

FEDERAL HOUSING ADMINISTRATION  
WASHINGTON, D. C.

OFFICE OF THE  
FINANCIAL ADVISOR

March 23, 1938

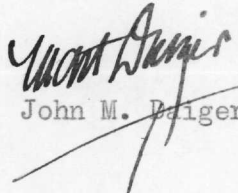
Dear Marriner:

Enclosed is a copy of a memorandum that I had occasion to prepare a few days ago, outlining the accelerated-depreciation idea that I discussed with you over the telephone a day or two before you started on your recent trip to Ogden.

I have talked with two or three persons about this idea, and the reaction has been such that I am more strongly inclined to believe that the matter is worth pursuing. I wish that you would give it early consideration after you return and give it some active support wherever you think that support would be most useful.

With appreciation and kind regards,  
I am

Yours sincerely,

  
John M. Dinger

Honorable Marriner S. Eccles  
Board of Governors of the  
Federal Reserve System  
Washington, D. C.

Enclosure

Suggested Internal Revenue Ruling to Stimulate  
Industrial and Public-Utility Construction

The volume of mortgage-insurance applications coming into the FHA field offices since the recent amendment of the National Housing Act makes it evident that residential construction this year will have a vigorous, even though belated, start. But housing accounts for only one-third the ordinary volume of construction, and a means of stimulating other major classes of construction this spring and summer still remains to be found.

On the other hand, a substantial volume of industrial and public-utility construction, which there would have been a practical need for carrying forward this year despite tax and utility controversies, has been deferred because of the business recession and uncertainty. As to railroad construction, it still waits, as it has waited for the past several years, mainly on a revival of the heavy tonnage that results from activity in residential, industrial, and public-utility construction.

One practicable way to get a substantial part of this deferred industrial and public-utility construction started in the early part of this year, rather than later this year or some time next year or the year after, is to permit corporations to accelerate the rate of depreciation on additions to plant and equipment made between given dates--say, from whatever date this year's Revenue Bill is enacted to July 1, 1939. The following schedule of charge-offs is suggested as one that would be effective:

40	per	cent	in	income-tax	returns	for	1938	
30	"	"	"	"	"	"	"	1939
20	"	"	"	"	"	"	"	1940
10	"	"	"	"	"	"	"	1941

In other words, on capital improvements made in 1938, the total depreciation would be charged off in four years on the sharply diminishing scale above, instead of over a period of fifteen years at approximately 6 per cent a year.

March 18, 1938