

April 9, 1941

Chairman Eccles

Emile Despres

Your suggestion that the income from tax-exempt Government securities be included in income subject to a special defense tax on corporations has not been included in this memorandum. Although the legality of the proposal is generally acknowledged, it would arouse much controversy and raise very little revenue. The only important group of corporations affected would be the banks. Life insurance companies are allowed special deductions which would continue to give them immunity, and holdings of partially tax-exempt securities by non-financial corporations are negligible.

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