

# HOME SERVICE COMPANY

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## CERTIFIED SERVICE

GENERAL OFFICE: 816 WAUKEGAN ROAD, DEERFIELD, ILL.

WHEN REPLYING,  
please refer to date of this letter

May 11, 1943

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

Dear Mr. Eccles:

I have read with interest your appeal to the House banking committee to adopt measures to raise the national tax revenue to at least \$ 50,000,000,000 which certainly is sound and logical IF a way can be devised to collect the now necessary increase from those having war inflated income with which to pay it.

Isn't there only one answer...an "excess income" tax on individuals?

There are quite some millions of individuals not represented by lobbies or pressure groups whose income is little more than in 1941 and in fact many are frozen by law at their old incomes. Then there are the business and professional men mostly earning less than before...and the widows and aged attempting to live on small investments with reduced income.

The \$ 43,000,000,000 excess purchasing power which has been announced by Secretary Jesse Jones is limited almost entirely to one classification of people...those with excess income over their prewar income. This source of surplus income would be very simple to segregate and tap for war taxes with an individual "excess income" tax.

Corporations pay an excess profits tax to prevent business from war profiteering and because it is a fair source of war tax. That's reasonable and just. But why shouldn't the individual, reaping increased income because of the war, also pay an "excess income" tax to prevent personal profiteering from the war while our soldiers fight for \$ 50 per month? Likewise it is a fair source of war tax and the ONLY source that can pay the necessary increases in tax without creating undue hardship and indebtedness to meet taxes.

I have wondered why such a tax has not been enacted as a companion tax to the corporation's excess profits tax. It seems so logical... fair...and essential to meet the present emergency that I felt impelled to at least bring the suggestion to some one in Washington.

Respectfully yours,

*J.H. Marshall*  
General Manager

IHMarshall-ME

May 17, 1943.

Mr. I. H. Marshall,  
General Manager,  
Home Service Company,  
816 Waukegan Road,  
Deerfield, Illinois.

Dear Mr. Marshall:

This is to acknowledge your letter of May 11 in regard to the problem of drawing off excessive income by attempting to segregate those individuals whose incomes have substantially increased from those whose incomes are fixed or reduced.

While I have long been aware of the arguments in favor of recapturing so far as possible through taxation the money expended by the Government for war purposes, as a practical matter no plan to my knowledge has been devised which will accomplish it, and the tax experts who have worked on the problem appear to have given up hope of finding any satisfactory formula. As your mention of men in the Army indicates, the burdens and sacrifices of war cannot be distributed with absolute equity. Those who have enjoyed good incomes in peacetimes cannot now be exempted because their incomes have not increased. They must bear their share of the costs. Those who have been out of work who are now on payrolls but are not receiving much more than enough to maintain decent living cannot, of course, be put back by taxation to their former condition.

The tax structure based primarily on ability to pay comes as near, it seems to me, to equity as is possible. As I have repeatedly contended, however, the rates must be sharply increased, particularly affecting the great mass of taxpayers, so that we come much closer than we have to what our British and Canadian allies have accomplished. They are covering fifty per cent or more of their costs out of taxation. We are collecting scarcely a third. If a substantial withholding tax, which I have long advocated, were enacted, it would go far to tap at the source the mass of war increased incomes and accomplish broadly what you have in mind.

Sincerely yours,

M. S. Eccles,  
Chairman.

 ET:b