1024 W. Union Str
Decatur, Ill.

Feb. 21, 1945.

Mr. Marriner E. Eccles,
Chairman Federal Reserve System,
Washington, D.C.

Dear Sir:

Quite surprised to read of your proposal for an added income tax on Capital Gains from stocks and real estate.

I own both and know that if this is enacted, I will have nothing for sale except at much higher prices than exist under the present law. Sellers will stop selling. I am a small taxpayer but sell now and then and pay the tax. This tends to hold prices down.

If you want more taxes collected, I would suggest that you plug some of the loopholes which now exist. Make it compulsory that all payments to farmers and landowners be reported to the Treasury; that all real estate sales be reported by the recorder at each county seat and that professional men be checked more closely.

You get all taxes due from the wage earner and the stock investor, trader or speculator and they are paying more than will be necessary when you get a system of checking the ones who are not reporting all of their income.

Everyone knows these loopholes exist but no one does anything about it. Our system is faulty in that income of certain types is not reported and a lot of tax is lost that should be paid.

Yours very truly,

J. F. Rendfeld.
J. F. Rendfeld

February 26, 1945.

Mr. J. F. Rendfeld,
1024 W. View Street,
Decatur, Illinois.

Dear Mr. Rendfeld:

In reply to your letter of February 21, permit me to say that I had not expected to be asked about the inflation of capital values when I testified before the Senate Banking and Currency Committee and my comments were somewhat mangled in press reports.

The capital gains penalty rate which I advocated as an emergency anti-inflation instrument would apply on capital assets acquired after January 1 or whatever cut-off date may be fixed by Congress. On such sales the rate would be 90 per cent if the sales were made within two years, and the rate would thereafter diminish by 10 per cent each year until the existing rate on capital gains is reached. This wartime rate would not be imposed on top of the existing capital gains tax, which would continue to apply to the sale of assets acquired prior to the cut-off date.

This penalty rate should not deter the bona fide investor, who would be investing for current income rather than in anticipation of a rise in capital values from which a speculative profit could be realized through selling. Should the real investor be required or should he desire to sell while the wartime rate is in effect however, he would not be injured since he had not purchased in anticipation of the rise, and in any case he would be allowed to realize a profit of at least 10 per cent or more, depending upon how long a period elapsed before the sale.

The present capital gains tax, which I would leave as it is, is prewar, whereas, individual and corporate income taxes have been sharply increased since the war began. Thus the biggest tax loophole of all has been created. It is all the more inequitable because capital gains are just as much a result of war profits as are individual or corporate incomes resulting from war financing. I certainly favor and have long urged that more taxes be collected. However, the proposal I made was not put forth as a revenue measure at all. The more effective it is as an anti-inflation instrument, the less revenue will result.

I agree with you, of course, that there is a great deal of tax evasion, but I am confident that the Treasury is constantly trying to get at it and prevent it so far as possible.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b