

# EASTMAN HATCH & COMPANY

INCORPORATED

## INSURANCE

310 CONTINENTAL BANK BLDG.

SALT LAKE CITY

September 8, 1941

Mr. Marriner S. Eccles, Governor  
Federal Reserve Board  
Washington, D. C.

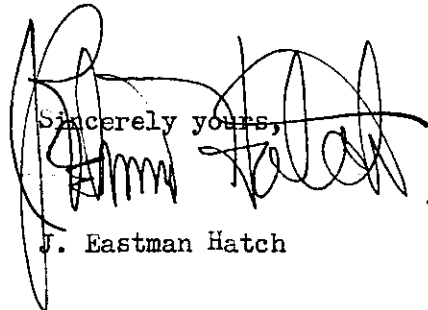
Dear Marriner:--

I am enclosing an editorial from an insurance trade journal, which I thought would interest you.

Certainly the Government should not overlook the possibility of obtaining taxes from the mutual companies. It seems to me that the policyholders in the mutual casualty companies should pay their full share the same as anyone else. This is an opportunity for the Government to increase its tax income, and I hope that the proper officials in Washington will follow through.

Kindest regards.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Eastman Hatch", written over the typed name below. The signature is stylized and somewhat cursive.

J. Eastman Hatch

JEH/hc  
Encl.

# EDITORIAL COMMENT

SEPTEMBER 4, 1941

## Mutuals Must Pay Their Share

AT LAST there appears to be a reasonable probability that the Federal tax laws may be amended to remove, in part at least, the disability under which the stock casualty, fire and surety companies have labored in competition with the virtually tax-free mutuals.

The Senate finance committee is considering the matter and last week, Ray Murphy, assistant general manager of the Association of Casualty and Surety Executives, appeared to testify.

He said that a discrimination favorable to large commercial mutual fire, casualty, and surety companies exists, due in part to provisions of law and partly to the manner in which the laws have been interpreted.

The stock companies pay the same rates of taxation as corporations in other lines of industry, whereas the large commercial mutual companies almost completely escape the payment of federal income taxes.

In spite of this fact, the mutual companies receive part, and for a time it seemed would receive all, of the casualty insurance and surety business incident to national defense contracts.

During 1936, 1937 and 1938, the large commercial mutual casualty and surety companies (local organizations formed to provide insurance at cost in limited territories were specifically excluded by Mr. Murphy) had total investment and underwriting profits of \$140,000,000, and paid a total combined federal income tax of less than \$25,000 per annum.

In 1938, a certain capital stock casualty company paid a federal income tax of \$891,000. A mutual company, with a volume of business fairly comparable on all important points, paid a tax of \$8,245.

Mr. Murphy proposed that the law be amended to put the big mutuals on the same footing for tax purposes as the stock companies and said that if the mutuals had been on this basis during 1937-38-39 they would have contributed \$5,000,000 annually to the upkeep of government instead of the negligible amount contributed under the present law.

The glaring inequality in the application of the federal tax laws as between stock and mutuals should and must be removed. Nobody objects to paying his fair share of the tax burden but no citizen and no group of citizens should be called on to pay more than his or its fair share.

The Insurance Advocate, New York, which has taken the lead in exposing the discriminatory character of our present tax structure, quotes a leading insurance commissioner to this effect:

"It is difficult for me to conceive a justification for exempting from taxation dividends paid to policyholders on insurance premiums."

So say we all! The mutuals must be made to carry their share of the tax load.

October 2, 1941.

Mr. J. Eastman Hatch,  
Eastman Hatch & Company,  
310 Continental Bank Building,  
Salt Lake City, Utah.

Dear East:

On my return from vacation, your letter of September 8 was called to my attention.

In this letter you stress the fact that the exemption from the corporate income tax of mutual casualty companies is an unwarranted discrimination in their favor. I quite agree, but do not think it would be advisable to make any move in the direction of removing this discrimination without considering the whole question of the taxation of mutual enterprises, such as the mutual life insurance companies, mutual investment trusts, savings banks and the like. Such a matter should be agitated by those interested whenever the existing tax structure is again under review by Congress. Obviously, the situation is now frozen for some months to come.

With best wishes,

Yours sincerely,

LC cm

