

April 10, 1941

Chairman Eccles

Tax Proposals

Emile Despres

As the attached table shows, the principal differences between Mr. Currie's proposals and yours are as follows:

(a) In the individual income tax, your proposals include a lowering of exemptions and an increase in the normal tax.

(b) In the excess profits tax, Mr. Currie adopts a more severe definition of excess profits than yours, but includes no recommendation for higher rates of tax.

ED:rhs

Tax	CURRIE		ECCLES		Explanation of difference in yield
	Proposal	Yield	Proposal	Yield	
Excess Profits	Eliminate past-earnings option. Reduce allowable return on invested capital to 6 percent.	750	Allow rate of return based on past earnings, but not more than 10 or less than 6 percent on invested capital. Raise tax rates to 75 percent maximum.	800	Primarily due to higher rates of Eccles' proposal.
Normal corporation income	Increase to 50 percent.	600		600	No difference.
Personal income	Abolish separate returns, disallow credits against surtax, increase surtax rates.	700	Abolish separate returns, disallow credits against surtax, increase surtax rates, increase normal tax to 8 percent, lower exemptions to \$750 for single persons and \$1500 for married.	1,400	Excess of \$700 due chiefly to Eccles' proposal to raise normal tax and lower exemptions.
Estate and gift tax	Consolidate taxes, allow only single exemption of \$10,000, increase rates	No Est.	Consolidate taxes, allow only single exemption of \$10,000, increase rates (a)	500 m.	No difference. in 1945 and later years.

(a) A more moderate program, involving inclusion in taxable estate of gifts made after age 50, abolition of special life insurance exemption, lowering of general estate tax exemption to \$25,000 and increased rates would encourage making of gifts for tax avoidance purposes, and, for a period of years, would not provide substantially lower combined yields of estate and gift tax than shown above.

50,
4-9-41