

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 19, 1942

To Chairman Eccles

Subject: Ruml plan

From Martin Krost

Upon further reflection, it seems to me inadvisable for you to support the Ruml plan. For taxpayers of high income who accrue taxes currently -- and there are few taxpayers of high income who are so imprudent that they do not accrue taxes currently -- it would represent an unexpected and undeserved windfall. Its advantages do not seem to me sufficient to outweigh this disadvantage. The following simple arithmetic brings out the point:

TAXPAYER WITH A CONSTANT INCOME (BEFORE TAXES) OF \$100,000
TAXES ACCRUED OUT OF CURRENT INCOME

Year	Income	Taxes under current plan	Taxes under Ruml plan
1941	\$100,000	\$52,704	\$52,704
1942	100,000	64,060	52,704
1943	<u>100,000</u>	<u>64,060</u>	<u>64,060</u>
Total	300,000	180,824	169,468
Saving in taxes			11,356

SMK