

HENRY EDWARD DUNNING  
3668 EAST VIRGINIA AVENUE  
LYNWOOD, CALIFORNIA

February 23rd, 1945.

Marriner Eccles, Chairman,  
Federal Reserve Bank,  
New York. N.Y.

Dear Mr. Eccles,-

According to press reports you are advocating special new taxes on profits that might arise from sales of real estate and securities. This, I take it, to be in addition to those taxes already in force under "Capital Gains and Losses".

As an owner of both real estate and securities, the first for a home and the second as investment for income, I wish to register a strong protest against the innovation of any such extra tax.

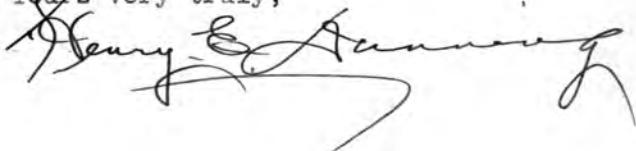
Such as any run away speculation is to be deplored, the imposition of extra taxes on such profits would work an injustice on the present owners of real estate and securities. Only a small percentage of purchases have been made with the object solely of profit. Surely some other means could be devised to halt such speculation.

The writer owns real estate that has appreciated in value from legitimate reasons, some 25% and holds securities that have about the same appreciation in the average. Both the property and securities were acquired for good reasons, a homeownership, and a share in providing industry with capital. Still, under your plans, if, for any reason, it became necessary to convert real estate or equities to cash whatever gain there might have been prevailing would carry an extra tax. (at present, if held over six months 50% of such gain.)

To discourage speculation the present law should be changed, in respect to Capital Gains & Losses, so that only those profits taken within six months should be taxed. This would encourage the holding of both real estate & securities.

Despite Mr. Morgenthau's endorsement of your plan, it might be found, in a period of depressed prices that loss to the government would result, as no doubt, the plan would allow for losses as well as profits, otherwise, it would amount to absolute injustice.

Yours very truly,



March 5, 1945.

Mr. Henry Edward Dunning,  
3668 East Virginia Avenue,  
Lynwood, California.

Dear Mr. Dunning:

In reply to your letter of February 23, I am enclosing a copy of a statement which I have just issued to explain my proposals with reference to the capital gains tax. Newspaper accounts were misleading and I imagine from your letter that you have been misinformed in regard to it.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosure

ET:b

HENRY EDWARD DUNNING  
3668 EAST VIRGINIA AVENUE  
LYNWOOD, CALIFORNIA

April 2nd, 1945.

The Chairman,  
Board of Governors of the  
Federal Reserve System,  
Washington. D.C.

Dear Mr. Eccles,-

While some time has elapsed since receipt of your letter of March 5th enclosing copy of Release to the Press, as of March 3rd, re Capital Gains Tax, I wish to thank you for your letter, and enclosure.

I purposely have delayed an answer, waiting to observe the re-action there might be to your proposal to curb speculation in its relation to inflation.

It is noted that the 90% tax rate on Capital Gains, as outlined in the release, did not meet with approval by many, and that elsewhere suggestions have been made for a change in the present holding period, and that leaders in Congress express the opinion that this could not be considered at present.

As an individual who is "retired", and whose principal source of income is from securities, I am keenly interested in any proposal that might change the present law in respect to Capital Gains and Losses as it effects taxes. For this reason, you will excuse my being perturbed, that some change might be adopted derogatory to my personal interests.

Without thought of speculation, the owner of a portfolio of stocks and bonds must, at times, due to changing Domestic and World-Wide conditions, make changes and this entails selling and buying. The necessity being all the more pronounced during a rising market, resulting generally in a profit. Would it be fair to subject such profit, After January 1st, 1945 to a tax of 90%? This applies to Real Estate as well.

Much as the writer deprecates out and out speculation, it would be difficult to stop speculation and not penalize an investor, as both of the proposed measures would.

The purpose of the present Capital Gains and Losses law is to encourage the holding of these assets for a more or less reasonable time. This feature should be a means to encourage venture capital in the Post-War period, when it will be needed by individual enterprise to provide jobs. For this reason, if any change is made it should be in this direction.

Of the two plans referred to, personally, I would prefer to see yours of a 90% graduated tax adopted than the other. My own plan would be adoption of a change in the present law to incorporate your plan in a partial sense. Making the first six months period 90% taxable, the ensuing twelve months 50% and after eighteen months non-taxable. This would certainly, to my mind, discourage outright speculation and be as fair as possible to the investor.

Yours very truly,  
*Henry E. Dunning*

April 9, 1945.

Mr. Henry E. Dunning,  
3668 East Virginia Avenue,  
Lynwood, California.

Dear Mr. Dunning:

On behalf of Chairman Eccles who is temporarily absent from the city, permit me to thank you for your letter of April 2 with further reference to the capital gains tax.

Your impression coincides with my own that Congress, if it acts at all, would prefer to extend the present holding period. In the present atmosphere, with the brightening prospects of peace, any action seems doubtful to me. Mr. Eccles will, I know, be interested in your preference for the special wartime tax rather than the extension of the holding period. While your recommendation is a strong one, so far as the stock market is concerned, it is too short a period to be effective on real estate transactions, and from a general economic standpoint, of course, it is the prices of homes and farms rather than of stocks that are of concern.

I know Mr. Eccles will appreciate the fair-minded spirit in which you write as an investor and not as an in-and-out of the market speculator.

Sincerely yours,

Elliott Thurston,  
Assistant to the Chairman.

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