



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON

JUL 20 1943

Dear Marriner:

Pursuant to our telephone conversation this afternoon, I am sending you the three requests for information and data which I received from Colin Stam, Chief of Staff of the Joint Committee.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "W. J. C. [unclear]".

General Counsel.

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

REQUEST FOR DATA AND INFORMATION

CONGRESS OF THE UNITED STATES

Washington, D. C.

July 14, 1943

The Joint Committee on Internal Revenue Taxation

To Honorable Randolph E. Paul, General Counsel,
Treasury Department, Washington, D. C.

GREETING:

Section 5012 of the Internal Revenue Code provides as follows:

"ADDITIONAL POWERS TO OBTAIN DATA.

(a) The Joint Committee on Internal Revenue Taxation or the Chief of Staff of such Joint Committee, upon approval of the Chairman or Vice Chairman, is authorized to secure directly from the Bureau of Internal Revenue (including the Assistant General Counsel for the Bureau of Internal Revenue), or directly from any executive department, board, bureau, agency, independent establishment or instrumentality of the Government, information, suggestions, data, estimates, and statistics, for the purpose of making investigations, reports and studies relating to internal revenue taxation.

(b) The Bureau of Internal Revenue (including the Assistant General Counsel for the Bureau of Internal Revenue), executive departments, boards, bureaus, agencies, independent establishments and instrumentalities are authorized and directed to furnish such information, suggestions, data, estimates, and statistics directly to the Joint Committee on Internal Revenue Taxation or to the Chief of Staff of such Joint Committee, upon request made pursuant to this section."

By virtue of the authority vested in me under the above-quoted section of law, I hereby request that the following information, suggestions, data, estimates, and statistics be furnished directly to me at Room 1336, New House Office Building, within 5 days from the date of this request:

Any suggested alternative plans already prepared by the Treasury Department in 1943 for raising additional revenue or combating inflation, together with accompanying schedules.

Note: The source of this material will be kept confidential if you so desire. It is intended to be used for study purposes by the staff.

Golden H. Starn
Chief of Staff.

Approved:

Walter J. George
Chairman.

Date: July 14, 1943.

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By virtue of the authority vested in me under the above-quoted section of law, I hereby request that the following information, suggestions, data, estimates, and statistics be furnished directly to me at Room 1336, New House Office Building, within 7 days from the date of this request:

The data requested in Exhibit A attached to this request.

Note: The source of this material will be kept confidential if you so desire. It is intended to be used for study purposes by the staff.

Approved

Walter F. George
Chairman.

John N. Stan
Chief of Staff.

Date: July 14, 1943.

Exhibit A

Individual Income, Corporation Income, Declared Value Excess Profits,
Excess Profits, and Capital Stock Tax Data, Distributed by Income Classes,
Calendar year 1943

Individual income tax data (for taxable returns only)

1. Number of returns
2. Net income
3. Personal exemption
4. Credit for dependents
5. Earned income credit
6. Normal tax net income
7. Partially tax exempt interest received
8. Wholly tax exempt interest received
9. Surtax net income
10. Victory tax net income
11. Normal tax
12. Surtax
13. Gross victory tax
14. Net victory tax

Corporation income and declared value excess profits taxes data
(shown separately, so far as practicable, for (a) all returns,
(b) returns with net income, and (c) returns with no net income)

15. Total number of returns
16. Number of taxable returns
17. Net income
18. Partially tax exempt interest received
19. Wholly tax exempt interest received
20. Dividends received from domestic corporations subject to tax

21. Aggregate dividends paid in cash and assets other than company's own stock
22. Dividends received credit
23. Net income for declared value excess profits tax
24. Net operating loss deduction
25. Adjusted net income
26. Normal tax net income
27. Surtax net income
28. Normal tax
29. Surtax
30. Declared value excess profits tax

Corporation excess profits tax data

31. Number of taxable returns
32. Excess profits net income
33. Specific exemption
34. Excess profits credit
35. Unused excess profits credit
36. Adjusted excess profits net income
37. Excess profits tax
38. Postwar refund of excess profits tax

Corporation capital stock tax data

39. Number of taxable returns
40. Declared value of capital stock
41. Capital stock tax



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON

August 14, 1943

Dear Mr. Eccles:

In connection with the series of conferences which the Secretary initiated on August 10, I am forwarding for your examination a list of general questions on which the Secretary will need information in formulating his statement to the Congress on the tax program. Whatever information you may supply on the topics covered by these questions will be very helpful.

The enclosed questions will be the subject of informal discussion at the meeting next Thursday. They are being sent to you now in order to give you an advance opportunity to consider them.

In addition to the comments which you may make at the conference, it would be helpful to have memoranda covering such phases of the issues raised in the enclosed questions as fall peculiarly in the jurisdiction of your agency.

It is, of course, important that the enclosed material be treated as highly confidential.

Sincerely yours,

Randolph Paul

General Counsel

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

Enclosure



STRICTLY CONFIDENTIAL

Copy No. 9

GENERAL QUESTIONS ON THE SECRETARY'S TAX
STATEMENT TO THE CONGRESS

A. Inflation

1. Would it make an important difference in the effectiveness of price control if the forthcoming revenue measure were to supply only a few billion (perhaps \$4 billion or \$5 billion) instead of \$12 billion, or substantially more than \$12 billion, in added taxes? Would the difference involve the abandonment of general maximum price regulation? What would supplant general maximum price regulation, and how effective would it be?
2. Is there likely to be so heavy a volume of consumer buying that wholesale and retail inventories will be depleted below the minimum safe point within the next year if the forthcoming revenue measure supplies
 - (a) only a few billion (perhaps \$4 billion or \$5 billion) in added taxes?
 - (b) \$12 billion in added taxes?
 - (c) substantially more than \$12 billion in added taxes?
3. Are black markets in the necessities of life (assuming that these necessities must be kept subject to price control in any event) likely to develop to very serious proportions within the next year if
 - (a) there is no additional revenue?

- (b) the forthcoming revenue measure supplies only a few billion: (perhaps \$4 billion or \$5 billion) in added taxes?
 - (c) it supplies \$12 billion in added taxes?
 - (d) it supplies substantially more than \$12 billion in added taxes?
4. In general, will it be necessary to have an additional revenue program substantially greater than the announced \$12 billion tax goal to keep the general price level from advancing sharply over the next year? If the answer is yes, approximately how much revenue should be asked for in order to prevent such a rise?
 5. What tax programs, if any, would cause a serious wave of consumer purchases in anticipation of the taxation?
 6. Is it desirable to grant some relief from increased taxation to individuals who increase their rate of saving, in whatever form, to a level decidedly above normal?
 7. Is there substantial danger that a general retail sales tax would result in effective demands for higher wage rates? Does the same danger exist to a greater or lesser degree with any further increase in individual income tax rates? Any other taxes you would care to mention?

B. Effect on Production

8. Is there evidence that the present tax system is
 - (a) discouraging over-time work?
 - (b) increasing absenteeism or otherwise decreasing the volume of work by those who already have jobs?

(c) discouraging potential workers from taking jobs, especially women?

9. (a) Can you suggest how much farther it will be possible to go in taxation without incurring substantial dangers of the type listed in No. 8 above (as an illustration, would an initial income tax rate of 30 percent create such dangers)?
- (b) Are there relief provisions which could be used to overcome these dangers?
10. (a) Is the present tax system bearing so harshly on the low income groups that they are unable to maintain the standard of consumption necessary for efficient working capacity?
- (b) If the answer to question 10 (a) is no, do we still have substantial leeway for added taxes on these groups before that danger becomes important? (By low income groups is meant those families with annual gross incomes of approximately \$2,000 or less.)
11. Does the present system induce an appreciable degree of waste of manpower and materials by business management owing to the height of
- (a) the normal and surtax rates?
- (b) the excess profits tax rate?

C. Equity

- ✓ 12. Is it very important, either for purposes of general morale or simply from considerations of equity, to grant some relief from increased taxation to persons who have

(a) entered into contractual commitments for savings (mortgaged homes, insurance policies, etc.) that would be disrupted by heavier taxes?

(b) incurred expenses that may denote special burdens or hardship, like the cost of moving to war jobs, increased living costs in crowded war production centers, cost of special equipment for work, burial expenses, and so on?

- ✓ 13. Should the increase in taxation be kept deliberately at a fairly small amount on the grounds that final settlement of how the cost of the war is to be distributed among individuals at various income levels, etc., should be to a considerable degree postponed until after the war? To put the matter another way, is there danger of loading too much of the burden of the war on the low-income groups if a drastic tax program is undertaken now (and a correspondingly lighter tax program is to be made possible after the war), instead of having the wartime increase somewhat less and consequently the level of post-war taxation somewhat higher than it otherwise would be?

- ✓ 14. Should another attempt be made to hold the net income available after income tax to an approximate maximum of, say, \$25,000 (or some other figure)?

15. (a) Is it important to place special taxes on increases in individual incomes (i) on only a few types of increase and larger incomes, or (ii) on almost all types of increase, exempting, however, increases in the very low income groups?
- (b) Would it be desirable to have merely a relief provision for those who have had no increase in incomes? ✓
- (i) If so should the relief be merely in the form of immediate availability of a postwar credit (restricted to the low-income groups)?

D. Post-War Considerations

16. In deciding how much additional tax revenue to raise, to what extent are post-war considerations important? Specifically --
- (a) Should we be concerned over the difference in the size of the post-war interest burden that is implied by the difference between:
- (i) no additional revenue
 - (ii) additional revenue of \$4 billion or \$5 billion
 - (iii) additional revenue of \$12 billion
 - (iv) additional revenue of substantially more than \$12 billion?
- (b) Is keeping down the growth in the volume of bank deposits and currency an important reason for imposing further taxes? ✓
- (c) In general is it an important consideration in framing our present tax program to be sure to have greatly lower tax rates after the war? ✓