN PARAGRAPH (1)(A), (1)(B), AND (1)(C) CASES.—A transaction otherwise qualifying under paragraph (1)(A), (1)(B), or (1)(C) shall not be disqualified by reason of the fact that part or all of the assets or stock which were acquired in the transaction are transferred to a corporation controlled by the corporation acquiring such assets or stock.'

"(2) Section 368(b) (relating to definition of party to a reorganization) is amended by striking out the last two sentences and inserting in lieu thereof the following: 'In the case of a reorganization qualifying under paragraph (1)(B) or (1)(C) of subsection (a), if the stock exchanged for the stock or properties is stock of a corporation which is in control of the acquiring corporation, the term "a party to a reorganization" includes the corporation so controlling the acquiring corporation. In the case of a reorganization qualifying under paragraph (1)(A), (1)(B), or (1)(C) of subsection (a) by reason of paragraph (2)(C) of subsection (a), the term "a party to a reorganization" includes the corporation controlling the corporation to which the acquired assets or stock are transferred.'"

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to transactions after December 31, 1963, in taxable years ending after such date."

On page 103, after line 7, to insert a new section, as follows:

"SEC. 220. RETROACTIVE QUALIFICATION OF CERTAIN UNION-NEGOTIATED MULTIEMPLOYER PENSION PLANS.

"(a) BEGINNING OF PERIOD AS QUALIFIED TRUST.—Section 401 (relating to qualified pension, profit-sharing, and stock bonus plans) is amended by redesignating subsection (i) as subsection (j), and by inserting after subsection (h) the following new subsection:

"'(i) CERTAIN UNION-NEGOTIATED MULTIEMPLOYER PENSION PLANS.—In the case of a trust forming part of a pension plan which has been determined by the Secretary or his delegate to constitute a qualified trust under subsection (a) and to be exempt from taxation under section 501(a) for a period beginning after contributions were first made to or for such trust, if it is shown to the satisfaction of the Secretary or his delegate that—

"'(1) such trust was created pursuant to a collective bargaining agreement between employee representatives and two or more employers who are not related (determined under regulations prescribed by the Secretary or his delegate),

"'(2) any disbursements of contributions, made to or for such trust before the time as of which the Secretary or his delegate determined that the trust constituted a qualified trust, substantially complied with the terms of the trust, and the plan of which the trust is a part, as subsequently qualified, and

"'(3) before the time as of which the Secretary or his delegate determined that the trust constitutes a qualified trust, the contributions to or for such trust were not used in a manner which would jeopardize the interests of its beneficiaries,

then such trust shall be considered as having constituted a qualified trust under subsection (a) and as having been exempt from taxation under section 501(a) for the period beginning on the date on which contributions were first made to or for such trust and ending on the date such trust first constituted (without regard to this subsection) a qualified trust under subsection (a).'

"(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1953, and ending after August 16, 1954, but only with respect to contributions made after December 31, 1954."

At the top of page 105, to insert a new section, as follows:

"SEC. 221. QUALIFIED PENSION, ETC., PLAN COVERAGE FOR EMPLOYEES OF CERTAIN SUBSIDIARY EMPLOYERS.

"(a) EMPLOYEES OF FOREIGN SUBSIDIARIES COVERED BY SOCIAL SECURITY AGREEMENTS.—Part I of subchapter D of chapter 1 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by adding at the end thereof the following new section:

"'SEC. 406. CERTAIN EMPLOYEES OF FOREIGN SUBSIDIARIES.

"'(a) TREATMENT AS EMPLOYEES OF DOMESTIC CORPORATION.—For purposes of applying this part with respect to a pension, profit-sharing, or stock bonus plan described in section 401(a), an annuity plan described in section 403(a), or a bond purchase plan described in section 405(a), of a domestic corporation, an individual who is a citizen of the United States and who is an employee of a foreign subsidiary (as defined in section 3121(l)(8)) of such domestic corporation shall be treated as an employee of such domestic corporation, if—

"'(1) such domestic corporation has entered into an agreement under section 3121(l) which applies to the foreign subsidiary of which such individual is an employee;

"'(2) the plan of such domestic corporation expressly provides for contributions or benefits for individuals who are citizens of the United States and who are employees of its foreign subsidiaries to which an agreement entered into by such domestic corporation under section 3121(l) applies; and

"'(3) contributions under a funded plan of deferred compensation (whether or not a plan described in section 401(a), 403(a), or 405(a)) are not provided by any other person with respect to the remuneration paid to such individual by the foreign subsidiary.

"'(b) SPECIAL RULES FOR APPLICATION OF SECTION 401(a).—

"'(1) NONDISCRIMINATION REQUIREMENTS.—For purposes of applying paragraphs (3)(B) and (4) of section 401(a) with respect to an individual who is treated as an employee of a domestic corporation under subsection (a)—

"'(A) if such individual is an officer, shareholder, or person whose principal duties consist in supervising the work of other employees of a foreign subsidiary of such domestic corporation, he shall be treated as having such capacity with respect to such domestic corporation; and

"'(B) the determination of whether such individual is a highly compensated employee shall be made by treating such individual's total compensation (determined with the application of paragraph (2) of this subsection) as compensation paid by such domestic corporation and by determining such individual's status with regard to such domestic corporation.

"'(2) DETERMINATION OF COMPENSATION.—For purposes of applying paragraph (5) of section 401(a) with respect to an individual who is treated as an employee of a domestic corporation under subsection (a)—

"'(A) the total compensation of such individual shall be the remuneration paid to such individual by the foreign subsidiary which would constitute his total compensation if his services had been performed for such domestic corporation, and the basic or regular rate of compensation of such individual shall be determined under regulations prescribed by the Secretary or his delegate; and

"'(B) such individual shall be treated as having paid the amount paid by such domestic corporation which is equivalent to the tax imposed by section 3101.

"'(c) TERMINATION OF STATUS AS DEEMED EMPLOYEE NOT TO BE TREATED AS SEPARATION FROM SERVICE FOR PURPOSES OF CAPITAL GAIN PROVISIONS.—For purposes of applying section 402(a)(2) and section 403(a)(2) with respect to an individual who is treated as an employee of a domestic corporation under subsection (a), such individual shall not be considered as separated from the service of such domestic corporation solely by reason of the fact that—

"'(1) the agreement entered into by such domestic corporation under section 3121(l) which covers the employment of such individual is terminated under the provisions of such section,

"'(2) such individual becomes an employee of a foreign subsidiary with respect to which such agreement does not apply,

"'(3) such individual ceases to be an employee of the foreign subsidiary by reason of which he is treated as an employee of such domestic corporation, if he becomes an employee of another corporation controlled by such domestic corporation, or

"'(4) the provision of the plan described in subsection (a)(2) is terminated.

"'(d) DEDUCTIBILITY OF CONTRIBUTIONS.—For purposes of applying sections 404 and 405(c) with respect to contributions made to or under a pension, profit-sharing, stock bonus, annuity, or bond purchase plan by a domestic corporation, or by another corporation which is entitled to deduct its contributions under section 404(a)(3)(B), on behalf of an individual who is treated as an employee of such domestic corporation under subsection (a)—

"'(1) except as provided in paragraph (2), no deduction shall be allowed to such domestic corporation or to any other corporation which is entitled to deduct its contributions under such sections,

"'(2) there shall be allowed as a deduction to the foreign subsidiary of which such individual is an employee an amount equal

to the amount which (but for paragraph (1)) would be deductible under section 404 (or section 405(c)) by the domestic corporation if he were an employee of the domestic corporation, and

"'(3) any reference to compensation shall be considered to be a reference to the total compensation of such individual (determined with the application of subsection (b)(2)). Any amount deductible by a foreign subsidiary under this subsection shall be deductible for its taxable year with or within which the taxable year of such domestic corporation ends.

"'(e) TREATMENT AS EMPLOYEE UNDER RELATED PROVISIONS—An individual who is treated as an employee of a domestic corporation under subsection (a) shall also be treated as an employee of such domestic corporation for purposes of applying the following provisions of this title:

"'(1) Section 72(d) (relating to employees' annuities).

"'(2) Section 72(f) (relating to special rules for computing employees' contributions).

"'(3) Section 101(b) (relating to employees' death benefits).

"'(4) Section 2039 (relating to annuities).

"'(5) Section 2517 (relating to certain annuities under qualified plan).'

"(b) EMPLOYEES OF DOMESTIC SUBSIDIARIES ENGAGED IN BUSINESS OUTSIDE THE UNITED STATES.—Part I of subchapter D of chapter 1 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by adding after section 406 (as added by subsection (a)) the following new section:

"'SEC. 407. CERTAIN EMPLOYEES OF DOMESTIC SUBSIDIARIES ENGAGED IN BUSINESS OUTSIDE THE UNITED STATES

"'(a) TREATMENT AS EMPLOYEES OF DOMESTIC PARENT CORPORATION.—

"'(1) IN GENERAL.—For purposes of applying this part with respect to a pension, profit-sharing, or stock bonus plan described in section 401(a), an annuity plan described in section 403(a), or a bond purchase plan described in section 405(a), of a domestic parent corporation, an individual who is a citizen of the United States and who is an employee of a domestic subsidiary (within the meaning of paragraph (2)) of such domestic parent corporation shall be treated as an employee of such domestic parent corporation, if—

"'(A) the plan of such domestic parent corporation expressly provides for contributions or benefits for individuals who are citizens of the United States and who are employees of its domestic subsidiaries; and

"'(B) contributions under a funded plan of deferred compensation (whether or not a plan described in section 401(a), 403(a), or 405(a)) are not provided by any other person with respect to the remuneration paid to such individual by the domestic subsidiary.

"'(2) DEFINITIONS.—For purposes of this section—

"'(A) DOMESTIC SUBSIDIARY.—A corporation shall be treated as a domestic subsidiary for any taxable year only if—

"'(i) such corporation is a domestic corporation 80 percent or more of the outstanding voting stock of which is owned by another domestic corporation;

"'(ii) 95 percent or more of its gross income for the three-year period immediately preceding the close of its taxable year which ends on or before the close of the taxable year of such other domestic corporation (or for such part of such period during which the corporation was in existence) was derived from sources without the United States; and

"'(iii) 90 percent or more of its gross income for such period (or such part) was derived from the active conduct of a trade or business.

"'(B) DOMESTIC PARENT CORPORATION.—The domestic parent corporation of any domestic subsidiary is the domestic corporation which owns 80 percent or more of the outstanding voting stock of such domestic subsidiary.

"'(b) SPECIAL RULES FOR APPLICATION OF SECTION 401(a).—

"'(1) NONDISCRIMINATION REQUIREMENTS.—For purposes of applying paragraphs (3)(B) and (4) of section 401(a) with respect to an individual who is treated as an employee of a domestic parent corporation under subsection (a)—

"'(A) if such individual is an officer, shareholder, or person whose principal duties consist in supervising the work of other employees of a domestic subsidiary, he shall be treated as having such capacity with respect to such domestic corporation; and

"'(B) the determination of whether such individual is a highly compensated employee shall be made by treating such individual's total compensation (determined with the application of paragraph (2) of this subsection) as compensation paid by such domestic parent corporation and by determining such individual's status with regard to such domestic parent corporation.

"'(2) DETERMINATION OF COMPENSATION.—For purposes of applying paragraph (5) of section 401(a) with respect to an individual who is treated as an employee of a domestic parent corporation under subsection (a), the total compensation of such individual shall be the remuneration paid to such individual by the domestic subsidiary which would constitute his total compensation if his services had been performed for such domestic parent corporation, and the basic or regular rate of compensation of such individual shall be determined under regulations prescribed by the Secretary or his delegate.

"'(c) TERMINATION OF STATUS AS DEEMED EMPLOYEE NOT TO BE TREATED AS SEPARATION FROM SERVICE FOR PURPOSES OF CAPITAL GAIN PROVISIONS.—For purposes of applying section 402(a)(2) and section 403(a)(2) with respect to an individual who is treated as an employee of a domestic parent corporation under subsection (a), such individual shall not be considered as separated from the service of such domestic parent corporation solely by reason of the fact that—

"'(1) the corporation of which such individual is an employee ceases, for any taxable year, to be a domestic subsidiary within the meaning of subsection (a)(2)(A),

"'(2) such individual ceases to be an employee of a domestic subsidiary of such domestic parent corporation, if he becomes an employee of another corporation controlled by such domestic parent corporation, or

"'(3) the provision of the plan described in subsection (a)(1)(A) is terminated.

"'(d) DEDUCTIBILITY OF CONTRIBUTIONS.—For purposes of applying sections 404 and 405(c) with respect to contributions made to or under a pension, profit-sharing, stock bonus, annuity, or bond purchase plan by a domestic parent corporation, or by another corporation which is entitled to deduct its contributions under section 404(a)(3)(B), on behalf of an individual who is treated as an employee of such domestic corporation under subsection (a)—

"'(1) except as provided in paragraph (2), no deduction shall be allowed to such domestic parent corporation or to any other corporation which is entitled to deduct its contributions under such sections,

"'(2) there shall be allowed as a deduction to the domestic subsidiary of which such individual is an employee an amount equal to the amount which (but for paragraph (1)) would be deductible under section 404 (or section 405(c)) by the domestic parent corporation if he were an employee of the domestic parent corporation, and

"'(3) any reference to compensation shall be considered to be a reference to the total compensation of such individual (determined with the application of subsection (b)(2)).

"'Any amount deductible by a domestic subsidiary under this subsection shall be deductible for its taxable year with or within which the taxable year of such domestic parent corporation ends.

"'(e) TREATMENT AS EMPLOYEE UNDER RELATED PROVISIONS.—An individual who is treated as an employee of a domestic parent corporation under subsection (a) shall also be treated as an employee of such domestic parent corporation for purposes of applying the following provisions of this title:

"'(1) Section 72(d) (relating to employees' annuities).

"'(2) Section 72(f) (relating to special rules for computing employees' contributions).

"'(3) Section 101(b) (relating to employees' death benefits).

"'(4) Section 2039 (relating to annuities).

"'(5) Section 2517 (relating to certain annuities under qualified plan).'

"(c) TECHNICAL AMENDMENTS.—

"(1) The table of sections for part I of subchapter D of chapter 1 is amended by adding at the end thereof the following:

"'SEC. 224. CERTAIN EMPLOYEES OF FOREIGN SUBSIDIARIES.

"'SEC. 407. CERTAIN EMPLOYEES OF DOMESTIC SUBSIDIARIES ENGAGED IN BUSINESS OUTSIDE THE UNITED STATES.'

"(2) Section 3121(a)(5) (relating to definition of wages) is amended by striking out 'or' at the end of subparagraph (A) and by striking out subparagraph (B) and inserting in lieu thereof the following new subparagraphs:

"'(B) under or to an annuity plan which, at the time of such payment, is a plan described in section 403(a), or

"'(C) under or to a bond purchase plan which, at the time of such payment, is a qualified bond purchase plan described in section 405(a);'.

"(3) Section 209(e) of the Social Security Act (relating to the definition of wages) is amended to read as follows:

"'(e) Any payment made to, or on behalf of, an employee or his beneficiary (1) from or to a trust exempt from tax under section 165(a) of the Internal Revenue Code of 1939 at the time of such payment or, in the case of a payment after 1954, under sections 401 and 501(a) of the Internal Revenue Code of 1954, unless such payment is made to an employee of the trust as remuneration for services rendered as such employee and not as a beneficiary of the trust, or (2) under or to an annuity plan which, at the time of such payment, meets the requirements of section 165(a)(3), (4), (5), and (6) of the Internal Revenue Code of 1939 or, in the case of a payment after 1954 and prior to 1963, the requirements of section 401(a)(3), (4), (5), and (6) of the Internal Revenue Code of 1954, or (3) under or to an annuity plan which, at the time of any such payment after 1962, is a plan described in section 403(a) of the Internal Revenue Code of 1954, or (4) under or to a bond purchase plan which, at the time of any such payment after 1962, is a qualified bond purchase plan described in section 405(a) of the Internal Revenue Code of 1954;'.

"(d) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c)(1) shall apply to taxable years ending after December 31, 1963. The amendments made by subsections (c)(2) and (3) shall apply to remuneration paid after December 31, 1962."

On page 118, at the beginning of line 8, to change the section number from "214" to "222".

On page 121, line 10, after the word "the", where it appears the second time, to strike out "amount," and insert "amount".

On page 122, line 17, after the word "after", to strike out "June 11, 1963" and insert "December 31, 1963", and in line 19, after "section 424(c)", to strike out "(4)" and insert "(3)".

On page 125, line 20, to strike out "June 11, 1963" and insert "December 31, 1963", and in line 24, after the word "before", to strike out "June 12, 1963" and insert "January 1, 1964".

On page 126, at the beginning of line 18, to strike out "or" and insert "and".

On page 128, line 1, after the word "the", to strike out "amount paid for" and insert "adjusted basis of".

On page 128, after line 12, to insert:

"(6) EXCEPTION TO APPLICATION OF SUBSECTION (b)(5).—Paragraph (5) of subsection (b) shall not apply if—

"(A) the option being granted and all outstanding qualified (or restricted) stock options referred to in subsection (b)(5) are to purchase stock of the same class in the same corporation, and

"(B) the price payable under each such outstanding option (as of the date of grant of the option being granted) is not more than the option price of the option being granted."

On page 129, line 4, after the word "after", to strike out "June 11, 1963" and insert "December 31, 1963", and in line 7, after "section 424(c)", to strike out "(4)" and insert "(3)".

On page 130, line 6, after the word "such", to strike out "corporations" and insert "corporation".

On page 135, line 22, after the word "before", to strike out "June 12, 1963" and insert "January 1, 1964"; in line 24, after "subsection (c)", to strike out "(4)" and insert "(3)", and in the same line, after the word "after", to strike out "June 11, 1963" and insert "December 31, 1963".

On page 136, line 24, after the word "is", to strike out "granted," and insert "granted".

On page 139, after line 3, to strike out:

"(2) STOCKHOLDER APPROVAL.—For purposes of this section, if the grant of an option is subject to approval by stockholders, the date of grant of the option shall be determined as if the option had not been subject to such approval."

On page 139, at the beginning of line 9, to strike out "(3)" and insert "(2)".

On page 139, at the beginning of line 23, to strike out "(4)" and insert "(3)"; in the same line, after the word "after", to strike out "June 11, 1963" and insert "December 31, 1963"; in line 25, after the word "after", to strike out "June 11, 1963" and insert "December 31, 1963"; on page 140, line 4, after the word "before", to strike out "June 12, 1963" and insert "January 1, 1964"; in line 6, after the word "before", to strike out "June 12, 1963" and insert "January 1, 1964", and in line 7, after the word "of", where it appears the first time, to strike out "June 12, 1963" and insert "January 1, 1964".

On page 145, line 12, after the word "before", to strike out "June 12, 1963" and insert "January 1, 1964"; in line 13, after the word "after", to strike out "June 11, 1963" and insert "December 31, 1963", and in line 15, after the word "before", to strike out "June 12, 1963" and insert "January 1, 1964".

On page 146, line 7, after "(a)", to strike out "or".

On page 146, line 9, after "424(b)", to strike out "(2)." and insert

"(2); or

"(C) in the case of an option not immediately exercisable in full, to accelerate the time at which the option may be exercised."

On page 146, after line 18, to insert:

"(i) STOCKHOLDER APPROVAL.—For purposes of this part, if the grant of an option is subject to approval by stockholders, the date of grant of the option shall be determined as if the option had not been subject to such approval."

On page 146, at the beginning of line 23, to strike out "(i)" and insert "(j)".

On page 149, after line 7, to strike out:

"(a) RETURNS RELATING TO PAYMENTS OF DIVIDENDS, ETC., AND CERTAIN TRANSFERS OF STOCK. In the case of each failure to file a statement of—

"(1) the aggregate amount of payments to another person required by section 6042(a)(1) (relating to payments of dividends aggregating $10 or more), section 6044(a)(1) (relating to payments of patronage dividends aggregating $10 or more), or section 6049(a)(1) (relating to payments of interest aggregating $10 or more), or

"(2) the transfer of stock or the transfer of legal title of stock required by section 6039 (relating to information in connection with certain options),

on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid (upon notice and demand by the Secretary or his delegate and in the same manner as tax), by the person failing to so file the statement, $10 for each such statement not so filed, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000."

And, in lieu thereof, to insert:

"(a) RETURNS RELATING TO PAYMENTS OF DIVIDENDS, ETC., AND CERTAIN TRANSFERS OF STOCK.—In the case of each failure—

"(1) to file a statement of the aggregate amount of payments to another person required by section 6042(a)(1) (relating to payments of dividends aggregating $10 or more), section 6044(a)(1) (relating to payments of patronage dividends aggregating $10 or more), or section 6049(a)(1) (relating to payments of interest aggregating $10 or more),

"(2) to make a return required by section 6039(a) (relating to reporting information in connection with certain options) with respect to a transfer of stock or a transfer of legal title to stock, or

"(3) to make a return required by section 6052(a) (relating to reporting payment of wages in the form of group-term life insurance) with respect to group-term life insurance on the life of an employee,

on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid (upon notice and demand by the Secretary or his delegate and in the same manner as tax), by the person failing to file a statement referred to in paragraph (1) or failing to make a return referred to in paragraph (2) or (3), $10 for each such failure, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000."

At the top of page 153, to strike out:

"(e) EFFECTIVE DATE.—

"(1) Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years ending after June 11, 1963.

"(2) The amendments made by subsection (b) shall apply to stock transferred pursuant to options exercised on or after January 1, 1964."

And, in lieu thereof, to insert:

"(e) EFFECTIVE DATES AND TRANSITION RULES.—

"(1) Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to taxable years ending after December 31, 1963.

"(2) The amendments made by paragraphs (1) and (3) of subsection (b), and paragraph (2) of section 6652(a) of the Internal Revenue Code of 1954 (as amended by paragraph (2) of subsection (b)), shall apply to stock transferred pursuant to options exercised on or after January 1, 1964.

"(3) In the case of an option granted after December 31, 1963, and before January 1, 1965—

(A) paragraphs (1) and (2) of section 422(b) of the Internal Revenue Code of 1954 (as added by subsection (a)) shall not apply, and

"(B) paragraph (1) of section 425(h) of such Code (as added by subsection (a)) shall not apply to any change in the terms of such option made before January 1, 1965, to permit such option to qualify under paragraphs (3), (4), and (5) of such section 422(b)."

On page 154, after line 2, to insert a new section, as follows:

"SEC. 223. INSTALLMENT SALES BY DEALERS IN PERSONAL PROPERTY.

"(a) INSTALLMENT PLANS.—Section 453(a) (relating to reporting of income by dealers in personal property from sales on the installment plan) is amended to read as follows:

"'(a) DEALERS IN PERSONAL PROPERTY.—

"'(1) GENERAL RULE.—Under regulations prescribed by the Secretary or his delegate, a person who regularly sells or otherwise disposes of personal property on the installment plan may return as income therefrom in any taxable year that proportion of the installment payments actually received in that year which the gross profit, realized or to be realized when payment is completed, bears to the total contract price.

"'(2) INSTALLMENT PLAN.—For purposes of paragraph (1), the term "installment plan" includes any plan which provides for the payment by the purchaser for the personal property sold to him in a series of periodic installments of an agreed part or installment of the debt due the seller.

"'(3) TOTAL CONTRACT PRICE.—For purposes of paragraph (1), the term "total contract price" includes all charges relative to the sale of the personal property, including the time price differential which represents the amount paid or payable for the privilege of purchasing the personal property to be paid for by the purchaser in installments over a period of time.'

"(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1963."

On page 155, after line 7, to insert a new section, as follows:

"SEC. 224. TIMING OF DEDUCTIONS AND CREDITS IN CERTAIN CASES WHERE ASSERTED LIABILITIES ARE CONTESTED.

"(a) TAXABLE YEAR OF DEDUCTION OR CREDIT.—

"(1) Section 461 (relating to general rule for taxable year of deduction) is amended by adding at the end thereof the following new subsection:

"'(f) CONTESTED LIABILITIES.—If—

"'(1) the taxpayer contests an asserted liability,

"'(2) the taxpayer transfers money or other property to provide for the satisfaction of the asserted liability,

"'(3) the contest with respect to the asserted liability exists after the time of the transfer, and

"'(4) but for the fact that the asserted liability is contested, a deduction or credit would be allowed for the taxable year of the transfer (or for an earlier taxable year),

then the deduction or credit shall be allowed for the taxable year of the transfer.'

"(2) Section 43 of the Internal Revenue Code of 1939 (relating to period for which deductions and credits taken) is amended by adding at the end thereof the following new sentence: "If—

"'(1) the taxpayer contests an asserted liability,

"'(2) the taxpayer transfers money or other property to provide for the satisfaction of the asserted liability,

"'(3) the contest with respect to the asserted liability exists after the time of the transfer, and

"'(4) but for the fact that the asserted liability is contested, a deduction or credit would be allowed for the taxable year of the transfer (or for an earlier taxable year), then the deduction or credit shall be allowed for the taxable year of the transfer.'

"(b) EFFECTIVE DATES.—Except as provided in subsections (c) and (d)—

"(1) the amendment made by subsection (a)(1) shall apply to taxable years beginning after December 31, 1953, and ending after August 16, 1954, and

"(2) the amendment made by subsection (a)(2) shall apply to taxable years to which the Internal Revenue Code of 1939 applies.

"(c) ELECTION AS TO TRANSFERS IN TAXABLE YEARS BEGINNING BEFORE JANUARY 1, 1964.—

"(1) The amendments made by subsection (a) shall not apply to any transfer of money or other property described in subsection (a) made in a taxable year beginning before January 1, 1964, if the taxpayer elects, in the manner provided by regulations prescribed by the Secretary of the Treasury or his delegate, to have this paragraph apply. Such an election—

"(A) must be made within one year after the date of the enactment of this Act,

"(B) may not be revoked after the expiration of such one-year period, and

"(C) shall apply to all transfers described in the first sentence of this paragraph (other than transfers described in paragraph (2)).

In the case of any transfer to which this paragraph applies, the deduction or credit shall be allowed only for the taxable year in which the contest with respect to such transfer is settled.

"(2) Paragraph (1) shall not apply to any transfer if the assessment of any deficiency which would result from the application of the election in respect of such transfer is, on the date of the election under paragraph (1), prevented by the operation of any law or rule of law.

"(3) If the taxpayer makes an election under paragraph (1), and if, on the date of such election, the assessment of any deficiency which results from the application of the election in respect of any transfer is not prevented by the operation of any law or rule of law, the period within which assessment of such deficiency may be made shall not expire earlier than 2 years after the date of the enactment of this Act.

"(d) CERTAIN OTHER TRANSFERS IN TAXABLE YEARS BEGINNING BEFORE JANUARY 1, 1964.—The amendments made by subsection (a) shall not apply to any transfer of money or other property described in subsection (a) made in a taxable year beginning before January 1, 1964, if—

"(1) no deduction or credit has been allowed in respect of such transfer for any taxable year before the taxable year in which the contest with respect to such transfer is settled, and

"(2) refund or credit of any overpayment which would result from the application of such amendments to such transfer is prevented by the operation of any law or rule of law.

In the case of any transfer to which this subsection applies, the deduction or credit shall be allowed for the taxable year in which the contest with respect to such transfer is settled."

On page 159, at the beginning of line 3, to change the section number from "215" to "225".

On page 163, after line 10, to strike out:

"(c) CERTAIN CARRYING CHARGES.—The first sentence of section 163(b)(1) (relating to installment purchases where interest charge is not separately stated) is amended by striking out 'personal property is purchased' and inserting in lieu thereof 'personal property or services are purchased'."

On page 163, after line 16, to strike out:

"(d) EFFECTIVE DATES.—The amendments made by subsections (a) and (b) shall apply to payments made after December 31, 1963, on account of sales or exchanges of property occurring after June 30, 1963. The amendment made by subsection (c) shall apply to payments made during taxable years beginning after December 31, 1963."

And, in lieu thereof, to insert:

"(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to payments made after December 31, 1963, on account of sales or exchanges of property occurring after June 30, 1963, other than any sale or exchange made pursuant to a binding written contract (including an irrevocable written option) entered into before July 1, 1963."

On page 164, at the beginning of line 7, to change the section number from "216" to "226".

On page 166, line 1, after the word "shareholders", to strike out the comma and "plus the interest described in section 543(b)(2)(C),".

On page 167, line 8, after the word "loans", to strike out "or".

On page 167, line 10, after the word "installment", to strike out "obligations." and insert "obligations, or (iii) rendering services or making facilities available to another corporation which is engaged in the lending or finance business (within the meaning of this subparagraph), but only if such other corporation and the corporation rendering services or making facilities available are members of the same affiliated group (as defined in section 1504)."

On page 169, after line 3, to strike out:

"(3) INCOME RECEIVED FROM CERTAIN DOMESTIC SUBSIDIARIES.—For purposes of subsection (c)(6)(B), in the case of a lending company which is authorized to engage in and is actively and regularly engaged in the small loan business (consumer finance business) under one or more State statutes providing for the direct regulation of such business, and which meets the requirements of subsection (c)(6)(A), there shall not be treated as personal holding company income the lawful income received from domestic subsidiary corporations (of which stock possessing at least 80 percent of the voting power of all classes of stock and of which at least 80 percent of each class of nonvoting stock is owned directly by such lending company) which are themselves excepted under subsection (c)(6)."

And, in lieu thereof, to insert:

"(3) INCOME RECEIVED FROM CERTAIN AFFILIATED CORPORATIONS.—For purposes of subsection (c)(6)(B), in the case of a lending or finance company which meets the requirements of subsection (c)(6)(A), there shall not be treated as personal holding company income the lawful income received from a corporation which meets the requirements of subsection (c)(6) and which is a member of the same affiliated group (as defined in section 1504) of which such company is a member."

On page 171, after line 8, to strike out:

"(B) the personal holding company income for the taxable year (computed without regard to this paragraph and paragraph (6), and computed by including as personal holding company income copyright royalties and the adjusted income from mineral, oil, and gas royalties) is not more than 10 percent of the ordinary gross income."

"(B) the sum of—

"(i) the dividends paid during the taxable year (determined under section 562),

"(ii) the dividends considered as paid on the last day of the taxable year under section 563(c) (as limited by the second sentence of section 563(b)), and

"(iii) the consent dividends for the taxable year (determined under section 565), equals or exceeds the amount, if any, by which the personal holding company income for the taxable year (computed without regard to this paragraph and paragraph (6), and computed by including as personal holding company income copyright royalties and the adjusted income from mineral, oil, and gas royalties) exceeds 10 percent of the ordinary gross income."

On page 178, line 14, after the word "and", to strike out "amortization," and insert "amortization of property other than tangible personal property which is not customarily retained by any one lessee for more than three years,".

On page 179, line 3, after the word "in", to strike out "subsection (a)(3)" and insert "paragraph (4)".

On page 180, line 24, after the word "from", to strike out "such royalties" and insert "mineral, oil, and gas royalties (including production payments and overriding royalties)".

On page 190, line 9, after the word "section", to strike out "552," and insert "552—".

On page 192, line 4, after "January 1,", to strike out "1966" and insert "1967"; in line 6, after "January 1,", to strike out "1966" and insert "1967"; in line 14, after the word "were", to strike out "class B" and insert "long-term"; in line 16, after the word "after", to strike out "August 1" and insert "December 31"; and at the beginning of line 20, to strike out "August 1" and insert "December 31".

On page 193, line 2, to strike out "1965" and insert "1966".

On page 193, line 4, after "December 31,", to strike out "1965" and insert "1966".

On page 193, line 13, after "January 1,", to strike out "1966" and insert "1967", and at the beginning of line 16, to strike out "class B" and insert "long-term".

On page 193, at the beginning of line 21, to strike out "August 1" and insert "December 31", and in line 24, after the word "on", to strike out "August 1" and insert "December 31".

On page 194, line 9, after the word "on", to strike out "August 1, 1963" and insert "January 1, 1964".

On page 194, line 12, after "January 1,", to strike out "1967" and insert "1968".

On page 195, line 5, after the word "on", to strike out "August 1, 1963" and insert "January 1, 1964".

On page 195, line 16, after the word "obsolescence", to strike out "or", and in line 17, after the word "amortization", to insert a comma and "or depletion".

On page 195, line 21, after the word "before", to strike out "the date of the enactment of this subsection" and insert "December 31, 1963", and on page 196, line 3, after the word "taxable", to strike out "year."" and insert "year.".

On page 196, after line 3, to insert:

"(4) MISTAKE AS TO APPLICABILITY OF SUBSECTION.—An election made under this section by a qualified electing shareholder of a corporation in which such shareholder states that such election is made on the assumption that such corporation is a corporation referred to in paragraph (3) shall have no force or effect if it is determined that the corporation is not a corporation referred to in paragraph (3)."

On page 198, line 2, after the word "before", to strike out "the date of the enactment of this subsection" and insert "December 31, 1963".

On page 198, line 19, after the word "before", to strike out "August 1, 1963," and insert "January 1, 1964,"; in line 21, after the word "after", to strike out "July 31, 1963," and insert "December 31, 1963,", and in line 24, after the word "but", to strike out the comma and "in the case of such a payment or set aside which is made on or

after the first day of the first taxable year beginning after December 31, 1963,".

On page 199, line 9, after the word "after", to strike out "July 31," and insert "December 31,".

On page 200, line 16, after the word "obsolescence", to strike out "or amortization" and insert "amortization, or depletion".

On page 201, line 12, after the word "to", to strike out "the" and insert "an"; in line 13, after the word "obsolescence", to strike out "or amortization" and insert "amortization, or depletion", and in line 14, after the word "after", to strike out "July 31," and insert "December 31,".

On page 202, after line 9, to strike out:

"(j) INCREASE IN BASIS WITH RESPECT TO CERTAIN FOREIGN PERSONAL HOLDING COMPANY HOLDINGS.—

"(1) IN GENERAL. Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by redesignating section 1022 as section 1023 and by inserting after section 1021 the following new section:

"'SEC. 1022. INCREASE IN BASIS WITH RESPECT TO CERTAIN FOREIGN PERSONAL HOLDING COMPANY HOLDINGS.

"'(a) GENERAL RULE.—The basis (determined under section 1014(b)(5), relating to basis of stock or securities in a foreign personal holding company) of a share of stock or a security, acquired from a decedent dying after August 15, 1963, of a corporation which was a foreign personal holding company for its most recent taxable year ending before the date of the enactment of this section shall be increased by its proportionate share of any Federal estate tax attributable to the net appreciation in value of all of such shares and securities determined as provided in this section.

"'(b) PROPORTIONATE SHARE.—For purposes of subsection (a), the proportionate share of a share of stock or of a security is that amount which bears the same ratio to the aggregate increase determined under subsection (c)(2) as the appreciation in value of such share or security bears to the aggregate appreciation in value of all such shares and securities having appreciation in value.

"'(c) SPECIAL RULES AND DEFINITIONS.—For purposes of this section—

"'(1) FEDERAL ESTATE TAX.—The term 'Federal estate tax' means only the tax imposed by section 2001 or 2101, reduced by any credit allowable with respect to a tax on prior transfers by section 2013 or 2102.

"'(2) FEDERAL ESTATE TAX ATTRIBUTABLE TO NET APPRECIATION IN VALUE.—The Federal estate tax attributable to the net appreciation in value of all shares of stock and securities to which subsection (a) applies is that amount which bears the same ratio to the Federal estate tax as the net appreciation in value of all of such shares and securities bears to the value of the gross estate as determined under chapter 11 (including section 2032, relating to alternative valuation).

"'(3) NET APPRECIATION.—The net appreciation in value of all shares and securities to which subsection (a) applies is the amount by which the fair market value of all such shares and securities exceeds the basis of such property in the hands of the decedent.

"'(4) FAIR MARKET VALUE.—For purposes of this section, the term 'fair market value' means fair market value determined under chapter 11 (including section 2032, relating to alternate valuation).

"'(d) LIMITATIONS.—This section shall not apply to any foreign personal holding company referred to in section 342(a)(2).'

"(2) AMENDMENT OF SECTION 1016(a).—Section 1016(a) (relating to adjustments to basis) is amended by striking out the period at the end thereof and by inserting in lieu thereof a semicolon and by adding at the end thereof the following new paragraph:

"'(21) to the extent provided in section 1022, relating to increase in basis for certain foreign personal holding company holdings, or in section 216(j)(4) of the Revenue Act of 1963.'

"(3) CLERICAL AMENDMENTS.

"(A) The table of sections for part II of subchapter O of chapter 1 is amended by striking out

"'Sec. 1022. Cross references."

and inserting in lieu thereof the following:

"'Sec. 1022. Increase in basis with respect to certain foreign personal holding company holdings.

"'Sec. 1023. Cross references'."

"(4) ONE MONTH LIQUIDATIONS. If—

"(A) a corporation was a foreign personal holding company for its most recent taxable year ending before the date of the enactment of this Act,

"(B) all of the stock of such corporation is owned on August 15, 1963, and at the time of liquidation, by individuals and estates, and

"(C) the transfer of all the property under the liquidation occurs within one of the first 4 calendar months ending after such date of enactment,

then such corporation shall be treated as a domestic corporation for purposes of section 333 of the Internal Revenue Code of 1954 (relating to 1 month liquidations), and shall be treated as a foreign corporation for purposes of section 367 of such Code (relating to foreign corporations). In applying such section 367 for purposes of this paragraph, references in the first sentence of such section 367 to other sections of such Code shall be treated as including a reference to such section 333.

"(5) BASIS OF CERTAIN PROPERTY ACQUIRED FROM A DECEDENT.

"(A) In the case of property described in subparagraph (B) acquired from a decedent or passing from a decedent (within the meaning of section 1014(b) of the Internal Revenue Code of 1954), the basis shall (in lieu of being the basis provided by section 1014 of such Code) be the basis immediately before the death of the decedent, increased by the amount of any Federal estate tax attributable to the net appreciation in value of such property (determined in accordance with section 1022 of such Code as if such property were stock and securities referred to in such section).

"(B) Subparagraph (A) shall apply to—

"(i) property which the decedent received as a qualified electing shareholder, and

"(ii) property the basis of which (without the application of this paragraph) is a substituted basis (as defined in section 1016(b) of the Internal Revenue Code of 1954) determined by reference to the basis of such property or other property received by any individual or estate as a qualified electing shareholder.

For purposes of this subparagraph, property shall be treated as property received as a qualified electing shareholder if, with respect to such property, the recipient was a qualified electing shareholder (within the meaning of section 333(c) of such Code) in a corporate liquidation to which section 333 of such Code applied by reason of paragraph (4) of this subsection.

"(C) In the case of property acquired from the decedent by gift, the increase in basis under this paragraph shall not exceed the amount by which the increase under this paragraph is greater than the increase allowable under section 1015(d) of the Internal Revenue Code of 1954.

"(6) LIMITATIONS.—The provisions of paragraphs (4) and (5) of this subsection shall not apply to any foreign corporation referred to in section 342(a)(2) of the Internal Revenue Code of 1954.

"(7) MEANING OF TERMS.—Terms used in paragraphs (4) through (6) of this subsection shall have the same meaning as when used in chapter 1 of the Internal Revenue Code of 1954."

On page 208, at the beginning of line 1, to strike out "(k)" and insert "(j)".

On page 210, at the beginning of line 14, to strike out "(l)" and insert "(k)".

On page 210, line 16, after "(f)", to strike out "(g), and (j)" and insert "and (g))".

At the top of page 211, to strike out:

"(4) The amendments made by paragraphs (1), (2), and (3) of subsection (j) shall apply in respect of decedents dying after August 15, 1963."

On page 211, at the beginning of line 4, to strike out "(5)" and insert "(4)".

On page 211, at the beginning of line 6, to change the section number from "217" to "227".

On page 215, line 10, after the word "of", to strike out "1963" and insert "1964".

On page 219, at the beginning of line 1, to change the section number from "218" to "228".

On page 219, line 9, after the word "or" to insert "Domestic"; after line 10, to strike out:

"(B) by inserting 'or iron ore' after 'coal (including lignite)'; and".

And in lieu thereof to insert:

"(B) by inserting 'or iron ore mined in the United States,' after 'coal (including lignite),';".

In line 16, after "section 631" to strike out "(c)." and insert "(c); and".

"(D) by adding at the end thereof the following new sentence:

"'This subsection shall not apply to any disposal of iron ore—

"'(1) to a person whose relationship to the person disposing of such iron ore would result in the disallowance of losses under section 267 or 707(b), or

"'(2) to a person owned or controlled directly or indirectly by the same interests which own or control the person disposing of such iron ore.'"

On page 220, line 13, after the word "Or", to insert "Domestic".

On page 221, line 2, after the word "Or" to insert "Domestic"; after line 5, in "Sec. 631", after the word "or", where it occurs the second time, to insert "domestic"; in line 8, after the word "Or", to insert "Domestic"; after line 11, in "Sec. 272", after the word "or", to insert "domestic", and in line 13, after the word "or", to insert "domestic".

At the top of page 222, to insert:

"(7) Section 211(a)(3) of the Social Security Act is amended by striking out clause (B) and inserting in lieu thereof '(B) from the cutting of timber, or the disposal of timber, coal, or iron ore, if section 631 of the Internal Revenue Code of 1954 applies to such gain or loss,'."

On page 222, after line 6, to strike out:

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to iron ore mined in taxable years beginning after December 31, 1963."

And in lieu thereof, to insert:

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to amounts received or accrued in taxable years beginning after December 31, 1963, attributable to iron ore mined in such taxable years."

On page 222, after line 13, to insert a new section, as follows:

"SEC. 229. INSURANCE COMPANIES.

"(a) CERTAIN MUTUALIZATION DISTRIBUTIONS MADE IN 1962.—

"(1) DEDUCTION FOR CERTAIN MUTUALIZATION DISTRIBUTIONS.—Section 809(d)(11) (relating to deductions in computing gain from operations in the case of certain mutualization distributions) is amended by striking

out 'and 1961' and inserting in lieu thereof '1961, and 1962'.

"(2) APPLICATION OF SECTION 815.—Section 809(g)(3) (relating to application of section 815 to certain mutualization distributions) is amended by striking out 'or 1961' and inserting in lieu thereof '1961, or 1962'.

"(b) ACCRUAL OF BOND DISCOUNT.—

"(1) LIFE INSURANCE COMPANIES.—Section 818(b) (relating to amortization of premium and accrual of discount) is amended by adding at the end thereof the following new paragraph:

"'(3) EXCEPTION.—For taxable years beginning after December 31, 1962, no accrual of discount shall be required under paragraph (1) on any bond (as defined in section 171(d)), except in the case of discount which is—

"'(A) interest to which section 103 applies, or

"'(B) original issue discount (as defined in section 1232(b)).

For purposes of section 805(b)(3)(A), the current earnings rate for any taxable year beginning before January 1, 1963, shall be determined as if the preceding sentence applied to such taxable year.'

"(2) MUTUAL INSURANCE COMPANIES.—Section 822(d)(2) (relating to amortization of premium and accrual of discount) is amended by adding at the end thereof the following new sentence: 'For taxable years beginning after December 31, 1962, no accrual of discount shall be required under this paragraph on any bond (as defined in section 171(d)).'

"(c) CONTRIBUTIONS TO QUALIFIED, ETC., PLANS.—Section 832(c)(10) (relating to deductions allowed in computing taxable income of certain insurance companies) is amended by inserting before the semicolon at the end thereof 'and in part I of subchapter D (sec. 401 and following, relating to pension, profit-sharing, stock bonus plans, etc.)'.

"(d) EFFECTIVE DATES.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1961. The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 1953, and ending after August 16, 1954."

On page 224, after line 13, to insert a new section, as follows:

SEC. 230. REGULATED INVESTMENT COMPANIES.

"(a) TIME FOR MAILING CERTAIN NOTICES TO SHAREHOLDERS.—The following provisions (relating to notices to shareholders by regulated investment companies) are amended by striking out '30 days', wherever appearing therein, and inserting in lieu thereof '45 days':

"(1) Section 852(b)(3)(C),

"(2) Section 852(b)(3)(D)(i),

"(3) Section 853(c),

"(4) Section 854(b)(2), and

"(5) Section 855(c).

"(b) CERTAIN REDEMPTIONS BY UNIT INVESTMENT TRUSTS.—Section 852 (relating to taxation of regulated investment companies and their shareholders) is amended by adding at the end thereof the following new subsection:

"'(d) DISTRIBUTIONS IN REDEMPTION OF INTERESTS IN UNIT INVESTMENT TRUSTS.—In the case of a unit investment trust—

"'(1) which is registered under the Investment Company Act of 1940 and issues periodic payment plan certificates (as defined in such Act), and

"'(2) substantially all of the assets of which consist of securities issued by a management company (as defined in such Act), section 562(c) (relating to preferential dividends) shall not apply to a distribution by such trust to a holder of an interest in such trust in redemption of part or all of such interest, with respect to the net capital gain of such trust attributable to such redemption.'

"(c) EFFECTIVE DATES.—The amendments made by subsection (a) shall apply to taxable years of regulated investment companies ending on or after the date of the enactment of this Act. The amendment made by subsection (b) shall apply to taxable years of regulated investment companies ending after December 31, 1963."

At the top of page 226, to insert a new section, as follows:

"SEC. 231. FOREIGN TAX CREDIT WITH RESPECT TO CERTAIN FOREIGN MINERAL INCOME.

"(a) LIMITATION ON AMOUNT OF FOREIGN TAXES TO BE TAKEN INTO ACCOUNT.—Section 901 (relating to taxes of foreign countries and possessions of the United States) is amended—

"(1) by redesignating subsection (d) as (e); and

"(2) by inserting after subsection (c) the following new subsection:

"'(d) FOREIGN TAXES OF MINERAL INCOME.—

"'(1) REDUCTION OF AMOUNTS TO BE TAKEN INTO ACCOUNT.—

"'(A) PER-COUNTRY LIMITATION TAXPAYERS.—In the case of a taxpayer to whom the limitation provided by section 904(a)(1) applies for the taxable year, the amount of taxes paid or accrued during the taxable year to any foreign country with respect to mineral income which would (but for this paragraph) be taken into account for purposes of this subpart shall be reduced by the amount (if any) by which—

"'(i) the amount of such taxes (or, if smaller, the amount of the tax which would be computed under this chapter with respect to such income determined without the deduction allowed under section 613), exceeds

"'(ii) the amount of the tax computed under this chapter with respect to such income.

"'(B) OVERALL LIMITATION TAXPAYERS.—In the case of a taxpayer to whom the limitation provided by section 904(a)(2) applies for the taxable year, the amount of taxes paid or accrued during the taxable year to all foreign countries with respect to mineral income which would (but for this paragraph) be taken into account for purposes of this subpart shall be reduced by the amount (if any) by which—

"'(i) the amount of such taxes (or, if smaller, the amount of the tax which would be computed under this chapter with respect to such income determined without the deduction allowed under section 613), exceeds

"'(ii) the amount of tax computed under this chapter with respect to such income.

"'(2) MINERAL INCOME.—

"'(A) IN GENERAL.—For purposes of this subsection, the term "mineral income" means income derived from sources without the United States from mineral activities, including, but not limited to—

"'(i) dividends received from corporations in which 5 percent or more of the voting stock is owned directly or indirectly by the taxpayer, to the extent such dividends are attributable to mineral activities, and

"'(ii) that portion of the taxpayer's distributive share of income of partnerships attributable to mineral activities.

"'(B) MINERAL ACTIVITIES.—For purposes of subparagraph (A), the term "mineral activities" includes the extraction of minerals from mines, wells, or other natural deposits, the processing of such minerals into their primary products, and the transportation, distribution, or sale of such minerals or primary products.'

"(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1963."

At the top of page 229, to insert a new section, as follows:

"SEC. 232. AMOUNTS RECEIVED FROM EMPLOYER ON SALE OF RESIDENCE OF EMPLOYEE IN CONNECTION WITH TRANSFER TO NEW PLACE OF WORK.

"(a) TREATMENT OF CERTAIN AMOUNTS RECEIVED FROM EMPLOYER ON SALE OF RESIDENCE OF EMPLOYEE IN CONNECTION WITH TRANSFER TO NEW PLACE OF WORK.—

"(1) Part I of subchapter O of chapter 1 (relating to determination of amount of and recognition of gain or loss) is amended by adding at the end thereof the following new section:

"'SEC. 1003. AMOUNTS RECEIVED FROM EMPLOYER ON SALE OF RESIDENCE OF EMPLOYEE IN CONNECTION WITH TRANSFER TO NEW PLACE OF WORK.

"'(a) GENERAL RULE.—If—

"'(1) property (in this section called "old residence") used by the taxpayer as his principal residence is sold by the taxpayer or his spouse pursuant to a sales contract entered into within the forced sale period for the old residence, and

"'(2) the taxpayer's employer, not later than one year after the date such sales contract was entered into, pays part or all of the sale differential on the old residence.

then, for purposes of this chapter, the amount so paid shall be treated by the taxpayer or his spouse (as the case may be) as an additional amount realized on the sale of the old residence to the extent that it does not exceed the lesser of (A) the sale differential, or (B) 15 percent of the gross sales price of the old residence.

"'(b) LIMITATIONS.—

"'(1) PERIOD OF EMPLOYMENT.—This section shall not apply unless, for the six-month period ending on the day on which the taxpayer commences work at the new principal place of work, he was an employee of the employer.

"'(2) LOCATION OF NEW PLACE OF WORK.—This section shall not apply unless the taxpayer's new principal place of work—

"'(A) is at least 20 miles farther from the old residence than was his former principal place of work, or

"'(B) if he had no former principal place of work, is at least 20 miles from the old residence.

"'(c) DEFINITIONS; SPECIAL RULES.—For purposes of this section—

"'(1) FORCED SALE PERIOD.—The term "forced sale period" means the period beginning 90 days before, and ending 180 days after, the date on which the taxpayer commences work as an employee at the new principal place of work.

"'(2) SALE DIFFERENTIAL.—The term "sale differential" means the amount by which—

"'(A) the appraised value of the old residence, exceeds

"'(B) the gross sales price of the old residence reduced by the selling commissions, legal fees, and other expenses incident to the transfer of ownership of the old residence.

"'(3) APPRAISED VALUE.—The appraised value of the old residence is the average of two or more appraisals of fair market value made, on or after the valuation date and on or before the date on which the sales contract is entered into, by independent real estate appraisers selected by the employer, but shall not exceed the fair market value. Determination of appraised value shall be made as of the valuation date.

"'(4) VALUATION DATE.—The term "valuation date" means the date selected by the employer for purposes of determining the amount to be paid with respect to the sale differential. Such date shall be on or before the date the sales contract is entered into and within the forced sale period.

"'(5) EMPLOYER.—The term "employer" means the person who employs the taxpayer as an employee at the new principal place of work. Such term includes any predecessor or successor corporation and any parent corporation or subsidiary corporation. For purposes of the preceding sentence, the determination of whether a corporation is a parent corporation or a subsidiary corporation shall be made under subsections (e) and (f) of section 425 but by reference to the date on which the taxpayer commences work as an employee at the new principal place of work (in lieu of as of the time of the granting of the option).

"'(6) EXCHANGES.—An exchange by the taxpayer or his spouse of an old residence for other property shall be treated as a sale.

"'(7) TENANT-STOCKHOLDER IN A COOPERATIVE HOUSING CORPORATION.—References to property used by the taxpayer as his principal residence includes stock held by a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section) if the house or apartment which the taxpayer was entitled to occupy as such stockholder was used by him as his principal residence.

"'(d) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section.'

"(2) The table of sections for part I of subchapter O of chapter 1 is amended by adding at the end thereof the following:

"'Sec. 1003. Amounts received from employer on sale of residence of employee in connection with transfer to new place of work.'

"(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to amounts paid with respect to sales contracts entered into after December 31, 1963, in taxable years ending after such date."

At the top of page 272, to change the section number from "220" to "233".

On page 287, line 6, to change the section number from "221" to "234".

On page 292, line 2, after the word "income", to strike out: "'means, for any taxable year beginning after December 31, 1963, the amount (if any) by which—

"'(A) the sum of the adjusted class A capital gain and the adjusted class B capital gain, exceeds

"'(B) the deduction allowable under section 1202(a).

The term "capital gain net income" means, for any taxable year beginning before January 1, 1964,'"

And insert "means".

On page 300, after line 4, to strike out:

"(B) the sum of—

"(i) 21 percent of the adjusted class A capital gain, and

"(ii) 25 percent of the adjusted class B capital gain."

And in lieu thereof, to insert:

"(B) an amount equal to 25 percent of the excess of the net long-term capital gain over the net short-term capital loss."

On page 301, after line 21, to insert:

"(c) AMENDMENT OF SECTION 144.—Section 144 (relating to election of standard deduction) is amended by adding after subsection (c) (as added by 112(c)(2) of this Act) the following new subsection:

"'(d) INDIVIDUALS ELECTING INCOME AVERAGING.—In the case of a taxpayer who chooses to have the benefits of part I of subchapter Q (relating to income averaging) for the taxable year—

"'(1) subsection (a) shall not apply for such taxable year, and

"'(2) the standard deduction shall be allowed if the taxpayer so elects in his return for such taxable year.

The Secretary or his delegate shall by regulations prescribe the manner of signifying such election in the return. If the taxpayer on making his return fails to signify, in the manner so prescribed, his election to take the standard deduction, such failure shall be considered his election not to take the standard deduction.'"

On page 302, at the beginning of line 17, to strike out "(c)" and insert "(d)".

On page 304, at the beginning of line 5, to strike out "(d)" and insert "(e)".

On page 304, at the beginning of line 24, to strike out "(e)" and insert "(f)".

On page 305, at the beginning of line 10, to strike out "(f)" and insert "(g)".

On page 306, line 17, after the word "Act", to insert "and (if he elects to have subsection (e) of such section 1307 apply) section 170 (b)(5) of such Code as amended by this Act shall not apply to charitable contributions paid in such taxable year."

On page 306, after line 20, to insert a new section, as follows:

SEC. 235. SMALL BUSINESS CORPORATIONS.

"(a) OWNERSHIP OF CERTAIN STOCK DISREGARDED.—Section 1371 (relating to definition of small business corporation) is amended by adding at the end thereof the following new subsection:

"'(d) OWNERSHIP OF CERTAIN STOCK.—For purposes of subsection (a), a corporation shall not be considered a member of an affiliated group at any time during any taxable year by reason of the ownership of stock in another corporation if such other corporation—

"'(1) has not begun business at any time on or after the date of its incorporation and before the close of such taxable year, and

"'(2) does not have taxable income for the period included within such taxable year.'

"(b) CERTAIN DISTRIBUTIONS OF MONEY AFTER CLOSE OF TAXABLE YEAR.—Section 1375 (relating to special rules applicable to distributions of electing small business corporation) is amended by adding at the end thereof the following new subsection:

"'(e) CERTAIN DISTRIBUTIONS AFTER CLOSE OF TAXABLE YEAR.—

"'(1) IN GENERAL.—For purposes of this chapter, if—

"'(A) a corporation makes a distribution of money to its shareholders on or before the 15th day of the third month following the close of a taxable year with respect to which it was an electing small business corporation, and

"'(B) such distribution is made pursuant to a resolution of the board of directors of the corporation, adopted before the close of such taxable year, to distribute to its shareholders all or a part of the proceeds of one or more sales of capital assets, or of property described in section 1231(b), made during such taxable year,

such distribution shall, at the election of the corporation, be treated as a distribution of money made on the last day of such taxable year.

"'(2) SHAREHOLDERS.—An election under paragraph (1) with respect to any distribution may be made by a corporation only if each person who is a shareholder on the day the distribution is received—

"'(A) owns the same proportion of the stock of the corporation on such day as he owned on the last day of the taxable year of the corporation preceding the distribution, and

"'(B) consents to such election of such time and in such manner as the Secretary or his delegate shall prescribe by regulations.

"'(3) MANNER AND TIME OF ELECTION.—An election under paragraph (1) shall be made in such manner as the Secretary or his delegate shall prescribe by regulations. Such election shall be made not later than the time prescribed by law for filing the return for the taxable year during which the sale was made (including extensions thereof) except that, with respect to any taxable year ending on or before the date of the enactment of the Revenue Act of 1964, such election shall be made within 120 days after such date.'

"(c) EFFECTIVE DATES.—The amendment made by subsection (a) shall apply with respect to taxable years of corporations beginning after December 31, 1962. The amendment made by subsection (b) shall apply with respect to taxable years of corporations beginning after December 31, 1957."

On page 309, line 12, to change the section number from "222" to "236".

On page 318, line 1, to change the section number from "223" to "237".

On page 32, after line 11, to strike out: "This paragraph shall not apply to the taxable year of a corporation if no other corporation which is a component member of such controlled group on the December 31 included in such corporation's taxable year has taxable income for its taxable year including such December 31." and in lieu thereof, to insert "This paragraph shall not apply to the taxable year of a corporation if—

"(A) such corporation is the only component member of such controlled group on the December 31 included in such corporation's taxable year which has taxable income for a taxable year including such December 31, or

"(B) such corporation's surtax exemption is disallowed for such taxable year under any provision of this subtitle."

On page 325, line 23, after the word "December", to strike out "31," and insert "31".

On page 327, after line 17, to strike out:

"(g) TOLLING OF STATUTE OF LIMITATIONS.—In any case in which a controlled group of corporations makes an election or termination under this section—

"(1) the statutory period for assessment of any deficiency against a corporation which is a component member of such group for any taxable year, to the extent such deficiency is attributable to the application of this part, shall not expire before the expiration of one year after the date of such election or termination is made; and

"(2) if credit or refund of any overpayment of tax by a corporation which is a component member of such group for any taxable year is prevented, at any time on or before the expiration of one year after the date such election or termination is made, by the operation of any law or rule of law, credit or refund of such overpayment may, nevertheless, be allowed or made, to the extent such overpayment is attributable to the application of this part, if claim therefor is filed on or before the expiration of such one-year period."

And in lieu thereof, to insert:

"(g) TOLLING OF STATUTE OF LIMITATIONS.—In any case in which a controlled group of corporations makes an election or termination under this section, the statutory period—

"(1) for assessment of any deficiency against a corporation which is a component member of such group for any taxable year, to the extent such deficiency is attributable to the application of this part, shall not expire before the expiration of one year after the date such election or termination is made; and

"(2) for allowing or making credit or refund of any overpayment of tax by a corporation which is a component member of such group for any taxable year, to the extent such credit or refund is attributable to the application of this part, shall not expire before the expiration of one year after the date such election or termination is made."

On page 334, line 15, after "(2)", to strike out the comma and "but not including stock owned by the parent corporation which is constructively owned by such individual", and on page 335, line 2, after the word

"such", to strike out "corporation"; and insert "corporation.".

On page 340, line 5, after "(D)", to strike out "The" and insert "Such".

On page 342, after line 21, to insert:

"(e) shall not be treated as owned by him for purposes of again applying such paragraphs in order to make another the constructive owner of such stock.

treated as excluded stock under subsection (c)(2), if by reason of treating such stock as excluded stock the result is that such corporation is not a component member of a controlled group of corporations."

On page 343, line 8, after the word "of", to insert "a corporation which is a member of", and in line 11, after the word "of", to strike out "a" and insert "such".

On page 347, line 3, after the word "or", to strike out "at least" and insert "more than".

On page 347, after line 9, to strike out:

"(c) CORPORATIONS ELECTING MULTIPLE SURTAX EXEMPTIONS.—If the surtax exemption is disallowed to a transferee corporation for any taxable year, section 1562(b) shall not apply with respect to such transferee corporation for such taxable year."

On page 347, at the beginning line 15, to strike out "(d)" and insert "(c)".

On page 348, after line 5, to strike out: "income tax) is amended—

"(A) by striking out 'then such deduction, credit, or other allowance shall not be allowed' at the end of the first sentence and inserting in lieu thereof 'then the Secretary or his delegate may disallow such deduction, credit, or other allowance'; and

"(B) by adding at the end thereof the following new subsection:

"'(d) CORPORATIONS ELECTING MULTIPLE SURTAX EXEMPTIONS.—If the surtax exemption is disallowed to an acquired corporation under subsection (a) for any taxable year, section 1562(b) shall not apply with respect to such acquired corporation for such taxable year.'"

And in lieu thereof to insert: "income tax) is amended by striking out 'then such deduction, credit, or other allowance shall not be allowed' at the end of the first sentence and inserting in lieu thereof 'then the Secretary or his delegate may disallow such deduction, credit, or other allowance'."

On page 350, after line 3, to insert a new section, as follows:

"SEC. 238. VALIDITY OF TAX LIENS AGAINST MORTGAGEES, PLEDGEES, AND PURCHASERS OF MOTOR VEHICLES.

"(a) MORTGAGEES, PLEDGEES, AND PURCHASERS WITHOUT ACTUAL NOTICE OR KNOWLEDGE OF LIEN.—Section 6323(c) (relating to exception in case of securities) is amended—

"(1) by striking out the heading and inserting in lieu thereof 'EXCEPTION IN CASE OF SECURITIES AND MOTOR VEHICLES.—';

"(2) by striking out 'a security, as defined in paragraph (2) of this subsection,' in paragraph (1) and inserting in lieu thereof 'a security (as defined in paragraph (2) or a motor vehicle (as defined in paragraph (3))';

"(3) by inserting after 'such security' in paragraph (1) 'or such motor vehicle'; and

"(4) by adding at the end thereof the following new paragraph:

"'(3) DEFINITION OF MOTOR VEHICLE.—As used in this subsection, the term "motor vehicle" means a vehicle (other than a house trailer) which is registered for highway use under the laws of any State or foreign country.'

"(b) LIENS FOR ESTATE AND GIFT TAXES.—Section 6324 (relating to special liens for estate and gift taxes) is amended—

"(1) by striking out '(relating to transfers of securities)' in subsections (a) and (b) and inserting in lieu thereof '(relating to securities and motor vehicles)'; and

"(2) by striking out subsection (c) and inserting in lieu thereof the following:

"'(c) EXCEPTION IN CASE OF SECURITIES AND MOTOR VEHICLES.—The lien imposed by subsection (a) or (b) shall not be valid with respect to a security (as defined in section 6323(c)(2)) or a motor vehicle (as defined in section 6323(c)(3)) as against any mortgagee, pledgee, or purchaser of any such security or motor vehicle, for an adequate and full consideration in money or money's worth, if at the time of such mortgage, pledge, or purchase such mortgagee, pledgee, or purchaser is without notice or knowledge of the existence of such lien.'

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply only with respect to mortgages, pledges, and purchases made after the date of the enactment of this Act."

On page 365, after line 13, to strike out:

"(a) PERCENTAGE METHOD OF WITHHOLDING. Subsection (a) of section 3402 (relating to requirement of withholding) is amended to read as follows:

"'(a) REQUIREMENT OF WITHHOLDING. Every employer making payment of wages shall deduct and withhold upon such wages (except as provided in subsection (j)) a tax equal to the following percentage of the amount by which the wages exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in subsection (b)(1):

"'(1) 15 percent in the case of wages paid during the calendar year 1964, and

"'(2) 14 percent in the case of wages paid after December 31, 1964.'"

And in lieu thereof to insert:

"(a) PERCENTAGE METHOD OF WITHHOLDING.—Subsection (a) of section 3402 (relating to requirement of withholding) is amended by striking out '18 percent' and inserting in lieu thereof '14 percent'."

On page 366, after line 10, to strike out:

"(b) WAGE BRACKET WITHHOLDING.—Paragraph (1) of section 3402(c) (relating to wage bracket withholding) is amended to read as follows:

"'(1)(A) WAGES PAID DURING CALENDAR YEAR 1964.—At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee during the calendar year 1964 a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a):

"'If the payroll period with respect to an employee is weekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$0	$13	15% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$13	$14	$2.00	.10	0	0	0	0	0	0	0	0	0
$14	$15	2.20	.30	0	0	0	0	0	0	0	0	0
$15	$16	2.30	.40	0	0	0	0	0	0	0	0	0
$16	$17	2.50	.60	0	0	0	0	0	0	0	0	0
$17	$18	2.60	.70	0	0	0	0	0	0	0	0	0
$18	$19	2.80	.90	0	0	0	0	0	0	0	0	0
$19	$20	2.90	1.00	0	0	0	0	0	0	0	0	0
$20	$21	3.10	1.20	0	0	0	0	0	0	0	0	0
$21	$22	3.20	1.30	0	0	0	0	0	0	0	0	0
$22	$23	3.40	1.50	0	0	0	0	0	0	0	0	0
$23	$24	3.50	1.60	0	0	0	0	0	0	0	0	0
$24	$25	3.70	1.80	0	0	0	0	0	0	0	0	0
$25	$26	3.80	1.90	0	0	0	0	0	0	0	0	0
$26	$27	4.00	2.10	.10	0	0	0	0	0	0	0	0
$27	$28	4.10	2.20	.30	0	0	0	0	0	0	0	0
$28	$29	4.30	2.40	.40	0	0	0	0	0	0	0	0
$29	$30	4.40	2.50	.60	0	0	0	0	0	0	0	0
$30	$31	4.60	2.70	.70	0	0	0	0	0	0	0	0
$31	$32	4.70	2.80	.90	0	0	0	0	0	0	0	0
$32	$33	4.90	3.00	1.00	0	0	0	0	0	0	0	0
$33	$34	5.00	3.10	1.20	0	0	0	0	0	0	0	0
$34	$35	5.20	3.30	1.30	0	0	0	0	0	0	0	0
$35	$36	5.30	3.40	1.50	0	0	0	0	0	0	0	0
$36	$37	5.50	3.60	1.60	0	0	0	0	0	0	0	0
$37	$38	5.60	3.70	1.80	0	0	0	0	0	0	0	0
$38	$39	5.80	3.90	1.90	0	0	0	0	0	0	0	0
$39	$40	5.90	4.00	2.10	.20	0	0	0	0	0	0	0
$40	$41	6.10	4.20	2.20	.30	0	0	0	0	0	0	0
$41	$42	6.20	4.30	2.40	.50	0	0	0	0	0	0	0
$42	$43	6.40	4.50	2.50	.60	0	0	0	0	0	0	0
$43	$44	6.50	4.60	2.70	.80	0	0	0	0	0	0	0
$44	$45	6.70	4.80	2.80	.90	0	0	0	0	0	0	0
$45	$46	6.80	4.90	3.00	1.10	0	0	0	0	0	0	0
$46	$47	7.00	5.10	3.10	1.20	0	0	0	0	0	0	0
$47	$48	7.10	5.20	3.30	1.40	0	0	0	0	0	0	0
$48	$49	7.30	5.40	3.40	1.50	0	0	0	0	0	0	0
$49	$50	7.40	5.50	3.60	1.70	0	0	0	0	0	0	0
$50	$51	7.60	5.70	3.70	1.80	0	0	0	0	0	0	0
$51	$52	7.70	5.80	3.90	2.00	0	0	0	0	0	0	0

"'If the payroll period with respect to an employee is weekly—Continued

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$52	$53	$7.90	$6.00	$4.00	$2.10	$0.20	$0	$0	$0	$0	$0	$0
$53	$54	8.00	6.10	4.20	2.30	.30	0	0	0	0	0	0
$54	$55	8.20	6.30	4.30	2.40	.50	0	0	0	0	0	0
$55	$56	8.30	6.40	4.50	2.60	.60	0	0	0	0	0	0
$56	$57	8.50	6.60	4.60	2.70	.80	0	0	0	0	0	0
$57	$58	8.60	6.70	4.80	2.90	.90	0	0	0	0	0	0
$58	$59	8.80	6.90	4.90	3.00	1.10	0	0	0	0	0	0
$59	$60	8.90	7.00	5.10	3.20	1.20	0	0	0	0	0	0
$60	$62	9.20	7.20	5.30	3.40	1.50	0	0	0	0	0	0
$62	$64	9.50	7.50	5.60	3.70	1.80	0	0	0	0	0	0
$64	$66	9.80	7.80	5.90	4.00	2.10	.10	0	0	0	0	0
$66	$68	10.10	8.10	6.20	4.30	2.40	.40	0	0	0	0	0
$68	$70	10.40	8.40	6.50	4.60	2.70	.70	0	0	0	0	0
$70	$72	10.70	8.70	6.80	4.90	3.00	1.00	0	0	0	0	0
$72	$74	11.00	9.00	7.10	5.20	3.30	1.30	0	0	0	0	0
$74	$76	11.30	9.30	7.40	5.50	3.60	1.60	0	0	0	0	0
$76	$78	11.60	9.60	7.70	5.80	3.90	1.90	0	0	0	0	0
$78	$80	11.90	9.90	8.00	6.10	4.20	2.20	.30	0	0	0	0
$80	$82	12.20	10.20	8.30	6.40	4.50	2.50	.60	0	0	0	0
$82	$84	12.50	10.50	8.60	6.70	4.80	2.80	.90	0	0	0	0
$84	$86	12.80	10.80	8.90	7.00	5.10	3.10	1.20	0	0	0	0
$86	$88	13.10	11.10	9.20	7.30	5.40	3.40	1.50	0	0	0	0
$88	$90	13.40	11.40	9.50	7.60	5.70	3.70	1.80	0	0	0	0
$90	$92	13.70	11.70	9.80	7.90	6.00	4.00	2.10	.20	0	0	0
$92	$94	14.00	12.00	10.10	8.20	6.30	4.30	2.40	.50	0	0	0
$94	$96	14.30	12.30	10.40	8.50	6.60	4.60	2.70	.80	0	0	0
$96	$98	14.60	12.60	10.70	8.80	6.90	4.90	3.00	1.10	0	0	0
$98	$100	14.90	12.90	11.00	9.10	7.20	5.20	3.30	1.40	0	0	0
$100	$105	15.40	13.50	11.50	9.60	7.70	5.80	3.80	1.90	0	0	0
$105	$110	16.10	14.20	12.30	10.40	8.40	6.50	4.60	2.70	.70	0	0
$110	$115	16.90	15.00	13.00	11.10	9.20	7.30	5.30	3.40	1.50	0	0
$115	$120	17.60	15.70	13.80	11.90	9.90	8.00	6.10	4.20	2.20	.30	0
$120	$125	18.40	16.50	14.50	12.60	10.70	8.80	6.80	4.90	3.00	1.10	0
$125	$130	19.10	17.20	15.30	13.40	11.40	9.50	7.60	5.70	3.70	1.80	0
$130	$135	19.90	18.00	16.00	14.10	12.20	10.30	8.30	6.40	4.50	2.60	.60
$135	$140	20.60	18.70	16.80	14.90	12.90	11.00	9.10	7.20	5.20	3.30	1.40
$140	$145	21.40	19.50	17.50	15.60	13.70	11.80	9.80	7.90	6.00	4.10	2.10
$145	$150	22.10	20.20	18.30	16.40	14.40	12.50	10.60	8.70	6.70	4.80	2.90
$150	$160	23.30	21.30	19.40	17.50	15.60	13.60	11.70	9.80	7.90	5.90	4.00
$160	$170	24.80	22.80	20.90	19.00	17.10	15.10	13.20	11.30	9.40	7.40	5.50
$170	$180	26.30	24.30	22.40	20.50	18.60	16.60	14.70	12.80	10.90	8.90	7.00
$180	$190	27.80	25.80	23.90	22.00	20.10	18.10	16.20	14.30	12.40	10.40	8.50
$190	$200	29.30	27.30	25.40	23.50	21.60	19.60	17.70	15.80	13.90	11.90	10.00
		15 percent of the excess over $200 plus—										
$200 and over		30.00	28.10	26.20	24.20	22 30	20.40	18.50	16.50	14.60	12.70	10.80

"'If the payroll period with respect to an employee is biweekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$0	$26	15% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$26	$28	$4.10	.20	0	0	0	0	0	0	0	0	0
$28	$30	4.40	.50	0	0	0	0	0	0	0	0	0
$30	$32	4.70	.80	0	0	0	0	0	0	0	0	0
$32	$34	5.00	1.10	0	0	0	0	0	0	0	0	0
$34	$36	5.30	1.40	0	0	0	0	0	0	0	0	0
$36	$38	5.60	1.70	0	0	0	0	0	0	0	0	0
$38	$40	5.90	2.00	0	0	0	0	0	0	0	0	0
$40	$42	6.20	2.30	0	0	0	0	0	0	0	0	0
$42	$44	6.50	2.60	0	0	0	0	0	0	0	0	0
$44	$46	6.80	2.90	0	0	0	0	0	0	0	0	0
$46	$48	7.10	3.20	0	0	0	0	0	0	0	0	0
$48	$50	7.40	3.50	0	0	0	0	0	0	0	0	0
$50	$52	7.70	3.80	0	0	0	0	0	0	0	0	0
$52	$54	8.00	4.10	.30	0	0	0	0	0	0	0	0
$54	$56	8.30	4.40	.60	0	0	0	0	0	0	0	0
$56	$58	8.60	4.70	.90	0	0	0	0	0	0	0	0
$58	$60	8.90	5.00	1.20	0	0	0	0	0	0	0	0
$60	$62	9.20	5.30	1.50	0	0	0	0	0	0	0	0
$62	$64	9.50	5.60	1.80	0	0	0	0	0	0	0	0
$64	$66	9.80	5.90	2.10	0	0	0	0	0	0	0	0
$66	$68	10.10	6.20	2.40	0	0	0	0	0	0	0	0
$68	$70	10.40	6.50	2.70	0	0	0	0	0	0	0	0
$70	$72	10.70	6.80	3.00	0	0	0	0	0	0	0	0
$72	$74	11.00	7.10	3.30	0	0	0	0	0	0	0	0
$74	$76	11.30	7.40	3.60	0	0	0	0	0	0	0	0
$76	$78	11.60	7.70	3.90	0	0	0	0	0	0	0	0
$78	$80	11.90	8.00	4.20	.30	0	0	0	0	0	0	0
$80	$82	12.20	8.30	4.50	.60	0	0	0	0	0	0	0
$82	$84	12.50	8.60	4.80	.90	0	0	0	0	0	0	0
$84	$86	12.80	8.90	5.10	1.20	0	0	0	0	0	0	0
$86	$88	13.10	9 20	5.40	1.50	0	0	0	0	0	0	0
$88	$90	13.40	9.50	5.70	1.80	0	0	0	0	0	0	0
$90	$92	13.70	9.80	6.00	2.10	0	0	0	0	0	0	0
$92	$94	14.00	10.10	6.30	2.40	0	0	0	0	0	0	0
$94	$96	14.30	10.40	6.60	2.70	0	0	0	0	0	0	0
$96	$98	14.60	10.70	6.90	3.00	0	0	0	0	0	0	0

"'If the payroll period with respect to an employee is biweekly—Continued

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$98	$100	$14.90	$11.00	$7.20	$3.30	$0	$0	$0	$0	$0	$0	$0
$100	$102	15.20	11.30	7.50	3.60	0	0	0	0	0	0	0
$102	$104	15.50	11.60	7.80	3.90	.10	0	0	0	0	0	0
$104	$106	15.80	11.90	8.10	4.20	.40	0	0	0	0	0	0
$106	$108	16.10	12.20	8.40	4.50	.70	0	0	0	0	0	0
$108	$110	16.40	12.50	8.70	4.80	1.00	0	0	0	0	0	0
$110	$112	16.70	12.80	9.00	5.10	1.30	0	0	0	0	0	0
$112	$114	17.00	13.10	9.30	5.40	1.60	0	0	0	0	0	0
$114	$116	17.30	13.40	9.60	5.70	1.90	0	0	0	0	0	0
$116	$118	17.60	13.70	9.90	6.00	2.20	0	0	0	0	0	0
$118	$120	17.90	14.00	10.20	6.30	2.50	0	0	0	0	0	0
$120	$124	18.30	14.50	10.60	6.80	2.90	0	0	0	0	0	0
$124	$128	18.90	15.10	11.20	7.40	3.50	0	0	0	0	0	0
$128	$132	19.50	15.70	11.80	8.00	4.10	.30	0	0	0	0	0
$132	$136	20.10	16.30	12.40	8.60	4.70	.90	0	0	0	0	0
$136	$140	20.70	16.90	13.00	9.20	5.30	1.50	0	0	0	0	0
$140	$144	21.30	17.50	13.60	9.80	5.90	2.10	0	0	0	0	0
$144	$148	21.90	18.10	14.20	10.40	6.50	2.70	0	0	0	0	0
$148	$152	22.50	18.70	14.80	11.00	7.10	3.30	0	0	0	0	0
$152	$156	23.10	19.30	15.40	11.60	7.70	3.90	0	0	0	0	0
$156	$160	23.70	19.90	16.00	12.20	8.30	4.50	.60	0	0	0	0
$160	$164	24.30	20.50	16.60	12.80	8.90	5.10	1.20	0	0	0	0
$164	$168	24.90	21.10	17.20	13.40	9.50	5.70	1.80	0	0	0	0
$168	$172	25.50	21.70	17.80	14.00	10.10	6.30	2.40	0	0	0	0
$172	$176	26.10	22.30	18.40	14.60	10.70	6.90	3.00	0	0	0	0
$176	$180	26.70	22.90	19.00	15.20	11.30	7.50	3.60	0	0	0	0
$180	$184	27.30	23.50	19.60	15.80	11.90	8.10	4.20	.40	0	0	0
$184	$188	27.90	24.10	20.20	16.40	12.50	8.70	4.80	1.00	0	0	0
$188	$192	28.50	24.70	20.80	17.00	13.10	9.30	5.40	1.60	0	0	0
$192	$196	29.10	25.30	21.40	17.60	13.70	9.90	6.00	2.20	0	0	0
$196	$200	29.70	25.90	22.00	18.20	14.30	10.50	6.60	2.80	0	0	0
$200	$210	30.80	26.90	23.10	19.20	15.40	11.50	7.70	3.80	0	0	0
$210	$220	32.30	28.40	24.60	20.70	16.90	13.00	9.20	5.30	1.50	0	0
$220	$230	33.80	29.90	26.10	22.20	18.40	14.50	10.70	6.80	3.00	0	0
$230	$240	35.30	31.40	27.60	23.70	19.90	16.00	12.20	8.30	4.50	.60	0
$240	$250	36.80	32.90	29.10	25.20	21.40	17.50	13.70	9.80	6.00	2.10	0
$250	$260	38.30	34.40	30.60	26.70	22.90	19.00	15.20	11.30	7.50	3.60	0
$260	$270	39.80	35.90	32.10	28.20	24.40	20.50	16.70	12.80	9.00	5.10	1.30
$270	$280	41.30	37.40	33.60	29.70	25.90	22.00	18.20	14.30	10.50	6.60	2.80
$280	$290	42.80	38.90	35.10	31.20	27.40	23.50	19.70	15.80	12.00	8.10	4.30
$290	$300	44.30	40.40	36.60	32.70	28.90	25.00	21.20	17.30	13.50	9.60	5.80
$300	$320	46.50	42.70	38.80	35.00	31.10	27.30	23.40	19.60	15.70	11.90	8.00
$320	$340	49.60	45.70	41.80	38.00	34.10	30.30	26.40	22.60	18.70	14.90	11.00
$340	$360	52.50	48.70	44.80	41.00	37.10	33.30	29.40	25.60	21.70	17.00	14.00
$360	$380	55.50	51.70	47.80	44.00	40.10	36.30	32.40	28.60	24.70	20.90	17.00
$380	$400	58.50	54.70	50.80	47.00	43.10	39.30	35.40	31.60	27.70	23.90	20.00
		15 percent of the excess over $400 plus—										
$400 and over		60.00	56.20	52.30	48.50	44.60	40.80	36.90	33.10	29.20	25.40	21.50

"'If the payroll period with respect to an employee is semimonthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$0	$28	15% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$28	$30	$4.40	.20	0	0	0	0	0	0	0	0	0
$30	$32	4.70	.50	0	0	0	0	0	0	0	0	0
$32	$34	5.00	.80	0	0	0	0	0	0	0	0	0
$34	$36	5.30	1.10	0	0	0	0	0	0	0	0	0
$36	$38	5.60	1.40	0	0	0	0	0	0	0	0	0
$38	$40	5.90	1.70	0	0	0	0	0	0	0	0	0
$40	$42	6.20	2.00	0	0	0	0	0	0	0	0	0
$42	$44	6.50	2.30	0	0	0	0	0	0	0	0	0
$44	$46	6.80	2.60	0	0	0	0	0	0	0	0	0
$46	$48	7.10	2.90	0	0	0	0	0	0	0	0	0
$48	$50	7.40	3.20	0	0	0	0	0	0	0	0	0
$50	$52	7.70	3.50	0	0	0	0	0	0	0	0	0
$52	$54	8.00	3.80	0	0	0	0	0	0	0	0	0
$54	$56	8.30	4.10	0	0	0	0	0	0	0	0	0
$56	$58	8.60	4.40	.20	0	0	0	0	0	0	0	0
$58	$60	8.90	4.70	.50	0	0	0	0	0	0	0	0
$60	$62	9.20	5.00	.80	0	0	0	0	0	0	0	0
$62	$64	9.50	5.30	1.10	0	0	0	0	0	0	0	0
$64	$66	9.80	5.60	1.40	0	0	0	0	0	0	0	0
$66	$68	10.10	5.90	1.70	0	0	0	0	0	0	0	0
$68	$70	10.40	6.20	2.00	0	0	0	0	0	0	0	0
$70	$72	10.70	6.50	2.30	0	0	0	0	0	0	0	0
$72	$74	11.00	6.80	2.60	0	0	0	0	0	0	0	0
$74	$76	11.30	7.10	2.90	0	0	0	0	0	0	0	0
$76	$78	11.60	7.40	3.20	0	0	0	0	0	0	0	0
$78	$80	11.90	7.70	3.50	0	0	0	0	0	0	0	0
$80	$82	12.20	8.00	3.80	0	0	0	0	0	0	0	0
$82	$84	12.50	8.30	4.10	0	0	0	0	0	0	0	0
$84	$86	12.80	8.60	4.40	.30	0	0	0	0	0	0	0
$86	$88	13.10	8.90	4.70	.60	0	0	0	0	0	0	0
$88	$90	13.40	9.20	5.00	.90	0	0	0	0	0	0	0
$90	$92	13.70	9.50	5.30	1.20	0	0	0	0	0	0	0
$92	$94	14.00	9.80	5.60	1.50	0	0	0	0	0	0	0

"'If the payroll period with respect to an employee is semimonthly—Continued

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$94	$96	$14.30	$10.10	$5.90	$1.80	$0	$0	$0	$0	$0	$0	$0
$96	$98	14.60	10.40	6.20	2.10	0	0	0	0	0	0	0
$98	$100	14.90	10.70	6.50	2.40	0	0	0	0	0	0	0
$100	$102	15.20	11.00	6.80	2.70	0	0	0	0	0	0	0
$102	$104	15.50	11.30	7.10	3.00	0	0	0	0	0	0	0
$104	$106	15.80	11.60	7.40	3.30	0	0	0	0	0	0	0
$106	$108	16.10	11.90	7.70	3.60	0	0	0	0	0	0	0
$108	$110	16.40	12.20	8.00	3.90	0	0	0	0	0	0	0
$110	$112	16.70	12.50	8.30	4.20	0	0	0	0	0	0	0
$112	$114	17.00	12.80	8.60	4.50	.30	0	0	0	0	0	0
$114	$116	17.30	13.10	8.90	4.80	.60	0	0	0	0	0	0
$116	$118	17.60	13.40	9.20	5.10	.90	0	0	0	0	0	0
$118	$120	17.90	13.70	9.50	5.40	1.20	0	0	0	0	0	0
$120	$124	18.30	14.10	10.00	5.80	1.60	0	0	0	0	0	0
$124	$128	18.90	14.70	10.60	6.40	2.20	0	0	0	0	0	0
$128	$132	19.50	15.30	11.20	7.00	2.80	0	0	0	0	0	0
$132	$136	20.10	15.90	11.50	7.60	3.40	0	0	0	0	0	0
$136	$140	20.70	16.50	12.40	8.20	4.00	0	0	0	0	0	0
$140	$144	21.30	17.10	13.00	8.80	4.60	.50	0	0	0	0	0
$144	$148	21.90	17.70	13.60	9.40	5.20	1.10	0	0	0	0	0
$148	$152	22.50	18.30	14.20	10.00	5.80	1.70	0	0	0	0	0
$152	$156	23.10	18.90	14.80	10.60	6.40	2.30	0	0	0	0	0
$156	$160	23.70	19.50	15.40	11.20	7.00	2.90	0	0	0	0	0
$160	$164	24.30	20.10	16.00	11.80	7.60	3.50	0	0	0	0	0
$164	$168	24.90	20.70	16.60	12.40	8.20	4.10	0	0	0	0	0
$168	$172	25.50	21.30	17.20	13.00	8.80	4.70	.50	0	0	0	0
$172	$176	26.10	21.90	17.80	13.60	9.40	5.30	1.10	0	0	0	0
$176	$180	26.70	22.50	18.40	14.20	10.00	5.90	1.70	0	0	0	0
$180	$184	27.30	23.10	19.00	14.80	10.60	6.50	2.30	0	0	0	0
$184	$188	27.90	23.70	19.60	15.40	11.20	7.10	2.90	0	0	0	0
$188	$192	28.50	24.30	20.20	16.00	11.80	7.70	3.50	0	0	0	0
$192	$196	29.10	24.90	20.80	16.60	12.40	8.30	4.10	0	0	0	0
$196	$200	29.70	25.50	21.40	17.20	13.00	8.90	4.70	.50	0	0	0
$200	$210	30.80	26.60	22.40	18.30	14.10	9.90	5.80	1.60	0	0	0
$210	$220	32.30	28.10	23.90	19.80	15.60	11.40	7.30	3.10	0	0	0
$220	$230	33.80	29.60	25.40	21.30	17.10	12.90	8.80	4.60	.40	0	0
$230	$240	35.30	31.10	26.90	22.80	18.60	14.40	10.30	6.10	1.90	0	0
$240	$250	36.80	32.60	28.40	24.30	20.10	15.90	11.80	7.60	3.40	0	0
$250	$260	38.30	34.10	29.90	25.80	21.60	17.40	13.30	9.10	4.90	.80	0
$260	$270	39.80	35.60	31.40	27.30	23.10	18.90	14.80	10.60	6.40	2.30	0
$270	$280	41.30	37.10	32.90	28.80	24.60	20.40	16.30	12.10	7.90	3.80	0
$280	$290	42.80	38.60	34.40	30.30	26.10	21.90	17.80	13.60	9.40	5.30	1.10
$290	$300	44.30	40.10	35.90	31.80	27.60	23.40	19.30	15.10	10.90	6.80	2.60
$300	$320	46.50	42.30	38.20	34.00	29.80	25.70	21.50	17.30	13.20	9.00	4.80
$320	$340	49.50	45.30	41.20	37.00	32.80	28.70	24.50	20.30	16.20	12.00	7.80
$340	$360	52.50	48.30	44.20	40.00	35.80	31.70	27.50	23.30	19.20	15.00	10.80
$360	$380	55.50	51.30	47.20	43.00	38.80	34.70	30.50	26.30	22.20	18.00	13.80
$380	$400	58.50	54.30	50.20	46.00	41.80	37.70	33.50	29.30	25.20	21.00	16.80
$400	$420	61.50	57.30	53.20	49.00	44.80	40.70	36.50	32.30	28.20	24.00	19.80
$420	$440	64.50	60.30	56.20	52.00	47.80	43.70	39.50	35.30	31.20	27.00	22.80
$440	$460	67.50	63.30	59.20	55.00	50.80	46.70	42.50	38.30	34.20	30.00	25.80
$460	$480	70.50	66.30	62.20	58.00	53.80	49.70	45.50	41.30	37.20	33.00	28.80
$480	$500	73.50	69.30	65.20	61.00	56.80	52.70	48.50	44.30	40.20	36.00	31.80
		15 percent of the excess over $500 plus—										
$500 and over		$75.00	$70.80	$66.70	$62.50	$58.30	$54.20	$50.00	$45.80	$41.70	$37.50	$33.30

"'If the payroll period with respect to an employee is monthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$0	$56	15% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$56	$60	$8.70	.40	0	0	0	0	0	0	0	0	0
$60	$64	9.30	1.00	0	0	0	0	0	0	0	0	0
$64	$68	9.90	1.60	0	0	0	0	0	0	0	0	0
$68	$72	10.50	2.20	0	0	0	0	0	0	0	0	0
$72	$76	11.10	2.80	0	0	0	0	0	0	0	0	0
$76	$80	11.70	3.40	0	0	0	0	0	0	0	0	0
$80	$84	12.30	4.00	0	0	0	0	0	0	0	0	0
$84	$88	12.90	4.60	0	0	0	0	0	0	0	0	0
$88	$92	13.50	5.20	0	0	0	0	0	0	0	0	0
$92	$96	14.10	5.80	0	0	0	0	0	0	0	0	0
$96	$100	14.70	6.40	0	0	0	0	0	0	0	0	0
$100	$104	15.30	7.00	0	0	0	0	0	0	0	0	0
$104	$108	15.90	7.60	0	0	0	0	0	0	0	0	0
$108	$112	16.50	8.20	0	0	0	0	0	0	0	0	0
$112	$116	17.10	8.80	.40	0	0	0	0	0	0	0	0
$116	$120	17.70	9.40	1.00	0	0	0	0	0	0	0	0
$120	$124	18.30	10.00	1.60	0	0	0	0	0	0	0	0
$124	$128	18.90	10.60	2.20	0	0	0	0	0	0	0	0
$128	$132	19.50	11.20	2.80	0	0	0	0	0	0	0	0
$132	$136	20.10	11.80	3.40	0	0	0	0	0	0	0	0
$136	$140	20.70	12.40	4.00	0	0	0	0	0	0	0	0
$140	$144	21.30	13.00	4.60	0	0	0	0	0	0	0	0
$144	$148	21.90	13.60	5.20	0	0	0	0	0	0	0	0
$148	$152	22.50	14.20	5.80	0	0	0	0	0	0	0	0
$152	$156	23.10	14.80	6.40	0	0	0	0	0	0	0	0
$156	$160	23.70	15.40	7.00	0	0	0	0	0	0	0	0

"'If the payroll period with respect to an employee is monthly—Continued

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
$160	$164	$24.30	$16.00	$7.60	$0	$0	$0	$0	$0	$0	$0	$0
$164	$168	24.90	16.60	8.20	0	0	0	0	0	0	0	0
$168	$172	25.50	17.20	8.80	0.50	0	0	0	0	0	0	0
$172	$176	26.10	17.80	9.40	1.10	0	0	0	0	0	0	0
$176	$180	26.70	18.40	10.00	1.70	0	0	0	0	0	0	0
$180	$184	27.30	19.00	10.60	2.30	0	0	0	0	0	0	0
$184	$188	27.90	19.60	11.20	2.90	0	0	0	0	0	0	0
$188	$192	28.50	20.20	11.80	3.50	0	0	0	0	0	0	0
$192	$196	29.10	20.80	12.40	4.10	0	0	0	0	0	0	0
$196	$200	29.70	21.40	13.00	4.70	0	0	0	0	0	0	0
$200	$204	30.30	22.00	13.60	5.30	0	0	0	0	0	0	0
$204	$208	30.90	22.60	14.20	5.90	0	0	0	0	0	0	0
$208	$212	31.50	23.20	14.80	6.50	0	0	0	0	0	0	0
$212	$216	32.10	23.80	15.40	7.10	0	0	0	0	0	0	0
$216	$220	32.70	24.40	16.00	7.70	0	0	0	0	0	0	0
$220	$224	33.30	25.00	16.60	8.30	0	0	0	0	0	0	0
$224	$228	33.90	25.60	17.20	8.90	.60	0	0	0	0	0	0
$228	$232	34.50	26.20	17.80	9.50	1.20	0	0	0	0	0	0
$232	$236	35.10	26.80	18.40	10.10	1.80	0	0	0	0	0	0
$236	$240	35.70	27.40	19.00	10.70	2.40	0	0	0	0	0	0
$240	$248	36.60	28.30	19.90	11.60	3.30	0	0	0	0	0	0
$248	$256	37.80	29.50	21.10	12.80	4.50	0	0	0	0	0	0
$256	$264	39.00	30.70	22.30	14.00	5.70	0	0	0	0	0	0
$264	$272	40.20	31.90	23.50	15.20	6.90	0	0	0	0	0	0
$272	$280	41.40	33.10	24.70	16.40	8.10	0	0	0	0	0	0
$280	$288	42.60	34.30	25.90	17.60	9.30	.90	0	0	0	0	0
$288	$296	43.80	35.50	27.10	18.80	10.50	2.10	0	0	0	0	0
$296	$304	45.00	36.70	28.30	20.00	11.70	3.30	0	0	0	0	0
$304	$312	46.20	37.90	29.50	21.20	12.90	4.50	0	0	0	0	0
$312	$320	47.40	39.10	30.70	22.40	14.10	5.70	0	0	0	0	0
$320	$328	48.60	40.30	31.90	23.60	15.30	6.90	0	0	0	0	0
$328	$336	49.80	41.50	33.10	24.80	16.50	8.10	0	0	0	0	0
$336	$344	51.00	42.70	34.30	26.00	17.70	9.30	1.00	0	0	0	0
$344	$352	52.20	43.90	35.50	27.20	18.90	10.50	2.20	0	0	0	0
$352	$360	53.40	45.10	36.70	28.40	20.10	11.70	3.40	0	0	0	0
$360	$368	54.60	46.30	37.90	29.60	21.30	12.90	4.60	0	0	0	0
$368	$376	55.80	47.50	39.10	30.80	22.50	14.10	5.80	0	0	0	0
$376	$384	57.00	48.70	40.30	32.00	23.70	15.30	7.00	0	0	0	0
$384	$392	58.20	49.90	41.50	33.20	24.90	16.50	8.20	0	0	0	0
$392	$400	59.40	51.10	42.70	34.40	26.10	17.70	9.40	1.10	0	0	0
$400	$420	61.50	53.20	44.80	36.50	28.20	19.80	11.50	3.20	0	0	0
$420	$440	64.50	56.20	47.80	39.50	31.20	22.80	14.50	6.20	0	0	0
$440	$460	67.50	59.20	50.80	42.50	34.20	25.80	17.50	9.20	.80	0	0
$460	$480	70.50	62.20	53.80	45.50	37.20	28.80	20.50	12.20	3.80	0	0
$480	$500	73.50	65.20	56.80	48.50	40.20	31.80	23.50	15.20	6.80	0	0
$500	$520	76.50	68.20	59.80	51.50	43.20	34.80	26.50	18.20	9.80	1.50	0
$520	$540	79.50	71.20	62.80	54.50	46.20	37.80	29.50	21.20	12.80	4.50	0
$540	$560	82.50	74.20	65.80	57.50	49.20	40.80	32.50	24.20	15.80	7.50	0
$560	$580	85.50	77.20	68.80	60.50	52.20	43.80	35.50	27.20	18.80	10.50	2.20
$580	$600	88.50	80.20	71.80	63.50	55.20	46.80	38.50	30.20	21.80	13.50	5.20
$600	$640	93.00	84.70	76.30	68.00	59.70	51.30	43.00	34.70	26.30	18.00	9.70
$640	$680	99.00	90.70	82.30	74.00	65.70	57.30	49.00	40.70	32.30	24.00	15.70
$680	$720	105.00	96.70	88.30	80.00	71.70	63.30	55.00	46.70	38.30	30.00	21.70
$720	$760	111.00	102.70	94.30	86.00	77.70	69.30	61.00	52.70	44.30	36.00	27.70
$760	$800	117.00	108.70	100.30	92.00	83.70	75.30	67.00	58.70	50.30	42.00	33.70
$800	$840	123.00	114.70	106.30	98.00	89.70	81.30	73.00	64.70	56.30	48.00	39.70
$840	$880	129.00	120.70	112.30	104.00	95.70	87.30	79.00	70.70	62.30	54.00	45.70
$880	$920	135.00	126.70	118.30	110.00	101.70	93.30	85.00	76.70	68.30	60.00	51.70
$920	$960	141.00	132.70	124.30	116.00	107.70	99.30	91.00	82.70	74.30	66.00	57.70
$960	$1,000	147.00	138.70	130.30	122.00	113.70	105.30	97.00	88.70	80.30	72.00	63.70
		15 percent of the excess over $1,000 plus—										
$1,000 and over		$150.00	$141.70	$133.30	$125.00	$116.70	$108.30	$100.00	$91.70	$83.30	$75.00	$66.70

"'If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period—

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period—										
$0	$2.00	15% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$2.00	$2.25	$0.30	.05	0	0	0	0	0	0	0	0	0
$2.25	$2.50	.35	.10	0	0	0	0	0	0	0	0	0
$2.50	$2.75	.40	.10	0	0	0	0	0	0	0	0	0
$2.75	$3.00	.45	.15	0	0	0	0	0	0	0	0	0
$3.00	$3.25	.45	.20	0	0	0	0	0	0	0	0	0
$3.25	$3.50	.50	.25	0	0	0	0	0	0	0	0	0
$3.50	$3.75	.55	.25	0	0	0	0	0	0	0	0	0
$3.75	$4.00	.60	.30	.05	0	0	0	0	0	0	0	0
$4.00	$4.25	.60	.35	.05	0	0	0	0	0	0	0	0
$4.25	$4.50	.65	.40	.10	0	0	0	0	0	0	0	0
$4.50	$4.75	.70	.40	.15	0	0	0	0	0	0	0	0
$4.75	$5.00	.75	.45	.20	0	0	0	0	0	0	0	0
$5.00	$5.25	.75	.50	.20	0	0	0	0	0	0	0	0
$5.25	$5.50	.80	.55	.25	0	0	0	0	0	0	0	0
$5.50	$5.75	.85	.55	.30	0	0	0	0	0	0	0	0
$5.75	$6.00	.90	.60	.35	.05	0	0	0	0	0	0	0
$6.00	$6.25	.90	.65	.35	.10	0	0	0	0	0	0	0
$6.25	$6.50	.95	.70	.40	.15	0	0	0	0	0	0	0
$6.50	$6.75	1.00	.70	.45	.15	0	0	0	0	0	0	0

"'*If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period*—Continued

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period—										
$6.75	$7.00	$1.05	$0.75	$0.50	$0.20	$0	$0	$0	$0	$0	$0	$0
$7.00	$7.25	1.05	.80	.50	.25	0	0	0	0	0	0	0
$7.25	$7.50	1.10	.85	.55	.30	0	0	0	0	0	0	0
$7.50	$7.75	1.15	.85	.60	.30	.05	0	0	0	0	0	0
$7.75	$8.00	1.20	.90	.65	.35	.10	0	0	0	0	0	0
$8.00	$8.25	1.20	.95	.65	.40	.10	0	0	0	0	0	0
$8.25	$8.50	1.25	1.00	.70	.45	.15	0	0	0	0	0	0
$8.50	$8.75	1.30	1.00	.75	.45	.20	0	0	0	0	0	0
$8.75	$9.00	1.35	1.05	.80	.50	.25	0	0	0	0	0	0
$9.00	$9.25	1.35	1.10	.80	.55	.25	0	0	0	0	0	0
$9.25	$9.50	1.40	1.15	.85	.60	.30	.05	0	0	0	0	0
$9.50	$9.75	1.45	1.15	.90	.60	.35	.05	0	0	0	0	0
$9.75	$10.00	1.50	1.20	.95	.65	.40	.10	0	0	0	0	0
$10.00	$10.50	1.55	1.25	1.00	.70	.45	.15	0	0	0	0	0
$10.50	$11.00	1.60	1.35	1.05	.80	.50	.25	0	0	0	0	0
$11.00	$11.50	1.70	1.40	1.15	.85	.60	.30	.05	0	0	0	0
$11.50	$12.00	1.75	1.50	1.20	.95	.65	.40	.10	0	0	0	0
$12.00	$12.50	1.85	1.55	1.30	1.00	.75	.45	.20	0	0	0	0
$12.50	$13.00	1.90	1.65	1.35	1.10	.80	.55	.25	0	0	0	0
$13.00	$13.50	2.00	1.70	1.45	1.15	.90	.60	.35	.05	0	0	0
$13.50	$14.00	2.05	1.80	1.50	1.25	.95	.70	.40	.15	0	0	0
$14.00	$14.50	2.15	1.85	1.60	1.30	1.05	.75	.50	.20	0	0	0
$14.50	$15.00	2.20	1.95	1.65	1.40	1.10	.85	.55	.30	0	0	0
$15.00	$15.50	2.30	2.00	1.75	1.45	1.20	.90	.65	.35	.10	0	0
$15.50	$16.00	2.35	2.10	1.80	1.55	1.25	1.00	.70	.45	.15	0	0
$16.00	$16.50	2.45	2.15	1.90	1.60	1.35	1.05	.80	.50	.25	0	0
$16.50	$17.00	2.50	2.25	1.95	1.70	1.40	1.15	.85	.60	.30	.05	0
$17.00	$17.50	2.60	2.30	2.05	1.75	1.50	1.20	.95	.65	.40	.10	0
$17.50	$18.00	2.65	2.40	2.10	1.85	1.55	1.30	1.00	.75	.45	.20	0
$18.00	$18.50	2.75	2.45	2.20	1.90	1.65	1.35	1.10	.80	.55	.25	0
$18.50	$19.00	2.80	2.55	2.25	2.00	1.70	1.45	1.15	.90	.60	.35	.05
$19.00	$19.50	2.90	2.60	2.35	2.05	1.80	1.50	1.25	.95	.70	.40	.15
$19.50	$20.00	2.95	2.70	2.40	2.15	1.85	1.60	1.30	1.05	.75	.50	.20
$20.00	$21.00	3.10	2.80	2.55	2.25	2.00	1.70	1.45	1.15	.90	.60	.35
$21.00	$22.00	3.25	2.95	2.70	2.40	2.15	1.85	1.60	1.30	1.05	.75	.50
$22.00	$23.00	3.40	3.10	2.85	2.55	2.30	2.00	1.75	1.45	1.20	.90	.65
$23.00	$24.00	3.55	3.25	3.00	2.70	2.45	2.15	1.90	1.60	1.35	1.05	.80
$24.00	$25.00	3.70	3.40	3.15	2.85	2.60	2.30	2.05	1.75	1.50	1.20	.95
$25.00	$26.00	3.85	3.55	3.30	3.00	2.75	2.45	2.20	1.90	1.65	1.35	1.10
$26.00	$27.00	4.00	3.70	3.45	3.15	2.90	2.60	2.35	2.05	1.80	1.50	1.25
$27.00	$28.00	4.15	3.85	3.60	3.30	3.05	2.75	2.50	2.20	1.95	1.65	1.40
$28.00	$29.00	4.30	4.00	3.75	3.45	3.20	2.90	2.65	2.35	2.10	1.80	1.55
$29.00	$30.00	4.45	4.15	3.90	3.60	3.35	3.05	2.80	2.50	2.25	1.95	1.70
		15 percent of the excess over $30 plus—										
$30 and over		4.50	4.25	3.95	3.70	3.40	3.15	2.85	2.60	2.30	2.05	1.75' "

At the top of page 372, to strike out:

"(B) WAGES PAID AFTER DECEMBER 31, 1964.—At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee after December 31, 1964, a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a):".

And in lieu thereof, to insert:

"(b) WAGE BRACKET WITHHOLDING.—Paragraph (1) of section 3402(c) (relating to wage bracket withholding) is amended to read as follows:

"'(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a):'".

At the top of page 378, to strike out.

"(c) WITHHOLDING OF TAX ON CERTAIN NONRESIDENT ALIENS.

"(1) Section 1441(a) (relating to general rule) is amended by striking out 'the tax shall be equal to 18 percent of such item.' and inserting in lieu thereof: 'the tax shall be equal to—

"'(1) 15 percent in the case of payments made during the calendar year 1964, and

"'(2) 14 percent in the case of payments made after December 31, 1964.'

"(2) Section 1441(b) (relating to income items) is amended by striking out '18 percent' and by inserting in lieu thereof '15 percent or 14 percent (as the case may be)'.

And in lieu thereof, to insert:

"(c) WITHHOLDING OF TAX ON CERTAIN NONRESIDENT ALIENS.—Subsections (a) and (b) of section 1441 (relating to withholding of tax on nonresident aliens) are amended by striking out '18 percent' and inserting in lieu thereof '14 percent.'"

On page 379, line 1, after the word "after", to strike out "December 31, 1963", and insert "the seventh day following the date of the enactment of this Act", and in line 4, after the word "after", to strike out "December 31, 1963" and insert "the seventh day following the date of the enactment of this Act."

Mr. LONG of Louisiana. Mr. President, I am happy to announce to the Senate that we have just agreed to 152 amendments to the bill.

Mr. SMATHERS. The Senator from Louisiana is absolutely right. I interrupt myself to say this, because it is just the point I was trying to make this morning when I was under rather heavy castigation from some Senators, that sometimes we can make more progress even if it does seem as though the Senate is going slow. After one has been in the Senate for a short while, we come to realize that every Senator considers himself an expert on every problem which comes before the Senate, and he wants to be consulted about it. I do not believe we are all experts but we all seem to feel that way.

Mr. GORE. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I am happy to yield.

Mr. GORE. I listened with amusement to the colloquy earlier in the day. I believe the distinguished junior Senator from Florida mistook it if he considers it castigation. I thought it was a clever job of defense.

Mr. SMATHERS. If one is on the giving end, it is needling. If one is on the receiving end, it is castigation. In any event, I think it demonstrates that the leadership always has some problems on these questions, why Senators cannot take over and say that they are ready, and therefore everyone else should be ready. It does not always follow that that is the best way to proceed.

I am delighted that the Senate has now adopted 152 amendments. That is great progress. I am sure that the President of the United States will be delighted to receive that information. Perhaps the telephones will not be in such constant use.

I am delighted that the Senator from Illinois is now present.

Mr. DIRKSEN. Which Senator from Illinois?

Mr. SMATHERS. The junior Senator from Illinois, the minority leader. The Senate has now adopted by unanimous consent 152 committee amendments. The junior Senator from Illinois and I were receiving some castigation this morning. By holding the line in the face

of that castigation and touching the bases that we must touch in this body of 100 men, where every Senator feels that he as an individual Senator has a right to be consulted on his views, and we must at least talk with him about the question, sometimes we make greater progress when we seem to be going slow, as we were this morning, and now we have proved our point.

Mr. DIRKSEN. Yes.

Mr. SMATHERS. We are making a great deal of progress.

Mr. President, there are so few things to boast about these days that I could not help boasting a little about that.

These profit figures are vitally important, not only to American business but to all Americans, because investment is vital to all Americans. It is obvious under our system that business will not invest unless it can see a profit.

No head of a corporation is going to risk his stockholders' money on a venture that does not offer an adequate return.

No jobs are going to be provided and no incomes or tax revenues are going to be raised by investments that are not made.

Obviously if jobs are going to be provided, it is the private sector of our economy, through capital investment, that is going to provide them.

We can, of course, create new jobs by continually increasing Government spending, and letting out bigger and bigger defense contracts that will mean more jobs, more income, more tax revenue, but, of course, more Government spending. In other words the Government is principal spender, architect of, and controller of, the American economy under that particular weapon. That is the second theory about which I talked a moment ago in my colloquy with the able Senator from Tennessee. The Government would do it all. I have the feeling that certain Senators believe that that is the better way to proceed. However, fortunately, I think the majority of Senators on this side and on the other side of the aisle do not agree that that is the better way to proceed—to turn all the spending and the operation of the economy over to the Government.

I think the better way by far is to stimulate the private sector of the economy, to step up private consumer demand and at the same time give private business the additional investment incentives to modernize and build so as to make the most of that consumer demand.

I do not think there is any widespread opposition to the belief that the administration program of holding down on Federal expenditures and at the same time cutting taxes will prove effective in moving our economy ahead.

As the President indicated in his budget message, the estimated gross national product for 1964 would be $623 billion—an increase of more than 20 percent in 3 years. In dollar terms, this means that it would equal the largest year-to-year increase in total national output in the peacetime history of the United States.

We are all aware that with every passing month as the withholding rate stays at 18 percent, as under present law, instead of 14 percent as provided in this proposal, our economy is deprived of $800 million in additional spending power which it sorely needs.

I think that many of us have a tendency to overlook the importance of capital investment, to forget that ours is a market economy, and to ignore the responsibilities of the free enterprise system. Most people and most economists agree we need more demand. I agree. But I also think it is equally important if our system is to expand to maximum efficiency that we also have more investment. It is important not only for our domestic economy, but for international reasons as well.

Only by making the United States more attractive both for foreign and domestic investment capital, and by expanding our export trade, can we hope to maintain the significant improvement we have seen in our balance-of-payments picture in the last 6 months.

Only by increasing investment will our economy develop the dynamic expansionary momentum we need to keep domestic funds at home and attract foreign investment in greater quantity from abroad.

Only by increasing capital investment can we raise domestic productive efficiency to the point where our producers can overcome the increasing challenge from foreign producers in competitive markets at home and around the globe.

It is interesting to observe at that point that there have been unfavorable balances of payments for a number of years, but since we adopted the investment credit and since we changed the depreciation guidelines, we have found that by modernizing and improving our own industrial capacity, we have been better able to compete in the foreign markets. We have been better able to resist competition from foreign markets with the result that while we have not finally solved the balance-of-payments deficit problem, nonetheless it has been reduced substantially, and since last June we seem to be on our way to the solution of the balance-of-payments problem. Certainly we hope so.

Only by increasing capital investment can we step up our rate of economic growth and move toward the time when we can plan and accomplish a balanced budget without skimping on national needs.

Investment alone, of course, is not enough, for our economy depends on both supply and demand, on both investment incentives and consumer demand. The pending measure is a balanced bill with direct and indirect incentives to both greater investment and greater consumption.

Through its net reduction in individual rates, the bill involves an initial increase of more than $8 billion in consumer spending, and then it goes up to $9.4 billion in the second year.

In this reliance on both consumer demand and investment incentive to achieve economic growth lies the economic balance of this bill.

The sizable share of tax reduction devoted to consumer demand is a tangible recognition that, if we are to lift actual output, our most pressing and immediate need is an increase in consumer demand.

The bill, in short, recognizes that the forces of consumer demand and investment stimulus are mutually reinforcing and that their interaction will provide our economy with a strength that neither would offer alone.

This is also a fair bill in terms of the distribution of individual tax reductions among the various income groups.

Eighty-five percent of American taxpayers earn $10,000 or less. These people, who now carry 50 percent of the tax load, will receive 60 percent of the benefits under the bill.

Taxpayers in the bottom income group—earning $3,000 or less—will get three times the percentage tax reduction of those in the top of the income group—earning $50,000 up.

We have heard previously, and will hear again in the course of this debate, that the person who makes $100,000 actually will have a larger increase in take-home pay under this bill than the man who makes $3,000 or $4,000 a year, and therefore the bill is not fair. The man who makes $100,000 and who may be in the 78- or 80-percent bracket, pays a large amount of money in taxes. Although his percentage of reduction will not be as great as that of most men in the low-income groups, he will actually receive more tax dollars back, because he has been paying more into the Treasury in the past. Even though the percentage of reduction for him is lower than it is for most men in the lower-income groups, he will receive more money as a result of the bill than the man who has been paying a very small tax.

It seems to me that the argument is unfair, is fallacious, because if we believe in a graduated tax—which we do—in the case of a tax increase, the income after tax for the man in the higher brackets must decrease more than for the man in the lower brackets. Conversely, when there is a decrease in taxes the income after taxes of the man in the upper brackets must increase more. It is obvious that the man who has given the most will get back more when there is a reduction than the man who has been paying considerably less.

The benefits of this tax cut will not be limited to the direct and immediate dollar benefits that will go to taxpayers as a result of the cut itself. As consumer purchasing power is increased, it will provide a vital and immediate stimulus to our economy.

A higher level of economic activity will benefit those who are working, by increasing the opportunities for advancement. Even more important, it will benefit those 4 million Americans who are now jobless—because only with a higher level of production and demand can we expect our economy to generate the millions of additional jobs that those who now cannot find jobs need, as well as those that will be needed each year in the years ahead, as our labor force grows in numbers each year.

The major goal of the entire tax program is to provide more jobs. At present, an estimated million jobs a year are lost to automation. A million more will be required each year to meet the needs of new people entering the labor force.

It is impossible to predict with accuracy exactly how many jobs will be produced as a result of the tax cut, but it has been estimated that when fully effective, it will produce between 2 and 3 million additional new jobs each year. These are jobs that are vital to our Nation's youth, to our Nation's older people, and to our Nation's workers, consumers, and families.

The tax program will help in the war on poverty. It will help partly because, as more jobs are provided, there will be a greater chance that those new jobless can find work.

In short, this is a tax program which will benefit people, as anyone can see by considering what it does for taxpayers in various income brackets.

Again I want to emphasize that, in the final analysis, it is calculated to help people. In the final analysis, that is what we are concerned with doing. In the final analysis, they are the ones we should help.

Let me cite a few illustrations:

A married couple, with no dependents, with an income of $3,000, filing a joint return, taking the standard deduction, now pays $300 in taxes. Under the bill, the couple would pay $200, a reduction of $100, or 33 percent.

A married couple, with two dependents, with an income of $3,000, filing a joint return, taking a standard deduction, now pays $60 in taxes. Under this bill, the couple would pay no taxes.

On the average, those with incomes in the $3,000 to $5,000 range would have their taxes cut by over 27 percent.

A married couple with no dependents, and with a $5,000 income, filing a joint return, taking a standard deduction, now pays $660 in taxes. Under the bill, the couple would pay $501, a reduction of $159, or 24 percent.

A married couple with no dependents, with a $5,000 income, filing a joint return, typical average itemized deductions, now pays $540 in taxes. Under the bill, the couple would pay $405, a reduction of $135, or 25 percent.

A married couple with two dependents, and with an income of $5,000, filing a joint return, taking the standard deduction, now pays $420 in taxes. Under the bill, the couple would pay $290, a reduction of $130, or 31 percent.

A married couple with no dependents, with a $5,000 income, filing a joint return, taking the typical average itemized deductions, now pays $300 in taxes. Under the bill, the couple would pay only $218, a reduction of $82, or 27 percent.

On the average, those with incomes in the $5,000 to $10,000 range would have their taxes cut by nearly 21 percent.

A married couple, with no dependents, and a $10,000 income, filing a joint return, with standard reduction, now pays $1,636 in taxes. Under the new bill, the couple would pay only $1,342, a reduction of $294, or 18 percent.

A married couple, with no dependents, and a $10,000 income, filing a joint return, typical itemized average deductions, now pays $1,460 in taxes. Under this bill, the couple would pay only $1,201, a reduction of $259, or 18 percent.

It is interesting to observe, as we move from the $3,000 bracket up to the $10,000 bracket, that the percentage of reduction drops off as we move higher.

A married couple, with two dependents, and $10,000 income, filing a joint return, taking the standard deduction, now pays $1,372 in taxes. Under the bill, the couple would pay only $1,114, a reduction of $258, or 19 percent.

A married couple, with two dependents, a $10,000 income, filing a joint return, with typical itemized average deductions, now pays $1,196 in taxes. Under the new bill, the couple would pay only $973, a reduction of $223, or 19 percent.

On the average, those with incomes of more than $10,000, would have their taxes reduced by more than 15 percent.

In this bill we have tried to make special provision for elderly taxpayers.

There is great concern in the Nation over the fact that our elderly citizens have great difficulty surviving, economically speaking, because it is difficult for them to get jobs. They find that, every time the cost of living goes up, they are caught in the squeeze, because they live on fixed incomes. There is great concern in the Senate and the House, and throughout the Nation, about doing something for our elderly citizens.

I was happy to be one of those who joined with the able Senator from Connecticut, who now so regally presides over this body, in the amendment which made it possible for the elderly citizen with a wife to obtain a larger retirement income credit. That particular legislation, of which he is the author—and I wish I could have thought of it first and in connection with which I was happy to join the Senator from Connecticut—will be very much appreciated in the State of Florida.

Elderly taxpayers will also benefit substantially from the tax bill.

For example:

A single taxpayer over 65, with an income of $2,000, taking a standard deduction, now pays $120 in taxes. Under the bill, he would pay only $56, a reduction of $64, or 53 percent.

A single taxpayer over 65, with an income of $4,000, taking the standard deduction, now pays $488 in taxes. Under this bill, he would pay only $386, a reduction of $102, or 21 percent.

A married couple, both over 65, with an income of $3,000, filing a joint return, taking the standard deduction, now pays $60 in taxes. Under the bill, the couple would pay no tax.

A married couple, both over 65, with an income of $5,000, filing a joint return, taking the standard deduction, now pays $420 in taxes. Under the bill, the couple would pay only $290, a reduction of $130, or 31 percent.

The experience of the $6 billion tax reduction program carried out in 1954 is solid evidence of what can be achieved by adopting the course of the proposal before us. Two years after the enactment of the 1954 tax reduction program, our gross national product jumped from $363 billion in 1954 to $419 billion in 1956. Even at lower rates our tax revenues increased as a result. In 1954 our Federal tax revenues totaled $63.8 billion. In 1955 these tax revenues jumped well above their pre-tax-cut levels to a total of $72.8 billion.

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I am happy to yield to the distinguished Senator from Louisiana.

UNANIMOUS-CONSENT AGREEMENT

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that at 4 o'clock on Monday, amendment No. 329, to be offered by the Senator from Connecticut [Mr. RIBICOFF], be the pending amendment, and that the time for debate on that amendment be equally divided between the author of the amendment and the Senator in charge of the bill, the Senator from Louisiana [Mr. LONG]; that when the Senate meets on Tuesday debate on the amendment be limited to 1 hour, to be equally divided, as I previously described; and that the Senate vote at the conclusion of that 1 hour of debate.

The PRESIDING OFFICER (Mr. RIBICOFF in the chair). Is there objection?

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DIRKSEN. That will include amendment No. 329 submitted by the occupant of the chair, the Senator from Connecticut [Mr. RIBICOFF], and all amendments thereto. Is that correct?

Mr. LONG of Louisiana. Yes.

Mr. DIRKSEN. That the debate begin at 4 o'clock and that it run, equally divided, until the Senate adjourns on Monday; and then the debate will be resumed after the morning hour on Tuesday.

Mr. LONG of Louisiana. It would be well to specify also that the time on amendments to the Ribicoff amendment will be divided equally between the author of the amendment and the Senator from Connecticut, unless the Senator from Connecticut agrees with the amendment, in which event the time in opposition to the amendment be controlled by the Senator in charge of the bill, the Senator from Louisiana [Mr. LONG].

Mr. SMATHERS. Mr. President, reserving the right to object—and I shall not object—in order to get this matter more clearly in my mind, is my understanding correct, that at 4 o'clock on Monday the Senate will take up for consideration amendment No. 329, the so-called Ribicoff education amendment, and that that amendment will be debated without limitation as to time, however late the Senate sits on Monday?

Mr. DIRKSEN. Yes. It may be late.

Mr. LONG of Louisiana. And Senators will continue to debate amendments to that amendment.

Mr. SMATHERS. How shall we know how to divide the time?

Mr. LONG of Louisiana. When one side has spoken for a half hour, the other side is entitled to speak for one-half hour. The time will be equally divided.

Mr. SMATHERS. May I make a suggestion? Would it not be agreeable to have a specified time—for example, to take it up at 4 o'clock and proceed to debate it that evening for no longer than 4

hours, which would make it 8 o'clock at night, and that the time be equally divided? Then we would know what to divide.

Mr. DIRKSEN. The Senate may sit until 10 o'clock on Monday night. In that event there will be ample time for consideration of amendments to the Ribicoff amendment.

Mr. SMATHERS. I hope I am not inadvertently complicating the situation. However, it seems to me that once the Ribicoff amendment is taken up, the debate on it, until the time of the vote, will be pretty well germane to the Ribicoff amendment. If some specified time could be set that could be divided, it would help.

Mr. LONG of Louisiana. How about 5 hours?

Mr. DIRKSEN. With the time for debate limited to 4 hours, equally divided, and 1 hour on each amendment thereto, equally divided.

Mr. SMATHERS. That would be much more desirable, it seems to me.

Mr. DIRKSEN. And that all amendments be germane.

Mr. SMATHERS. Yes.

(At this point Mr. BENNETT took the chair as Presiding Officer.)

Mr. RIBICOFF. First I thank the distinguished Senator from Utah for his courtesy.

I wish to say to the minority leader that my understanding is that, beginning at 4 o'clock on Monday the order of business will be the so-called Ribicoff amendment, No. 329; that the Senate will proceed to debate that amendment for 4 hours, the time to be equally divided between the proponents; that in accordance with the suggestion of the minority leader, 1 hour be allowed on each amendment to the Ribicoff amendment, the time to be equally divided.

Mr. DIRKSEN. Yes; and that on Tuesday morning the time be equally divided and limited to the Ribicoff amendment.

Mr. RIBICOFF. That means that on Tuesday for 1 hour the time of debate will be equally divided between the proponents and the opponents, and that the Senate will proceed to vote 1 hour after the morning hour is concluded on Tuesday.

Mr. LONG of Louisiana. Yes.

Mr. SMATHERS. I wish to emphasize, after what happened earlier, when we were being castigated——

Mr. LONG of Louisiana. I hope the Senator will not object. We would like to have the unanimous-consent agreement agreed to.

Mr. SMATHERS. I will not object, but I wish to make these remarks.

Sometimes we must emphasize the fact that the leadership, even if one is as far down on the scale as I am, has certain responsibilities, among which is the responsibility of touching all bases. Sometimes greater speed can be made than may seem to be possible on the surface, by proceeding in that way.

So we took it hot and heavy from the Senator from Tennessee [Mr. GORE] and the Senator from Illinois [Mr. DOUGLAS] today. The minority leader and I were accused of not wanting to get a quick vote; we were the ones who were delaying the bill. But since that particular colloquy occurred, 152 amendments have been agreed to.

The Senate has now agreed to a limitation of debate on a major amendment, and it is evident that we shall be finished with that particular amendment, if the Senate will convene at 10 o'clock on Tuesday morning, by 1 o'clock on Tuesday afternoon. By that time the amendment should be voted on one way or the other. So we are really making much progress. I find no fault with the position which the minority leader took earlier today. He had a responsibility to fulfill, and he did so with great courage.

The PRESIDING OFFICER (Mr. BENNETT in the chair). Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

The unanimous-consent agreement subsequently reduced to writing is as follows:

UNANIMOUS-CONSENT AGREEMENT

Ordered, That on Monday, February 3, 1964, at the hour of 4 o'clock, p.m., the Senate proceed to consider the amendment (No. 329) intended to be proposed by the Senator from Connecticut, Mr. RIBICOFF, to the pending bill H.R. 8363, the tax bill; that debate on said amendment continue for 4 hours, the time to be equally divided between the proponents and the opponents and controlled in the manner provided by the usual form; that after the hour of 8 o'clock, p.m., the Senate proceed to the consideration of any amendment that may be proposed to the so-called Ribicoff amendment, the time on any amendment thereto to be limited to 1 hour and equally divided between the mover of the amendment and Mr. RIBICOFF, provided he is opposed to any such amendment: *Provided,* That no amendment that is not germane to the provisions of said amendment No. 329 shall be received.

Ordered further, That on Tuesday, February 4, 1964, after the conclusion of the morning business, the Senate resume the consideration of the said amendment No. 329, and that debate on it continue for 1 hour, the time to be equally divided between the proponents and the opponents, and that at the expiration of said hour, the Senate proceed to vote on the question of agreeing to the amendment.

Mr. RIBICOFF. Mr. President, now that the request has been agreed to, I believe there is no question that the distinguished Senator from Illinois [Mr. DIRKSEN] and the distinguished Senator from Tennessee [Mr. GORE] were "needling" in their earlier remarks this morning.

Mr. DIRKSEN. What were they doing?

Mr. RIBICOFF. Needling. But as a freshman Senator, I should like to say on the floor of the Senate, as I have said publicly around the country, that in a long experience in politicial life, in every branch of the government, I have never met or dealt with leadership on both the Republican and Democratic sides that has been so courteous and cooperative as are the distinguished men who lead the Senate on the Republican and Democratic sides of the aisle. They are thoughtful and courteous toward all 100 Senators. They are dedicated men, who seek the best for the country. We are fortunate in having the distinguished Senator from Montana [Mr. MANSFIELD] as the majority leader and the distinguished Senator from Illinois [Mr. DIRKSEN] as the minority leader. They always proceed, in the final analysis, to act for what they believe are the best interests of the Nation, taking into account the great winds of controversy and the diverse ideas that exist in the Nation at large. We represent 50 States, and the people of 50 States think differently, no matter how one or another would try to force their thinking into one groove.

Again, I express my thanks for the leadership on both sides of the aisle.

Mr. DIRKSEN. I thank the Senator from Connecticut.

Mr. SMATHERS. I, too, thank the Senator from Connecticut.

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. The Senator from Connecticut has described himself as a freshman Senator. The record should show that he is not a neophyte at the business of legislating. He is a former Governor of his State, a former Member of the House of Representatives, and a former member of the President's Cabinet. He is an able advocate or an able adversary depending on whichever side he decides to take on a particular issue. We all respect him for that.

Mr. RIBICOFF. I thank the Senator from Louisiana.

Mr. SMATHERS. Any time I can have the able Senator from Connecticut on my side, I feel much more strengthened, and confidence pours out of each and every pore of my body.

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield?

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

Mr. SMATHERS. I am happy to yield to the Senator from Louisiana, who is in charge of the bill.

Mr. LONG of Louisiana. We were speaking of the progress that has been made. We have agreed tentatively to 152 amendments. We have agreed to vote not later than 1 hour after the Senate concludes its morning business on next Tuesday, on one of the most important, significant, and controversial amendments that will be offered to the bill.

I predict that with any sort of luck at all, the Senate will have voted by that time on another of the most important issues that will come before the Senate, namely, the capital gains proposal. So while we shall not have voted today on controversial amendments, we shall have set the stage so that, I believe, we can anticipate the passage of the bill some time next week.

Mr. SMATHERS. I completely agree with the able Senator from Louisiana, who is in charge of the bill. The agreements that we have been able to reach under his leadership today have been most useful. Frankly, I believe the bill will be passed or defeated—one way or the other—certainly by Thursday or Friday of next week, which is what we have hoped for from the beginning of the debate.

Mr. LONG of Louisiana. As the Senator in charge of the bill, I express my gratitude both to the Democratic and Republican Senators who had doubts

about the progress of the bill. They have been considerate and cooperative in helping to make progress in the consideration of this important measure.

Mr. SMATHERS. I am sure the able Senator from Louisiana, in pursuing the goal of expediting the bill—which he has been doing so well—will continue to consult with the leadership on Tuesday. Possibly we may then be able to enter into a unanimous-consent agreement as to when the Senate might vote on the excise-tax amendment, the so-called Dirksen amendment. I would encourage him to do so. Since we are now in a happy situation, we might be able to continue the progress which we are making.

Mr. LONG of Louisiana. At the moment, we have made good progress from a procedural point of view. I wish we could make as good progress with substantive amendments. But we will worry about that later.

Mr. SMATHERS. Mr. President, England put into effect a program not basically different from the one we are now considering and is already reaping abundant economic benefits as a result.

The pending bill will breathe new life into our private economy.

It is a bill that will give our economy new weapons and new responsibilities to help it move with maximum momentum far closer to its enormous gross national product potential.

It is a bill that will contribute far more to the solution of our most pressing economic problems—unemployment, persistent deficits in our budget, and our international accounts—than any other proposal we have thus far had under discussion.

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. I believe the Senator from Florida well recognizes that a large number of our business economists advise that the prosperity the country is now enjoying, or the recovery from the last depression or recession, is the longest continued period of recovery in the history of the country, except one. That was the recovery that started from the very depths of the depression in the 1930's, when the country's economy had fallen so far down that the recovery had to be a long, gradual one, and continued until the eruption of World War II.

In peacetime, minus war and minus a major depression, there has never been a period of recovery as long as the present one. Many persons feel that the reason the present recovery has continued for so long is that business has already been discounting the tax cut.

Mr. SMATHERS. What the Senator means by "discounting" is that business has been anticipating the eventual approval of a tax reduction bill.

Mr. LONG of Louisiana. Yes. In any event, money is being spent to improve equipment and to do other things necessary to produce additional commodities, to provide new jobs, and to sell products for which the demand will be created by the proposed tax cut.

If the tax cut should not now be approved, a large number of people, including myself, greatly fear for the consequences of the national economy.

With regard to a balanced budget, many persons share the view that if a tax cut is not passed, there will be a tremendous deficit at existing tax rates, because there will be a deep recession. If that should occur, the Government would have to increase spending to try to get the country out of the recession or depression, as the case may be, and the deficit thus incurred would be far greater than it would be if the tax bill were passed and a recession avoided.

Mr. SMATHERS. I thank the able Senator from Louisiana for his statement. One reason for the almost unanimous support for a tax cut is that businessmen have been encouraged to believe that the bill will be passed and that it will enable them to spend additional money for improving and modernizing their plants. That in itself will mean more jobs. They have already begun to procure the material that will be needed, and that is one of the factors which account for the economy doing as well as it has.

As the able Senator points out, we have had downturns regularly—at least every 33 or 34 months since the end of World War II, I believe; although we have had none recently, as the Senator said, because the business community has either "discounted" this bill or, to state it another way, has counted on its being passed. As a result, the improvement in our economic position has continued. However, the fact remains that it has not improved rapidly enough.

Sufficient jobs are not available. We must do something more. We cannot leave the situation in its present condition, and just say, "It is going along great now; and if we do nothing, it will continue to do very well."

Mr. LONG of Louisiana. Is the Senator from Florida aware of the fact that Raymond J. Saulnier, who formerly was Chairman of the Council of Economic Advisers, under President Eisenhower—serving during a Republican administration—made the statement: "As things stand now, the prospect of tax reduction has been so thoroughly built into tax expectations and plans, and also to some extent into the financial commitments of individuals, that it would be seriously deflationary to call it off."

This man, who was President Eisenhower's adviser under a Republican administration, said he believed this would be a very serious matter; and he said that to call off this tax cut, after business had begun to rely on it, feeling that it was a certainty to become law, could have a dangerous impact upon our economy. That is precisely what President Johnson's economic advisers tell us, and it is also what President Kennedy's economic advisers were telling him. So while some may not agree with them, the storm warning is out; and, in the main, the ablest economists in the United States agree with the Senator's argument that enactment of this tax reduction bill is a "must," and that every day of delay in its enactment is a real danger to the national economy.

Mr. SMATHERS. I totally agree with the able Senator from Louisiana; and I must say that is one of the reasons why I decry—and I know the Senator from Louisiana does, too—changing the emphasis of the bill. The business community is discounting it, as the Senator from Louisiana says—and as I say—in the high expectation that shortly there will be this tax reduction. The corporations are expecting a reduction of $2.4 billion and individuals expect to receive a $9.2 billion reduction. If we begin to reduce excise taxes—thus changing the emphasis of the bill—and if, as a result, it is necessary to increase the individual tax rate schedules, I am afraid the national economy will be greatly harmed, rather than helped.

From the time when the bill was reported by the House Ways and Means Committee and then was passed by the House—on September 30 of last year—these men have anticipated that the Senate would finally pass a somewhat similar bill, based on a similar reduction. If we tinker very much with this bill, then—instead of accomplishing some great good—we might suddenly—although inadvertently—frighten and astound the business leaders of the Nation by our inconsistency. In that case, I am afraid they might withdraw or renege on their plans to expand their businesses; and the result might be a sudden and very serious depression.

Mr. LONG of Louisiana. Mr. President, will the Senator from Florida yield further?

Mr. SMATHERS. I am happy to yield.

Mr. LONG of Louisiana. Those of us who support this bill subscribe to the theory that if the bill is enacted, we shall have a balanced budget, and even a budget surplus by 1967 or 1968; but that if the bill is not enacted, not only will there not be a balanced budget, but—even worse—there will be a recession, because a failure to reduce taxes would result in a definite decrease in business activity. And, of course, decreased business activity would mean greatly reduced revenues, which in turn would mean an end to our hopes to balance the budget. In addition, the millions of jobs which the bill would make available would not become available, and therefore the anticipated increase in the gross national production—and an increase to the extent of billions of dollars is anticipated—would not occur. Of course, expanded gross national production benefits, directly or indirectly, all 190 million of the people of the United States. Does the Senator from Florida agree?

Mr. SMATHERS. I agree entirely. If the bill is not enacted, then I believe—and many others agree with me—that at no time in the future can we expect to have a balanced budget. I concur in the statement made recently by Mr. Stewart Saunders, formerly president of the Norfolk & Western Railroad, and now chairman of the board of the Pennsylvania Railroad Co., who—although he had been only a country boy—has worked his way to the top of perhaps the largest railroad in the United States.

Mr. Saunders said—as I recall—to the chairman of our committee, Senator

BYRD of Virginia, whom I admire and love very much:

Mr. Chairman, we must change our method, if we are ever to get rid of these deficits. We have had them in 24 of the last 30 years, and we are in a chronic deficit position. I am afraid we shall stay there unless we free the private segment of the economy, by removing the deterrent of the $11.6 billions which is presently paid in taxes, and in that way stimulate business activity, and thereby increase the Government's revenues, and, as a result, bring about a balanced budget.

Mr. Saunders is not even a member of the party to which the Senator from Louisiana [Mr. LONG] and I belong; he is a well-known member of the other party, and is a conservative by every standard. Nevertheless, he told our committee that this is the only way to achieve the result all of us desire, and that we must proceed in this way if we are to avoid a series of chronic deficits similar to those we have been having.

Mr. LONG of Louisiana. I am sure the Senator from Florida realizes that nothing could have as great a stifling effect on initiative and business growth as a 91-percent tax rate on individual incomes. Consider the effect on the captains of American industry when they find themselves in such a tax bracket. As a result, they have very little incentive to expand or accelerate their business activities. That is inevitably the result when they find they can retain only 9 cents of every dollar they earn. Although it is true that some of them find ways to manipulate their positions so as to keep their taxes low, in many respects some of the things they have to do to arrive at that result are frequently not in the national interest.

Mr. SMATHERS. I totally agree with the able Senator from Louisiana that, as reasonable and sensible members of the committee—I hope we are reasonable and sensible; certainly we try to be—we must reach the conclusion, on the basis of the best information we can obtain about every segment of our economic life, our social life, and our political life, and the best advice we can receive from all sources, that only by means of the enactment of this bill will it be possible for the Nation to put an end to the cycle of chronic and serious deficits.

American business supports the tax cut. The American people are overwhelmingly in support of a tax cut immediately. A recent Louis Harris survey indicated that the public favors an immediate tax reduction by an overwhelming majority—better than 2 to 1.

If our free enterprise system is to maintain this country as the first among nations both militarily and economically, let us get on with the job of assuring that our economy will make a maximum contribution to that system.

Since the pending bill is in the national interest, it merits the overwhelming support of the Congress.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the order for the quorum call may be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG of Louisiana. Mr. President, I should like to say a few words about the problems involved in the controversial section 203(e) sent to us by the House of Representatives, and with which the majority of the Committee on Finance finds itself in agreement. Some large figures have been used in the discussion of the impact this would have on consumers and various and sundry other groups. It is the view of the majority of the committee that the transportation industry is a competitive industry, and that this industry should be permitted the same tax incentives in terms of a tax credit that is available to manufacturing industries.

According to some economists, transportation is a part of manufacture. In view of the fact that pipelines compete with other pipelines, and pipelines compete with the huge tanker fleets that sail the seas, one transporting one commodity and another transporting a competing commodity such as residual fuel oil, which in many instances can be provided on a B.t.u. basis at various points cheaper than gas, and in view of the fact that both those industries compete with the railroads, which haul coal in hopper cars and oil in tank cars, those industries should be encouraged to modernize, improve, and expand. That is the view which the Interstate Commerce Commission takes of the subject. The ICC has the responsibility of regulating the rates of the railroads, the bargelines, the trucking lines, and the buslines. That Commission takes the view that Congress intended that the transportation industry should have the tax credit as an incentive to modernize and improve that industry.

While it may have the power to do so, the Civil Aeronautics Board does not regulate the rates of the airlines. The airlines enjoy the full benefit of the 7-percent tax credit.

The tax credit has undoubtedly helped the airlines to buy new equipment and provide better and faster service, in many instances at lower cost than existed previously. The tax credit has already played a part in helping to modernize the railroads and provide new equipment, and to bring about better transportation service, in many instances at a lesser cost to the American people.

The Federal Power Commission takes a different view. The Federal Power Commission is of the view that the tax credit was not intended to benefit the pipelines themselves. They were to be required to pass the credit through to their users. The FPC seeks to do just that. Of course, if that is to be the result, from the point of view of the pipelines and the power companies, there would be no point in providing a tax credit.

None of the argument which I have heard against section 203(e) has been directed against section 203(e)(1). Section 203(e)(1) provides what the electric power companies and the telephone companies think would be fair in regulating them.

In other words, the proposal provides that they would pass through to the users the benefit of the tax credit, but only over the life of the product or the object that they buy. For example, if they should buy a large boiler and the boiler cost $1 million, or if they should install additional lines that would cost $1 million, they would have a tax credit of $70,000, and they would pass that amount through to their users over the life of the boiler or over the life of that line—perhaps 20 or 30 years. So the companies would pass a little through each year. Presumably they would have the benefit of the interest on the money during the period that the amount would be passed through. That is all they ask.

There is no logic in treating those utilities differently from the pipelines because a person has to have electricity in his home, whether one is heating his home with electricity or using it to operate a deep freeze or some major appliance. The fact nevertheless remains that that company is entitled to make a fair return on its investment, even if it has to make such return by charging a very high rate for the electricity that a consumer burns in a light bulb.

But there is a different problem with regard to the railroads and the pipelines. The Interstate Commerce Commission, with regard to both the pipelines and the railroads, has made it a point not to try to bring their rates down. The Commission is trying to keep them from bringing their rates down. The usual problem in the regulation of rail rates is that the railroad desires to cut its rates to a point at which it would be losing money in carrying traffic which would otherwise go to another carrier. The principal problem before the Interstate Commerce Commission has usually been to find some way to adjust the various differences so that neither a bargeline nor a rail line will cut a rate so low that it would lose money and hurt the other carrier at the same time.

I have heard no objection to that part of section 203. No Senator has argued about that. Apparently the fire is directed to section 203(a)(2), which would accord to the pipelines the same treatment that is presently being enjoyed by the railroads, the bargelines, the shipping lines, the trucklines, and others. So the proposal would treat that competitor the same as the other transportation competitors are being treated by the commissions that regulate them, including the airlines.

The figure has been used on the floor of the Senate rather loosely that that could mean $600 million a year in additional charges to the consumer. That did not make any sense to the junior Senator from Louisiana when it was uttered and it does not make any sense to him now.

Another figure was used that the proposal could make a difference of $300 million per year in consumer rates. That did not make any sense to the Senator

from Louisiana when it was uttered. It does not make any sense to him now.

So I undertook to find out exactly how much we are talking about when we say that the pipelines are entitled to the same treatment that is presently being accorded to railroads. The best I could make of it is that the figures would work out approximately as follows: There are presently before the Federal Power Commission applications to construct approximately $1 billion of facilities in the nature of pipelines. Not all of the applications will be granted.

In some instances three or four companies make application to construct a pipeline to the same point. The Commission would be very much in error if it were to grant four or five carriers permits to build pipelines to one point. The only efficient way to operate would be to limit the utility to one pipeline. So in all probability about 50 percent of the applications would be rejected. It is likely that approximately two-thirds of them would be rejected. Then perhaps $300 million of pipelines would be constructed in a year. That is assuming that the $1 billion of applications could be processed in 1 year and that the pipelines could all be constructed in 1 year. That is entirely unlikely. It would be unlikely that more than half of the applications would be approved and contracted in 1 year. But assuming that they could be all processed and constructed in 1 year, the figure representing the amount of applications granted by the Commission would be $300 million, and 7 percent of that amount would be $21 million.

As the Senator from Louisiana understands, the tax incentive that Senators are looking at would be about $21 million. The Senator from Illinois [Mr. DOUGLAS] is not present, but he can refute what I am about to say in the RECORD if he cares to do so. When he uses the figure of $600 million, he is dreaming up hobgoblins. He is talking about a figure that is 20 times as large as the actual incentive figure about which we are talking, and even that figure may be high.

It is true that in the event the tax credit were denied to the pipelines and the case were pursued to the court of last resort, and that court decided against the pipelines, then the stage would be set to put pressure upon the Interstate Commerce Commission to proceed in a similar fashion against the railroads.

The Federal Power Commission generally spends its time trying to make the power companies bring their rates down; but the Senate, and the public, should realize that there is not going to be the efficient service there should be from any industry if that industry is not permitted to make a profit that is competitive with other industries. They all have to seek equity capital. They all have to borrow money, perhaps from New York banks or elsewhere, to finance their operations. If heavy taxes are placed on pipelines that are not placed on railroads, for example, if heavy taxes are placed on pipelines that are not placed on shipping companies or other competitors of the pipelines, pipeline services is restricted artificially, rather than letting competition decide what is the best service that can be provided users.

Many of the statements made on the Senate floor have left some people under the impression that the tax credit provision has something to do with rates consumers will pay for gas in New York, Philadelphia, Washington, and elsewhere. It does not. Those lines are already established. They would not be eligible for tax credit. The provision relates to new pipelines to be constructed to serve people who do not have such service now.

I wish to make the point that these pipelines will be constructed in places where people will be getting better fuel for lower prices than the consumers are receiving now. If a pipeline could not find enough customers to justify building it, the company would not build it, because it would lose money.

So, in order to justify the construction of the pipeline, someone has to see the prospect of making a profit commensurate with the risk of investing his money. Someone has to see the prospect of obtaining a sufficient profit to justify a loan and the venturing his own money in the pipeline.

When the product reaches the consumer, it will not be sold unless it is sold at a lower price than that which the consumer is now paying for a similar product, or will be sold at the same price for providing a better product.

Reference was made to the fact that consumers in Washington consume gas; and if this proposal had been the law, perhaps the consumers would be paying a little more than they are now. They might be paying exactly the same. The only difference would be that when the company built the pipeline, it would have had a little better tax situation than it has at the present time.

What did natural gas do for Washington, D.C.? Previously Washington homes had been heated by artificial gas manufactured from coal or oil. If one lived in a home or apartment heated with such gas, the person living there would have had to wash the walls down frequently to get rid of the residue from the inferior product of manufactured gas produced from coal or oil. The manufactured gas tended to accumulate a residue and tended to leave soot throughout the city. The atmosphere of Washington, D.C., is much cleaner today because this service was provided. We hope the same advantages will accrue to other communities that will use natural gas. The State of Louisiana has a very large amount of gas it would like to sell.

I point out that a good percentage of the gas belongs to the Federal Government, because it is beyond the 3-mile limit in the Gulf of Mexico. But it is not going to do anybody any good unless someone constructs a pipeline to the gas, brings it to shore, and brings it to another pipeline, so it can be sold to consumers. What would happen? The Federal Government would make a vast amount of money, the companies would make a profit, and the consumers would have a better product at a much cheaper price.

One reason why the atmosphere over Washington is much cleaner than that over New York City, for example, is that most apartment houses in New York City are heated by residual fuel oil. In this city natural gas is used, which is a much cleaner product. It is a competitive product, and competitors should be treated alike.

I have been dismayed at efforts to eliminate section 203(e), which provides simply for justice and equity. I have said to those who oppose it that if they are to deny this relief to pipelines—and some of them come from States that do not have a significant amount of pipelines, but have railroads—the railroads should then be treated the same way. So should the shipping companies, and the trucklines. What was their answer? They do not want to go into that. They know the case is just and that the pipelines should receive this investment credit.

To some of those gentlemen the word "discrimination" is not a pleasant word, but they would discriminate as between legitimate businesses which are seeking to serve the public and make a profit.

I wished to make this statement to clarify the misunderstanding as to the figures and to show that the amount of money involved has been grossly exaggerated. Simple justice and equity demand that these transportation companies be treated the same.

FRANCE RECOGNIZES RED CHINA

Mr. SIMPSON. Mr. President, the Republic of France has encountered unanticipated difficulties in becoming the 48th nation to extend diplomatic recognition to the Communist dictatorship which governs the mainland territories of China.

The decision of President de Gaulle to establish rapport with the Chinese Communists is especially tragic because he has caused our stanch ally France to become the first NATO power since the Korean war to indicate de facto approval of Asia's most dictatorial regime. Now his pact with Peiping has run afoul of contradictions as to conditions of recognition.

While the act of President de Gaulle is untenable in the minds of Americans, it is not entirely without explanation, nor is it without a causal relationship with American conduct in Europe.

The tragedy of French action is that it is a byproduct of what might be termed America's policy of "the great vacillation"—a policy evident not only in this country's attitude toward communism but also toward the vital Atlantic Alliance which has been such a potent factor in keeping the Soviet bear at bay.

I submit, Mr. President, that if the policymakers of the United States had caused us to stand firm in Europe and in our hemisphere the past 3 years and if we had guided with decisiveness the thrust of the free world against the menace of international communism, President de Gaulle would in all likelihood not have recognized Communist China.

The U.S. guilt in the French decision is in allowing the carefully forged Western European defense system to become in fact an iron chain studded with rockets—but replete with wooden links.

It is the presence of these wooden links—compounded by President de Gaulle's image of "le grand" Charles leading a renaissance in French nationalism—which has induced the second most powerful nation in Europe to reintroduce its influence in Asia almost a decade after an agonizing war in which it suffered nearly 141,000 casualties.

The United States, it should be noted, contributed roughly one-third of the $10 billion total cost of France's 8-year Indochina war and realized nearly 135,000 casualties fighting France's new found friend in the Korean aggression.

As I have said, France's action is untenable, but it is not without explanation. I am well aware that diplomatic recognition in the European view does not necessarily imply approval. As Britain's Prime Minister Sir Alec Douglas-Home put it on a CBS television program last Sunday when discussing his nation's recognition of Communist China:

> Our policy when we recognize a country simply means that we have a presence there. It doesn't mean we approve their policies in any way.

However, in the eyes of the United States and certainly the majority of the diplomats in the United Nations, whose judgments will be greatly affected by the French action, recognition is synonymous with approbation. There is little doubt that France could tip the next U.N. membership vote in China's favor even though the dictatorship fails to qualify for United Nations membership under the group's charter.

It should be pointed out that France is not the only member of NATO to recognize Communist China, but it is the only NATO member to elect to do so in the past 14 years. Britain and Norway both granted recognition in January of 1950. The Netherlands followed suit in March of that year—3 months prior to the Korean war. Sweden and Switzerland also recognized Red China, but they are, of course, not members of the North Atlantic Treaty Organization.

With only 4 of the 15 NATO nations having diplomats in Peking, it is incumbent upon the United States to look closely at the motives for France's unprecedented action.

It cannot be explained away simply by saying that President de Gaulle wishes to reaffirm France's role as a nation of stature. If recognition of China were the badge of preeminence, France could have acted in 1950 and had 14 years to beat its breast as a "major power."

Trade with the police state cannot be called a credible motive because France is already enjoying commerce with Communist China and other Red-ruled nations, although not nearly so extensive as United States trade with the Soviet bloc. French exports to China in 1960 totaled $53 million. Exports had gone steadily downward through 1962. They appear to have been on the way back up in 1963, the first half of which saw $53 million exported to China by France.

Parisians consumed $23 million worth of Red Chinese imports in 1960. The figure declined to $17 million in 1962 and stood at $14 million at the end of the first half of 1963. French trade with the entire Communist bloc, including China, was exceeded by Britain, West Germany, and more recently, Italy.

So, perhaps trade is not the answer. What then is the answer? Can it be said that after its tragic defeat at Dienbienphu, France is eager to reintroduce itself into the intricacies of Asian politics? The French could possibly tell us something about guerrilla warfare in southeast Asia, but the advice of the vanquished is easier to obtain than to trust.

France's Foreign Minister has been quoted as saying it would be impossible for France to reach any solution for southeast Asia without Peiping. But, can France actually offer any solutions for the crisis in Asia? It is very doubtful.

In the January 25 Washington Evening Star, columnist Constantine Brown, a knowledgeable writer qualified in foreign affairs, suggested that the French decision is attributed "in informed diplomatic quarters" to retaliation for America's policy of weakening French-German ties. This assumption certainly rates consideration, but I doubt that Mr. De Gaulle is motivated extensively by vindictiveness. He has too tough a mind to succumb to such a mundane frailty.

I submit that the greatest single factor in France's decision to recognize China is lack of confidence in America's motives and judgments in Europe.

As my friend and colleague, Senator DOMINICK, pointed out in a speech to the Air War College, January 16:

> Much of the French resistance to the proposal to create a multilateral nuclear force within the framework of the North Atlantic Treaty Organization is based upon a concern over the constancy of our commitment to come to the aid of Europe if she were under attack and we had been assured by the Communists that our own people would not be harmed if we withheld support. They also express concern over the wisdom of proposing a force which would either require several fingers on the launch button or would in the final analysis be under American control. Thus, rightly or wrongly, De Gaulle's unwillingness to place the fate of France under the umbrella of American protection reflects his evaluation of our dependability and consistency of purpose.

Mr. President, De Gaulle has had for some time ideas of playing the Chinese dragon against the Soviet bear. In the French view, if the Chinese were strengthened, the Soviets would be detrimentally affected with only a modicum of risk to Europe.

Knowing that she cannot match the military power vested in Moscow and doubting with the greatest sincerity the readiness of the administration to defend France in a war which the Soviets could describe as a "purely European confrontation," De Gaulle is taking what he hopes will be a course alternative to a blind trust in American reliability. He is interjecting French influence into the boiling caldron between Russia and China in the hope of forcing wider the schism between the Communist giants.

But, President de Gaulle has made a paramount mistake regardless of what his motives may be, for anything which enhances the prestige and potency of Peiping, damages the position of free China in and out of the United Nations, pulls more of NATO's teeth, and thereby increases the impotency of the alliance of which France is a key member.

There remains the possibility that De Gaulle's action would have been forthcoming regardless of our irresolution on the direction of the Western alliances. There are a myriad of nuances in the mind of De Gaulle, but it is, to my thinking, axiomatic that this administration's willingness to roll over and play dead in the name of peaceful coexistence greatly influenced the judgment of the French President.

France has not been static as a NATO partner. With two fully equipped divisions in Germany, France had the third largest troop commitment to NATO's force as of last May. France also has a tactical air corps in NATO.

And what of De Gaulle's regard for the United States and his reaction were France to be put to the supreme test? We can look back to October of 1962 for that answer in part. De Gaulle's France was one of the first nations to declare itself in accord with the President's short-lived Cuban blockade. Six months later, July 29, 1963, De Gaulle had this to say at a press conference:

> In the event of a general war, France with the means it has would be at the side of the United States, and this I believe is mutual.

The French President also said at that same session with the press that:

> The Atlantic community is an elemental necessity, and it is obvious that in this respect the United States and France have a capital responsibility. For us, the fundamental factors of French-American relations are friendship and alliance.

Whatever may be the actual motive for the hazardous action taken by France, that nation does, in my mind, remain an ally of the United States and NATO—but an ally with doubts.

Perhaps no better example of the paradoxes of American action can be found than in the administration's reaction to the sale of British buses to Communist Cuba.

Secretary of State Rusk on a nationwide television program some Sundays ago disclaimed any analogous similarity to Cuba's acquisition of British buses and the American sale of wheat to Communist bloc nations.

Amplifying his remarks in a statement released to the press January 23, the Secretary said that allied nations trading with Cuba are "prejudicing attempts to halt the spread of communism in the hemisphere." Mr. Rusk went on to state:

> We cannot accept the contention that trade with Cuba is comparable to ordinary trade with any Communist country. These countries which for commercial reasons supply Cuba, especially with goods critical to the Cuban economy, are prejudicing the efforts of the countries of the hemisphere to reduce the threats from Cuba.

But at the same time the Secretary was adamant in defending American subsidies to Communist dictatorships in Europe. We are led to believe, through some ambiguous treatment of reason, that aid to communism through the front door is less insensate than aid through the back alley. I should like to suggest that Mr. Rusk's tortured logic on that point elicited a cry of disdain from his audience.

There is little difference between the sale of a product directly to Cuba and the sale of a product to Cuba via Russia. Frenchmen know this as well as Americans. There is no difference in principle between the sale of buses to one Communist dictatorship and the sale of wheat to another. The only difference occurs in the details of the transaction.

Subsidizing communism, whether through peddling buses to Castro or wheat to Khrushchev for Castro, is underwriting the architects of our own destruction not only in Europe but also in the Western Hemisphere. The end result is the shoring up of dictatorships dedicated to the truncation of democratic thought and institutions.

Both the British and the United States are guilty of assisting a Communist regime which has triggered murder and violence in Panama, which has just established a "dark continent Cuba" on Zanzibar off the coast of Africa, and which is instigating mayhem throughout the Western World.

Adding frosting to our bitter cakes of duplicity, Castro returned from a brief vodka and caviar sojourn through the Soviet Union to denounced the "continued U.S. occupation" of Taiwan and Panama.

De Gaulle, like others of our allies, has watched our series of fantastic blunders the past 3 years—fantasies which included the withdrawal of our ballistic missiles from Turkey and our failure to utilize the bedrock of our foreign policy—the Monroe Doctrine—against communism's continued aggression in the Americas.

Mr. DOMINICK expressed his fears on the course of our ship of state in his speech at the Air War College. In his remarks—which, incidentally I was privileged to have entered in the CONGRESSIONAL RECORD, January 20—Senator DOMINICK noted that:

> We appear to be floundering and without direction. We are in a period which might be called our "fire drill diplomacy" where we race from one hotspot to another attempting to placate whoever is making new demands on us.
>
> Certainly our policy has not been consistent in all parts of the world. For example, we not only trip all over ourselves in a pell-mell rush to recognize the military junta which overthrew and assassinated the elected rulers of South Vietnam, but we encouraged and perhaps even materially aided the conspirators. Yet at the same time we withheld recognition of a military junta in the Dominican Republic * * * the inconsistency of our national policy toward such situations causes many of us to be deeply concerned.

Senator DOMINICK continued by pointing to one of the greatest deficits in America's ambivalent diplomacy when he said:

> Inconsistencies in our reaction to Communist moves throughout the world only play into communisms' hands, for they undermine the most important bond between our allies and ourselves, that of mutual respect and trust.

It is paradoxical that the Western World—the free world—which has access to a free press and unlimited information should be so confused as to the thrust and purpose of Uncle Sam's presence in the cold war.

Compare the ambiguities, the contradictions, and the anomalies of the administration's pronouncements and policies with this clear statement of purpose by the Chinese Communists:

> We have a very clear attitude. We will not trade with the United States because the U.S. Government is hostile to us.

To the Chinese Communists we are their enemy and their treatment of us is contingent upon that postulate.

Mr. President, for an administration which so frequently castigates conservatives in Congress for their isolationist policies, may I suggest that the liberals in power today have done more to isolate the United States from its own allies than any conservative movement since the League of Nations Charter was rejected.

We are facing a growing hostility in Latin America because of Cuba and because we have allowed ourselves to be backed into a corner in Panama. Negotiations are underway at the OAS Building, just a few blocks from the Capitol, in an attempt to reach an accord on whether to renegotiate the terms of America's presence in the Panama Canal Zone.

To our north, our friend and neighbor, Canada, whose integrity I do not for a moment doubt, has nevertheless indicated her support for Red China in the upcoming session of the United Nations when the perennial question of membership is raised.

To the east of us now we have France, still an ally, but an ally, as I have noted, with doubts; and now an ally with diplomatic ties to Communist China.

We have anti-Americanism burgeoning in the Far East. A coup has just toppled the CIA's handpicked regime in Vietnam, and we have pronouncements by the Secretary of Defense to the effect that "we are losing all the battles in Vietnam, but the situation is just fine, and we might win the war if we don't lose it."

The antipathy for the United States has extended for the first time even to American dollars, which heretofore have been exempt from the often heard cry: "Yankee go home."

Mr. President, the United States is the only nation in the free world which has the power within itself to shape the future of alliances formed to confine international communism to the slave state which spawned it. If the United States cannot marshal consensus in its allies; if it cannot cooperate with friends across the seas who singularly are impotent, but who collectively can turn the tide; if it cannot take cognizance of the lessons of Munich and the dangers of disunity in the face of conflict, then Monday's action by President de Gaulle will have been but a prelude to a cascade of irrational acts which are diametrically opposed to the interests of the free world.

The time may come when the United States will stand alone fending blows from left and from right, from back and from front, as we seek in vain to regain the alliances vitiated by our own policies. God forbid.

ADJOURNMENT TO MONDAY AT 10 A.M.

Mr. SMATHERS. Mr. President, I move that the Senate adjourn until 10 o'clock Monday morning.

The motion was agreed to; and (at 1 o'clock and 36 minutes p.m.) the Senate adjourned until Monday, February 3, 1964, at 10 a.m.

HOUSE OF REPRESENTATIVES

FRIDAY, JANUARY 31, 1964

The House met at 12 o'clock noon.

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

Galatians 6: 10: *As we have therefore opportunity let us do good unto all men.*

Eternal God, our Father, as we unite our hearts in prayer, may we earnestly covet and lay hold of those ideals and principles which will make for the health of our own individual souls and the spiritual welfare of all mankind.

Inspire us with a singlehearted devotion and dedication to seek that which is noble and true and morally right, for our own conscience bears clear and unmistakable testimony that this is the secret of peace and power.

Make us eager to accept the challenge and opportunity to be fellow workers in the task of bringing to fulfillment and fruition that great truth of mankind's spiritual solidarity.

May we be eager and willing to the very core of our being to build a more humane social order where all the members of the human family shall live together in peace and honor and seek one another's good and happiness.

Hear us in Christ's name. Amen.

THE JOURNAL

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

MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Ratchford, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed without amendment a bill of the House of the following title:

H.R. 9076. An act to provide for the striking of medals in commemoration of the 200th anniversary of the founding of St. Louis.