



THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON

August 18, 1942

Dear Marriner:

I enclose herewith a confidential copy of Mr. Stam's Fiscal Year Plan.

I also enclose a copy for your confidential use of comments we have developed on the so-called Ruml plan.

Sincerely,

A handwritten signature in cursive script, appearing to read "Randolph Tamm".

Hon. Marriner S. Eccles,  
Chairman, Board of Governors,  
Federal Reserve System,  
Federal Reserve Building,  
Washington, D. C.

Enclosures

Fiscal Year Plan

Corporations

Compute the corporation income and excess-profits tax under the 1941 law for the full fiscal year.

In the case of a corporation with a fiscal year ended after May 31, 1942, impose the following additional tax for that year:

(1) Assess an additional excess profits tax for the fiscal year computed as follows:

(a) Determine the adjusted excess-profits net income according to the 1941 law. Apply to this an excess profits tax rate of 30 percent.

The additional tax will be an amount equal to that proportion of the total tax under (a) which the number of months ending after May 31, 1942, bears to twelve months.

(2) Determine the surtax net income according to the 1941 law, except in arriving at such surtax net income reduction should be made of the adjusted excess profits tax net income instead of the excess-profits tax. Apply to this a surtax rate of 14 percent.

The additional tax will be an amount equal to that proportion of the total tax under (2) which the number of months ending after May 31, 1942, bears to twelve months.

The following examples show how the plan operates:

2.  
Corporation "A"

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Fiscal year ended June 30, 1942.  
(Computed under 1941 law)

Normal tax net income before excess-profits tax		<u>\$ 12,000,000.00</u>
Excess-profits tax net income		12,000,000.00
Excess-profits credit		<u>6,000,000.00</u>
Adjusted Excess-Profits Net Income		6,000,000.00
<u>Excess-profits tax:</u>		
1st \$500,000.00	\$254,000.00	
Balance (\$5,500,000.00) 60%		
of	3,300,000.00	<u>3,554,000.00</u>

Normal tax:

Normal tax Net Income		12,000,000.00
Less Excess-profits tax		<u>3,554,000.00</u>
Normal tax base		8,446,000.00
Normal tax at 24%		2,027,040.00

Surtax:

Surtax Net Income		<u>8,446,000.00</u>
1st \$25,000 at 6%	1,500.00	
Balance at 7%	<u>589,470.00</u>	
Total surtax		590,970.00

Total tax:

Excess profits	3,554,000.00
Normal tax	2,027,040.00
Surtax	<u>590,970.00</u>
Total	6,172,010.00

Additional Tax

Excess Profits:

Adjusted Excess-Profits Net Income	\$6,000,000.00
Excess profits at 30%	1,800,000.00
Additional tax - (1/12 of excess-profits tax)	150,000.00

Surtax:

Surtax Net Income	12,000,000.00
Less Adjusted Excess-profits Net Income	<u>6,000,000.00</u>
Taxable Surtax Net Income	6,000,000.00
Surtax of 14%	840,000.00
Additional tax - (1/12 of surtax)	70,000.00

Total additional tax:

Excess-profits	150,000.00
Surtax	<u>70,000.00</u>
Total additional	220,000.00

Grand Total

Regular tax	6,172,010.00
Additional tax	<u>220,000.00</u>
Grand Total	6,392,010.00

Corporation "B"Fiscal Year ended November 30, 1942

Regular tax	6,172,010.00
<u>Additional tax:</u>	
Excess-profits 6/12 of \$1,800,000.00	900,000.00
Surtax 6/12 of \$840,000.00	<u>420,000.00</u>
Total additional	1,320,000.00

Grand Total

Regular tax	6,172,010.00
Additional tax	<u>1,320,000.00</u>
Grand total	7,492,010.00