U.S. Treasury Dept.

Press Releases

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, November 10, 1942.

Press Service
34-04

The Secretary of the Treasury announced last evening that the tenders for $500,000,000, or thereabouts, of 90-day Treasury bills to be dated November 12, 1942, and to mature February 10, 1943, which were offered on November 6, were opened at the Federal Reserve Banks on November 9.

The details of this issue are as follows:

Total applied for - $1,013,151,000
Total accepted - 501,485,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.300% per annum
Low	- 99.906	" " " " " 0.376% " "
Average price	- 99.907	" " " " " 0.373% " "

(27 percent of the amount bid for at the low price was accepted.)

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, November 10, 1942.
11/9/42

Press Service
No. 34-0

The Secretary of the Treasury announced last evening that the tenders for $500,000,000, or thereabouts, of 90-day Treasury bills to be dated November 12, 1942, and to mature February 10, 1943, which were offered on November 6, were opened at the Federal Reserve Banks on November 9.

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Average Price	- 99.907	" " " " "	0.373% per annum

(27 percent of the amount bid for at the low price was accepted.)

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Although rulings of the New York office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the New York office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the New York office will be given retroactive effect.

For Imme Release
Thurs. Nov 12

34-1

Guy T. Helvering, Commissioner of Internal Revenue, announced today the opening of the New York office of the new Salary Stabilization Unit of the Bureau of Internal Revenue & The Unit ~~November 12, 1942. That office~~ will be located in the Federal Office Building at 253 Broadway, New York City. The office will be in charge of Charles A. Drake, who has a record of more than twenty years of responsible work in the ~~Federal~~ Internal Revenue Service.

The territorial jurisdiction of the New York office will cover the State of New York. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the State of New York will address their requests for rulings to "Head, Salary Stabilization Unit, 253 Broadway, New York City," and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the New York office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the New York office.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, November 12, 1942.
11/11/42

Press Service
No. 34-1

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Although rulings of the New York office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the New York office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the New York office will be given retroactive effect.

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Commodity	Established Quota: Period & Country	Established Quota: Quantity	Unit of Quantity	Imports as of Oct. 31, 1942
Silver or black foxes, furs, and articles:				
Paws, head, or other separated parts	12 months from Dec. 1, 1941	500	Pounds	(Import quota filled)
Piece plates	"	550	Pounds	None
Articles, other than piece plates	"	500	Unit	34
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	721,187

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34-2

FOR IMMEDIATE RELEASE
November ~~11~~, 1942.
12

The Bureau of Customs announced preliminary figures for imports of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to October 31, 1942, inclusive, as follows:

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of Oct. 31, 1942
Cattle less than 200 pounds each	Calendar year	100,000	Head	65,640
Cattle, 700 pounds or more each (other than dairy cows)	Quarter year from Oct. 1, 1942			
	Canada	51,720	Head	27
	Other countries	6,214	Head	(Tariff rate quota filled)
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	4,800
Cream, fresh or sour	Calendar year	1,500,000	Gallon	690
Fish, fresh or frozen filleted, etc., cod, haddock, hake, pollock, cusk and rosefish	Calendar year	17,174,495	Pound	13,791,002
White or Irish potatoes certified seed	12 months from Sept. 15, 1942	90,000,000	Pound	1,712,199
other	12 months from Sept. 15	60,000,000	Pound	167,271
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	(Tariff rate quota filled)
Red cedar shingles	Calendar year	2,617,111	Square	2,402,378
Silver or black foxes, furs, and articles: Foxes valued under $250 ea. and whole furs and skins	Period - May - Nov. 1942 All countries	41,774	Number	21,007
Tails	12 months from Dec. 1, 1941	5,000	Piece	(Import quota filled)

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, November 12, 1942.

Press Service
No. 34-2

The Bureau of Customs announced preliminary figures for imports of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to October 31, 1942, inclusive, as follows:

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Cattle, 700 pounds or more each (other than dairy cows)	Quarter year from Oct. 1, 1942			
	Canada	51,720	Head	27
	Other countries	6,214	Head	(Tariff rate quota filled)
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	4,800
Cream, fresh or sour	Calendar year	1,500,000	Gallon	690
Fish, fresh or frozen filleted, etc., cod, haddock, hake, pollock, cusk and rosefish	Calendar year	17,174,495	Pound	13,791,002
White or Irish potatoes certified seed	12 months from Sept. 15, 1942	90,000,000	Pound	1,712,199
other	12 months from Sept. 15	60,000,000	Pound	167,271
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	(Tariff rate quota filled)
Red cedar shingles	Calendar year	2,617,111	Square	2,402,378
Silver or black foxes, furs, and articles: Foxes valued under $250 ea. and whole furs and skins	Period - May - Nov. 1942 All countries	41,774	Number	21,007
Tails	12 months from Dec. 1, 1941	5,000	Piece	(Import quota filled)

Commodity	Established Quota: Period & Country	Established Quota: Quantity	Unit of Quantity	Imports as of Oct. 31, 1942
Silver or black foxes, furs, and articles:				
Paws, head, or other separated parts	12 months from Dec. 1, 1941	500	Pounds	(Import quota filled)
Piece plates	"	550	Pounds	None
Articles, other than piece plates	"	500	Unit	34
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	721,187

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34-3

FOR IMMEDIATE RELEASE,
November 10, 1942.

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the twelve months commencing May 29, 1942, as follows:

Country of Origin	WHEAT		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota (Bushels)	Imports May 29, 1942, to Oct. 31, 1942. (Bushels)	Established Quota (Pounds)	Imports May 29, 1942, to Oct. 31, 1942 (Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentine	2,000	-	14,000	44
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,815,044

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, November 12, 1942.

Press Service
No. 34-3

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the twelve months commencing May 29, 1942, as follows:

Country of Origin	WHEAT		Wheat flour, semolina, crushed or cracked wheat, a similar wheat product	
	Established Quota (Bushels)	Imports May 29, 1942, to Oct. 31, 1942. (Bushels)	Established Quota (Pounds)	Imports May 29, 1942, Oct. 31, 194 (Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentine	2,000	-	14,000	44
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,815,044

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FOR IMMEDIATE RELEASE
November ~~10~~, 1942.
11

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds)	Authorized for entry for consumption As of (Date)	Authorized for entry for consumption (Pounds)
Signatory Countries:			
Brazil	1,353,183,480	Oct. 31, 1942	33,057,853
Colombia	458,336,340	"	54,031,384
Costa Rica	29,100,720	"	-
Cuba	11,640,288	"	552,526
Dominican Republic	17,460,432	"	3,788,385
Ecuador	21,825,540	"	800,027
El Salvador	87,302,160	"	1,237,707
Guatemala	77,844,426	"	1,797,045
Haiti	40,013,490	"	7,072,351
Honduras	2,910,072	"	685,689
Mexico	69,114,210	"	2,102,059
Nicaragua	28,373,202	"	-
Peru	3,637,590	"	-
Venezuela	61,111,512	"	10,730,489
Non-signatory countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	8,097,737

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, November 12, 1942.

Press Service
No. 34-4

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds)	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,353,183,480	Oct. 31, 1942	33,057,853
Colombia	458,336,340	"	54,031,384
Costa Rica	29,100,720	"	-
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Ecuador	21,825,540	"	800,027
El Salvador	87,302,160	"	1,237,707
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Honduras	2,910,072	"	685,689
Mexico	69,114,210	"	2,102,059
Nicaragua	28,373,202	"	-
Peru	3,637,590	"	-
Venezuela	61,111,512	"	10,730,489
Non-signatory countries: British Empire, except Aden and Canada Kingdom of the Netherlands and its possessions Aden, Yemen and Saudi Arabia Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	8,097,737

COTTON CARD STRIPS,[2] COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent[2] of the quotas shall be filled by cotton wastes other than card strips and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 21,1942 to Oct.31,1942	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 21, 1942 to Oct. 31, 1942 1/
United Kingdom..........	4,323,457	-	1,441,152	-
Canada..................	239,690	81,495	-	-
France..................	227,420	-	75,807	-
British India...........	69,627	61,823	-	-
Netherlands.............	68,240	-	22,747	-
Switzerland.............	44,388	-	14,796	-
Belgium.................	38,559	-	12,853	-
Japan...................	341,535	-	-	-
China...................	17,322	-	-	-
Egypt...................	8,135	-	-	-
Cuba....................	6,544	-	-	-
Germany.................	76,329	-	25,443	-
Italy...................	21,263	-	7,088	-
Totals	5,482,509	143,318	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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34-5

FOR IMMEDIATE RELEASE
November ~~10~~ 12, 1942.

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 21, 1942, to October 31, 1942, inclusive:

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8": Established Quota	Staple length less than 1-1/8": Imports Sept. 21, 1942, to Oct. 31, 1942	Staple length 1-1/8" or more but less than 1-11/16": Established Quota 45,656,420	Staple length 1-1/8" or more but less than 1-11/16": Imports Sept. 21, 1942, to Oct. 31, 1942.
Egypt and the Anglo-Egyptian Sudan........	783,816	-		26,569,275
Peru....................	247,952	247,952		1,019,654
British India...........	2,003,483	-		-
China...................	1,370,791	-		-
Mexico..................	8,883,259	8,883,259		-
Brazil..................	618,723	618,723		-
Union of Soviet Socialist Republics...	475,124	-		-
Argentina...............	5,203	-		-
Haiti...................	237	237		-
Ecuador.................	9,333	9,263		-
Honduras................	752	-		-
Paraguay................	871	-		-
Colombia................	124	-		-
Iraq....................	195	-		-
British East Africa.....	2,240	-		-
Netherlands East Indies.	71,388	-		-
Barbados................	-	-		-
Other British West Indies 1/............	21,321	-		-
Nigeria.................	5,377	-		-
Other British West Africa 2/............	16,004	-		-
Other French Africa 3/..	689	-		-
Algeria and Tunisia....	-	-		-
Totals	14,516,882	9,759,434	45,656,420	27,588,929

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, November 12, 1942.

Press Service
No. 34-5

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(In Pounds)

Country of Origin	Staple length less than 1-1/8": Established Quota	Staple length less than 1-1/8": Imports Sept. 21, 1942, to Oct. 31, 1942	Staple length 1-1/8" or more but less than 1-11/16": Established Quota 45,656,420	Staple length 1-1/8" or more but less than 1-11/16": Imports Sept. 21, 1942, to Oct. 31, 1942.
Egypt and the Anglo-Egyptian Sudan.........	783,816	-		26,569,275
Peru....................	247,952	247,952		1,019,654
British India............	2,003,483	-		-
China....................	1,370,791	-		-
Mexico...................	8,883,259	8,883,259		-
Brazil...................	618,723	618,723		-
Union of Soviet Socialist Republics....	475,124	-		-
Argentina................	5,203	-		-
Haiti....................	237	237		-
Ecuador..................	9,333	9,263		-
Honduras.................	752	-		-
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Colombia.................	124	-		-
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Other French Africa 3/...	689	-		-
Algeria and Tunisia......	-	-		-
Totals	14,516,882	9,759,434	45,656,420	27,588,929

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

COTTON CARD STRIPS,/[2] COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent/[2] of the quotas shall be filled by cotton wastes other than card strips/and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 21,1942 to Oct.31,1942	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 21, 1942 to Oct.31,1942 1/
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Canada..................	239,690	81,495	-	-
France..................	227,420	-	75,807	-
British India...........	69,627	61,823	-	-
Netherlands.............	68,240	-	22,747	-
Switzerland.............	44,388	-	14,796	-
Belgium.................	38,559	-	12,853	-
Japan...................	341,535	-	-	-
China...................	17,322	-	-	-
Egypt...................	8,135	-	-	-
Cuba....................	6,544	-	-	-
Germany.................	76,329	-	25,443	-
Italy...................	21,263	-	7,088	-
Totals	5,482,509	143,318	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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will be suitable for every class and type of investor, from the largest commercial banks, corporations and insurance companies to the smallest individual investor or wage earner.

The War Savings Staff will remain continually active in sales of War Savings Bonds. In particular, the War Savings Staff will intensify its Payroll Savings drive in November and December, with the aim of raising the present figure of 23,000,000 workers now investing an average of 8 per cent of their pay to a figure of at least 30,000,000 workers setting aside an average of at least 10 per cent of their earnings every pay day.

War borrowing must be done to the greatest possible extent out of current income and savings of the people. This is the soundest means of financing the war deficit.

Since sales of "tap" issues, War Savings Bonds and Tax Savings Notes will not provide all of the necessary funds, it is the intention of the Treasury likewise to offer one or more series of open market securities for subscription by banks and others.

Treasury issues already available, and those to be announced for limited periods within the next few weeks, No. 34-6

Secretary Morgenthau today issued the following statement: ~~today:~~

Borrowing by the Treasury to meet the rising costs of the war will be resumed on an ~~expanded~~ unprecedented scale on November 30th. Victory Fund Committees, which have been active in promoting the sale of Treasury securities other than War Savings Bonds, will be asked to conduct a widened campaign for the enlistment of idle funds in the war effort. The Committees already have done excellent work in behalf of Treasury financing and they will be given full authority to conduct a drive for further funds.

In addition to conducting a campaign on "Tap" bonds, the Victory Fund Committees will be asked to promote purchases by corporate and other taxpayers of series A and C tax savings notes. Such notes ease the taxpaying problems of the purchasers and at the same time ~~assist~~ add to the current ~~position~~ cash balances of the Treasury.

more

Since ~~only a portion of the necessary funds will be raised through~~ sales of ~~Government securities to the public,~~ it is the intention of the Treasury likewise to offer one or more series of open market securities for subscription by banks and others.

Treasury issues already available, and those to be announced for limited periods within the next few weeks,

"Tap" issues..
War Savings Bonds and Tax Savings Notes
~~and other Government securities attractive~~ to

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, November 12, 1942.

Press Service
No. 34-6

Secretary Morgenthau today issued the following statement:

Borrowing by the Treasury to meet the rising costs of the war will be resumed on an unprecedented scale on November 30. Victory Fund Committees, which have been active in promoting the sale of Treasury securities other than War Savings Bonds, will be asked to conduct a widened campaign for the enlistment of idle funds in the war effort. The Committees already have done excellent work in behalf of Treasury financing and they will be given full authority to conduct a drive for further funds.

In addition to conducting a campaign on "tap" bonds, the Victory Fund Committees will be asked to promote purchases by corporate and other taxpayers of series A and C tax savings notes. Such notes ease the taxpaying problems of the purchasers and at the same time add to the current cash balances of the Treasury.

Since sales of "tap" issues, War Savings Bonds and Tax Savings Notes will not provide all of the necessary funds, it is the intention of the Treasury likewise to offer one or more series of open market securities for subscription by banks and others.

Treasury issues already available, and those to be announced for limited periods within the next few weeks, will be suitable for every class and type of investor, from the largest commercial banks, corporations and insurance companies to the smallest individual investor or wage earner.

The War Savings Staff will remain continually active in sales of War Savings Bonds. In particular, the War Savings Staff will intensify its Payroll Savings drive in November and December, with the aim of raising the present figure of 23,000,000 workers now investing an average of 8 per cent of their pay to a figure of at least 30,000,000 workers setting aside an average of at least 10 per cent of their earnings every pay day.

War borrowing must be done to the greatest possible extent out of current income and savings of the people. This is the soundest means of financing the war deficit.

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34-7

TREASURY DEPARTMENT

Washington[redacted]

FOR IMMEDIATE RELEASE,
NOVEMBER 12-42

Press Service
No.

The Treasury Department today reassured French nationals residing within the United States that their status under the freezing order has not been changed by Sunday's action in including unoccupied European France within enemy territory.

Officials pointed out that the recent amendment to General Ruling No. 11, which declared "unoccupied" France within Europe to be enemy territory, did not mean that French citizens within the United States became enemy nationals. It did not result in blocking the accounts of French citizens within this country whose accounts heretofore have been freed under General License No. 42.

As applied to unoccupied France, this amendment in effect provides that no person in the United States may engage in any transaction involving trade or communications with a person in unoccupied France without a license from the Treasury expressly referring to General Ruling No. 11. Ordinary transactions with French citizens in the United States may be carried on in the same manner as in the past.

Treasury officials emphasized that resident French nationals have no reason for alarm as a result of Sunday's action.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, November 12, 1942.

Press Service
No. 34-7

The Treasury Department today reassured French nationals residing within the United States that their status under the freezing order has not been changed by Sunday's action in including unoccupied European France within enemy territory.

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Treasury officials emphasized that resident French nationals have no reason for alarm as a result of Sunday's action.

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issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on November 18, 1942.
(7)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

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34-8

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, November 13, 1942.
~~(1)~~

The Secretary of the Treasury, by this public notice, invites tenders for $500,000,000, ~~(2)~~ or thereabouts, of 91 ~~(3)~~ -day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated November 18, 1942 ~~(4)~~, and will mature February 17, 1943 ~~(5)~~, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern ~~Standard~~ War time, Monday, November 16, 1942 ~~(6)~~. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, November 13, 1942.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final.

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Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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But taxes aimed at inflation, [redacted], he added, must be so designed as not to render more difficult the jobs of price control, rationing, and other direct methods of inflation control.

Flexibility and freedom from serious administrative difficulties were mentioned by the Treasury official as other merits which wartime tax enterprises should have.

Of the importance of flexibility, he said: "The return to a world of peace will require changes as radical as those through which we are now passing. The problems that now call for taxes capable of speedy adjustment to changed conditions will after the war plague us in reverse."

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C.P.

Labor ,materials and equipment all have had to be shifted from the production of comforts to the production of the implements of war, he ~~pointed out~~ said, and the resulting necessity of reducing our current standards of living is the war's economic cost as distinguished from its monetary cost. He explained how well-designed tax measures can help accomplish the distribution of this cost ~~this distribution~~ fairly, and warned against the unfairness of inflation as a ~~method of~~ distribution method.

Protection from undue hardship of those with minimum incomes was stressed by Mr. Paul as of much importance.

"The exemption of a minimum level of income from taxation and the imposition of a light burden on workers whose standard of living is barely adequate for productive efficiency is the social cost of providing vigorous workers in our steel mills, in our coal pits, and on our farms," he said.

"We shall lose much more than we gain if we so reduce basic living standards as to impair morale and productive efficiency ....The well fed and adequately clothed worker is a better worker, and the maintenance, day by day, week by week, month by month, of intense and enthusiastic productive effort requires adequate economic incentive."

Taxes can relieve the spending pressure which threatens a runaway inflation either by absorbing excess purchasing power or by deflecting it from the market for consumer goods and services, Mr. Paul said.

~~Siler draft of Nov.13 Paul speech abstract~~ 2 p.m.

Treasury Department
Washington

For Release 2.00 P.M., E.W.T.,
Friday, November 13, 1942

Press Service
No. 34-9

Columbus, Ohio - Shouldering by this country of the "greatest production job ever assigned to a national economy in world history" has created tasks for our wartime taxation which go far beyond the simple raising of revenue, the annual meeting of the Ohio Chamber of Commerce was told here today by Randolph E. Paul, General Counsel of the U.S. Treasury Department.

Mr. Paul addressed the Ohio Chamber on the subject "Objectives of Tax Policy in Wartime."

Summing up "the criteria which must govern our tax policy in time of war," Mr. Paul said:

"Tax action must be directed toward the removal of the upward pressure of excess spending power on prices and costs; toward the fair distribution of the economic burden of the war; toward the maintenance of productive incentives and the protection of the health and morale of our population, and finally, toward the creation of a favorable environment for a high level of business activity in the post-war period."

How these problems of national welfare have been brought about in the mobilization to meet war needs was recited by Mr. Paul.

TREASURY DEPARTMENT
Washington

FOR RELEASE 2:00 P.M., E.W.T.,
Friday, November 13, 1942.

Press Service
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But taxes aimed at inflation, he added, must be so designed as not to render more difficult the jobs of price control, rationing, and other direct methods of inflation control.

Flexibility and freedom from serious administrative difficulties were mentioned by the Treasury official as other merits which wartime tax enterprises should have.

Of the importance of flexibility, he said: "The return to a world of peace will require changes as radical as those through which we are now passing. The problems that now call for taxes capable of speedy adjustment to changed conditions will after the war plague us in reverse."

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Treasury Department
Bureau of Internal Revenue

34-10
34-10

FOR IMMEDIATE RELEASE,
Monday, November 16, 1942.

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Philadelphia office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located in Suite 1313, Market Street National Bank Building, Philadelphia. The office will be in charge of Walter Perry, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Philadelphia office will cover the States of Pennsylvania and New Jersey. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the States of Pennsylvania and New Jersey will address their requests for rulings to "Head, Salary Stabilization Unit, Suite 1313, Market Street National Bank Building, Philadelphia, Pennsylvania", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Philadelphia office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Philadelphia office.

Although rulings of the Philadelphia office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Philadelphia office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Philadelphia office will be given retroactive effect.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Monday, November 16, 1942.
11/13/42

Press Service
No. 34-10

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Philadelphia office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located in Suite 1313, Market Street National Bank Building, Philadelphia. The office will be in charge of Walter Perry, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

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34-11
34-11

FOR IMMEDIATE RELEASE,
Tuesday, November 17, 1942.

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Los Angeles office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located in Suite 770, Subway Terminal Building, Los Angeles. The office will be in charge of Hugh Ducker, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Los Angeles office will cover the Sixth Collection District of California, and Arizona. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the Sixth Collection District of California, and Arizona, will address their requests for rulings to "Head, Salary Stabilization Unit, Suite 770, Subway Terminal Building, Los Angeles, California", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Los Angeles office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Los Angeles office.

Although rulings of the Los Angeles office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Los Angeles office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Los Angeles office will be given retroactive effect.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington, D. C.

FOR IMMEDIATE RELEASE,
Tuesday, November 17, 1942.
11/13/42

Press Service
No. 34-11

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34-12
34-12

FOR IMMEDIATE RELEASE,
Tuesday, November 17, 1942.

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Chicago office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located at 208 South LaSalle Street, Chicago. The office will be in charge of Porter Linder, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Chicago office will cover the States of Illinois, Wisconsin, Minnesota, North Dakota, South Dakota and Indiana. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the States of Illinois, Wisconsin, Minnesota, North Dakota, South Dakota and Indiana will address their requests for rulings to "Head, Salary Stabilization Unit, 208 South LaSalle Street, Chicago, Illinois", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Chicago office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Chicago office.

Although rulings of the Chicago office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Chicago office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Chicago office will be given retroactive effect.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Tuesday, November 17, 1942.
11/13/42

Press Service
No. 34-12

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TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON

BUREAU OF ACCOUNTS
OFFICE OF THE COMMISSIONER

November 7, 1942

Schwarz

TO MR. BELL:

During the month of October the following market transactions took place in direct and guaranteed securities of the Government:

Sales	$1,000,800
Purchases	-
Net sales.	$1,000,800

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
~~Thursday, October 15, 1942.~~
Monday, November 16, 1942

Press Service
No. ~~33-65~~
34-13

Market transactions in Government securities for Treasury investment and other accounts in ~~September~~ October, 1942, resulted in net sales of ~~$4,500,000,~~ $1,000,800 Secretary Morgenthau announced today.

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C.P.D.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, November 16, 1942.

Press Service
No. 34-13

Market transactions in Government securities for Treasury investment and other accounts in October, 1942, resulted in net sales of $1,000,800 Secretary Morgenthau announced today.

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Objectives of Tax Policy in Wartime

An address by Randolph E. Paul, General Counsel of the U. S. Treasury Department, before the annual meeting of the Ohio Chamber of Commercé, Columbus, November 13, 1942.

The United States is faced with the biggest production job ever assigned to a national economy in world history. It is called upon to produce and to transport to widespread battlefronts all the different weapons needed to win this war. It must provide millions of men in its own armed forces and the armed forces of our allies with vast quantities of these weapons. And it must insure that this fighting equipment is second to none in quality.

The country is magnificently equipped to do such a job. Our plentiful supply of national resources has long been the envy of the world. We have the productive ingenuity and talent to make the most of these resources. Our endowment of engineering genius, of managerial ability, and of labor skills, coupled with our supplies of material resources, have identified efficiency and mass production with the American economy.

But vast as they are, our resources are not limitless. They cannot meet the requirements of war and at the same time provide the liberal standard of living to which most of us have become accustomed. Men and materials engaged in producing implements of war, cannot at the same time produce the comforts of peace. We cannot have both.

For the duration there is no dilemma. It is our national policy to use our resources for war production to the fullest extent consistent with the maintenance of the civilian health and morale which are essential to that production. We have moved a long way in that direction. Our war output has doubled, then doubled again, and then doubled still again. Yet our goal is still far away, and economic mobilization for war is far from complete. The job ahead of us is too big for any complacency toward what we have accomplished.

A few figures will indicate the magnitude of our operations. Federal expenditures during the fiscal year 1943 will amount to $85 billion, compared with $33 billion during the three years, 1917-1919, of World War I. The American people are this year spending for war about $600 for every man, woman, and child in the land.

These are breath-taking figures. Yet they tell only part of the story. The complete story cannot be told, for we cannot know how long the war will last. Nor do we know what course future war expenditures will take. To date, the war program, as a whole, totals $230 billion in appropriations and net authorizations between June, 1940, and September, 1942.

The conversion of an economy traditionally devoted to peace into an economy which can produce war material in such magnitudes is without precedent. The stages of development must have been apparent to an industrial community such as yours in Ohio.

When conversion to war began, we had at our command a substantial reserve of unemployed natural and human resources. Although many who were unemployed during the depression had found work by 1940, there still remained in 1940 a welcome supply of untapped manpower. We also had an apparent abundance of raw materials. Moreover, many factories had been partly or wholly idle, or had been operating only a small part of the time. These plants were available for an expansion of production. Fuller use of existing factories, the construction of new industrial facilities, and the training of workers, enabled us to increase steadily our productive capacity. By using men, materials, and facilities that had formerly been idle, by working longer hours, and by adding new capacity, we were able for about a year and a half to increase our output of armaments and at the same time to continue to increase our supply of civilian goods. As consumers, we had at the same time both more money and more goods. Both our money income and our real income were substantially higher than they had ever been before.

In this early stage the real cost of producing the implements of war - - the extra work, the additional pressure, and the sacrifice of things we might have had - - often seemed remote and unreal. The previously unemployed person regarded his new job, even though it required hard work, as a blessing rather than a burden. His higher income enabled him to buy more goods and services. Because civilian output was expanded, no one else had to receive less goods and services when the newly-employed person received more income. There was relative plenty for everybody.

As our war output expanded, it was no longer possible to depend entirely upon the employment of equipment and labor that had formerly been idle. We had to turn to other sources. We had to develop new supplies of labor, on one hand drawing upon the women of our country and on the other training much of the existing labor force in higher skills. We had to curtail drastically private construction and the production of capital goods. Instead of maintaining, replacing, and adding to our existing equipment in the normal way, we were producing the implements of war. Houses, streets, transportation facilities, and, in considerable measure, even factories and equipment devoted to producing consumer goods, will have to serve in substantially their present condition while we go about the grim business of winning the war.

When another supplemental source of war production, the stocks of basic accumulated resources -- for example, our scrap metal and stockpiles of rubber -- are depleted, they cannot be replaced.

Until recently these three sources -- unemployed facilities, deferred maintenance and construction, and stockpiles -- have been sufficient to provide the major part of our war output. We have drawn heavily on only one segment of consumer goods output -- durable goods, such as automobiles, refrigerators, stoves, and the like. Until recently we have maintained the supplies of consumer non-durable goods and services at levels as high as have ever been reached in this country.

These happy days are almost history. The demands of total war play no favorites with sources of increased output. To meet the demands of total war, equipment and labor must be shifted from the production of the comforts, and even some of the things we have come to regard as the necessities of life, to the production of the implements of war. To produce more tanks, planes, and guns, and to feed our armies and our allies, we shall have to accept not only fewer automobiles, but also less heat, less clothing, and even less food.

Had we planned this war, our timing of war production could have been better. If, for example, the United States had embarked on re-armament at the depth of the industrial depression when a large part of our human and material resources were idle, the nation could have produced war materials without displacing existing civilian production. At that time our standard of living was substantially lower than in 1940, which marked the beginning of our defense program. It was under such circumstances that Germany began to rearm. She was thus enabled to utilize for war purposes substantially all of the increased output resulting from increased employment of men and machines. We cannot devote a comparable proportion of our resources to war without returning to depression levels of consumption, and without retaining at the same time prosperity levels of income and production. On a physical level we can, however, more easily curtail current civilian production because of the consumer capital we have accumulated during the years of relatively high output of consumer goods.

The necessity of reducing our current standards of living brings us face to face with the economic costs of the war. The monetary terms in which I have stated the problem are merely symbols for the underlying real costs. The civilian goods we shall have to do without, in order to push the production of military and naval goods to the limit, is the real sacrifice we must make. If we accept the preservation of the four freedoms as the goal of the war, we have no choice as to the material burdens we shall have to bear. Our desires for radios, for travel, for extensive vacations, and for many other things, will have to give way to our desire for the democratic way of life.

The hard economic facts of war -- our dwindling output of consumer goods and services -- can be hidden for a time by bulging inventories. For a time stores can continue to supply goods from ample stocks. But the protective covering of inventories is wearing thin in dozens of places. Bare spots in store shelves are becoming commonplace. The Christmas rush will further deplete stocks of available goods. The scarcity of nylon stockings and of rubber products has made the headlines; but they are only part of what has already occurred, and only a foretaste of what is to come. Each scarcity that develops diverts purchasing power into other channels, creating additional scarcities and making the real cost of war more and more evident.

This real economic cost must be met now, while we are fighting the war. It cannot be shifted to foreign countries. It cannot be shifted to the future. We will not, as the Axis has done, obtain real resources by looting conquered territory. We cannot, because of the limitations of the industrial capacity of the neutrals and of our allies, obtain real resources by borrowing goods from abroad. And borrowing dollars at home in no sense postpones the costs to the future.

The economic cost of the war would not be changed if we cancelled all taxes tomorrow. The country, as a whole, cannot increase the total supply of goods merely by financial manipulation. The materials of war must come from the present generation of Americans. They -- and no one else -- can provide those materials. They can do so only by hard work and the postponement of the pleasures of consuming as civilians much of the fruits of their work.

The physical realities of hard work and short supplies have a monetary counterpart. The full and increasingly intensive mobilization of resources means large and increasing incomes to workers and investors; the short supply of consumer goods means that there is relatively little for these incomes to buy. If they were permitted to flow freely to the market for consumer goods, they would lift prices; and in a wild competition the short supplies would go to those persons who were willing and able to pay the most for them. This is one method of distributing limited supplies. It is the method of inflation. It is a method we used in the last War, and a method other countries have used to an even greater degree. We have made some use of it -- though by default rather than design. Prices of consumer goods as measured by the Bureau of Labor Statistics cost of living index number have risen more than 17 percent in the last two years. This is only a handwriting on the wall.

We have certainly had enough experience with inflation to know that it is an unsatisfactory method of distributing short supplies -- a method that would never be explicitly chosen by intelligent men. Inflation imposes the heaviest sacrifices on those who can least afford them. Rising prices hit persons with fixed incomes much harder than persons with rising incomes. They affect persons with low incomes, who must ordinarily spend their entire income on purchases of goods and services, more adversely than persons with high incomes, who can maintain their standards of living despite rising prices.

Inflation also disorganizes the economic process. Business, as you well know, is conducted in terms of prices that are expected to be fairly stable. Rapid price increases shift the emphasis from production as a source of profits to speculation and hoarding as sources of profit. The struggle of labor to keep wages in line with ever-rising prices adds to the confusion. If inflation takes precedence over production as the main concern of business and labor, the war effort will surely suffer.

Finally, inflation multiplies the monetary costs of the war and makes the post-war adjustment more difficult, if not impossible.

The basic inflation problem is even more urgent today than it has been in the recent past. During that period we have had a large, and even a growing, supply of consumer goods and services to distribute. We have also been able to rely on large inventories to fill the gaps left by declining civilian production. The problem is now entering a new and more critical phase. Military requirements will reduce the civilian supplies to the hard core of minimum civilian needs. In allocating this reduction among the individual members of our population, our concern must be to avoid unfairness and all the unnecessary hardships of the inflationary method of distribution. Our concern must also be to apply the highest possible standards of fair play and economic wisdom. The decisions we make with respect to the distribution of the Nation's "iron rations" will affect human welfare, productive efficiency, and economic stability, not only during the war, but also in the post-war period.

To accomplish our objectives, we shall have to adopt many measures. We shall have to extend some measures now in operation. We shall have to introduce new measures. In such a program, taxes must play a vital part. They not only reinforce other controls, but also perform functions beyond the reach of those controls. Not every tax will do this. Not every tax is a good tax. We need taxes that will both keep excess purchasing power away from the market and at the same time place the inevitable reduction in consumption on those who are in the best position to bear it.

Distribution of the Burden

The primary test of a good tax measure is how it distributes the economic burden of war. Millions of our people are living at a level that is barely adequate to keep them working efficiently in the factories and in the fields. Recent increases in income have represented for many families merely the possibility of changing a diet sufficient for a sedentary life of partial or full unemployment to a diet capable of sustaining a vigorous day at a swiftly moving machine. For other families increases in income have represented nothing more than the maintenance of their previous meager living which can now be obtained only at a higher price. For still other families increases in income have represented only a partial correction of many years' lack of medical and dental care, adequate clothing and shelter.

These are not merely problems of social welfare, with which we were concerned in days of peace. In war they become matters of immediate, military importance. The exemption of a minimum level of income from taxation, and the limitation of the war burden on those workers whose standard of living is barely adequate for productive efficiency, is the social cost of providing vigorous workers in our steel mills, in our coal pits, and on our farms.

We shall lose much more than we gain if we so reduce basic living standards as to impair morale and productive efficiency. We shall lose more than we gain if we fail to recognize the importance of maintaining incentives to produce and earn, to work, to work more hours, and to work more efficiently. I do not wish to suggest that living standards are to be adjusted as though men were machines, or that rewards for production can take no account of motives of patriotism. I wish simply to indicate the importance of a broad grasp of our production problem in drawing up a constructive tax program. The well-fed and adequately clothed worker is a better worker. And the maintenance, day by day, week by week, month by month, of intense and enthusiastic productive effort requires adequate economic incentive. If taxes are to <u>promote</u>, rather than <u>hinder</u>, our transition to maximum war production, they must interfere as little as possible with the basic incentives to work and produce.

The Prevention of Inflation

Taxes must also meet the test of reducing the inflationary use of purchasing power which is flowing into the hands of consumers. The dam of price controls cannot hold back the flood waters of consumer purchasing power without the aid of diversion dams built by taxes.

Inflation is itself a form of taxation, except that the proceeds are not garnered by the Government. It fastens to one's income as surely as the tax demanded by the revenue collector. It is the worst possible kind of a tax.

Taxation can relieve the spending pressure which threatens a runaway inflation either by absorbing excess purchasing power or by deflecting it from the market for consumer goods and services. Either method reduces money demand and therefore the pressure on prices. If taxation is to be part of a coordinated attack on inflation, it must be designed to accomplish this result in ways which do not make more difficult the jobs of price control and rationing.

Flexibility

Economic like military plans must be capable of quick adjustment in time of war. We can no longer plan in terms of years and expect our plans to be fully realized. We must be prepared to change them on short notice. This means that the tax measures we adopt must be flexible. They must be capable of adjusting a steadily increasing flow of income to a steadily decreasing flow of goods. They must be capable of quick revision to meet unexpected changes in war demands or in consumer supplies. And after the war is over, they must also be capable of smooth readjustment to post-war needs.

Flexibility is important not only for the war period, but also after the war. The return to a world of peace will require changes as radical as those through which we are now passing. The problems that now call for taxes capable of speedy adjustment to changed conditions will after the war plague us in reverse.

We shall be anxious then to reconvert speedily and smoothly. The release of purchasing power diverted by taxation and other measures from spending into saving during the war can help in this process. But it will help only if the release is controlled and adjusted so that the increase in purchasing power is timed to match the increase in the supply of goods available for purchase.

Administration

Wartime conditions impart special importance to the administrative aspects of taxation. Today, more than ever, we need to select taxes that are reasonably capable of administration. We need to select taxes that raise no serious problems of tax compliance and impose as little drain as possible on scarce machinery and manpower. In the demand for both personnel and machines, tax administration will compete with most of the war agencies, the armed forces, and in many cases with industrial producers of war materials. The merits of any new tax, however productive it may be of revenue, would be seriously diminished if the manpower, the equipment, and the materials required to administer the tax interfered seriously with the war effort by dissipating resources that are needed for the prosecution of the war.

Most of the machines and the materials normally required in tax administration are now extremely scarce. Any unnecessary demand placed upon these supplies by the tax administration would unduly interfere with the war effort.

These considerations have led the Treasury to appraise with care the administrative implications of various tax proposals. It has been fairly obvious that the expansion of revenue from certain established tax sources would entail less administrative and compliance cost than the introduction of certain new types of taxes. So long as the expansion of revenue along such lines conforms to the requirements of sound tax policy, it is clearly advantageous from the administrative point of view. This is one reason why it has been desirable and administratively feasible to expand the scope of the income tax. This also is a consideration in favor of a spendings tax which uses the same frame work of administration as the income tax.

Conclusion

I have reviewed today some of the criteria which must govern our tax policy in time of war. In order not to blur the broad outlines of the problem, I have deliberately refrained from discussing specific tax proposals. Intimate association with the tax legislative process during the past year has impressed me with the danger of becoming too preoccupied with the technical details and the special interests involved in individual tax measures.

The job we face is broader than any one tax. It goes far beyond considerations of revenue. Tax action must be directed toward the removal of the upward pressure of excess spending power on prices and costs; toward the fair distribution of the economic burden of the war; toward the maintenance of productive incentives and the protection of the health and morale of our population; and finally, toward the creation of a favorable environment for a high level of business activity in the post-war period.

In a democracy there is bound to be extensive discussion of the pros and cons of any tax proposal. It would be sad indeed if there were not. The welcome presence of such discussion is a reflection of the strength of democracy. But that discussion will not serve the fullest purpose if its frame of reference is too narrow, if it is restricted to the conflict of selfish interest, or if it over-emphasizes technical perfection. We must see the forest before we may profitably examine the trees.

TREASURY DEPARTMENT
Washington

(The following address by Assistant Secretary of the Treasury John L. Sullivan before the eleventh Forum on Current Problems in the Waldorf-Astoria Hotel, New York City, is scheduled for delivery at 3 p.m., Eastern War Time, Tuesday, November 17, 1942, and is for release at that time.)

WAR SAVINGS BONDS AS POST-WAR INSURANCE

The Treasury is delighted to participate in this Forum on current problems and to join your discussion of post-war conditions.

We are engaged in a conflict in which a military defeat would destroy our liberty, our equality, our freedom of worship and freedom of speech and all of the other freedoms that have made America the hope of the world. Yet, without diverting one whit from the war effort, we meet here today to discuss not merely how to preserve the best we have thus far achieved but how to improve upon the best we, or any other nation, have ever known. Here indeed is proof, -- if proof be needed, -- of the vitality and dynamics of Democracy and of the courage and vision of America.

Presently we have two major concerns: First, to raise the tremendous sums of money to finance this war; and, second, to do it with the least interference to our present war effort and with the greatest regard for the economic security of our people now and later.

The total Federal tax collections in the fiscal year 1943 will be about $21 billion. But our Government expenditures during that year will be $84 billion. Every penny of the difference, $63 billion, the Treasury will be obliged to borrow.

In approaching the problem of such tremendous borrowings I want to assure you that the Treasury has keenly in mind the economic welfare of the American people during this war and in the post-war period. It is for this reason that we are making our maximum effort to borrow from the people of the country out of their current income every last dollar they can lend us. These are the dollars we welcome most cordially because they are the most effective dollars in our fight to control inflation now and in our quest to enhance the economic security of Americans in the post-war era.

After the people of America have paid all their direct personal taxes to Federal, State and municipal tax collectors in the calendar year 1943, they will have left in their pockets $36 billion more than they had after payment of the same taxes in the calendar year 1940. At the same time when there is this great increase in the net income of the people of the country we are experiencing drastic reductions in the production of civilian goods. These two factors contribute to the threat of a paralyzing inflation that could disrupt our entire economy, bankrupt untold thousands of citizens, and destroy the morale of the nation. Only nation-wide saving on a tremendous scale, only saving by everybody, can safeguard us against inflation.

So today, I plead with you for thrift. I plead for savings. I plead with the American people to lend every possible dollar out of their incomes to their Government. We are not asking you to give that money, -- but to lend it.

I am not asking you to do an easy job or a part-time job. Savings-as-usual like business-as-usual will not satisfy the needs of the time. We must stop spending as usual on the good and pleasant things of life. We must spend much less of our income on the present and invest much more of our income in our own future. Freedom is what we are buying when we invest our money in War Bonds, and there is no better thing for America to buy than Freedom.

I ask you to show your friends and your neighbors in your own community that it really is smart and patriotic to be thrifty. Warn them of the danger of unnecessary spending and show them by your own conduct and by the management of your own homes that you practice what you preach.

The investment of every possible dollar in War Bonds is the finest insurance you can purchase for the future, -- not only for your country but for yourself and for your family.

Whether the armistice brings with it good times or bad, the man or woman who holds War Savings Bonds is in a better position than the neighbor who holds none. These War Bonds will become the nest egg with which some families will purchase new homes, or educate their children.

They will enable people temporarily out of work to support their families. They will enable others to buy the washing machines, vacuum cleaners and automobiles they have foregone during the war. In short, they are a custom-made security, tailored to suit not only the current financing demands of the Government and the need to control inflation, but also to fit the future saving, investment and purchasing problems of the American people in the post-war era.

I beg you to join the Treasury today in its effort to finance the war, to combat inflation, and to provide for post-war personal security. If you belong to a Christmas club you will be getting a check from your bank within the next few weeks. Take at least half of that money and invest it in War Savings Bonds. Take at least half of your dividend checks, your interest on bonds, or your Christmas bonus and buy War Savings Bonds. Buy at least a few War Savings Stamps out of every bit of income that passes through your hands. Above all, this Christmas give War Savings Bonds as presents. For your children especially there is no finer gift. Such a gift is literally a present with a future. In this way you will not only give them money but security for the kind of world you hope they will be able to grow up in.

Here is a job every man and woman in America can do to help win this war. Let's all get into this fight and stay in it until victory.

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TREASURY DEPARTMENT
Washington

34-15

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, November 17, 1942.

Press Service

The Secretary of the Treasury announced last evening that the tenders for $500,000,000, or thereabouts, of 91-day Treasury bills to be dated November 18, 1942, and to mature February 17, 1943, which were offered on November 13, were opened at the Federal Reserve Banks on November 16.

The details of this issue are as follows:

Total applied for - $1,157,405,000
Total accepted - 501,422,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx.	0.297%	per annum
Low	- 99.906	" " " " "	0.372%	" "
Average price	- 99.906+	" " " " "	0.371%	" "

(85 percent of the amount bid for at the low price was accepted.)

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TREASURY DEPARTMENT

Washington

(The following address by Randolph E. Paul, General Counsel of the Treasury, before the New School for Social Research, New York City, is scheduled for delivery at 9 p.m., Eastern War Time, November 17, 1942, and is for release at that time.)

THE BIRTH OF THE REVENUE ACT

The Revenue Bill of 1942 -- 249 official pages in length -- was enacted on October 21, 1942 when the President affixed his signature to the final product of one of the most gruelling legislative processes on record. We ordinarily -- but quite erroneously -- think of this process as beginning on March 3, 1942, when the Secretary of the Treasury formally submitted his recommendations to the Ways and Means Committee and as ending on October 21, 1942. During this period of more than 7½ months the press reported open hearings before the Ways and Means Committee and the Senate Finance Committee, and did its best to report what happened at executive, or secret, sessions of these two committees and of the Conference Committee of the two Houses. It also reported what happened on the floor of the House of Representatives and the Senate. Apart from the bill itself and very lengthy formal reports of the Ways and Means Committee, the Senate Finance Committee, and a great deal of guessing on the part of experts, columnists, and others, these are the generally available sources of information with respect to the making of a revenue act.

These sources do not give the entire picture. Much goes on which of necessity is not a part of the public record. The work of producing a revenue act is much more extensive and variegated than most people suppose. Throughout the consideration of the Revenue Act of 1942 by the Treasury, by Congress, and by many other agencies, I had an opportunity to view the process from behind the scenes. I should like to take you back stage this evening so that you may understand how much more happens than appears on the regular stage; how much hard work has to be done by members of the Ways and Means Committee and Senate Finance Committee and their staffs and by members of the Treasury force, and why the passage of a revenue act through Congress occupies so many months. I do so not for the purpose of revealing any dark sensational secrets, but rather in order that you may have an understanding of the quantity and quality of the work done by your administrative and legislative representatives, and in the hope that you may have some compassion for those who have in their charge the inevitable revenue legislation of the future.

In this connection the word "future" is not such a long-distance word. It refers to the Revenue Act of 1943. I will not indulge tonight in any dignified guessing as to what that Act will contain. I am sure, however, that whatever the other feelings of some of you may be, you may doubt the truth of Llewellyn's statement made in another connection:

"For too much law, more law will be the cure".

The Many Contributors to a Revenue Act

Before we trace the development of a Revenue Bill itself, it might be well first to indicate briefly some of the forces that contribute to its growth. Some of these forces are seen, others are unseen. Among the visible participants in the task of producing a revenue act is the staff of the Joint Committee on Internal Revenue Taxation, consisting of a number of lawyers and other experts headed by Mr. Colin F. Stam, Chief of Staff. Also assisting Congress are those members of the Office of the House Legislative Counsel who specialize in tax legislation, headed for the 1942 act by Mr. John O'Brien. This office is primarily responsible for the back-breaking as well as mind-exhausting job of drafting the statutory provisions agreed upon by the Congressional committees and the Congress itself. Next in the list we might put the Treasury Department. The Treasury staff fans out from the Secretary through me into two offices — the Office of Tax Legislative Counsel and the Division of Tax Research. I am not sure which of these two groups your Mayor recently referred to when he ascribed some proposals to the "semi-colon boys of the Treasury Department". The former consists of a small group of lawyers headed by Mr. Thomas Tarleau, Legislative Counsel and Mr. Stanley Surrey, Associate Tax Legislative Counsel. (I am sorry to say that the 1942 act was Mr. Tarleau's last revenue act. He has left us to go into private practice. It is hard to imagine how we will get along without him on the 1943 bill.) The Division of Tax Research consists of a small number of economists headed by Mr. Roy Blough. These two offices were under my jurisdiction in the framing and presentation of the 1942 act.

A number of other divisions in the Treasury assisted constantly in the policy-making phases of the act. Constantly throughout the consideration and drafting of the Act by Congress many lawyers of the office of Mr. J. P. Wenchel, Chief Counsel of the Bureau of Internal Revenue, assisted in various connections, particularly with the drafting of the bill. Mr. Guy T. Helvering, Commissioner of Internal Revenue, and his staff were constantly consulted as the 1942 bill moved toward its eventual final passage, the purpose of these consultations very often being to determine from the best possible source -- experience -- the administrative practicability of suggested provisions. Furthermore, Mr. Helvering and his assistants frequently testified before Congressional Committees in connection with special provisions where the administration of such provisions had qualified them as experts. I was particularly dependent upon Captain Bliss and his staff in connection with the technical phases of the tobacco tax, and many other excise taxes.

So much for the seen group of contributors. One should not forget, however, that many contributors to a revenue act, particularly at a time like the present, are not in Congress or the Treasury Department. Many other departments make suggestions, and are consulted both as to policy and technical details. This is true of the Federal Reserve Board, the Bureau of the Budget, the Office of Price Administration, the War Production Board, the War and Navy Departments, the Maritime Commission, the Department of Agriculture, the Interstate Commerce Commission, and the Federal Communications Commission.

The Pre-Legislative Process

I said that the consideration of the 1942 revenue bill by Congress began on March 3, 1942. It is not to be assumed that this date marks the beginning of work on the bill. The Treasury must spend much time and effort before it is in a position to present recommendations to Congress. In fact, work on a revenue bill commences with the preparation of the President's budget message, customarily made public early in January. For two months previous to the submission of this message to the Congress, the message is being prepared by the Bureau of the Budget, with the assistance of the Treasury and the other governmental departments. The general purpose of the Budget message is to state the government's fiscal needs for the fiscal year beginning on the following July 1st, to indicate the revenue yield of the existing tax structure, and to recommend whatever additional legislation may be deemed necessary. The President's message of January 5, 1942 indicated unprecedented revenue necessities. The President forecast $56 billion of war expenditures, and two subsequent revisions have added $22 billion more. This war budget of $78 billion, together with non-war Governmental expenditures, makes a total for the fiscal year 1943 of $85 billion. The original goal of additional taxes set by the President in the budget message was $7 billion.

It was clear even before December 7, 1941, to everyone in the Treasury as well as to many others, that additional revenue legislation would be necessary in the year 1942. Moreover, the previously mentioned offices in the Treasury are constantly at work upon the improvement of the tax structure. In November, 1941, the Treasury commenced work specifically upon the revenue program for 1942. The period beginning then and ending at March 3, 1942, was continuously devoted to a consideration of the necessity of raising at least 7 billion dollars of additional revenue and of the available sources of that revenue. For two reasons the job was particularly difficult this time. The first reason was that additional taxes had to be superimposed upon heavy existing taxes. A second reason was that we were at war. This meant that every suggested measure had to be tested, not only in the ordinary light of how it would affect our economy, but also in the light of how it would affect the prosecution of the war. This question was paramount in the consideration by the Treasury of every provision of the Revenue Act of 1942.

I would hate to have to repeat the strenuous days and nights of December, 1941, and January and February, 1942. One has to arrive at policy recommendations from a consideration of (1) hundreds of suggestions in the Treasury, (2) the views of other government agencies, particularly the Bureau of the Budget, the Federal Reserve Board, the War Production Board, the Office of Price Administration, and the War and Navy Departments, and (3) proposals from many outside non-governmental sources. This requires almost constant meetings and conferences ranging from informal meetings of a few experts to gatherings of 25 or 30 officials and taxpayer representatives. In this period either the Secretary of the Treasury or I, or both of us, or members of the staff conferred with thousands of different individuals. My records show that I personally participated in more than 800 of these conferences between January 1, 1941, and the passage of the 1942 act; 390 of these conferences were with taxpayer representatives and the representatives of other branches of the government. In the period prior to March 3, 1942, representatives of the Treasury conferred with Chairman Robert L. Doughton of the Ways and Means Committee and others on that committee. We conferred with Chairman Walter F. George and other members of the Senate Finance Committee. We conferred with Mr. Smith and other representatives of the Bureau of the Budget. We conferred with Mr. Eccles and members of his staff in the Federal Reserve Board. We conferred with Mr. Henderson and many of his assistants in the Office of Price Administration. We conferred with Mr. Donald Nelson, head of the War Production Board, with respect to the effect of suggested tax measures upon war production. We conferred with Mr. Patterson, Under Secretary of War, and many others in the War Department; Mr. Forrestal, Under Secretary of the Navy, and many others in the Navy Department; Admiral Land, Chairman of the Maritime Commission, and many others in the Maritime Commission. These conferences with the service departments related primarily to the impact of tax measures upon the war effort and upon the war contracting process. We were in conference with members of the Department of State, Department of Justice, Social Security Board, Securities and Exchange Commission, Interstate Commerce Commission, Office of War Information, War Labor Board, Board of Tax Appeals, and Federal Communications Commission.

All of these conferences I have past mentioned were in addition to the conferences held with the personnel of the Treasury itself.

But intra- and interdepartmental conferences and conferences with members of the Congress were not our only activity at this stage of the revenue program. A revenue program is not made in closed caucus. Through the offices of the Treasury there passed a stream of taxpayers and their representatives. Some of them volunteered suggestions or were interested in specific measures. Some of them were outside experts called into consultation by special invitation. Much valuable aid was derived from these sources. To mention just a few examples, - these conferences took in the representatives of insurance companies, farm bureaus, railroad associations, mining organizations, oil organizations, stock market organizations, labor organizations, and many other organizations representing various groups in our population.

I should like to mention one additional problem at this point. It is not possible for all who suggest to come to Washington and confer. Thousands of suggestions are made by correspondence. I wish you could have a week with Treasury tax mail. It covers a wide range both of questions and of mood. Many letters are sympathetic. Some are anything but. An example of the latter is furnished by the following conclusion to a 155 word telegram: "By the way what is your salary as an 'expert'? The question mark applies to both the sentence and the word expert." I have made it a point to give all letters received, and even to postals, more than a perfunctory acknowledgment. It is worth while doing so. Many of the suggestions received in the Treasury mail have culminated in actual provisions of the Revenue Act of 1942. We are still studying other suggestions. Even where the suggestion made is not feasible, the interest shown is stimulating. We like even to hear from those who disagree with us. This happens sometimes.

Perhaps I might give you at this time one or two examples of the general points I have made. We felt early in the game that our Federal excise taxes should be increased. Early in January, 1942, we therefore organized a committee to consider and suggest excise taxes designed to raise revenue and facilitate the war effort. This group consisted of representatives of the Staff of the Joint Committee on Internal Revenue Taxation, the Office of Price Administration, the War Production Board, the Federal Reserve Board, the Bureau of the Budget, the Department of Agriculture, and various branches of the Treasury. This committee gave specific consideration to almost every conceivable type of excise tax. It met every two or three days for a discussion of specific excises. I attended about 20 of these meetings and found them very stimulating and helpful. The general results of these meetings were recommendations for: increases in the rates of a number of existing excises, the addition of certain new excises, and the elimination of certain excises already on the statute books. The example just given is one of interdepartmental cooperation.

I would like now to give an example of cooperation with the business world. Mr. Morgenthau's message of March 3, 1942, recommended collection of income tax at the source. This recommendation followed about six months of close study of the subject by the Treasury. The problems encountered were varied and difficult. Most of them had been solved when the recommendation was made. However, additional precautions were taken. The Treasury wished to know more about the problems that would be faced by employers if this method of collection were introduced, and the attitude of employees toward the method as well. The suggestion involved additional personnel not only by the Bureau of Internal Revenue, but also by the business community. It also would require additional machine equipment such as typewriters, comptometers, etc.

We therefore made a survey of the country. Fourteen teams of investigators, consisting of one representative of the Bureau of Internal Revenue and one representative of the Division of Tax Research were sent from Washington. They interviewed employers in Chicago, Detroit, New York, and southeastern areas. One team went to Toronto to study the established Canadian system of collection of the tax at the source. Also, the thirty-eight Internal Revenue Agents in Charge throughout the United States had their agents interview approximately 10 business firms in each of their districts.

In this way we contacted more than 450 business concerns. Aircraft companies, railroads, chain groceries, lunch rooms, and beauty parlors, filled out questionnaires, and stated how collection at the source would affect them. These questionnaires, when tabulated, disclosed many significant factors. For example, it was learned that 310, or 68 percent, of the firms contacted needed no additional equipment to inaugurate the proposed system. 402, or 80 percent, of the firms were favorable to the collection of tax at the source. With this information and the many valuable suggestions received from persons interviewed, it was possible greatly to improve the plans we had developed on the inside. It was also possible to submit estimates to the War Production Board of the equipment which would be needed by the Bureau and by outside business.

The Treasury likewise made an extensive study of general sales taxes at the manufacturing, wholesale and retail levels. The Treasury's position on the general sales tax was that the Government's revenue needs could and should be obtained without recourse to a general sales tax. However, in order to assist the Senate Finance Committee and the House Ways and Means Committee in their consideration of this problem, the Treasury conducted a detailed investigation of different types of sales taxes in use in our own States and certain comparable foreign countries. These investigations included field surveys in seven States and in Canada. The sales taxes of Australia and Great Britain were also studied but without field trips to either country. The results of these studies were presented to the Committees in executive session.

I have said that representatives of the Treasury had several conferences prior to March 3, 1942 with Chairman Doughton and Chairman George. We also had a great many conferences during this period with Mr. Stam and his assistants. The purpose of these conferences was to formulate to the utmost extent possible agreement between the Treasury and the Joint Staff on the recommendations to be made to the Congressional Committees. During this period we had 23 meetings with Mr. Stam, and we were able to agree on more than 70 recommendations. Most of the recommendations on which we reached agreement were accepted by the Congress and are now contained in the Act. This preliminary discussion was one of the most valuable features of our work on the 1942 bill.

The Consideration of the Bill by the House Ways and Means Committee

Now put yourself back to March 3, 1942. On this date Secretary Morgenthau appeared before the Ways and Means Committee in public session for the purpose of submitting to the Committee the Treasury recommendations for the 1942 Act. I followed Secretary Morgenthau with a more detailed discussion of some of the suggestions made. We were questioned for the next two days of the session by the 25 members of the Committee. Then followed what may be literally called a host of witnesses. In round figures, 350 persons testified before the Ways and Means Committee; the record of the hearings comprises 3640 pages, over 10 pages per person. Many of these witnesses represented no one but themselves and were merely giving individual views to the Committee. Others appeared for organizations, including the Chambers of Commerce, C.I.O., A.F. of L., National Association of Manufacturers, Association of American Railroads, American Bankers Association, National Grange, American Mining Congress, National Lumber Manufacturers Association, American Association of University Women, American Federation of Teachers. The public sessions closed on April 17.

I made several subsequent appearances before the Committee in open session. Altogether, I testified 8 times on the subjects of pension trusts, tax exempt securities, percentage depletion and so forth.

The next stage in the development of a revenue act is the executive session of the Ways and Means Committee. This executive session is held behind closed doors, and aside from committee members, no one is allowed to attend except representatives of the Joint Staff, the House Legislative Counsel, and representatives of the Treasury. At the noon hour and at the conclusion of the afternoon session, it was customary for the Chairman to announce to the representatives of the press the action taken by the Committee.

In the 1942 bill these sessions lasted usually from 10:00 in the morning until 4:30 or 5:00 in the afternoon, though sometimes the sessions were necessarily interrupted when votes were taken in the House and the presence of members on the Floor was required. Like the open sessions, they were fully attended by committee members. No stenographic record was made of the proceedings, but they were more or less formal in character. Every proposal is discussed in detail not only in its legal aspects, but also from the economic standpoint. At the request of the committee, information and an expression of views, were given by the Treasury and the Joint Staff. Every member of the Committee asked questions of the Joint Staff and the Treasury as to the effect and advisability of particular provisions. There was a constant exchange of views, both oral and written. Frequent requests were made for further information as to the revenue yield or loss involved in a particular measure. In this fashion the committee members obtained all of the information and data which they deemed necessary to the policy determinations they had to make. At the appropriate time, a tentative vote was taken on each item under consideration. In this way there gradually developed the first committee print of the bill. When this was done, the Committee as a whole re-considered each new provision and took a final vote with respect thereto. Finally, the entire bill, as recommended by the Committee, was sent to the floor of the House for approval.

The 1942 Bill reached the House on July 14. The House generally has what is called a "closed rule" on Revenue bills. The effect of this rule is that nothing but committee amendments may be voted upon. It is necessary for the House to accept or reject the bill in toto.

This year the consideration of the bill on the floor of the House produced more than routine action. As introduced into the House by the Ways and Means Committee, the 1942 Revenue Bill provided for a combined normal and surtax on large corporations of 45 percent. An excess profits tax on corporations of 87-1/2 percent was imposed by the Bill. The Ways and Means Committee, on the last day of debate by the House, introduced amendments to the effect that the Bill be recommitted to the Ways and Means Committee in order to amend the Bill so that the combined normal and surtax rates would be reduced to 40 percent and the excess profits tax raised to 90 percent. The House proceeded to reject that portion of the Committee amendments which lowered the combined normal and surtaxes and accepted the amendments which raised the excess profits tax. In this form the Bill passed the House.

The Senate Finance Committee rejected the combined rate of 45 percent and replaced it with the 40 percent combined rate which the Ways and Means Committee had proposed. This was agreed to by the Senate and subsequently was accepted by the Conferees and by both Houses so that in its final form the Bill contained the 40 percent combined rate and the 90 percent excess profits tax rate.

The Consideration of the Bill by the Senate Finance Committee

The Revenue Bill of 1942 passed the House on July 20. On July 23 hearings were commenced before the Senate Finance Committee, which consists of 21 Senators. Here again the Secretary of the Treasury appeared first for the purpose of stating the Treasury's views with respect to the House bill. The Secretary was followed by witnesses representing outside organizations or giving their own personal views. In the Senate Finance Committee this year 249 witnesses appeared. The record of the Senate hearings comprises 2376 pages. This, combined with the House committee hearings, gives a total of 6016 pages.

If you look at this record you will find that many of the witnesses had already appeared before the Ways and Means Committee.

At the conclusion of the open hearings, the Senate Finance Committee, like the House, went into closed executive session. As in the case of the House executive sessions, the Chairman of the Committee at the end of the morning and afternoon sessions would announce the nature of all actions taken by the Committee. The executive sessions on the 1942 bill, like the open sessions, were very well attended by Committee members.

On the whole, the Senate Finance Executive Sessions were very much like those of the House Ways and Means Committee, except that they were perhaps somewhat more formal. Testimony was presented by the Joint Staff and the Treasury; there was constant questioning on the presentation of such testimony; and information was requested by the members of the Committee. In the consideration of the 1942 bill, the Finance Committee expedited its work by appointing several subcommittees for the consideration of particular subjects, such as collection of tax at the source and the Ruml plan, renegotiation of contracts, pension trusts, mutual insurance companies, and mining relief. The House Ways and Means Committee did not adopt this procedure. The Executive Sessions of the Senate Finance Committee on the Revenue Act of 1942 lasted from August 24 to September 24.

On October 2 the Senate version of the Revenue Bill of 1942 was presented on the floor of the Senate. The Senate, unlike the House, permits amendments on the floor; it has no closure rule. The Senate floor is the last chance for amendment and you may imagine the scramble occasioned by this fact. Many amendments of the 1942 bill not acceptable to the Senate Finance Committee, or not presented to that Committee in time, were presented on the floor of the Senate. Particular provisions of the bill are debated. The most highly debated points in the Revenue Bill of 1942 were the corporate tax rates, tax exempt securities, and percentage depletion. This does not mean that many other points were not vigorously debated on the floor. The debate on the Senate floor on the 1942 bill lasted for four days and the bill was finally passed by the Senate on October 10.

The Consideration of the Bill By the Conference Committee

When the last controversial item has been decided by the Senate, the Chairman of the Finance Committee requests a vote on the entire measure, which, despite prior disagreements, is usually passed by an overwhelming majority. Then the Chairman moves that the Senate insist upon its amendments, requests a conference with the House thereon, and asks the President of the Senate to appoint the conferees on the part of the Senate. The House then insists on its disagreement with the Senate and agrees to a conference. The Committee of conferees is usually composed of the ranking majority and minority members of the Committee on Ways and Means and the Committee on Finance. The Conference Committee, consisting of 14 members in the case of the 1942 bill, has the job of reconciling the disagreeing votes of the two Houses.

It has no jurisdiction to add any new matter. It can only consider an item which is either in the House or the Senate bill from the standpoint of reconciling the two measures. It was sometimes a pleasure at this late stage of the Revenue Act to be able to tell late comers that an amendment could not be considered because it was not "in conference". At this committee, the House and Senate members vote as separate bodies. When the House version of a particular section is agreed upon, the Senate recedes. When a Senate amendment is found to be acceptable, the House recedes. Of the 504 Senate amendments to the Revenue Bill of 1942, the House receded with respect to all but 18 amendments. This picture is, however, rather misleading for many of the amendments are clerical in nature, while some amendments made in the Senate are necessitated by lack of time for the adequate consideration of a problem by the Ways and Means Committee. In many instances, where an amendment of the Senate results in a compromise, the House, as said in committee reports, recedes "with an amendment" though the compromise version may more nearly represent the views of the House than of the Senate.

The work of the conference committee in 1942 lasted from October 12 to October 17 with a brief meeting on October 19. The work is done in closed session and no stenographic record is taken of the proceedings. If you watched closely the progress of the Revenue Bill of 1942 you may have noticed that only two days intervened between the last session of the Conference Committee and the President's signature on the bill. You may wonder how the job is possible from the drafting standpoint. The answer to this question is that the bill is constantly being drafted as the work of the committee proceeds. Mr. O'Brien's staff, with help from the Joint Staff and the Treasury, are constantly at work upon the preparation of amendments as they are agreed upon by the Committee. When such an amendment is agreed upon and is later stricken out, this work, of course, goes for nothing; but, on the whole, this practice of keeping the drafting process abreast of the Revenue Bill makes for speed and is a vital part of the machinery. No one can praise too highly the indefatigable efforts of the drafting group on the Revenue Act of 1942. I sometimes wonder how they survived.

What was the product of all this gestation? It is officially known as the Revenue Act of 1942. It has been called the greatest tax levy in the history of the United States, as well as the heaviest and the longest. Life Magazine described its "Picture of the Week", the official copy of the act, as weighing 9 pounds 6 ounces and containing 135,000 words. Apart from these physical attributes of greatness, it materially expands the scope of the individual income tax. It increases individual net income tax liability on 1942 income from $5 billion to $8 billion. The Victory tax, after the post war credit, will add some $2 billion more. The 1942 Revenue Act furthers the process of converting the income tax to a mass tax. In 1940 about 4 million taxpayers paid tax on the 1939 income. In 1943 there will be more than 27 million net income taxpayers under the established income tax system and close to 46 million taxpayers under the gross Victory tax. The Revenue Act of 1942 also raises annual corporate income and excess profits revenues from less than $8 billion to more than $9 billion.

I suppose no act has been subjected to so much criticism. Much of this criticism is in order insofar as it is directed to the inadequacy of the bill from the standpoint of curbing inflation and from the revenue standpoint. However, we may perhaps tonight say a few words in praise of the bill.

The Revenue Act of 1942 contains more relief provisions than any other act in our history. Page after page is devoted to the elimination of inequities. Many minor loopholes are closed. In this sense, if not in a fiscal sense, the Revenue Act of 1942 is a great bill. We had reached the point in our rate structure where loopholes resulted in a very serious loss of revenue, and where inequities and discriminations threatened to be disastrous. The tax structure had to be put in shape to carry an increased load. That has been partly done in the Revenue Act of 1942, and we have now a basic tax structure which will be better able to stand the strain of increased rates.

Conclusion

From what I have said I hope you will gather the impression that the making of a Revenue Act is not a simple matter. It is the product of many minds and many conferences. It requires the most intensive legal work. It requires an investigation of every proposal not only in the light of its impact upon our entire economy but also in the light of its effect upon a particular industry. Every item in the Act is tested not only in ordinary discussion but by much cross examination in the legislative process. The end product is sometimes too long and is sometimes lacking in that many would want. But if these are disadvantages they are the disadvantages that go with the advantage of the Democratic process.

Assets and liabilities of all active banks in the United States and possessions, by classes, ~~at the close of business~~ June 30, 1942 - Contd.

(In thousands of dollars)

	Total all banks	National banks	All banks other than national	Banks other than national: State (commercial)	Banks other than national: Mutual savings	Banks other than national: Private
LIABILITIES						
Deposits of individuals, partnerships, and corporations:						
Demand	$39,983,386	$21,945,397	$18,037,989	$17,925,024	$ 2,196	$110,769
Time	25,613,382	7,841,032	17,772,350	7,392,849	10,366,404	13,097
U. S. Government and postal savings deposits	1,902,191	1,189,410	712,781	712,040	523	218
Deposits of States and political subdivisions	4,454,371	2,741,720	1,712,651	1,708,451	1,394	2,806
Deposits of banks 1/	10,295,050	6,498,697	3,796,353	3,759,702	228	36,423
Other deposits	781,195	442,861	338,334	336,129	686	1,519
Total deposits 1/	83,029,575	40,659,117	42,370,458	31,834,195	10,371,431	164,832
Bills payable, rediscounts, and other liabilities for borrowed money	20,736	2,014	18,722	16,975	30	1,717
Acceptances executed by or for account of reporting banks	78,641	37,232	41,409	33,085	12	8,312
Other liabilities	608,821	341,110	267,711	229,629	37,593	489
Total liabilities 1/	83,737,773	41,039,473	42,698,300	32,113,884	10,409,066	175,350
CAPITAL ACCOUNTS						
Capital notes and debentures	104,171	---	104,171	98,160	6,011	---
Preferred stock	290,914	152,379	138,535	138,535	---	---
Common stock	2,603,601	1,355,291	1,248,310	1,242,057	---	6,253
Surplus	3,746,111	1,411,407	2,334,704	1,433,021	889,768	11,915
Undivided profits	1,270,261	515,949	754,312	458,112	295,873	327
Reserves and retirement account for preferred stock and capital notes and debentures	507,160	244,466	262,694	206,295	55,195	1,204
Total capital accounts	8,522,218	3,679,492	4,842,726	3,576,180	1,246,847	19,699
Total liabilities and capital accounts 1/	92,259,991	44,718,965	47,541,026	35,690,064	11,655,913	195,049
Reciprocal ~~bank~~ balances with banks in the United States	643,728	439,310	204,418	204,418	---	---

1/ Excludes reciprocal interbank demand balances with banks in the United States (heretofore reported gross), the amounts of which are shown below "Total liabilities and capital accounts", ~~above.~~

Assets and liabilities of all active banks in the United States and possessions, by classes, ~~at the close of business~~ June 30, 1942*

(In thousands of dollars)

	Total all banks	National banks	All banks other than national	Banks other than national		
				State (commercial)**	Mutual savings	Private
Number of banks	14,815	5,107	9,708	9,119	538	51
ASSETS						
Loans on real estate	$ 9,617,560	$2,247,061	$7,370,499	$2,631,615	$4,736,569	$ 2,315
Other loans, including overdrafts	15,560,745	8,654,734	6,906,011	6,781,455	77,752	46,804
Total loans	25,178,305	10,901,795	14,276,510	9,413,070	4,814,321	49,119
U. S. Government securities:						
Direct obligations	27,287,165	13,299,723	13,987,442	10,200,402	3,737,083	49,957
Guaranteed obligations	3,075,858	1,629,269	1,446,589	1,286,384	146,341	13,864
Obligations of States and political subdivisions	3,974,821	1,960,534	2,014,287	1,614,915	395,309	4,063
Other bonds, notes, and debentures	4,027,470	1,558,910	2,468,560	1,377,523	1,078,163	12,874
Corporate stocks, including stock of Federal Reserve banks	650,798	194,952	455,846	286,217	164,489	5,140
Total investments	39,016,112	18,643,388	20,372,724	14,765,441	5,521,385	85,898
Currency and coin	1,446,780	728,309	718,471	636,323	79,783	2,365
Balances with other banks, including reserve balances 1/	24,236,259	13,588,254	10,648,005	9,928,501	671,310	48,194
Bank premises owned, furniture and fixtures	1,204,320	588,690	615,630	499,192	115,946	492
Real estate owned other than bank premises	614,523	72,494	542,029	175,140	366,023	866
Investments and other assets indirectly representing bank premises or other real estate	127,781	52,526	75,255	58,362	16,859	34
Customers' liability on acceptances outstanding	67,961	32,316	35,645	28,163	---	7,482
Other assets	367,950	111,193	256,757	185,872	70,286	599
Total assets 1/	92,259,991	44,718,965	47,541,026	35,690,064	11,655,913	195,049

* Omits figures for Guam and The Philippines on account of the war.

** Includes trust companies and stock savings banks.

Comparison of assets and liabilities of all banks - Continued. (In thousands of dollars) Page 2

	June 30, 1942	Dec. 31, 1941	June 30, 1941
LIABILITIES			
Deposits of individuals, partnerships, and corporations:			
Demand	$39,983,386	$37,805,431	$35,571,528
Time	25,613,382	26,063,374	26,247,184
U. S. Government and postal savings deposits	1,902,191	1,947,950	800,326
Deposits of States and political subdivisions	4,454,371	4,303,416	4,140,029
Deposits of banks	1/10,295,050	11,015,110	10,982,431
Other deposits (certified and cashiers' checks, etc.)	781,195	1,097,979	807,831
Total deposits	1/ 83,029,575	82,233,260	78,549,329
Bills payable, rediscounts, and other liabilities for borrowed money	20,736	22,593	22,559
Acceptances executed by or for account of reporting banks	78,641	100,521	106,594
Interest, discount, rent, and other income collected but not earned)		(97,811	101,181
Interest, taxes, and other expenses accrued and unpaid)	608,821	(124,227	114,899
Other liabilities)		(380,145	409,638
Total liabilities	1/ 83,737,773	82,958,557	79,304,200
CAPITAL ACCOUNTS			
Capital notes and debentures	104,171	108,194	114,683
Preferred stock	290,914	312,085	331,945
Common stock	2,603,601	2,614,082	2,608,377
Surplus	3,746,111	3,704,368	3,616,763
Undivided profits	1,270,261	1,248,461	1,247,041
Reserves and retirement account for preferred stock and capital notes and debentures	507,160	507,947	605,710
Total capital accounts	8,522,218	8,495,137	8,524,519
Total liabilities and capital accounts	1/92,259,991	91,453,694	87,828,719

1/ Amounts as of June 30, 1942, are not comparable with amounts reported for prior dates because of the exclusion on that date of $643,728,000 of reciprocal interbank demand balances with banks in the United States, reported by commercial banks. Such balances were previously reported gross.

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS
Thursday, November 19, 1942.

Press Service
34-17

The Comptroller of the Currency today released the following preliminary figures, showing the assets and liabilities of all active banks in the United States and possessions on June 30, 1942, and comparisons of such figures with the assets and liabilities of all active banks on December 31, 1941 and June 30, 1941.

(In thousands of dollars)

	June 30, 1942	Dec. 31, 1941	June 30, 1941
Number of banks	14,815 *	14,885	14,919
ASSETS			
Loans on real estate	$9,617,560	$9,718,071	$9,633,305
Other loans, including overdrafts	15,560,745	17,120,294	15,910,133
Total loans	25,178,305	26,838,365	25,543,438
U. S. Government securities:			
Direct obligations	27,287,165	21,070,177	18,892,790
Guaranteed obligations	3,075,858	4,483,632	4,684,271
Obligations of States and political subdivisions	3,974,821	4,196,861	4,206,526
Other bonds, notes, and debentures	4,027,470	4,165,115	4,242,115
Corporate stocks, including stock of Federal Reserve banks	650,798	673,561	704,030
Total investments	39,016,112	34,589,346	32,729,732
Currency and coin	1,446,780	1,545,018	1,408,306
Balances with other banks, including reserve balances	1/24,236,259	25,942,377	25,471,008
Bank premises owned, furniture and fixtures	1,204,320	1,209,480	1,222,200
Real estate owned other than bank premises	614,523	706,486	834,353
Investments and other assets indirectly representing bank premises or other real estate	127,781	133,125	144,408
Customers' liability on acceptances outstanding	67,961	84,461	90,360
Interest, commissions, rent, and other income earned or accrued but not collected	367,950 (includes other assets)	162,893	157,961
Other assets		242,143	226,953
Total assets	1/ 92,259,991	91,453,694	87,828,719

* Excludes banks in Guam and The Philippines on account of the war.

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Comparison of assets and liabilities of all banks - Continued. (In thousands of dollars) Page 2

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Common stock	2,603,601	2,614,082	2,608,377
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Assets and liabilities of all active banks in the United States and possessions, by classes, June 30, 1942 *

(In thousands of dollars)

	Total all banks	National banks	All banks other than national	Banks other than national: State (commercial)**	Banks other than national: Mutual savings	Banks other than national: Private
Number of banks	14,815	5,107	9,708	9,119	538	51
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U. S. Government securities:						
Direct obligations	27,287,165	13,299,723	13,987,442	10,200,402	3,737,083	49,957
Guaranteed obligations	3,075,858	1,629,269	1,446,589	1,286,384	146,341	13,864
Obligations of States and political subdivisions	3,974,821	1,960,534	2,014,287	1,614,915	395,309	4,063
Other bonds, notes, and debentures	4,027,470	1,558,910	2,468,560	1,377,523	1,078,163	12,874
Corporate stocks, including stock of Federal Reserve banks	650,798	194,952	455,846	286,217	164,489	5,140
Total investments	39,016,112	18,643,388	20,372,724	14,765,441	5,521,385	85,898
Currency and coin	1,446,780	728,309	718,471	636,323	79,783	2,365
Balances with other banks, including reserve balances 1/	24,236,259	13,588,254	10,648,005	9,928,501	671,310	48,194
Bank premises owned, furniture and fixtures	1,204,320	588,690	615,630	499,192	115,946	492
Real estate owned other than bank premises	614,523	72,494	542,029	175,140	366,023	866
Investments and other assets indirectly representing bank premises or other real estate	127,781	52,526	75,255	58,362	16,859	34
Customers' liability on acceptances outstanding	67,961	32,316	35,645	28,163	---	7,482
Other assets	367,950	111,193	256,757	185,872	70,286	599
Total assets 1/	92,259,991	44,718,965	47,541,026	35,690,064	11,655,913	195,049

* Omits figures for Guam and The Philippines on account of the war.

**Includes trust companies and stock savings banks.

Assets and liabilities of all active banks in the United States and possessions, by classes,
June 30, 1942 - Contd.
(In thousands of dollars)

	Total all banks	National banks	All banks other than national	Banks other than national: State (commercial)	Banks other than national: Mutual savings	Banks other than national: Private
LIABILITIES						
Deposits of individuals, partnerships, and corporations:						
Demand	$39,983,386	$21,945,397	$18,037,989	$17,925,024	$ 2,196	$110,769
Time	25,613,382	7,841,032	17,772,350	7,392,849	10,366,404	13,097
U. S. Government and postal savings deposits	1,902,191	1,189,410	712,781	712,040	523	218
Deposits of States and political subdivisions	4,454,371	2,741,720	1,712,651	1,708,451	1,394	2,806
Deposits of banks 1/	10,295,050	6,498,697	3,796,353	3,759,702	228	36,423
Other deposits	781,195	442,861	338,334	336,129	686	1,519
Total deposits 1/	83,029,575	40,659,117	42,370,458	31,834,195	10,371,431	164,832
Bills payable, rediscounts, and other liabilities for borrowed money	20,736	2,014	18,722	16,975	30	1,717
Acceptances executed by or for account of reporting banks	78,641	37,232	41,409	33,085	12	8,312
Other liabilities	608,821	341,110	267,711	229,629	37,593	489
Total liabilities 1/	83,737,773	41,039,473	42,698,300	32,113,884	10,409,066	175,350
CAPITAL ACCOUNTS						
Capital notes and debentures	104,171	---	104,171	98,160	6,011	---
Preferred stock	290,914	152,379	138,535	138,535	---	---
Common stock	2,603,601	1,355,291	1,248,310	1,242,057	---	6,253
Surplus	3,746,111	1,411,407	2,334,704	1,433,021	889,768	11,915
Undivided profits	1,270,261	515,949	754,312	458,112	295,873	327
Reserves and retirement account for preferred stock and capital notes and debentures	507,160	244,466	262,694	206,295	55,195	1,204
Total capital accounts	8,522,218	3,679,492	4,842,726	3,576,180	1,246,847	19,699
Total liabilities and capital accounts 1/	92,259,991	44,718,965	47,541,026	35,690,064	11,655,913	195,049
Reciprocal balances with banks in the United States	643,728	439,310	204,418	204,418	---	---

1/ Excludes reciprocal interbank demand balances with banks in the United States (heretofore reported gross), the amounts of which are shown below "Total liabilities and capital accounts".

Before Secretary Morgenthau recommended to Congress on March 3 that income taxes be collected at the source, the Treasury made extensive studies of business opinion on this point, Mr. Paul re~~marked~~vealed. Fourteen teams of investigators were sent out to assemble first hand information, with each team consisting of a representative of the Bureau of Internal Revenue and one of the Treasury Department's Tax Research Division. More than 450 business firms were contacted. Eighty per cent favored the collection-at-source plan, he said.

The Treasury official concluded with a recital of the progress of the tax bill through the House, the Senate, the joint conference committee of the House and Senate appointed to adjust their differences over the measure, and so to its final enactment.

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Mr. Paul said he gave his back-stage picture of the revenue act's evolution "not for the purpose of revealing any dark, sensational secrets, but rather in order that you may have an understanding of the quantity and quality of the work done by your administrative and legislative representatives, and in the hope that you may have some compassion for those who have in their charge the inevitable revenue legislation of the future."

He recalled that even before the President submitted to Congress his budget message of last January calling for \$56,000,000,000 of war expenditures in the new fiscal year -- a figure later increased to \$78,000,000,000 -- Treasury experts had been assembling data on possible sources of additional revenue.

By March 3, when Congress began its tax bill deliberations, the Treasury had sifted hundreds of suggestions by its own personnel, plus the views of such other Government agencies as the Bureau of the Budget, the Federal Reserve Board, the War Production Board, the Office of Price Administration, and the War and Navy Departments, and finally proposals from many non-Governmental sources.

"Through the offices of the Treasury there passed a stream of taxpayers and their representatives," Mr. Paul said. "Much valuable aid was derived from them. Thousands of suggestions were made by correspondence. Many of the suggestions received in the Treasury mail culminated in actual provisions of the Revenue Act of 1942. We are still studying others."

While Mr. Paul's address for the most part was a "behind the scenes" description of the manner in which the tax bill came into being, rather than an appraisal of its merits, he took brief note of the fact that the bill has been subjected to much criticism, and commended one of the measure's outstanding features.

"Much of the criticism is in order insofar as it is directed to the inadequacy of the bill from the standpoint of curbing inflation and from the revenue standpoint," he said. "However, we may say a few words in praise of the bill.

"The Act contains more relief provisions than any other act in our history. Page after page is devoted to the elimination of inequities. Many minor loopholes are closed. In this sense, if not in a fiscal sense, the Revenue Act of 1942 is a great bill.

"We had reached the point in our rate structure where loopholes resulted in a very serious loss of revenue, and where inequities and discriminations threatened to be disastrous. The tax structure had to be put in shape to carry an increased load. That has been partly done in the Revenue Act of 1942, and we have now a basic tax structure which will be better able to stand the strain of increased rates."

~~Sister Paul speech abstract~~ Treasury Department
Washington

(Miss Simpson)

For Release Morning Newspapers,
Wednesday, November 18, 1942

Press Service
No. 34-18

New York, Nov. 17. - The new Federal tax bill, enacted into law last month and now being placed in effect, set a record not only for severity of the taxes it levied but also for the amount of labor of brain and brawn that went into its preparation, the New School for Social Research was told tonight.

The New School heard Randolph E. Paul, General Counsel of the Treasury Department, narrate the story of long months of tedious work by the Treasury and other Government departments, by Congress, and by private citizens and agencies as the tax bill grew from the idea stage to a completed legislative product. "The Birth of the Revenue Act of 1942" was his subject.

A tax bill "is the product of many minds and many conferences," Mr. Paul summed up. "It requires the most intensive legal work. It requires an investigation of every proposal not only in the light of its impact upon our entire economy but also in the light of its effect upon a particular industry. Every item in the Act is tested not only in ordinary discussion but by much cross examination in the legislative process.

"The end product is sometimes too long and is sometimes lacking in what many would want. But if these are disadvantages, they are the disadvantages that go with the advantage of the Democratic process."

TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS,
Wednesday, November 18, 1942.
11/17/42

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Mr. Paul said he gave his backstage picture of the revenue act's evolution "not for the purpose of revealing any dark, sensational secrets, but rather in order that you may have an understanding of the quantity and quality of the work done by your administrative and legislative representatives, and in the hope that you may have some compassion for those who have in their charge the inevitable revenue legislation of the future."

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Division. More than 450 business firms were contacted. Eighty percent favored the collection-at-source plan, he said.

The Treasury official concluded with a recital of the progress of the tax bill through the House, the Senate, the joint conference committee of the House and Senate appointed to adjust their differences over the measure, and so to its final enactment.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington.

FOR IMMEDIATE RELEASE
Friday, November 20, 1942.

Press Service
No. 34-19

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Detroit office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located on the 14th floor of the Penobscot Building, Detroit, Michigan. The office will be in charge of C. D. Leiter, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Detroit office will cover the State of Michigan. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the State of Michigan will address their requests for rulings to "Head, Salary Stabilization Unit, 14th Floor, Penobscot Building, Detroit, Michigan", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Detroit office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Detroit office.

Although rulings of the Detroit office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Detroit office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Detroit Office will be given retroactive effect.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE
Friday, November 20, 1942
11/18/42

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington.

Press Service
No 34-20
34-20

FOR IMMEDIATE RELEASE
Monday, November 23rd.

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the San Francisco office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located on the ninth floor of the 100 McAllister Street Building (formerly Empire Hotel), San Francisco, California. The office will be in charge of Milo W. Bean, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the San Francisco office will cover the First Collection District of California, Nevada, Utah, and Hawaii. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the First Collection District of California, Nevada, Utah, and Hawaii will address their requests for rulings to "Head, Salary Stabilization Unit, Ninth Floor, 100 McAllister Street Building, San Francisco, California", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the San Francisco office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the San Francisco office.

Although rulings of the San Francisco office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the San Francisco office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the San Francisco office will be given retroactive effect.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Monday, November 23, 1942.
11/18/42

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issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on November 25, 1942.
(7)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, November 20, 1942 .
(1)

The Secretary of the Treasury, by this public notice, invites tenders for $ 500,000,000 (2), or thereabouts, of 91 (3) -day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated November 25, 1942 (4), and will mature February 24, 1943 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War ~~Standard~~ time, Monday, November 23, 1942. (6) Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal

34-21

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, November 20, 1942.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on November 25, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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The 2 1/2 per cent bonds, 1 3/4 per cent bonds and 7/8 per cent certificates of indebtedness will be dated December 1, 1942 and will bear interest from that date. Accrued interest will be charged on all subscriptions for which payment at a Federal Reserve Bank or at an authorized depositary is received later than December 1.

Any bank or trust company qualified to hold War Loan deposits will be permitted to make payment by credit for securities subscribed for its own account or that of its customers up to any amount for which it shall be qualified in excess of existing deposits.

All elements of the banking and securities business will conduct a vigorous campaign to assure the widest possible public purchases of all issues of these securities. In conjunction with weekly sales of discount bills, these arrangements will make approximately half the $9,000,000,000 of Treasury borrowing in December available from ~~commercial banks,~~ non-banking investors, while the other half will be made available by ~~non-banking investors.~~ commercial banks. The widest possible public participation is essential in the interest of sound financing out of current income and savings.

After completion of this borrowing the Treasury does not expect to do further major financing until February. For its new money needs in January, estimated at $3,000,000,000, the Treasury will rely ~~chiefly~~ upon further sales of Tax Savings Notes, Savings Bonds, and Treasury bills.

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form only. The bonds will be sold in denominations from $500 to $100,000, and the certificates from $1,000 to $100,000.

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Sales to commercial banks will be limited to $2,000,000,000 or thereabouts of each series. Applications from commercial banks in amounts up to $100,000 will be allotted in full, and larger subscriptions on an equal percentage basis. All applications from others than commercial banks will be allotted in full. The total of these securities to be issued thus will be the $4,000,000,000 from commercial banks, plus the full amount subscribed by others.

For all classes of subscribers other than commercial banks, subscription books will be opened November 30 for both series, and will remain open for several weeks. For commercial banks subscription books will be opened November 30 on the 1 3/4 per cent bonds and will remain open until the close of business December 2, while books will be opened December 16 on the 7/8 per cent certificates and will remain open until the close of business December In the case of such bank subscriptions, payment for the bonds must be made on December 11, and for the certificates on December 28.

The 1 3/4 per cent bonds will be issued in coupon or registered forms, at the option of the buyers. The 7/8 per cent certificates will be issued in coupon

Almost every citizen has funds in the form of currency or bank deposits which can be enlisted in the war effort in one way or another through the purchase of Government securities.

The special offerings to be sold under the direction of the Victory Fund Committees will consist of:

1. Twenty-six year 2 1/2 per cent bonds due December 15, 1968, callable December 15, 1963, to be issued in coupon or registered form at the option of the buyers. Commercial banks, which are defined for this purpose as banks accepting demand deposits, will not be permitted to hold these bonds until ten years after the date of issue. There will be no limit to the amount of this issue, and no restrictions upon issuance excepting the temporary exclusion of commercial banks from ownership for their own account. Subscription books will be opened November 30, and will remain open several weeks. The bonds will be sold in denominations from $500 to $100,000.
2. Two series intended for banks as well as other investors: (a) 1 3/4 per cent bonds due June 15, 1948, and (b) 7/8 per cent certificates of indebtedness due one year after issuance. These securities will be open for subscription by banks, and also by all other classes of investors, whether private, corporate or institutional

On release

~~Statement by~~ Secretary Morgenthau today made the following statement:

In order to finance the war effort, which now is moving into full stride, the United States Treasury will borrow during December the unprecedented sum of approximately $9,000,000,000. This sum will be raised through offerings of a number of Treasury issues designed for every class and type of investor. Every American will have an opportunity to back the armed forces with bonds.

The Victory Fund Committees will launch an intensive sales campaign on November 30 on three series of special offerings of securities. These well organized and expanding groups of 44,000 volunteer workers, drawn largely from the securities and banking fields, will solicit subscriptions from individual investors, corporations, savings and commercial banks, insurance companies, institutions, trusts and estates. The President of the Federal Reserve Bank in each of the twelve districts is chairman of the Victory Fund Committee in his district.

At the same time the War Savings Staff, with its 300,000 volunteers in every community, will intensify its drive to add at least 7,000,000 more income-earners to the ranks of those already investing regularly in Series E War Bonds through the payroll savings plan.

for Friday am's 11/20/42

34-22

~~Statement by~~ Secretary Morgenthau today made the following statement:

In order to finance the war effort, which now is moving into full stride, the United States Treasury will borrow during December the unprecedented sum of approximately $9,000,000,000 from all sources. This sum will be raised partly through the continuing sale of Savings Bonds and Tax Savings notes, and p[artly] through offerings of a number of ~~Treasury~~ new Treasury issues designed for every class and type of investor. Thus Every American will have an opportunity to back the armed forces with bonds.

The Victory Fund Committees will launch an intensive sales campaign on November 30 on three series of ~~special~~ offerings of new securities. These well organized and expanding groups of 44,000 volunteer workers, drawn largely from the securities and banking fields, will solicit subscriptions from individual investors, corporations, savings and commercial banks, insurance companies, institutions, trusts and estates. The President of the Federal Reserve Bank in each of the twelve districts is chairman of the Victory Fund Committee in his district.

At the same time the War Savings Staff, with its 300,000 volunteers in every community, will intensify its drive to add at least 7,000,000 more income-earners to the ranks of those already investing regularly in Series E War Savings Bonds through the payroll savings plan.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING PAPERS,
Friday, November 20, 1942

Press Service
No. 34-22

Secretary Morgenthau today made the following statement:

In order to finance the war effort, which now is moving into full stride, the United States Treasury will borrow during December the unprecedented sum of approximately $9,000,000,000 from all sources. This sum will be raised partly through the continuing sale of Savings Bonds and Tax Savings Notes, and partly through offerings of a number of new Treasury issues designed for every class and type of investor. Thus every American will have an opportunity to back the armed forces with bonds.

The Victory Fund Committees will launch an intensive sales campaign on November 30 on three series of offerings of new securities. These well organized and expanding groups of 44,000 volunteer workers, drawn largely from the securities and banking fields, will solicit subscriptions from individual investors, corporations, savings and commercial banks, insurance companies, institutions, trusts and estates. The President of the Federal Reserve Bank in each of the twelve districts is chairman of the Victory Fund Committee in his district.

At the same time the War Savings Staff, with its 300,000 volunteers in every community, will intensify its drive to add at least 7,000,000 more income-earners to the ranks of those already investing regularly in Series E War Savings Bonds through the payroll savings plan.

Almost every citizen has funds in the form of currency or bank deposits which can be enlisted in the war effort in one way or another through the purchase of Government securities.

The special offerings to be sold under the direction of the Victory Fund Committees will consist of:

1. Twenty-six year 2 1/2 per cent bonds due December 15, 1968, callable December 15, 1963, to be issued in coupon or registered form at the option of the buyers. Commerical banks, which are defined for this purpose as banks accepting demand deposits, will not be permitted to hold these bonds until ten years after the date of issue. There will be no limit to the amount of this issue, and no restrictions upon issuance excepting the temporary exclusion of commercial banks from ownership for their own account. Subscription books will be opened November 30, and will remain open several weeks. The bonds will be sold in denominations from $500 to $100,000.
2. Two series intended for banks as well as other investors: (a) 1 3/4 per cent bonds due June 15, 1948, and (b) 7/8 per cent certificates of indebtedness due one year after issuance. These securities will be open for subscription by banks, and also by all other classes of investors, whether private, corporate or institutional.

Sales to commercial banks will be limited to $2,000,000,000 or thereabouts of each series. Applications from commercial banks in amounts up to $100,000 will be allotted in full, and larger subscriptions on an equal percentage basis.

All applications from others than commercial banks will be allotted in full. The total of these securities to be issued thus will be the $4,000,000,000 from commercial banks, plus the full amount subscribed by others.

For all classes of subscribers other than commercial banks, subscription books will be opened November 30 for both series, and will remain open for several weeks. For commercial banks subscription books will be opened November 30 on the 1 3/4 per cent bonds and will remain open until the close of business December 2, while books will be opened December 16 on the 7/8 per cent certificates and will remain open until the close of business December 18. In the case of such bank subscriptions, payment for the bonds must be made on December 11, and for the certificates on December 28.

The 1 3/4 per cent bonds will be issued in coupon or registered forms, at the option of the buyers. The 7/8 per cent certificates will be issued in coupon form only. The bonds will be sold in denominations from $500 to $100,000, and the certificates from $1,000 to $100,000.

The 2 1/2 per cent bonds, 1 3/4 per cent bonds and 7/8 per cent certificates of indebtedness will be dated December 1, 1942 and will bear interest from that date. Accrued interest will be charged on all subscriptions for which payment at a Federal Reserve Bank or at an authorized depositary is received later than December 1.

Any bank or trust company qualified to hold War Loan deposits will be permitted to make payment by credit for securities subscribed for its own account or that of its customers up to any amount for which it shall be qualified in excess of existing deposits.

All elements of the banking and securities business will conduct a vigorous campaign to assure the widest possible public purchases of all issues of these securities. In conjunction with weekly sales of discount bills, these arrangements will make approximately half the $9,000,000,000 of Treasury borrowing in December available from non-banking investers, while the other half will be made available by commercial banks. The widest possible public participation is essential in the interest of sound financing out of current income and savings.

After completion of this borrowing the Treasury does not expect to do further major financing until February. For its new money needs in January the Treasury will rely upon further sales of Tax Savings Notes, Savings Bonds, and Treasury bills.

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INSOLVENT NATIONAL BANKS LIQUIDATED AND FINALLY CLOSED
DURING THE MONTH OF OCTOBER, 1942

Name and Location of Bank	Date of Failure	Total Disbursements to Creditors Including Offsets Allowed	Percent Dividends Declared to all Claimants	Capital Stock at Date of Failure	Cash, Assets, Uncollected Stock Assessments, etc., Returned to Shareholders
District National Bank Washington, D. C. 1/	11-6-33	$ 7,419,931	102.88 2/3/	$ 1,000,000	$ -0-
First & Tri-State Nat'l Bank & Trust Co. Fort Wayne, Ind. 4/	6-22-34	1,209,388	64.0397	2,250,000	-0-
First National Bank Logansport, Ind.	11-11-31	5,023,433	101.18 2/3/	250,000	-0-
First National Bank Canonsburg, Penna. 1/	12-19-33	2,416,071	109.73 2/3/	200,000	-0-
First National Bank Webster Springs, W.Va. 1/	4-9-34	435,416	94.05 2/	25,000	-0-

1/ Formerly in conservatorship.
2/ Including dividends paid thru or by purchasing bank.
3/ 100 percent principal and partial interest paid to creditors.
4/ Receiver appointed to levy and collect stock assessment covering deficiency in value of assets sold, or to complete unfinished liquidation.

11-19-42
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DURING THE MONTH OF OCTOBER, 1942

Name and Location of Bank	Date of Failure	Total Disbursements to Creditors Including Offsets Allowed	Percent Dividends Declared to all Claimants	Capital Stock at Date of Failure	Cash, Assets, Uncollected Stock Assessments, etc., Returned to Shareholders
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TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS PRESS SERVICE

During the month of October, 1942, the liquidation of five insolvent national banks was completed and the affairs of such receiverships finally closed.

Total disbursements, including offsets allowed, to depositors and other creditors of these five receiverships, amounted to $16,504,239, while dividends paid to unsecured creditors amounted to an average of 97.24 percent of their claims. Total costs of liquidation of these receiverships averaged 6.41 percent of total collections from all sources, including offsets allowed.

Dividend distributions to all creditors of all active receiverships during the month of October, amounted to $1,760,069. Data as to results of liquidation of the receiverships finally closed during the month are as follows:

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS, Saturday, November 21, 1942

PRESS SERVICE No 34-23

During the month of October, 1942, the liquidation of five insolvent national banks was completed and the affairs of such receiverships finally closed.

Total disbursements, including offsets allowed, to depositors and other creditors of these five receiverships, amounted to $16,504,239, while dividends paid to unsecured creditors amounted to an average of 97.24 percent of their claims. Total costs of liquidation of these receiverships averaged 6.41 percent of total collections from all sources, including offsets allowed.

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11-19-42

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, November 21, 1942.
11-20-42

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INSOLVENT NATIONAL BANKS LIQUIDATED AND FINALLY CLOSED
DURING THE MONTH OF OCTOBER, 1942

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TREASURY DEPARTMENT
Bureau of Internal Revenue
WASHINGTON

FOR IMMEDIATE RELEASE
Saturday, November 21st.

PRESS SERVICE
NO. 34-24

The Commissioner of Internal Revenue Guy T. Helvering announced today the following changes in the territorial jurisdictions of the New York and Philadelphia offices of the Salary Stabilization Unit of the Bureau of Internal Revenue:

The Fifth Collection District of New Jersey, embracing the counties of Bergen, Essex, Hudson, Hunterdon, Middlesex, Morris, Passaic, Somerset, Sussex, Union and Warren, is now attached to the New York territory, and employers in these counties should address their communications to Mr. Chas. A. Drake, Head, Salary Stabilization Unit, 253 Broadway, New York. All matters from these counties now pending before the Philadelphia office will be transferred to the New York office. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the State of New York and the fifth collection district of New Jersey, embracing the counties mentioned above, will address their requests for rulings to "Head, Salary Stabilization Unit, 253 Broadway, New York City", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the New York office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the New York office.

Although rulings of the New York office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the New York office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the New York office will be given retroactive effect.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Saturday, November 21, 1942.
11/20/42

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TREASURY DEPARTMENT
Bureau of Internal Revenue
WASHINGTON

Press Service
No 34-25

FOR IMMEDIATE RELEASE
Wednesday, November 25th.

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Boston office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located on the third floor of One State Street, Boston, Massachusetts. The office will be in charge of Frank L. Daylor, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Boston office will cover the States of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

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Although rulings of the Boston office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Boston office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Boston office will be given retroactive effect.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Wednesday, November 25, 1942.
11/20/42

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Miss Simpson

TREASURY DEPARTMENT
Washington

Press Service
34-26

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, November 24, 1942.

The Secretary of the Treasury announced last evening that the tenders for $500,000,000, or thereabouts, of 91-day Treasury bills to be dated November 25, 1942, and to mature February 24, 1943, which were offered on November 20, were opened at the Federal Reserve Banks on November 23.

The details of this issue are as follows:

Total applied for - $1,149,026,000
Total accepted - 501,722,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx.	0.297% per annum
Low	- 99.906	" " " " "	0.372% " "
Average price	- 99.907	" " " " "	0.370% " "

(55 percent of the amount bid for at the low price was accepted.)

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, November 24, 1942

Press Service
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An address by Randolph E. Paul, General Counsel of the Treasury Department, before the Institute on Federal Taxation at the New York University, December 1, 1942.

The Effect of the War on Tax Administration

I have been doing a lot of talking in the last few weeks about a shortage that is presenting one of the most pressing problems of today. That shortage is one of goods and services and it is paradoxically coupled with an abundance of money. This combination creates the problem of inflation which I do not intend to discuss today. I intend rather to discuss a totally different problem. It is not a problem arising out of war shortages - rather the contrary. There is no danger of any shortage in tax administration problems. Indeed, the Treasury Department, particularly the Bureau of Internal Revenue, is about to harvest a bumper crop of problems directly attributable to the war. I make few predictions on platforms, but I feel safe in making the prediction that this crop of problems will continue while the war lasts. May I add to my prophecy that each of you personally will become increasingly aware of each of these problems as you try in your tax practice to deal with the burdens I shall discuss here today.

Problems of tax administration do not conveniently arrange themselves in neat squares of black and white, and it is difficult to make classifications that will wholly clarify such a subject. However, some arrangement is necessary if we are to cope with the subject. I, therefore, suggest a two fold classification of war administrative problems. The first type of problem I have in mind may be roughly classified as a field problem. You are all, of course, aware of the fact that for several years the Bureau has been decentralized. It has 43 field offices throughout the United States. The first type of problem arises in and must be dealt with by these field offices. In contrast, the second type of problem may be roughly described as a home office problem. It arises at Washington, and it has to do with basic matters of interpretation and policy, as distinguished from the more ministerial or executive type of problem which arises in the field.

Let me be more exact now in describing these two types of problems as follows:

1. The problem which the field offices face is a problem of the paper work and the physical labor involved in handling and reviewing tax returns and in dealing face to face with the taxpayers.

2. The second problem, or the problem of the Washington office, is one of determining the proper manner in which the provisions of tax statutes shall be interpreted and then applied by the field offices.

Effects of the war on the field offices of the Bureau of Internal Revenue

With this rough division between the problems of the field offices and the home office in mind let us turn first to specific instances of the war's effect on the administrative functioning of the field offices.

Increased number of tax returns

You are all familiar with the fact that in the Revenue Act of 1942 we lowered the personal exemption from $1500 for a married person without dependents and $750 for a single person to $1200 and $500, respectively. We also reduced the dependency credit from $400 to $350. This reduction in exemptions and dependency credit has truly converted the net income tax into a mass income tax. The Victory tax adds the final touch. Its exemption figure is $624 without reference to the marital and dependency status of the taxpayer; these items are taken care of under this tax by means of the post war credit.

The reduction of the personal exemptions and the dependency credit, and the imposition of the Victory tax, combine from the standpoint of administration to produce problems that would be regarded in ordinary days as insuperable. The reduction of the credit for dependents alone adds nearly 500,000 new taxpayers. In 1940, about 4 million taxpayers paid tax on their 1939 income. In 1943 there will be close to 46 million taxpayers, including those subject to the Victory tax, of which number 27 million will be paying the tax on net income. Regarding only net income taxpayers we can see that their numbers have increased from 4 million to 27 million, or nearly seven fold, over a three-year period. I am sure I do not need to labor the point that this multiplication of taxpayers, together with additional non-taxable returns, means for the revenue agents and their staffs a tremendously increased administrative burden. The mere physical duty of handling such a large number of returns is almost beyond description. But the job moves on into a duty of auditing the returns and the necessity of discussing the contents of thousands of returns with taxpayers. It moves on still further into intensive checking and study of more complicated returns. Then there arises the problem of administrative consideration of thousands of returns, including requests for further information and conferences with the taxpayer. Finally, unsolved problems will have to be taken to the Tax Court and the Judicial Courts for adjudication. The 1942 Act has certainly not dried up tax practice.

Delinquencies

It is natural to proceed from the effect on the field offices of an increased number of returns to the much discussed problem of possible delinquencies. One hears a great deal of speculation on this subject. I use the word "speculation" advisedly, for on no subject is there such widespread misinformation.

One may, of course, take it for granted as a mere mathematical corollary of an increasing number of returns that there will be some increase in the number of delinquencies. The problem is not one of straight arithmetic. It is a problem of proportion. There is no definite indication that delinquencies in the year 1943 will be out of proportion to the increasing number of new taxpayers. I say this with full realization of the fact that we have not only an increased number of taxpayers, but also substantially increased taxes for old taxpayers.

It would, however, be the act of an ostrich to ignore the possibility of a grave delinquency problem in 1943. This was recognized early in 1942 when the Treasury first presented its recommendations for revenue legislation to the Congress. On March 3, 1942, the Secretary recommended the institution of a system of collection of the tax at the source. On several later occasions I strenuously urged upon Congressional committees the advisability of adopting a system of collection at the source. I pointed out that it would have an anti-inflationary effect, and that it would be a convenience to taxpayers. But I did not neglect to point out that it would cut tax delinquency.

In September, the Treasury made a further recommendation to the Senate Finance Committee for a reduction of 1942 tax liability, coupled with the institution of collection at the source at a high rate for 1943. Our collection at the source recommendation was first adopted by the Ways and Means Committee and the Senate Finance Committee, but in the final Act this method of collection was adopted only for the Victory tax.

The Treasury is still vitally interested in placing taxpayers, insofar as possible, on a current basis. No doubt collection at the source introduces many administrative problems. It is, however, our firm conviction that these problems are less serious than the administrative problems which will result from a failure to adopt the system. You may imagine the time and energy that will have to be consumed by representatives of the Bureau of Internal Revenue in their attempts to grapple with the problem of tax payment delinquencies even if they do not reach undue proportion. At the very best there will have to be thousands of conferences and special arrangements for taxpayers who have not budgeted their 1942 tax payments and who for one reason or another are not able to make payment when it is due.

Loopholes

Another fact with which you are all sadly familiar is that the Revenue Act of 1942 measurably increases tax rates both for individuals and corporations. This single fact of increased rates is another offspring of the war which multiplies the administrative problems of the field offices. We have reached the point where the deduction provisions are a matter of great importance even to low income taxpayers. Everyone feels impelled to take advantage of whatever loopholes the law may afford. With twenty-six general deductions set forth in Section 23 of the Code there are literally several hundred items which may be deducted in computing net income. When an individual taxpayer with a net income of only $19,000 will find that each $100 of deduction will be worth $52.00 of tax benefit, it is obviously going to be necessary, in auditing 1942 returns, to take into account the natural human impulse to take full advantage of what the law permits. The Bureau of Internal Revenue has, therefore, a vastly increased problem of scrutinizing individual items in the taxpayer's return with a view particularly to determining whether deductions taken are properly allowable.

This problem can be approached from another angle. Deficiency assessments for the first four months for the fiscal year beginning July 1, 1942, were considerably larger than deficiency assessments for the corresponding four months of the previous fiscal year. From July through October, 1941, deficiencies were assessed in the amount of $64-1/2 million. For the corresponding period in the fiscal year 1942 deficiencies of $93 million were assessed. This represents an increase of over 40 percent, traceable directly to the taking of an unwarranted amount of deductions. The burden upon those having the duty of administering the tax law is thus perfectly evident.

Retroactive legislation

The Revenue Act of 1942 probably set a record for retroactive relief. The statute is full of provisions correcting injustices inadvertently done by previous revenue acts. Examples of such provisions are: the treatment provided for the recovery of bad debts and prior taxes, the deduction permitted for non-trade or non-business expenses incurred in the production of income, the Enright case amendment relating to the handling of the income of a decedent, the extension of deduction privileges in connection with the amortization of emergency facilities, and the relief provided under the excess profits tax in the case of abnormalties in income in the taxable year.

While it is not retroactive, I cannot refrain, in speaking of the corrections of injustices, from mentioning Section 120 of the Revenue Act. If I need further identify this section it is the Section which excludes alimony from the gross income of the husband and taxes it to the divorced or legally separated wife.

Most of the above provisions were suggested to Congressional committees jointly by the staff of the Joint Committee on Internal

Revenue Taxation and the Treasury. I am in full sympathy with the policy of giving retroactive relief in cases in which experience has demonstrated injustices and unwarranted discriminations in previously enacted revenue measures. But it should not be forgotten that the extension of retroactive relief brings a host of administrative problems centering around the necessity of adjusting thousands of previously filed returns. There are in the 1942 Revenue Act, 53 retroactive provisions which require adjustments in returns already filed.

The Bureau of Internal Revenue determined at an early date that it would be better to hold such 1941 returns as might be affected by retroactive legislation, rather than to process the returns and then be compelled to reopen them to make adjustments required by new legislation. A pamphlet was therefore issued to revenue agents describing in detail points of possible retroactive legislation and instructing the agents to hold the returns which might be placed in question by such legislation. As a result local revenue agents are now carrying an extra burden of handling 1941 returns which in other years would have been disposed of some time ago. The magnitude of this burden may be judged from the fact that some 65,000 returns for 1941 alone have been delayed because of just one of the 53 items of retroactive legislation I have mentioned. (The Higgins amendment.) The importance to the Government as well as the taxpayer of this procedure is illustrated by one instance which occurred here in New York. In this case the Bureau policy resulted in detecting that certain changes in the law produced a deficiency of $100,000 on the part of a personal holding company which otherwise might have been missed entirely.

I should add the one thought that the retroactive relief provisions of the 1942 Act in many instances go to years prior to 1941. The full effect of the retroactive legislation contained in the 1942 Act will only be realized when re-examination is made of returns for several past years.

Suspension of statute of limitations

The 1942 Act contains still other provisions which will increase the work of the field offices. I am referring at this point to the section suspending the time limitations running against the Government and taxpayers where the war makes impossible the timely performance of required acts, for example, where a taxpayer is outside the United States and because of the interruption of transportation and communications cannot file a petition with the United States Tax Court for redetermination of a deficiency. The increased administrative burden cast upon the Bureau by these very necessary provisions can be easily imagined.

There will be a vast problem of keeping adequate and complete records as to the many postponements which are granted so that the Government can be prepared to assert its rights when the statute of limitations is no longer suspended. The same problem exists in connection with the provision of the Soldiers and Sailors Civil Relief Act, allowing a postponement of tax payments for members of the armed forces whose ability to pay is affected by the fact of military service. In this connection there is an additional burden of determining that military service has affected the individual's ability to pay. As the armed forces continue toward the nine million mark, there will be a correspondingly increased burden upon local revenue agents. Moreover, as this accumulation grows, so will grow the post war administrative problem of collecting the suspended taxes.

Effects of the War on the Washington Office of the Bureau of Internal Revenue

I have given you a number of examples of increased administrative burdens principally in the field offices of the Bureau of Internal Revenue. We come now to the increased administrative job of the Bureau at Washington. This problem is divisible into two parts. (1) The new fact situations arising in connection with old provisions of the statute and (2) the interpretation and application of new provisions in the statute. In the first case, we have the job of putting new wine in old bottles. In the second case, the problem is one of translating the labels on new bottles.

Advertising

You are all familiar with section 23 (a)(1)(A) of the Internal Revenue Code, providing for the deduction from gross income of ordinary and necessary expenses paid or incurred in carrying on a trade or business. And you have been accustomed to deducting advertising expenses under this provision. With the intervention of war production it is no longer necessary to advertise in order to sell one's product. Can it be said that it is an ordinary and necessary expense to advertise in order to keep a potential post-war market? Should advertising, which advocates war bond and stamp purchases, be regarded as goodwill promotion and an expense or as a deductible gift? These were questions which the Bureau could not postpone until the 1942 returns were filed. The manufacturer, the retailer, the advertising agency, the newspapers and the magazines, all waited upon some official orientation before proceeding. For their assistance they were provided with a press release by Commissioner Helvering officially outlining the Bureau's position on this difficult point.

Depreciation

A somewhat different aspect of the problem of applying pre-war provisions to war situations which is presented to the Bureau is illustrated by the question of depreciation allowances. With machines running and factories operating 24 hours a day many, many taxpayers have, in making their returns, charged off greatly increased amounts for depreciation. You will remember that last January the Bureau issued a bulletin indicating its contemporary practice and the trend of official opinion in the administration of the provisions with regard to depreciation. At that time recognition was taken of the fact that increased schedules of production might appreciably affect the useful life of some depreciable property. However, since with the increased use of machinery there is a commensurate increase in repairs, and inasmuch as the greater factor in the diminishing value of tools and machinery is not wear and tear but obsolescense, the amount of depreciation which taxpayers have sought to charge off has shown a decided tendency to exceed what the Bureau believes to be a proper amount. This has required special attention to the item of depreciation with an alert to the field offices in this respect. On the part of the field offices it means an examination of the facts involved in each case, and a possible redetermination of the standards which the taxpayer has claimed for himself at his present rate of production in order to align them with the carefully considered measurement made by the Bureau.

New Types of Contracts

One of the business phemomena of this war, which has created a new problem in the application of the old provisions of the tax law, has been the appearance of new forms of contracts. Some contracts provide for the rental of tools or machinery by one of the parties with the provision that after a certain amount of rental has been paid the machinery shall belong not to the contractors, but to the Federal Government. In other contracts the Government is a party, and rents machinery to the other party with the provision that after so much rental has been paid the private party may have an option to purchase the machinery at a reduced price. These contracts raise the question whether such rentals should be charged off as expenses or used to determine the basis of the property involved. They simply do not fit the distinctions heretofore devised between expense and capital items. Furthermore, they have not assumed established moulds so that one can answer: "With contract A you will get this result; with contract B you will get that result." Each contract must be examined and the tax result independently determined.

Frozen Inventories

Let me mention still another problem which is typical of the tax difficulties arising out of the war. Many manufacturers and merchants have inventories of critical materials which are frozen by Government order, so that the taxpayer can not dispose of them in the regular order of business. Nevertheless, the taxpayer must meet the expense of carrying these frozen inventories. This squarely presents the question whether the taxpayer's expense in carrying these inventories should be deducted from income or added to the cost of the goods involved. Again the solution lies in the surrounding fact situations and, to the sorrow of the tax administrator, there is no ready-made answer for every case.

Regulations

I wish I could say that the work of the Bureau of Internal Revenue ended with the enactment of a revenue act. Almost the opposite is true. The Bureau assists constantly in various connections throughout the consideration of a Revenue Act by the Congress. But its work really begins when the Revenue Act has been signed by the President. One of the principal items of Bureau labor is the preparation of regulations and new tax return forms to implement the new statute.

You can imagine the extensive labor that must be put upon the regulations to be issued under the 1942 Act, particularly in connection with such provisions as the war losses section, the two-year carryback of net operating losses, the renegotiation of contracts sections, the transportation of property tax, and the post-war refund of the excess profits tax. The list might be extended almost indefinitely. In addition to the new measures in the law the older sections have undergone many changes, making necessary corresponding revisions of the regulations. The estate tax regulations must be substantially revised. There is a legion of difficulties in connection with the subject of pension trusts. The new Revenue Act contains 281 sections. Each of them requires elaboration in regulations. The official text of the 1942 Act runs to 249 pages. The regulations covering the Act must be many pages more. This job of preparing the regulations is exclusively the burden of the Washington office, and constitutes a large part of its war-time job.

I need not expound to you the importance of carefully prepared regulations. From the standpoint of the taxpayer, they should be more than a paraphrase of the statute. They should give real information and help taxpayers to comply with the law. But, on the other hand, they should not sacrifice rights of the Government. It is always to be remembered in connection with every regulation that it is given great weight by the courts in the interpretation of ambiguous provisions of the statute.

The Interpretation of Wartime Provisions

When the Bureau has finished with the problem of writing the regulations and preparing the tax forms, it will find as a result of the war that it still has the burden of interpreting and applying certain wartime legislation.

War Losses

One of the most elaborate of these wartime provisions is Section 156 of the Revenue Act of 1942 providing for war losses. With this section as with other wartime provisions, Congress could not hope to specify in legislation the exact solution for the practical problems created by the war. It, therefore, outlined broadly its intention and placed the duty upon the Commissioner of Internal Revenue of determining the exact manner in which the wartime problems should be solved. In this section dealing with war losses, for example, Congress found it necessary to charge the Commissioner in some 10 different instances with the responsibility of making fact determinations necessary to the application of the statute. The legislation with respect to war losses is a new type of legislation. By this I mean there was no similar legislation in the Revenue Acts of the last war. There can, therefore, be no prior administrative history to direct the Bureau in applying this section.

The Excess Profits Tax

The excess profits tax, and particularly the relief sections contained in the 1942 Revenue Act, have created further administrative problems because of the impossibility of covering in precise terms all the many situations created by the war. Fortunately in this case there is a history of administration during the last world war and the experience of the past three years upon which the Bureau can draw for guidance in the administration of these complex provisions.

Amortization of Emergency Facilities

Equally a product of the war are the provisions of the Code providing for amortization of emergency facilities. Until the 1942 Revenue Act this special treatment for facilities, called into production by the war, was available to corporations alone and limited to facilities acquired after June 10, 1940. Nevertheless, the amount of work involved was such that the Bureau has accumulated 24 filing cabinets full of necessity certificates which represent the emergency facilities to which special attention must be given. Now, with the 1942 Revenue Act and the extension of the privilege of amortizing these facilities to partnerships and individuals and to corporations so far as facilities acquired between January 1, 1940 and June 10, 1940 are concerned, the volume of the Bureau's business in this regard will be almost doubled. In addition the Bureau must re-examine the returns made for prior years to give effect to the retroactive allowances provided by the legislation.

Cooperation With Other Departments

In connection with amortization, I may note that one of the most satisfying results of the war upon tax administration has been the increase of the collaboration of other Departments and agencies of the Government. Thus in the case of the amortization provisions of the Internal Revenue Code not only is the Treasury concerned, but also the War and Navy Departments have functions essential to the carrying out of this legislation.

Prior to the Revenue Act of 1942 the tax consequences of the renegotiation of war production contracts were not spelled out by statute. The War and Navy Departments and the Maritime Commission, therefore, found a reluctance on the part of taxpayers to accept renegotiated contracts until the tax effects were cleared. The Bureau of Internal Revenue cooperated by going over the proposed contracts with the contractors involved and in many instances arrived at closing agreements which would assure the contractor of his position, thus promoting a ready acceptance of the renegotiated contracts. This same kind of collaboration with other Government agencies and the use of closing agreements are likewise expediting the signing of many new contracts for essential supplies.

Manpower

The problems which I have discussed thus far in tax administration we have divided into problems of the field and of the Washington office of the Bureau of Internal Revenue. There is one effect of the war, however, which bears equally upon both the field and home offices. This is the manpower shortage created by military needs.

As with other organizations, our personnel is divided roughly into three groups. There is a group from 20 years of age to 30 which has had theoretical training and would normally be in the process of receiving practical experience. There is the group from 30 to 50 which has received both its theoretical and practical training and is at the height of its value in the administration of the tax program. And finally, there is the group over 50 which, though thoroughly capable, is less physically able to carry the volume of work carried by the other groups. The first two groups are being rapidly and substantially depleted by the military demands so that the increased volume of work, which I have been describing as war created, is falling upon the group which is less able to carry even the normal volume. Of course, this is a problem which confronts the taxpayer as well as the Bureau. With a diminished number of accountants and attorneys available in private practice many corporations have indicated that they will have difficulty in preparing to file returns on due dates during the coming year. This, in turn, will increase the burden of the local revenue agent who will find in many instances that returns have not been prepared as carefully as in the past and that, therefore, it will be necessary for him to increase the amount of investigation and checking in handling returns.

There are many criteria of adequate taxes. Since I am talking here today to the point of administration, I think it is proper to repeat what I have said before: that not the least of the criteria of adequate taxes is their administrative feasibility. One test of a sound tax measure is whether it raises serious problems of tax compliance and whether it imposes too great a drain on scarce men and machines. Constantly, throughout the consideration by the Congress of the Revenue Act of 1942, I was obliged to call to the attention of committees the administrative aspects of suggested provisions. An example in point is the sales tax.

A Federal sales tax regardless of whether it is a retail sales tax, a manufacturer's tax, or a wholesaler's tax, would require the handling of a large number of monthly returns and the auditing of the books and records of the many registrants and taxpayers. This at a time when, as I have stated, it is increasingly difficult to secure administrative personnel.

The administrative problems associated with the number of taxpayers are greatest under a retail sales tax. This is true because the tax must be collected in smaller amounts and from a larger number of taxpayers than the other two forms of sales tax.

I have made reference to the burden which is now being carried with respect to interpretation and the creation of regulations. Under a manufacturers' or wholesalers' tax these problems would be further intensified. And under the retail sales tax such questions as the application of the tax to installation and transportation charges, the treatment of trade-ins and installment sales would present similar administrative problems.

In administering tax-free sales under any one of the three forms of sales tax a system of licenses or registration would in all probability be required. For enforcement purposes it would be necessary to have a census of retailers in the event a retail sales tax were adopted and, inasmuch as the mortality rate of retail business is high, the administrator would require some method of discovering new businesses and getting returns from discontinuing or bankrupt businesses.

Conclusion

I must end my remarks today with a plea. I have failed if I have not made clear to you that the Treasury and the Bureau of Internal Revenue are confronted with unprecedented problems. I have given you concrete examples of our increased administrative burden. The strain will be great. I am confident that the job will be done. All along the line the country is facing new problems with imagination and courage. The job is being done. The administrative task of collecting $25 billion of taxes will be performed in the same spirit.

But we need help. We need the cooperation of taxpayers and their counsel. We must adopt every possible labor-saving device. We need a spirit of mutual trust and confidence. We need concise memoranda, prompt compliance, frank disclosures, and every possible aid that taxpayers can give. I know you can give us assistance and I hope you will help us in this way to do one of the hardest jobs in the world.

TREASURY DEPARTMENT
Bureau of Internal Revenue
WASHINGTON

FOR IMMEDIATE RELEASE
~~Tuesday~~, December 1, 1942.
11/24/42

Press Service
No. 34-27

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Cleveland office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located in the Williamson Building, 215 Euclid Avenue, Cleveland, Ohio. The office will be in charge of Earl C. Ely, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Cleveland office will cover the States of Ohio and Kentucky. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the States of Ohio and Kentucky will address their requests for rulings to "Head, Salary Stabilization Unit, Williamson Building, 215 Euclid Avenue, Cleveland, Ohio," and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Cleveland office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Cleveland office.

Although rulings of the Cleveland office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Cleveland office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Cleveland office will be given retroactive effect.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

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TREASURY DEPARTMENT
Bureau of Internal Revenue
~~WASHINGTON~~

FOR IMMEDIATE RELEASE
Friday, November 27, 1942.
11/24/42

Press Service
No. 34-28

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Atlanta office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located in Rooms 717-720, William Oliver Building, Atlanta, Georgia. The office will be in charge of Carlos J. Lively, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Atlanta office will cover the States of South Carolina, Georgia, Florida, Alabama, and Tennessee. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the States of South Carolina, Georgia, Florida, Alabama and Tennessee will address their requests for rulings to "Head, Salary Stabilization Unit, Rooms 717-20 William Oliver Building, Atlanta, Georgia", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Atlanta office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Atlanta office.

Although rulings of the Atlanta office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Atlanta office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Atlanta office will be given retroactive effect.

OK G.T.H.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Friday, November 27, 1942.
11/24/42

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TREASURY DEPARTMENT
Bureau of Internal Revenue
WASHINGTON

FOR IMMEDIATE RELEASE
Monday, November 30th, 1942.
11/24/42

Press Service N
No. 34-29

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Seattle office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located in Room 312, Smith Tower Annex, Seattle, Washington. The office will be in charge of Robert J. Service, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Seattle office will cover the States of Washington, Oregon, Idaho, Montana, Wyoming and Alaska. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the States of Washington, Oregon, Idaho, Montana, Wyoming and Alaska will address their requests for rulings to "Head, Salary Stabilization Unit, Room 312, Smith Tower Annex, Seattle, Washington", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Seattle office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Seattle office.

Although rulings of the Seattle office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Seattle office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Seattle office will be given retroactive effect.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Monday, November 30, 1942.
11/24/42

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Miss Simpson

Press Service
No 34-30

For Immediate Release,
Tuesday, November 24, 1942.

The township of Islip, Long Island, and its 32,000 citizens formally became partners of Uncle Sam today when it became the first community to present the entire proceeds ~~[illegible]~~ of its scrap drive —$2,572.77— to Secretary Morgenthau to be used in furthering the war effort in any way he may see fit.

"We thought that the people gave the scrap to the Government, and therefore that the Government should have the proceeds," Robert Jones, spokesman for a township committee, explained as he handed the check to Mr. Morgenthau.

~~"I think it is wonderful," the Secretary responded. "We are the greatest beggars in the world, and will take anything from ten cents up. Thank you."~~

Treasury officials observed that the amount, collected through the employment of sound trucks and air raid wardens, was sufficient to purchase eight parachutes, or four 30-calibre machine guns, or five 500-pound demolition bombs.

Other members of the group ~~included~~ presenting the check were Roger O. Lafferrandre, Frank Singiser and Charles J. Meyer.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, November 24, 1942

Press Service
No. 34-30

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issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 2, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

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~~34-31~~ 34-31

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, November 27, 1942.

11/25/42 ~~xxxx~~

double

The Secretary of the Treasury, by this public notice, invites tenders for $500,000,000 ~~(2)~~, or thereabouts, of 91 ~~(3)~~ -day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 2, 1942 ~~(4)~~, and will mature March 3, 1943 ~~(5)~~, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War ~~Standard~~ time, Monday, November 30, 1942 ~~(6)~~. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federa

Em O.P.D. 34-31 (over)

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, November 27, 1942.
11/25/42

The Secretary of the Treasury, by this public notice, invites tenders for $500,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 2, 1942, and will mature March 3, 1943, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, November 30, 1942. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretar of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 2, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of

Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
WASHINGTON

FOR IMMEDIATE RELEASE
Tuesday, December 1, 1942.
11/27/42

Press Service
No. 34-32

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Kansas City office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located in the R. A. Long Building, Kansas City, Missouri. The office will be in charge of M. L. R. Wade, who has a record of more than twenty years of responsible work in the Internal Revenue Service.

The territorial jurisdiction of the Kansas City office will cover the States of Kansas, Missouri, Iowa, Nebraska and Colorado. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the States of Kansas, Missouri, Iowa, Nebraska and Colorado will address their requests for rulings to "Head, Salary Stabilization Unit, R. A. Long Building, Kansas City, Missouri", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Kansas City office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Kansas City office.

Although rulings of the Kansas City office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Kansas City office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Kansas City office will be given retroactive effect.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

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TREASURY DEPARTMENT
Bureau of Internal Revenue
WASHINGTON c + l.c.

FOR IMMEDIATE RELEASE,
Tuesday, December 1, 1942.
11/27/42

Press Service
No. 34-33

Commissioner of Internal Revenue Guy T. Helvering announced today the opening of the Dallas office of the new Salary Stabilization Unit of the Bureau of Internal Revenue. The Unit will be located in the Tower Petroleum Building, Dallas, Texas. The office will be in charge of A. H. Hertwig, who has a record of more than twenty years of responsible work in the Internal Revenue service.

The territorial jurisdiction of the Dallas office will cover the States of Mississippi, Louisiana, Texas, New Mexico, Oklahoma and Arkansas. That office will rule, for and on behalf of the Commissioner of Internal Revenue, on all requests and applications for salary increases and decreases coming within the jurisdiction of the Commissioner as defined in the regulations of the Economic Stabilization Director and approved by the President on October 27, 1942.

The jurisdiction of the Commissioner covers all salaries over $5,000 per year, and salary payments of less than $5,000 per year in the case of executive, administrative or professional employees not represented by labor organizations.

Under the present arrangement employers in the States of Mississippi, Louisiana, Texas, New Mexico, Oklahoma and Arkansas will address their requests for rulings to "Head, Salary Stabilization Unit, Tower Petroleum Building, Dallas, Texas", and will obtain rulings from that office as to proposed salary adjustments. Whenever necessary, employers may confer with the members of the Dallas office regarding proposed adjustments. Procedure will be provided to permit appeals to the Commissioner of Internal Revenue in Washington in case of adverse rulings by the Dallas office.

Although rulings of the Dallas office are subject to modification or reversal of the Commissioner of Internal Revenue in Washington, employers obtaining favorable rulings from the Dallas office can in each instance rely on such rulings. No modification or reversal by the Commissioner of the ruling made by the Dallas office will be given retroactive effect.

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TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE
Tuesday, December 1, 1942.
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1-3/4 percent bonds and the certificates during the specified periods will be received without deposit, and payment at par and accrued interest to December 11, 1942 for 1-3/4 percent Treasury bonds allotted, and to December 28, 1942 for certificates allotted must be made on such respective dates. Subscriptions from all others must be accompanied by payment in full, at par and accrued interest from December 1 to the date payment is available in a Federal Reserve Bank or the Treasury, for the amount of bonds or certificates applied for. One day's accrued interest on 2-1/2 percent Treasury Bonds of 1963-68 is $0.068, on 1-3/4 percent Treasury Bonds of 1948 is $0.048, and on 7/8 percent Treasury Certificates of Indebtedness of Series E-1943 is $0.024 per $1,000.

The texts of the official circulars follow:

The 2-1/2 percent Treasury Bonds of 1963-68 will be dated December 1, 1942 and will bear interest from that date at the rate of 2-1/2 percent per annum payable semiannually, with the first payment due June 15, 1943. The bonds will mature December 15, 1968 but may be redeemed, at the option of the United States, on and after December 15, 1963. Coupon bonds and bonds registered both as to principal and interest will be issued in denominations of $500, $1,000, $5,000, $10,000 and $100,000, and in the denomination of $1,000,000 for registered bonds only. These bonds will not be available for subscription by commercial banks, nor may they be transferred to or held by such banks for their own account before December 1, 1952. The bonds may be pledged as collateral for loans, including loans by commercial banks, but any such banks acquiring the bonds because of failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks. Any bonds of this series, which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate at par and accrued interest, conditioned on the application of the entire proceeds of redemption to the payment of Federal estate taxes.

The 1-3/4 percent Treasury Bonds of 1948 will be dated December 1, 1942 and will bear interest from that date at the rate of 1-3/4 percent per annum payable semiannually with the first payment due June 15, 1943. The bonds will mature June 15, 1948 and may not be called for redemption before maturity. Coupon bonds and bonds registered both as to principal and interest will be issued in denominations of $500, $1,000, $5,000, $10,000 and $100,000, and in the denomination of $1,000,000 for registered bonds only.

The 7/8 percent Treasury Certificates of Indebtedness of Series E-1943 will be dated December 1, 1942, will be payable on December 1, 1943, and will bear interest at the rate of 7/8 percent per annum payable semiannually. They will be issued in bearer form only with two coupons attached in the denominations of $1,000, $5,000, $10,000 and $100,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the bonds and certificates now offered shall not have any exemption as such under Federal Tax Acts now or hereinafter enacted. The full provisions relating to taxability are set forth in the official circulars issued today. /

Subscriptions for both issues of bonds and for the issue of certificates will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington. Banking institutions and securities dealers generally may submit subscriptions for account of customers but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies.

Subscriptions from banks and trust companies for their own account for the

Subscribers must agree not ~~to~~ sell or otherwise dispose of their subscriptions or the securities allotted before Dec. 3 in the case of the 1 3/4 % bonds, or before Dec. 19 in the case of the certificates. ~~No~~ ~~stipulation is required with respect to the 2 1/2 % bonds~~

The Victory Fund Drive will continue for several weeks and has for its aim a wide public participation in the interest of sound Treasury financing out of current income and savings. ~~Not~~ as is contemplated ~~more~~ less than half the $9,000,000,000 will be raised from commercial banks. ~~and if the "open end" issues of the Treasury exceed preliminary estimates the bank participation will be proportionately less. Borrowing from banks has inflationary potentials which the Treasury wants to modify.~~

~~Although~~ Since the Treasury is borrowing an unprecedented sum in December, the program ~~also~~ calls for longer intervals btween loan flotations. The expectation is that no further financing will develop, after completion of the current program, until February, with the exception of the continuing sales of tax savings notes, savings bonds and Treasury bills.

A Insert Page 2

Secretary Morgenthau has sent a message to every salesman of the Victory Fund Committees, in which he said that the American public is being asked to "invest $9,000,000,000 in victory and in freedom." The funds will be the medium through which the men on the battlefields receive their supplies, he said, adding that those who are engaged in the campaign are "contributing a high service to the war effort." This task well done, the Secretary said, "will bring satisfaction to us all and assurance to those in battle."

The principal security ~~of~~ to be sold during the drive is called the "Victory two-and-one-halfs." These bonds, due Dec. 15, 1968 and callable Dec. 15, 1963, will not be sold to commercial banks, but ~~among~~ sales to individual investors, corporations, institutions and other investment fields will be unlimited ~~the bonds will be pushed to the utmost. They are issued in denominations from $500 upward, and allbuyers other~~

in this Victory Loan Drive. These bonds, at $500 and up, are the ideal investment for them."

Concurrently, with the December drive, ~~As a part of the Victory Fund Drive~~, Treasury officials said today, the 300,000 volunteers of the War Savings Staff will intensify their efforts to add at least 7,000,000 more income-earners to the 23,000,000 who already are investing regularly in series E War Savings Bonds through the payroll savings program. Most of the funds, however, will be raised through activities of the Victory Fund Committees.

These groups, organized in each Federal Reserve District, are responding with utmost enthusiasm to the program. They are scanning their lists of prospects and in some cases are forming competitive teams to stimulate sales. The district committees are headed in every case by the president of the respective Federal Reserve Bank.

As part of the Victory Fund Activities, the ~~14,000~~ commercial banks of the country also have been enlisted in the drive through the American Bankers Association. Also in the network are the stock exchanges of the country, the Investment Bankers Association, and the National Association of Securities Dealers. Bond clubs in all financial centers are adding to the effort.

Insert paragraph A from page 3

Treasury Department
Washington

~~Treasury press release - Monday AM papers~~
For Release Morning Newspapers,
Monday November 30, 1942

Press Release
No. 34-34

11/30

~~Washington, Dec. 28.~~ President Roosevelt today sent off to a flying start ~~today~~ the Victory Fund Drive of the United States Treasury, which will raise $9,000,000,000 in borrowed funds to meet the costs of the greatest war in history. The first $1,000 bond of the Victory Loan was purchased by the President from Secretary ~~of the Treasury Henry~~ Morgenthau~~, Jr.~~

"It is one of our jobs here at home," Mr. Roosevelt said ~~as he gave his personal check to the Secretary,~~ "to provide the untold billions of dollars that are needed to help win this war. I know that millions - more than 23,000,000 - are already buying war bonds out of their regular pay every payday. But there are other millions of ~~private~~ individual investors, corporations, custodians of trust funds and estates, who have idle money in the bank. That money has got to go to work for our country. We have got to make our dollars fighting dollars by investing them in government bonds. The new Victory Loan gives us a chance to make those dollars fight."

Secretary Morgenthau said ~~told the President~~ that the $9,000,000,000 to be borrowed in December will be the biggest amount of money ever raised by any government in such a short time. Almost 50,000 professional salesmen from the banking, securities and insurance fields are going to sell the bonds, mostly as a patriotic service without ~~a penny of~~ pay, he said.

"These men are organized," Mr. Morgenthau announced, "in the Victory Fund Committees in all parts of the country. They've been trained all their lives to reach the people who have accumulated ~~savings~~ balances and idle funds, and those are the people we want to reach

TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS,
Monday, November 30, 1942
11/28/42

Press Service
No. 34-34

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The principal security to be sold during the drive is called the "Victory two-and-one-halfs." These bonds, due December 15, 1968 and callable December 15, 1963, will not be sold to commercial banks, but sales to individual investors, corporations, institutions and others will be unlimited.

The 2-1/2 percent Treasury Bonds of 1963-68 will be dated December 1, 1942 and will bear interest from that date at the rate of 2-1/2 percent per annum payable semiannually, with the first payment due June 15, 1943. The bonds will mature December 15, 1968 but may be redeemed, at the option of the United States, on and after December 15, 1963. Coupon bonds and bonds registered both as to principal and interest will be issued in denominations of $500, $1,000, $5,000, $10,000 and $100,000, and in the denomination of $1,000,000 for registered bonds only. These bonds will not be available for subscription by commercial banks, nor may they be transferred to or held by such banks for their own account before December 1, 1952. The bonds may be pledged as collateral for loans, including loans by commercial banks, but any such banks acquiring the bonds because of failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks. Any bonds of this series, which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate at par and accrued interest, conditioned on the application of the entire proceeds of redemption to the payment of Federal estate taxes.

The 1-3/4 percent Treasury Bonds of 1948 will be dated December 1, 1942 and will bear interest from that date at the rate of 1-3/4 percent per annum payable semiannually with the first payment due June 15, 1943. The bonds will mature June 15, 1948 and may not be called for redemption before maturity. Coupon bonds and bonds registered both as to principal and interest will be issued in denominations of $500, $1,000, $5,000, $10,000 and $100,000, and in the denomination of $1,000,000 for registered bonds only.

The 7/8 percent Treasury Certificates of Indebtedness of Series E-1943 will be dated December 1, 1942, will be payable on December 1, 1943, and will bear interest at the rate of 7/8 percent per annum payable semiannually. They will be issued in bearer form only with two coupons attached in the denominations of $1,000, $5,000, $10,000 and $100,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the bonds and certificates now offered shall not have any exemption as such under Federal Tax Acts now or hereinafter enacted. The full provisions relating to taxability are set forth in the official circulars issued today.

Subscriptions for both issues of bonds and for the issue of certificates will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington. Banking institutions and securities dealers generally may submit subscriptions for account of customers but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Subscribers must agree not to sell or otherwise dispose of their subscriptions or the securities allotted before December 3 in the case of the 1-3/4 percent bonds, or before December 19 in the case of the certificates. Subscriptions from banks and trust companies for their own account for the 1-3/4 percent bonds and the certificates during the specified periods will be received without deposit, and payment at par and accrued interest to December 11, 1942 for 1-3/4 percent Treasury bonds allotted, and to December 28, 1942 for certificates allotted must be made on such respective dates. Subscriptions from all others must be accompanied by payment in full, at par and accrued interest from December 1 to the date payment is available in a Federal Reserve Bank or the Treasury, for the amount of bonds or certificates applied for. One day's accrued interest on 2-1/2 percent Treasury Bonds of 1963-68 is $0.068, on 1-3/4 percent Treasury Bonds of 1948 is $0.048, and on 7/8 percent Treasury Certificates of Indebtedness of Series E-1943 is $0.024 per $1,000.

The texts of the official circulars follow:

UNITED STATES OF AMERICA

2-1/2 PERCENT TREASURY BONDS OF 1963-68

Dated and bearing interest from December 1, 1942 Due December 15, 1968

REDEEMABLE AT THE OPTION OF THE UNITED STATES AT PAR AND ACCRUED INTEREST ON AND AFTER DECEMBER 15, 1963

Interest payable June 15 and December 15

1942
Department Circular No. 701

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 30, 1942.

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 2-1/2 percent Treasury Bonds of 1963-68. These bonds will not be available for subscription, for their own account, by commercial banks, which are defined for this purpose as banks accepting demand deposits. The amount of the offering is not specifically limited.

II. DESCRIPTION OF BONDS

1. The bonds will be dated December 1, 1942, and will bear interest from that date at the rate of 2-1/2 percent per annum, payable on a semiannual basis on June 15 and December 15, 1943, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature December 15, 1968, but may be redeemed at the option of the United States on and after December 15, 1963, in whole or in part, at par and accrued interest, on any interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury.

From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will not be acceptable to secure deposits of public moneys before December 1, 1952; they will not bear the circulation privilege, and they will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached will be issued in denominations of $500, $1,000, $5,000, $10,000 and $100,000. Bonds registered as to principal and interest will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury, except that they may not, before December 1, 1952, be transferred to or be held by commercial banks, which are defined, for this purpose, as banks accepting demand deposits. However, the bonds may be pledged as collateral for loans, including loans by commercial banks, but any such bank acquiring such bonds before December 1, 1952, because of the failure of such loans to be paid at maturity will be required to dispose of them in the same manner as they dispose of other assets not eligible to be owned by banks.

5. Any bonds issued hereunder which upon the death of the owner constitute part of his estate, will be redeemed at the option of the duly constituted representatives of the deceased owner's estate, at par and accrued interest to date of

payment,[1] Provided:

(a) that the bonds were actually owned by the decedent at the time of his death; and
(b) that the Secretary of the Treasury be authorized to apply the entire proceeds of redemption to the payment of Federal estate taxes.

Registered bonds submitted for redemption hereunder must be duly assigned to "The Secretary of the Treasury for redemption, the proceeds to be paid to the Collector of Internal Revenue at ________________ for credit on Federal estate taxes due from estate of ________________." Owing to the periodic closing of the transfer books and the impossibility of stopping payment of interest to the registered owner during the closed period, registered bonds received after the closing of the books for payment during such closed period will be paid only at par with a deduction of interest from the date of payment to the next interest payment date;[2] bonds received during the closed period for payment at a date after the books reopen will be paid at par plus accrued interest from the reopening of the books to the date of payment. In either case checks for the full six months interest due on the last day of the closed period will be forwarded to the owner in due course. All bonds submitted must be accompanied by Form PD 1782,[3] properly completed, signed and sworn to, and by a certificate of the appointment of the personal representatives, under seal of the court, dated not more than 6 months prior to the submission of the bonds, which shall show that at the date thereof the appointment was still in force and effect. Upon payment of the bonds appropriate memorandum receipt will be forwarded to the representatives, which will be followed in due course by formal receipt from the Collector of Internal Revenue.

1/ An exact half-year's interest is computed for each full half-year period irrespective of the actual number of days in the half year. For a fractional part of any half year, computation is on the basis of the actual number of days in such half year.
2/ The transfer books are closed from May 16 to June 15, and from November 16 to December 15 (both dates inclusive) in each year.
3/ Copies of Form PD 1782 may be obtained from any Federal Reserve Bank or from the Treasury Department, Washington, D. C.

6. Except as provided in the preceding paragraphs, the bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions and securities dealers generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made on or before December 1, 1942, or on later allotment. One day's accrued interest is $0.068 per $1,000. Any qualified depositary will be permitted to make payment by credit for bonds allotted to its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the

respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

UNITED STATES OF AMERICA

1-3/4 PERCENT TREASURY BONDS OF 1948

Dated and bearing interest from December 1, 1942 Due June 15, 1948

Interest payable June 15 and December 15

1942
Department Circular No. 702

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 30, 1942.

Fiscal Service
Bureau of the Public Debt

I. OFFERING OF BONDS

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for bonds of the United States, designated 1-3/4 percent Treasury Bonds of 1948. The amount of the offering is not specifically limited, although allotments to commercial banks, which are defined for this purpose as banks accepting demand deposits, for their own account will be limited to $2,000,000,000, or thereabouts. The books will be open today and until further notice for the receipt of subscriptions from others than commercial banks for their own account, and today, December 1 and December 2 for the receipt of subscriptions from commercial banks for their own account.

II. DESCRIPTION OF BONDS

1. The bonds will be dated December 1, 1942, and will bear interest from that date at the rate of 1-3/4 percent per annum, payable on a semiannual basis on June 15 and December 15, 1943, and thereafter on June 15 and December 15 in each year until the principal amount becomes payable. They will mature June 15, 1948, and will not be subject to call for redemption prior to maturity.

2. The income derived from the bonds shall be subject to all Federal taxes, now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift

or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached will be issued in denominations of $500, $1,000, $5,000, $10,000 and $100,000. Bonds registered as to principal and interest will be issued in denominations of $500, $1,000, $5,000, $10,000, $100,000 and $1,000,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

5. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to December 3, 1942. Banking institutions and securities dealers generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions and securities dealers will not be permitted to enter subscriptions except for their own account. Subscriptions from commercial banks for their own account will be received without deposit. All other subscriptions must be accompanied by payment in full for the amount of bonds applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and

to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions for amounts up to and including $100,000 from commercial banks, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $100,000 from commercial banks will be allotted on an equal percentage basis, to be publicly announced. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for bonds allotted hereunder to or for the account of others than commercial banks must be made on or before December 1, 1942, or on later allotment. Payment at par and accrued interest to December 11, 1942, for bonds allotted hereunder to commercial banks must be made on that date. One day's accrued interest is $0.048 per $1,000. Any qualified depositary will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

UNITED STATES OF AMERICA

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES E-1943

Dated and bearing interest from December 1, 1942 Due December 1, 1943

1942
Department Circular No. 703

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, November 30, 1942.

I. OFFERING OF CERTIFICATES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for certificates of indebtedness of the United States, designated 7/8 percent Treasury Certificates of Indebtedness of Series E-1943. The amount of the offering is not specifically limited, although allotments to commercial banks, which are defined for this purpose as banks accepting demand deposits, for their own account will be limited to $2,000,000,000, or thereabouts. The books will be open today and until further notice for the receipt of subscriptions from others than commercial banks for their own account, and on December 16, December 17 and December 18 for the receipt of subscriptions from commercial banks for their own account.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated December 1, 1942, and will bear interest from that date at the rate of 7/8 percent per annum, payable semiannually on June 1 and December 1, 1943. They will mature December 1, 1943, and will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all Federal taxes, now or hereafter imposed. The certificates shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The certificates will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes and will not bear the circulation privilege.

4. Bearer certificates with two interest coupons attached will be issued in denominations of $1,000, $5,000, $10,000 and $100,000. The certificates will not be issued in registered form.

5. The certificates will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States certificates.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to December 19, 1942. Banking institutions and securities dealers generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions and securities dealers will not be permitted to enter subscriptions except for their own account. Subscriptions from commercial banks for their own account will be received without deposit. All other subscriptions must be accompanied by payment in full for the amount of certificates applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of certificates applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions for amounts up to and including $100,000 from commercial banks, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $100,000 from commercial banks will be allotted on an equal percentage basis, to be publicly announced. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for certificates allotted hereunder to or for the account of others than commercial banks must be made on or before December 1, 1942, or on later allotment. Payment at par and accrued interest to December 28, 1942, for certificates allotted hereunder to commercial banks must be made on that date. One day's accrued interest is $0.024 per $1,000. Any qualified depositary will be permitted to make payment by credit for certificates allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its District.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective Districts, to issue allotment notices, to receive payment for certificates allotted, to make delivery of certificates on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive certificates.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

It was further pointed out that in intermittent employment - as in seasonal occupations - it is not necessary to furnish the statement with each cessation or interruption of work, if no termination of employment has occurred. Termination of employment is a fact governed by the intentions of the parties, and for the purpose of compliance with section 469, in cases where work is intermittent, if there is reasonable expectation on the part of both the employer and the employee of further employment, the statement may be furnished at the time of actual termination, or within thirty days thereafter. If, however, such expectation does not exist on the part of either party, then employment has terminated and a statement must be furnished within thirty days from the last wage payment.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE.
NOVEMBER 30, 42

Press Service
No. 34-35

In response to the many inquiries from employers regarding the requirements of section 469 of the Internal Revenue Code, as added by the Revenue Act of 1942, relating to the furnishing of statements of Victory Tax withheld, the ~~Secretary~~ Bureau today announced the following ruling:

> "An extension of time, not exceeding thirty days, within which to furnish the statement required by section 469(a) is granted any employer with respect to any employee whose employment is terminated during the calendar year. In the case of intermittent or interrupted employment where there is reasonable expectation on the part of both employer and employee of further employment, there is no requirement that a statement be immediately furnished the employee; but when such expectation ceases to exist, the statement must be furnished within thirty days from that time."

The section referred to requires that, in cases where the employment is terminated before the close of the calendar year, the statement of Victory Tax withheld be furnished the employee with the last payment of his wages, but an extension of time not exceeding thirty days may be granted under appropriate regulations. As the statements must contain pay roll and other data for the period of employment, it is frequently difficult to prepare such statements in time to furnish them with the last wage payment. This is especially true where employment is seasonal, as well as in large establishments where pay roll records are maintained elsewhere than at the place of employment. The ruling is designed to alleviate the burden imposed upon employers, by granting a general extension of time in accordance with the authority conferred in the Act.

It was further pointed out that in intermittent employment - as in seasonal occupations - it is not necessary to furnish the statement with each cessation or interruption of work, if no termination of employment has occurred. Termination of employment is a fact governed by the intentions of the parties, and for the purpose of compliance with section 469, in cases where work is intermittent, if there is reasonable expectation on the part of both the employer and the employee of further employment, the statement may be furnished at the time of actual termination, or within thirty days thereafter. If, however, such expectation does not exist on the part of either party, then employment has terminated and a statement must be furnished within thirty days from the last wage payment.

34-35

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE.

Press Service
~~Press Service~~
No.

In response to the many inquiries from employers regarding the requirements of section 469 of the Internal Revenue Code, as added by the Revenue Act of 1942, relating to the furnishing of statements of Victory Tax withheld, the ~~Secretary~~ Bureau of Internal Revenue today announced the following ruling:

> "An extension of time, not exceeding thirty days, within which to furnish the statement required by section 469(a) is granted any employer with respect to any employee whose employment is terminated during the calendar year. In the case of intermittent or interrupted employment where there is reasonable expectation on the part of both employer and employee of further employment, there is no requirement that a statement be immediately furnished the employee; but when such expectation ceases to exist, the statement must be furnished within thirty days from that time."

The section referred to requires that, in cases where the employment is terminated before the close of the calendar year, the statement of Victory Tax withheld be furnished the employee with the last payment of his wages, but an extension of time not exceeding thirty days may be granted under appropriate regulations. As the statements must contain pay roll and other data for the period of employment, it is frequently difficult to prepare such statements in time to furnish them with the last wage payment. This is especially true where employment is seasonal, as well as in large establishments where pay roll records are maintained elsewhere than at the place of employment. The ruling is designed to alleviate the burden imposed upon employers, by granting a general extension of time in accordance with the authority conferred in the Act.

Secretary Morgenthau today announced a ruling by the Bureau of Internal Revenue relating to the statements ~~by~~ employeers ~~will~~ must furnish their employees showing the amount of Victory Tax withheld.

The ruling was made in repsonse to hundreds of inquiries from employers regarding the requirements

United States Senate

WASHINGTON, D. C.

Secretary Morgenthau today announced a ruling by the Bureau of Internal Revenue granting employers an extension ~~in~~ of the time in which they ~~are required~~ must ~~to~~ furnish employees whose services have been terminated with a statement of the amount of Victory Tax withheld from wages.

The ruling, which was made in response to hundreds of inquiries from ~~empl~~ employers, ~~xxxx~~ applies in cases where the employment is terminated before the ~~clo~~ close of the calendar year.

The text of the ruling, ~~follows:~~ based on Section 469 of the Internal Revenue Code, as added by the Revenue Act of 1942, is as follows:

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, November 30, 1942.

Press Service
No. 34-35

Secretary Morgenthau today announced a ruling by the Bureau of Internal Revenue granting employers an extension of the time in which they must furnish employees whose services have been terminated with a statement of the amount of Victory Tax withheld from wages.

The ruling, which was made in response to hundreds of inquiries from employers, applies in cases where the employment is terminated before the close of the calendar year.

The text of the ruling, based on Section 469 of the Internal Revenue Code, as added by the Revenue Act of 1942, is as follows:

> "An extension of time, not exceeding thirty days, within which to furnish the statement required by section 469(a) is granted any employer with respect to any employee whose employment is terminated during the calendar year. In the case of intermittent or interrupted employment where there is reasonable expectation on the part of both employer and employee of further employment, there is no requirement that a statement be immediately furnished the employee; but when such expectation ceases to exist, the statement must be furnished within thirty days from that time."

The section referred to requires that, in cases where the employment is terminated before the close of the calendar year, the statement of Victory Tax withheld be furnished the employee with the last payment of his wages, but an extension of time not exceeding thirty days may be granted under appropriate regulations. As the statements must contain pay roll and other data for the period of employment, it is frequently difficult to prepare such statements in time to furnish them with the last wage payment. This is especially true where employment is seasonal, as well as in large establishments where pay roll records are maintained elsewhere than at the place of employment. The ruling is designed to alleviate the burden imposed upon employers, by granting a general extension of time in accordance with the authority conferred in the Act.

It was further pointed out that in intermittent employment - as in seasonal occupations - it is not necessary to furnish the statement with each cessation or interruption of work, if no termination of employment has occurred. Termination of employment is a fact governed by the intentions of the parties, and for the purpose of compliance with section 469, in cases where work is intermittent, if there is reasonable expectation on the part of both the employer and the employee of further employment, the statement may be furnished at the time of actual termination, or within thirty days thereafter. If, however, such expectation does not exist on the part of either party, then employment has terminated and a statement must be furnished within thirty days from the last wage payment.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, December 1, 1942.

Press Service

3 4-3

The Secretary of the Treasury announced last evening that the tenders for $500,000,000, or thereabouts, of 91-day Treasury bills to be dated December 2, 1942, and to mature March 3, 1943, which were offered on November 27, were opened at the Federal Reserve Banks on November 30.

The details of this issue are as follows:

Total applied for - $1,220,276,000
Total accepted - 503,206,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.297% per ann
Low	- 99.906	" " " " " 0.372% " "
Average price	- 99.907	" " " " " 0.368% " "

(22 percent of the amount bid for at the low price was accepted.)

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 1, 1942.
11-30-42

Press Service
No. 34-36

The Secretary of the Treasury announced last evening that the tenders for $500,000,000, or thereabouts, of 91-day Treasury bills to be dated December 2, 1942, and to mature March 3, 1943, which were offered on November 27, were opened at the Federal Reserve Banks on November 30.

The details of this issue are as follows:

Total applied for - $1,220,276,000
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Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.297% per annum
Low	- 99.906	Equivalent rate of discount approx. 0.372% per annum
Average price	- 99.907	Equivalent rate of discount approx. 0.368% per annum

(22 percent of the amount bid for at the low price was accepted.)

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COPY

TREASURY DEPARTMENT

FOR RELEASE, MORNING NEWSPAPERS
THURSDAY, DECEMBER 3, 1942

PRESS SERVICE
No. 34-37

12/2/42

THE BUREAU OF INTERNAL REVENUE TODAY ISSUED REGULATIONS UNDER WHICH ITS NEW SALARY STABILIZATION UNIT WILL OPERATE. THE UNIT WAS SET UP IN CONFORMITY WITH THE REGULATIONS ISSUED OCTOBER 27 BY THE DIRECTOR OF ECONOMIC STABILIZATION.

THE TEXT OF THE NEW INTERNAL REVENUE REGULATIONS, EMBODIED IN TREASURY DECISION 5186, IS AS FOLLOWS:

Extract from FEDERAL REGISTER

THURSDAY, DECEMBER, 3, 1942

TITLE 29—LABOR

Chapter VIII—Commissioner of Internal Revenue

[T.D. 5186]

PART 1002—STABILIZATION OF SALARIES

On October 27, 1942, the President approved regulations relating to wages and salaries prescribed by the Economic Stabilization Director (7 F.R. 8748) under the Act of October 2, 1942, entitled "An Act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes" (Public No. 729, 77th Congress, 2d Session) and Executive Order No. 9250, dated October 3, 1942 (7 F.R. 7871). Those regulations conferred on the Commissioner of Internal Revenue authority to administer the provisions thereof relating to the stabilization and limitation of certain salaries. In the exercise of the authority so conferred on the Commissioner of Internal Revenue, the following regulations relating to salaries are hereby promulgated.

AUTHORITY: §§ 1002.1 to 1002.34, inclusive, issued under Pub. Law 729, 77th Cong., E.O. 9250, 7 F.R. 7871; Regs. of Economic Stabilization Director, dated October 27, 1942, 7 F.R. 8748.

SUBPART A—DEFINITIONS

§ 1002.1 *General terms.* When used in these regulations, unless otherwise distinctly expressed or manifestly incompatible with the intent thereof:

(a) The term "Act" means the Act of October 2, 1942 (Public No. 729, 77th Congress) entitled "An Act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes".

(b) The term "Board" means the National War Labor Board created by Executive Order No. 9017, dated January 12, 1942 (7 F.R. 237).

(c) The term "Commissioner" means the Commissioner of Internal Revenue.

(d) The term "Code" means the Internal Revenue Code, as amended and supplemented.

(e) The term "person" has the same meaning as when used in the Code.

(f) The term "General Regulations" means regulations (relating to wages and salaries) issued by the Economic Stabilization Director, approved by the President on October 27, 1942 (7 F.R. 8748), and as amended or supplemented by subsequent regulations issued by the Economic Stabilization Director relating to wages and salaries.

(g) The term "in contravention of the Act" means in contravention of the Act of October 2, 1942 (referred to in paragraph (a) above), Executive Order No. 9250 of October 3, 1942 (7 F.R. 7871), the General Regulations, these regulations and other rulings and regulations promulgated under such Act.

§ 1002.2 *Employee and employer.* An employee, for the purposes of these regulations, is an individual who performs services for compensation where the relationship between him and the person for whom he performs the services is the legal relationship of employee and employer. An employer is any person for whom an individual performs any services, of whatever nature, as the employee of such person. The term "employer" is not limited to private persons engaged in trade or business, but includes organizations which, under section 101 of the Code, are exempt from income taxation, and also government departments and agencies. The existence of the legal relationship of employer and employee is to be ascertained in the light of the general purposes of the Act and the General Regulations.

Generally, the legal relationship of employer and employee exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work done, but also as to the details and means by which that result is accomplished. An employee is generally subject to the will and control of the employer not only as to what shall be done but how it shall be done. In this connection it is unnecessary that the employer actually direct or control the precise manner in which the services are performed; it is sufficient that he has the right to do so. The right to discharge is also an important factor indicating that the person possessing that right is an employer.

Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work to the individual who performs the services. In general, if an individual is subject to the control or direction of another merely as to the result to be accomplished by the work and not as to the means and methods for accomplishing the result, he is an independent contractor. An individual performing services as an independent contractor is not an employee as to such services. Physicians, lawyers, architects, contractors and others who follow an independent trade, business or profession in which they offer their services to the public are generally independent contractors and not employees. Whether the relationship of employer-employee exists will be determined upon an examination of the particular facts of each case.

If the relationship of employer and employee exists the designation or description of the relationship by the parties as anything other than that of employer and employee is immaterial. If such relationship exists, it is of no consequence that the employee is designated as a partner, co-adventurer agent or independent contractor. The measurement, method, or designation of compensation is immaterial if the relationship of employer and employee thus in fact exists.

An officer of a corporation is an employee of the corporation but a director as such is not. A director may be an employee of the corporation, however, if he performs services for the corporation other than those required by attendance at and participation in meetings of the board of directors.

498290 O—42

§ 1002.3 *Executive employees.* An individual "employed in a bona fide executive capacity" means any employee:

(a) Whose primary duty consists of the management of the establishment in which he is employed or of a customarily recognized department or subdivision thereof, and

(b) Who customarily and regularly directs the work of other employees, and

(c) Who has the authority to hire or fire other employees or whose suggestions and recommendations as to the hiring or firing and as to the advancement and promotion or any change of status of other employees will be given particular weight, and

(d) Who customarily and regularly exercises discretionary powers, and

(e) Who is compensated for his services on a salary basis at not less than $30 per week (exclusive of board, lodging, or other facilities), and

(f) Whose hours of work of the same nature as that performed by employees not employed in an executive, administrative or professional capacity do not exceed 20 percent of the total number of hours worked in the workweek by the employees under his direction: *Provided,* That this subparagraph (f) shall not apply in the case of an employee who is in sole charge of an independent establishment or a physically separated branch establishment.

§ 1002.4 *Administrative employees.* An individual "employed in a bona fide administrative capacity" means any employee:

(a) Who is compensated for his services on a salary or fee basis at a rate of not less than $200 per month (exclusive of board, lodging, or other facilities), and

(b) (1) Who regularly and directly assists an employee employed in a bona fide executive or administrative capacity (as such terms are defined in these regulations), where such assistance is nonmanual in nature and requires the exercise of discretion and independent judgment; or

(2) Who performs under only general supervision, responsible nonmanual office or field work, directly related to management policies or general business operations, along specialized or technical lines requiring special training, experience, or knowledge, and which requires the exercise of discretion and independent judgment; or

(3) Whose work involves the execution under only general supervision of special nonmanual assignments and tasks directly related to management policies or general business operations involving the exercise of discretion and independent judgment; or

(4) Who is engaged in transporting goods or passengers for hire and who performs, under only general supervision, responsible outside work of a specialized or technical nature requiring special training, experience, or knowledge, and whose duties require the exercise of discretion and independent judgment.

§ 1002.5 *Professional employees.* Any individual "employed in a bona fide professional capacity" means any employee who is:

(a) Engaged in work—

(1) Predominantly intellectual and varied in character as opposed to routine mental, manual, mechanical, or physical work, and

(2) Requiring the consistent exercise of discretion and judgment in its performance, and

(3) Of such a character that the output produced or the result accomplished cannot be standardized in relation to a given period of time, and

(4) Whose hours of work of the same nature as that performed by employees not employed in an executive, administrative or professional capacity do not exceed 20 percent of the hours worked in the workweek by such employees; provided that where such non-professional work is an essential part of and necessarily incident to work of a professional nature, this subparagraph (4) shall not apply, and

(5) (i) Requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction and study, as distinguished from a general academic education and from an apprenticeship, and from training in the performance of routine mental, manual, or physical processes; or

(ii) Predominantly original and creative in character in a recognized field of artistic endeavor as opposed to work which can be produced by a person endowed with general manual or intellectual ability and training, and the result of which depends primarily on the invention, imagination, or talent of the employee, and

(b) Compensated for his services on a salary or fee basis at a rate of not less than $200 per month (exclusive of board, lodging, or other facilities); provided that this paragraph (b) shall not apply in the case of an employee who is the holder of a valid license or certificate permitting the practice of law or medicine or any of their branches and who is actually engaged in the practice thereof.

§ 1002.6 *Salary payments.* The terms "salary" and "salary payment" mean only such salaries over which the Commissioner has jurisdiction. (See § 1002.10 of these regulations.) These terms are not used in any restricted, narrow or technical sense, but encompass all forms of direct or indirect compensation for personal services of an employee which is computed on a weekly, monthly, annual or other basis, other than wages (as defined in the General Regulations and in orders or rulings of the Board). Bonuses, gifts, loans, commissions, fees, additional compensation and any other remuneration in any form or medium whatsoever are considered as falling within the concept of "salary" or "salary payment". Any compensation which is not regarded as wages in the commonly accepted sense of the term is salary notwithstanding that it may be computed on an hourly, daily or piecework basis.

Retainer fees paid to an individual, not otherwise an employee, are not to be considered as salary. Insurance and pension benefits in a reasonable amount (see § 1002.8) are likewise excluded from the terms "salary" and "salary payment".

Although the terms "salary" and "salary payment" do not include any compensation other than for personal services of an employee, the Commissioner is not precluded from determining, after investigation, that amounts denominated, for example, as rents or royalties are in fact salary payments subject to the controls set forth in these regulations.

All amounts paid to, authorized to be paid to, or accrued to the account of any employee during a calendar year for services rendered or to be rendered are to be included as salary for such year.

§ 1002.7 *Salary rate.* The term "salary rate" means the rate or aggregate of rates or other basis at which the salary for any particular work or service is computed, either under the terms of a contract or agreement, express or implied, or in conformity with custom or usage existing in the employer's business establishment. For treatment of commissions and bonuses on a percentage basis see § 1002.14.

§ 1002.8 *Insurance and pension benefits.* Compensation may include insurance and pension benefits. In determining the amount of salary of an employee, the insurance or pension benefit inuring to such employee is not measured by what he will be entitled to receive after the happening of certain contingencies, but rather in terms of the amount of contributions or premiums paid by the employer. To the extent that an insurance and pension benefit inuring to an employee is reasonable in amount, such benefit is not considered as salary as defined in § 1002.6.

Section 165 (a) of the Code sets forth the conditions under which a trust forming part of a stock bonus, pension or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries shall not be taxable for Federal income tax purposes. Contributions by an employer to an employees' trust or under an annuity plan, which trust or plan meets the exemption requirements of such section 165 (a) (as of the date the contributions are made), shall be considered as reasonable, regardless of the amount of such contributions. On the other hand, contributions by an employer to an employees' trust which is subject to Federal income taxation because it does not meet the requirements of such section 165 (a) shall be treated, for purposes of these regulations, as salary.

To the extent amounts paid by an employer on account of insurance premiums on a policy on the life of an employee are deductible by the employer in computing net income under the conditions set forth in section 23 (a) of the Code (relating to deductions for ordinary and necessary business expenses), such amounts are not considered as salary. The amount of insurance premiums that will be considered as falling outside the concept of salary cannot exceed the amount of such premiums deductible by the employer for Federal income tax purposes. If, however, such insurance premiums are includible in the gross income of the employee (for whose benefit the insurance has been taken out), as well as deductible by the employer, the amount which shall not be considered as salary in respect of such employee may not exceed 5 percent of the employee's annual salary determined without the inclusion of insurance and pension benefits.

The application of the preceding paragraph may be illustrated by the following examples. An employer having 20 salaried employees takes out life insurance policies on each of such employees in favor of beneficiaries designated by them. The premiums paid for 10 of the employees are in each instance 7 percent of the employee's annual salary (exclusive of insurance and pension benefits). As to the remaining 10 employees the premiums in each instance are 5 percent of the employee's annual salary (exclusive of insurance and pension benefits). It is assumed that with respect to each employee the premium paid would be includible in his gross income under the Code and would be deductible by the employer under section 23 (a) of the Code. As to the first 10 employees 2 percent of the premiums in each instance will be considered as salary, whereas no part of the premiums will be considered as salary in the case of the second group of employees. If, however, none of the premiums were deductible in computing the net income of the employer, then the entire amount of the premium in each instance would be considered as salary to the employee involved.

Premiums paid by an employer on policies of group life insurance without cash surrender value covering the lives of his employees, or on policies of group health or accident insurance, the beneficiaries of which are designated by such employees, do not constitute salary (regardless of the amount of salary otherwise received annually by such employees) if such premiums are deductible by the employer under section 23 (a) of the Code.

§ 1002.9 *Approval by Commissioner.* Wherever the terms "approval by the Commissioner" and "determination by the Commissioner" are used in these regulations they shall, except as otherwise provided, include an approval or determination by a regional officer of the Salary Stabilization Unit established by the Commissioner under Treasury Decision 5176, which officer is authorized to make such determination. If an approval or determination made by such regional officer is subsequently modified or reversed by the Commissioner, such approval or determination shall be deemed to have been continuously in effect from its original date until the first day of the payroll period following reversal or modification, or until such later date as the Commissioner may provide in his ruling.

To illustrate, an employer obtains the approval of a regional officer of the Salary Stabilization Unit that a proposed increase in certain salaries is permissible. The approval is given on January 2, 1943, and the salary increase is to become effective January 15, 1943. On March 15, 1943, the Commissioner determines that the salary increase was not proper and reverses the approval given by the regional officer. The Commissioner provides in his ruling that the increase in salary shall be discontinued after March 31, 1943. For purposes of these regulations, no part of the salary for the period between January 15 and March 31 shall be considered to have been in contravention of the Act.

SUBPART B—JURISDICTION OF COMMISSIONER

§ 1002.10 *Amount of salary payment.* (a) The General Regulations provide that the Commisisoner shall have authority to determine, under regulations to be prescribed by the Commissioner with the approval of the Secretary of the Treasury, whether salary payments are made in contravention of the Act. The Commissioner's jurisdiction is confined to:

(1) Salary payments in excess of $5,000 per annum, in the case of individuals employed in any capacity whatsoever; and

(2) Salary payments of $5,000 or less per annum, in the case of individuals (i) who are employed in bona fide executive, administrative or professional capacities, and (ii) who, in their relations with their employer, are not represented by duly recognized or certified labor organizations, and (iii) whose services are not within the meaning of "agricultural labor" as defined in paragraph (l) of § 4001.1 of the General Regulations.

Other salary payments are subject either to the jurisdiction of the Board or the Secretary of Agriculture, as prescribed in the General Regulations. If, for example, a salary is to be increased from $4500 per annum to $5200 per annum (and subparagraph (2) is inapplicable), approval of such increase, if required, must be obtained from the Board.

§ 1002.11 *Conclusiveness of determination.* (a) Any determination by the Commissioner that a salary payment is in contravention of the Act is conclusive in every respect upon all executive departments and agencies of the Federal Government for the following purposes:

(1) Determining costs or expenses of any employer for the purpose of any law or regulation, either heretofore or hereafter enacted or promulgated, including the Emergency Price Control Act of 1942, or any maximum price regulation thereunder;

(2) Calculating deductions under the revenue laws of the United States; or

(3) Determining costs or expenses under any contract made by or on behalf of the United States.

(b) Any such determination of the Commissioner is final and not subject to review by The Tax Court of the United States or by any court in any civil proceedings. Nothing herein is intended, however, to deny the right of any employer or employee to contest in The Tax Court of the United States or in any court of competent jurisdiction the validity of:

(1) Any provision of these regulations, on the ground such provision is not authorized by law, or

(2) Any action taken or determination made under these regulations, on the ground that such action or determination is not authorized, or has not been taken or made in a manner required, by law.

(c) No increase in salary rate shall result in any substantial increase of the level of costs or furnish the basis either to increase price ceilings of the commodity or service involved or to resist otherwise justifiable reductions in such price ceilings.

§ 1002.12 *Geographical scope.* The provisions of these regulations shall not apply to salaries in any Territory or possession of the United States, except Alaska and Hawaii.

SUBPART C—SALARY INCREASES

§ 1002.13 *Commissioner's approval required.* Section 1 of the Act provides in effect that salaries, so far as practicable, shall be stabilized at the levels which existed on September 15, 1942. In the case of a salary rate of $5,000 or less per annum existing on October 27, 1942, or established thereafter in compliance with these regulations, and in the case of a salary rate of more than $5,000 per annum existing on October 3, 1942, or established thereafter in compliance with these regulations, no increase shall be made by the employer, except as provided in § 1002.14, without prior approval of such increase by the Commissioner. Any salary increase made before the required approval of the Commissioner is obtained is from the date of such increase in contravention of the Act. (See §§ 1002.28 and 1002.29 for the consequences of a salary payment made in contravention of the Act.) The Commissioner may, however, approve an increase in salary rate to be effective as of the date of the application for approval.

The burden of justifying an increase in salary rate shall in every instance be upon the employer seeking to make such increase. Increases in salary rates will not be approved unless necessary to correct maladjustments or inequalities, or to aid in the effective prosecution of the war. A promise made by an employer to his employees prior to October 3, 1942 that salaries would be increased in the future is generally to be ignored in determining whether an increase after that date should be approved. The same rule is applicable with respect to a promise made by an employer prior to October 27, 1942, in the case of employees whose salary rates are $5,000 or less per annum. A salary increase, however, may be approved, as to salaries below $5,000 per annum, if to deny such increase would be to force the continuation of a salary which is below the general level existing for the same or comparable work in the local area on September 15, 1942.

An employer who has established a new job classification, or who has begun business, after October 3, 1942, must obtain approval of the Commissioner for the payment of salaries for such job classification or in such new business: *Provided, however*, That if the salary rates in question are not in excess of those prevailing for similar job classifications within the local area, the approval of the Commissioner is not required. An increase in a salary rate for a job classification established after October 3, 1942, shall be subject to the limitations provided in this Subpart.

A mere change in the name, organization, or financial structure of an employer, whether such employer be an individual, partnership or corporation, will not in itself be sufficient for a finding that, for the purposes of these regulations, a new business has been begun or new job classification established after such change.

Any change in a salary rate, regardless of its effective date, which results from an award or decision of an arbitrator or referee made after October 3, 1942, in the case of salaries of more than $5,000 per annum, and after October 27, 1942 in the case of salaries of $5,000 or less per annum, is subject to the provisions of these regulations notwithstanding that the agreement or order for arbitration or reference was made on or before October 3, 1942 or October 27, 1942, as the case may be.

Unless otherwise expressly exempted, any change in a salary rate, provided for in any agreement existing as of October 3, 1942 in the case of salaries of more than $5,000 per annum, or as of October 27, 1942 in the case of salaries of $5,000 or less per annum, which is to take effect at some future date or on the happening of some future event, is subject to the provisions of these regulations regardless of when the agreement was made.

Payment for overtime will constitute an increase in salary rate, and thus will require the approval of the Commissioner, unless the customary practice of the employer has been to pay for overtime, and the rate has not been changed.

Except as may be otherwise provided from time to time by the Commissioner, an application for the approval of a salary increase shall be filed by the employer with the regional office of the Salary Stabilization Unit of the Bureau of Internal Revenue in whose territorial jurisdiction the main office or principal place of business of the employer is located. Such application shall be filed on forms prescribed by the Commissioner and shall contain such information as may be required by the Commissioner.

§ 1002.14 *Commissioner's approval not required.* The Commissioner's approval is not required where an increase in salary rate is made in accordance with the terms of a salary agreement or salary rate schedule in effect on October 3, 1942, or approved thereafter by the Commissioner, and is a result of:

(1) Individual promotions or reclassifications,

(2) Individual merit increases within established salary rate ranges,

(3) Operation of an established plan of salary increases based on length of service,

(4) Increased productivity under incentive plans,

(5) Operation of a trainee system, or

(6) Such other reasons or circumstances as may be prescribed in rulings or regulations promulgated by the Commissioner from time to time.

For purposes of this section, the term "salary agreement" or "salary rate schedule" may include a salary policy in effect on October 3, 1942, even though not evidenced by written contracts or written rate schedules. For example, a salary policy may be determined from previous payroll records or other payroll data. The existence of such policy, however, must be established to the satisfaction of the Commissioner, and the burden of proof rests upon the employer. In such cases, the employer in advance of making an increase in salary rate may reduce the salary policy to writing and secure approval thereof by the Commissioner.

A bonus or other form of additional compensation which does not exceed in amount the bonus or other additional compensation to such employee for the last bonus year ending before October 3, 1942 does not require approval by the Commissioner. In addition a bonus based upon a fixed percentage of salary where the percentage has not been changed, does not require approval by the Commissioner even though the amount may be increased due to an authorized increase in salary. Any other bonus or other form of additional compensation requires approval by the Commissioner. Where the compensation, or part thereof, is paid on a commission basis and is based upon a fixed percentage (which has not been changed) of sales made by the employee, a payment does not require approval by the Commissioner even though the amount may represent an increase due to increased sales by the employee. See, however, Subpart F of these regulations.

The provisions of this section may be illustrated as follows:

(1) The X Corporation began business in 1940. As of July 1, 1942, pursuant to a corporate resolution duly passed in January 1942, all of its salaried employees received more than $5,000 per annum. No approval of the Commissioner is required to increase the salary of an employee who is promoted in November 1942 from a salesman to general manager and who receives a salary within the salary range paid previously to individuals occupying the position of general manager.

(2) The X Corporation in December 1942 wishes to establish a new salary rate schedule raising the level of compensation of all its salaried employees. Approval by the Commissioner of such schedule is required. Assuming that such approval has been obtained, further approval by the Commissioner of any adjustment under such schedule coming within this section is not required.

(3) The Y Corporation begins business on November 1, 1942. The salaries paid by it to its employees are commensurate with salaries paid by other employers in comparable businesses in the same local area. Payment of such salaries does not require the approval of the Commissioner. Any increase in salary rates, however, requires the approval of the Commissioner.

(4) The M Corporation, which has manufactured furniture since 1925, is reorganized in November 1942 and emerges from the reorganization proceedings as the N Corporation. There is no change in the nature of the business although there is a substantial alteration in the financial structure of the company. The N Corporation is not to be treated as a new employer beginning business after October 27, 1942. Consequently, any general increase in salaries over and above those paid by the M Corporation requires the prior approval of the Commissioner.

(5) Employees of the Z Corporation have customarily received a bonus of 5 percent of their annual salary at the end of each calendar year. If, for example, one of the employees received $6,000 in 1941 but received salary of $7,000 in 1942 due to a salary increase on July 1, 1942, a bonus of $350 may be paid to him for 1942 without prior approval of the Commissioner, notwithstanding that his bonus for 1941 was only $300.

SUBPART D—SALARY DECREASES

§ 1002.15 *Salaries under $5,000.* In the case of a salary rate existing as of the close of October 3, 1942, or established thereafter in compliance with these regulations, under which an employee is paid a salary of less than $5,000 per annum for any particular work, the general rule is that no decrease can be made by the employer in such salary rate below the highest salary rate paid for such work in the local area between January 1, 1942, and September 15, 1942. A decrease is permitted, however, with the approval of the Commissioner, in order to correct a gross inequity in any case or to aid in the effective prosecution of the war. Where such decrease is permitted the salary rate may be reduced below the highest salary rate paid for the work in question between January 1, 1942 and September 15, 1942. Except as otherwise provided in this section, any decrease in such salary rate after October 3, 1942 shall be considered in contravention of the Act if it is made prior to the approval thereof by the Commissioner.

Except as may be otherwise provided from time to time by the Commissioner, an application for approval of any salary decrease shall be filed in the same manner as in the case of an application for approval of a salary increase. See § 1002.13 of these regulations.

The Commissioner's approval is not required, for example, in the following cases where salary decreases are made after October 3, 1942:

(1) The new salary rate does not fall below the highest salary rate existing between January 1, 1942 and September 15, 1942 for the particular work in question or for the same or comparable work in the local area.

(2) An employee has been demoted to a lower position than that filled by him

between January 1, 1942 and September 15, 1942 and the salary rate for such lower position is not less than the highest salary rate existing for that position during the same period.

(3) An employee has been relieved of substantial duties and responsibilities.

A disparity between salaries paid by a particular employer and those paid by employers generally in the local area does not necessarily constitute justification for decrease in salary rates paid by such employer.

§ 1002.16 *Salaries over $5,000.* In the case of a salary rate existing as of the close of October 3, 1942, or established thereafter in compliance with these regulations, under which an employee is paid a salary of more than $5,000 per annum, the employer is permitted to make, without approval by the Commissioner, a decrease to a rate not less than $5,000 per annum. If, however, by virtue of a decrease the new salary paid to the employee is less than $5,000 per annum then the decrease below $5,000 per annum is subject to the limitations of § 1002.15 of these regulations. To the extent that prior approval by the Commissioner of a decrease is not required under § 1002.15 or this section, such decrease shall not be considered as being in contravention of the Act.

SUBPART E—GOVERNMENTAL EMPLOYEES

§ 1002.17 *State and local employees.* An adjustment in salaries (not fixed by statute, see § 1002.32) may be made by a State, or any political subdivision thereof, the District of Columbia, or any agency or instrumentality of any of the foregoing, on certification to the Commissioner that such adjustment is necessary to correct maladjustments, or to correct inequalities or gross inequities. The certification procedure shall not apply to any adjustment which would not otherwise require the Commissioner's approval or which would raise salaries beyond the prevailing level of compensation for similar services in the area or community. A certificate by the official or agency authorizing the adjustment stating the nature and amount of such adjustment, and briefly setting forth the facts meeting the foregoing requirement, will be accepted by the Commissioner as sufficient evidence of the propriety of the adjustment, subject to review by the Commissioner. Modification by the Commissioner of adjustments made by a governmental official or agency acting pursuant hereto shall not be retroactive.

In exceptional cases where such an adjustment is sought, and in all cases where the agency seeks an adjustment other than by the certification procedure, application for approval shall be filed with the appropriate regional office of the Salary Stabilization Unit.

SUBPART F—LIMITATIONS ON CERTAIN SALARIES

§ 1002.18 *Basic allowance.* In addition to setting forth limitations on increases and decreases in salary rates, the General Regulations provide a ceiling on the amount of salary which may be paid to any employee during a calendar year. The general rule is that no amount of salary may be paid or authorized to be paid to or accrued to the account of any employee or received by him during the calendar year 1943, and in each succeeding calendar year, which, after reduction by the Federal income taxes on the amount of salary, computed as below without regard to other income and without regard to deductions or credits, would exceed $25,000. Additional allowances of salary which may be permitted in certain circumstances are described in §§ 1002.19 to 1002.22, inclusive.

The amount of Federal income taxes referred to in the preceding paragraph shall be determined:

(1) By applying to the total amount of salary (but not including any amounts allowable under §§ 1002.19 to 1002.22, inclusive, of these regulations) paid or accrued during the calendar year in question, undiminished by any deductions, the rates of taxes imposed by Chapter 1 of the Code (except section 466 thereof relating to withholding) as if such total amount of salary were the net income (after the allowance of the appropriate credits), the surtax net income, and the Victory tax net income, respectively; and

(2) Without further allowance of any other credits against any of such taxes.

Assume that the rates imposed under Chapter 1 of the Code, as amended by the Revenue Act of 1942, are applicable with respect to the calendar year 1943. Under the formula described in the preceding paragraph, the basic allowance of salary for 1943 (which after reduction by the Federal income taxes would yield $25,000) is $67,200. This latter amount is the maximum amount of salary which an employee would be permitted to receive for 1943, provided he is not entitled to further allowances under §§ 1002.19 to 1002.22, inclusive. If the rates of Federal income tax applicable for 1943 should be increased above those now existing in the Code for 1942, the basic allowance of salary will be an amount greater than $67,200.

The basic allowance of salary as described in this section represents an amount against which the appropriate tax rates are applied and remains the same regardless of whether the employee is married or single or of the number of his dependents, if any. It is likewise unaffected by the nature of amount of his other income from all sources he would the extent of his deductions allowable for tax purposes generally.

For purposes of this subpart an amount of salary, in addition to the basic allowance of salary, will be permitted for any expenses paid or incurred by an employee which are ordinary and necessary for the performance of the services for which the employee is compensated. No such additional amount, however, shall be permitted for expenses which would not be deductible in computing individual Federal income taxes.

§ 1002.19 *Charitable contributions.* An amount of salary, in addition to the basic allowance of salary described in § 1002.18, will be permitted in certain circumstances to allow an employee to maintain his customary contributions to charitable, educational or other organizations described in section 23 (o) of the Code. Such additional amount of salary will be permitted if the employee establishes to the satisfaction of the Commissioner that after resorting to his other income from all sources he would suffer undue hardship in maintaining his customary contributions out of the basic allowance of salary described in the preceding section.

For purposes of this section and §§ 1002.20, 1002.21, and 1002.22, "income from all sources" includes income which is exempt under the Federal income tax laws.

What constitutes "undue hardship" for purposes of this section and §§ 1002.20, 1002.21, and 1002.22, is dependent upon all the circumstances in each case.

Contributions may be customary within the meaning of this section even though in the particular year in question the organizations to which the contributions are made are different from those to whom contributions were made in previous years.

§ 1002.20 *Insurance premiums.* An amount of salary, in addition to the basic allowance under § 1002.18 may be permitted to an employee under this section to meet certain payments during the employee's taxable year for insurance premiums. To be entitled to such extra allowance of salary the employee must establish to the satisfaction of the Commissioner that after resorting to other income from all sources (see § 1002.19) he is unable, without disposing of assets at a substantial financial loss resulting in undue hardship, to meet premium payments on policies of life insurance in force and effect on October 3, 1942 on his life.

The premium payments referred to in the preceding paragraph are those which are required to be met during the calendar year in question. No allowance for salary is permissible for payments of premiums which are due in future calendar years.

If any insurance has been permitted by an employee to lapse after October 3, 1942, no allowance for salary is permissible for payments of premiums on policies taken out after such date, even though the total annual premiums on the new policies are not in excess of the total annual premiums due on policies in effect on October 3, 1942. Renewal of policies in effect on October 3, 1942 (even though new premiums are higher) will not preclude applicability of this section to premium payments on the renewed policies. Generally, in the case of a conversion of a policy in effect on October 3, 1942 to a new policy requiring payment of higher premiums, this section is inapplicable to the annual amount by which the new premiums exceed the premiums in effect on October 3, 1942.

As used in this section, and §§ 1002.21 and 1002.22, substantial financial loss is not necessarily confined to a loss suffered on disposition of assets at depressed prices substantially below cost to the employee. The present value in use or in production of income and the potential future value are factors to be considered. For the purpose of this subpart, the provisions of the Code governing the determination of loss upon disposition of assets are not controlling.

§ 1002.21 *Fixed obligations.* An amount of salary in addition to the basic allowance under § 1002.18 may be permitted to an employee under this section to make required payments during the employee's taxable year on fixed obligations. Before any amount will be allowed under this section, the employee must establish to the satisfaction of the Commissioner that after resorting to his income from all sources (see § 1002.19), he is unable, without the necessity of disposing of assets at a substantial financial loss resulting in undue hardship, to meet required payments of fixed obligations for which he was obligated on October 3, 1942. (See § 1002.20.)

The term "fixed obligations" as used in this section means any enforceable liability of the employee the amount of which liability was fixed and determined on October 3, 1942. In no event is an allowance for salary permissable under this section for the payment of any amount due in future years.

§ 1002.22 *Federal taxes.* An amount of salary in addition to the basic allowance under § 1002.18 may be permitted to an employee, under this section, to meet payments during the employee's taxable year of certain Federal income taxes. To be entitled to such an additional allowance of salary the employee must establish to the satisfaction of the Commissioner that after resorting to his income from all sources (see § 1002.19), he is unable, without disposing of assets at a substantial financial loss resulting in undue hardship, to meet payments of certain Federal income taxes, more fully described below. (See § 1002.20.)

An allowance for additional salary is permissible in order to pay Federal income taxes owed by the employee himself for any prior taxable year, but is not permissible in order to pay any Federal income tax due on the basic allowance of salary under § 1002.18, except as this allowance is applicable for 1942. See § 1002.24. Thus, an amount for additional salary might be allowable in 1943 to meet the payment of the entire Federal income tax due on a salary received in 1942. In 1944 an amount for additional salary might be allowable to meet the payment of Federal income tax due on additional salary allowances permitted for 1943 under §§ 1002.19, 1002.20, 1002.21 and this section for 1943; but no amount, however, would be allowable to meet the payment of the Federal income tax due on the basic allowance under § 1002.18 for 1943.

§ 1002.23 *Multiple employers.* Salaries payable to an employee from more than one employer may, for purposes of Subpart F, be treated as if all such salaries were payable by a single employer, regardless of the financial or other relationship of the several employers. For example, individual A receives a salary as an employee of the X Corporation and also as an employee of its subsidiary, the Y Corporation. Both the X Corporation and the Y Corporation are required to adjust their salary arrangements with such employee to conform with the provisions of these regulations. If individual B is employed by the M Corporation and the N Corporation, both of whom are owned, directly or indirectly, by the same person or persons, the M Corporation and the N Corporation must adjust their salary arrangements with B to conform with the provisions of these regulations. If individual C is employed by the R Corporation and the S Corporation and both corporations have knowledge of that fact, they must adjust their salary arrangements with C to conform with the provisions of these regulations.

Where an individual is employed by two or more employers who, under these regulations, are required to make salary arrangements in order to conform with the provisions of Subpart F, such individual and employers will be deemed to be acting in contravention of the Act and these regulations if proper salary arrangements are not made. In any event, no employee may receive any salary in excess of that allowed under Subpart F. (See § 1002.30.)

§ 1002.24 *Limitation on 1942 salaries.* Unless payment thereof is required under a bona fide contract in effect on October 3, 1942, no amount of salary shall be paid or authorized to be paid to or accrued to the account of an employee or received by him after October 27, 1942 and before January 1, 1943, if the total salary paid, authorized, accrued or received for the calendar year 1942 exceeds the amount of salary which would otherwise be allowable under § 1002.18 (but not under §§ 1002.19 to 1002.22, inclusive) and also exceeds the total salary paid, authorized, accrued or received for the calendar year 1941. For purposes of this section, the term "bona fide contract" means a legally enforceable agreement, written or oral. Such an agreement may be evidenced by a bona fide resolution of a board of directors of a corporate employer passed on or before October 3, 1942. The amount allowable under § 1002.18 for 1942 (before reduction by any Federal income taxes) is $54,428.57.

§ 1002.25 *Community property.* The limitations on salaries provided for in §§ 1002.18 to 1002.24, inclusive, shall in nowise be affected by any community property law. For example, an employee resident in the State of R receives a salary in 1943 of $100,000. Under the laws of that State, $50,000 of that salary is deemed to be the property of the employee's wife. For purposes of these regulations, the employee's salary is $100,000, not $50,000.

§ 1002.26 *Taxable year.* For purposes of Subparts F and G of these regulations, the term "taxable year" of an employee shall mean the calendar year during which the salary in question is paid or authorized to be paid to or accrued to the account of such employee or received by him. This rule is applicable regardless of whether the employer or employee, or both, file Federal income tax returns for a fiscal year or report income, for Federal income tax purposes, on an accrual basis or on the cash receipts and disbursements basis.

§ 1002.27 *Effective date.* The provisions of this subpart, except as provided in § 1002.24, shall be applicable to all salaries paid or accrued after December 31, 1942, irrespective of when payment or accrual of such salary was authorized and irrespective, also, of any contract or agreement made prior to or after such date.

SUBPART G—EFFECT OF UNLAWFUL PAYMENTS

§ 1002.28 *Amounts disregarded.* (a) Section 5 (a) of the Act provides in effect that the President shall prescribe the extent to which any salary payment made in contravention of regulations promulgated under the Act shall be disregarded by executive departments and other governmental agencies in determining the costs or expenses of any employer for the purposes of any other law or regulation. In any case where a salary payment is determined by the Commissioner to have been made in contravention of the Act, the entire amount of such payment is to be disregarded by all executive departments and all other agencies of the Federal Government for the purposes of:

(1) Determining costs or expenses of any employer for the purpose of any law or regulation, either heretofore or hereafter enacted or promulgated, including the Emergency Price Control Act of 1942, or any maximum price regulation thereof;

(2) Calculating deductions under the revenue laws of the United States; or

(3) Determining costs or expenses under any contract made by or on behalf of the United States.

A payment in contravention of the Act may be disregarded for more than one of the foregoing purposes.

(b) In the case of salaries decreased in contravention of the Act, the amount to be disregarded, as required by paragraph (a) of this section, is the amount of the salary actually paid or accrued by the employer at the reduced rate. Thus, if, for example, on November 1, 1942, a weekly salary rate of $100 has been unjustifiably reduced to $50 for the remainder of the calendar year 1942, the amount to be disregarded under paragraph (a) of this section is the total amount of salary paid at the weekly rate of $50.

(c) In the case of salaries increased in contravention of the Act, the amount to be disregarded, as required by paragraph (a) of this section, is the amount of the salary actually paid or accrued by the employer at the increased rate and not merely an amount representing an increase in such salary. Thus, if, for example, on November 1, 1942, a weekly salary rate of $100 in unjustifiably increased to $150 for the remainder of 1942, then the amount of salary to be disregarded for purposes of paragraph (a) of this section is the total amount paid at the weekly rate of $150. Also, if, for example, on February 1, 1943, a weekly salary rate of $100 is increased to $150 without prior required approval, but is restored to $100 on June 1, 1943, after formal disapproval by the Commissioner or regional officer, then the amount of salary to be disregarded for purposes of paragraph (a) of this section is the total amount at the weekly rate of $150. Neither in the cases described in this paragraph nor in the case described in paragraph (b) of this section are the total amounts paid at the weekly rate of $100 to be disregarded for purposes of paragraph (a) of this section. (See § 1002.31 relating to salary allowances under section 23 (a) of the Code.)

(d) In the case of a salary in excess of the amount allowable under Subpart F of these regulations which is paid to, authorized to be paid to, or accrued to the account of an employee during his taxable year (as distinguished from the taxable year of the employer) in contravention of the Act, the amount to be disregarded is the full amount of such salary and not merely the amount representing the excess over the amount allowable under such Subpart F of these regulations. Thus, if, for example, under such Subpart F an employee would be entitled to receive a total salary during his taxable year of $67,200 for services rendered in such year, but actually receives $100,000 for such services, then the entire amount of $100,000 is to be disregarded for purposes of paragraph (a) of this section.

§ 1002.29 *Criminal penalties.* Section 5 (a) of the Act provides in substance that no employer shall pay, and no employee shall receive, any salaries in contravention of the regulations promulgated by the President under the Act. Section 11 of the Act provides that any person, whether an employer or employee, who wilfully violates any provision of the Act or of any regulation promulgated thereunder, shall be subject, upon conviction, to a fine of not more than $1,000, or to imprisonment for not more than one year, or to both such fine and imprisonment.

§ 1002.30 *Salary allowances under Code.* Under section 23 (a) of the Code reasonable allowances for salaries are allowed as deductions in computing net income. The tests which determine whether an allowance for salaries paid or accrued is reasonable within the meaning of section 23 (a) of the Code are in nowise suspended by any provision of these regulations. An employer may be exempt from the operation of these regulations yet be denied deductions for purposes of section 23 (a) of the Code with respect to the salaries paid or accrued by him. Also, a basic allowance under § 1002.18 and additional allowances under §§ 1002.19 to 1002.22, inclusive, may nevertheless be disallowed in whole or in part as deductions under section 23 (a) of the Code.

SUBPART H—EXEMPTIONS

§ 1002.31 *Exempt employers.* The provisions of these regulations, except those contained in Subparts F and G thereof, shall not apply in the case of an employer who employs eight or less individuals in a single business. An employer is subject to the provisions of these regulations if at the time a salary increase is to take effect he has in his employ more than eight individuals in a single business. It is not necessary that each employee be paid a salary provided all the individuals employed receive compensation for their personal services. If it is subsequently determined that the number of employees has been temporarily reduced by the employer, or that the employer has utilized any other improper device, for the sole purpose of claiming the exemption provided in the General Regulations and these regulations, then such exemption shall be deemed to have been improperly obtained and of no force or effect.

An employer may be exempt under this section notwithstanding that shortly after the effective date of a salary increase he enlarges his personnel in good faith to more than eight employees. Any further adjustment in salary will then be subject to the provisions of these regulations.

§ 1002.32 *Statutory salaries.* The provisions of these regulations are applicable in every respect to any salary paid by the United States, any State, Territory, or possession or political subdivision thereof, the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, except where the amount of such salary is fixed by statute. The term "statute" for purposes of this section does not include a municipal ordinance or resolution enacted by a governmental unit inferior to a State, Territory, or possession. Salaries covered by the Federal Classification Act of 1923, as amended, are excluded from the operation of these regulations. Likewise, salaries, for example, of public school teachers which are paid under salary schedules fixed by a state legislature and providing for mandatory increments are excluded from the operation of these regulations. (See § 1002.17.)

§ 1002.33 *Services in foreign countries.* The provisions of these regulations shall not be applicable in the case of any individual employer, resident in the United States or any Territory or possession thereof, or of a corporate employer organized under the laws of the United States or any State, Territory or possession, with respect to salaries paid by such employers to employees for services rendered exclusively in foreign countries.

§ 1002.34 *Foreign employers.* The provisions of these regulations shall not be applicable in the case of nonresident foreign employers except that if any salary is paid to an employee residing in the United States payment of such salary is subject to all the provisions of these regulations.

[SEAL] GUY T. HELVERING,
Commissioner of Internal Revenue.

Approved: December 2, 1942.

JOHN L. SULLIVAN,
Acting Secretary of the Treasury.

[F. R. Doc. 42-12761; Filed, December 2, 1942; 11:40 a. m.]

File copy

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, December 3, 1942
12/2/42

Press Service
No. 34-37

The Bureau of Internal Revenue today issued regulations under which its new Salary Stabilization Unit will operate. The Unit was set up in conformity with the regulations issued October 27 by the Director of Economic Stabilization.

The text of the new Internal Revenue regulations, embodied in Treasury Decision 5186, is as follows:

(T. D. 5186)

TITLE 29 — LABOR

CHAPTER VIII — COMMISSIONER OF INTERNAL REVENUE

PART 1002 — STABILIZATION OF SALARIES

TREASURY DEPARTMENT,
Office of Commissioner of Internal Revenue,
Washington, D. C.

TO COLLECTORS OF INTERNAL REVENUE
AND OTHERS CONCERNED:

On October 27, 1942, the President approved regulations relating to wages and salaries prescribed by the Economic Stabilization Director (7 F.R. 8748) under the Act of October 2, 1942, entitled "AN ACT to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes" (Public No. 729, 77th Congress, 2d Session) and Executive Order No. 9250, dated October 3, 1942 (7 F.R. 7871). Those regulations conferred on the Commissioner of Internal Revenue authority to administer the provisions thereof relating to the stabilization and limitation of certain salaries. In the exercise of the authority so conferred on the Commissioner of Internal Revenue, the following regulations relating to salaries are hereby promulgated.

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AUTHORITY: Secs. 1002.1 to 1002.34, inclusive, issued under Pub. Law 729, 77th Cong., 2d Sess.; E.O. 9250, 7 F.R. 7871; Regs. of Economic Stabilization Director, dated October 27, 1942, 7 F.R. 8748.

SUBPART A. -- DEFINITIONS

Sec. 1002.1. <u>General terms</u>. -- When used in these regulations, unless otherwise distinctly expressed or manifestly incompatible with the intent thereof --

(a) The term "Act" means the Act of October 2, 1942, (Public No. 729, 77th Congress) entitled "AN ACT to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes".

(b) The term "Board" means the National War Labor Board created by Executive Order No. 9017, dated January 12, 1942 (7 F.R. 237).

(c) The term "Commissioner" means the Commissioner of Internal Revenue.

(d) The term "Code" means the Internal Revenue Code, as amended and supplemented.

(e) The term "person" has the same meaning as when used in the Code.

(f) The term "General Regulations" means regulations (relating to wages and salaries) issued by the Economic Stabilization Director, approved by the President on October 27, 1942 (7 F.R. 8748), and as amended or supplemented by subsequent regulations issued by the Economic Stabilization Director relating to wages and salaries.

(g) The term "in contravention of the Act" means in contravention of the Act of October 2, 1942 (referred to in paragraph (a) above), Executive Order No. 9250 of October 3, 1942 (7 F.R. 7871), the General Regulations, these regulations and other rulings and regulations promulgated under such Act.

Sec. 1002.2. Employee and Employer. -- An employee, for the purposes of these regulations, is an individual who performs services for compensation where the relationship between him and the person for whom he performs the services is the legal relationship of employee and employer. An employer is any person for whom an individual performs any services, of whatever nature, as the employee of such person. The term "employer" is not limited to private persons engaged in trade or business, but includes organizations which, under section 101 of the Code, are exempt from income taxation, and also government departments and agencies. The existence of the legal relationship of employer and employee is to be ascertained in the light of the general purposes of the Act and the General Regulations.

Generally, the legal relationship of employer and employee exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as to the result to be accomplished by the work done, but also as to the details and means by which that result is accomplished. An employee is generally subject to the will and control of the employer not only as to what shall be done but how it shall be done. In this connection it is unnecessary that the employer actually direct or control the precise manner in which the services are performed; it is sufficient that he has the right to do so. The right to discharge is also an important factor indicating that the person possessing that right is an employer.

Other factors characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work to the individual who performs the services. In general, if an individual is subject to the control or direction of another merely as to the result to be accomplished by the work and not as to the means and methods for accomplishing the result, he is an independent contractor. An individual performing services as an independent contractor is not an employee as to such services. Physicians, lawyers, architects, contractors and others who follow an independent trade, business or profession in which they offer their services to the public are generally independent contractors and not employees. Whether the relationship of employer-employee exists will be determined upon an examination of the particular facts of each case.

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If the relationship of employer and employee exists the designation or description of the relationship by the parties as anything other than that of employer and employee is immaterial. If such relationship exists, it is of no consequence that the employee is designated as a partner, co-adventurer, agent or independent contractor. The measurement, method, or designation of compensation is immaterial if the relationship of employer and employee thus in fact exists.

An officer of a corporation is an employee of the corporation but a director as such is not. A director may be an employee of the corporation, however, if he performs services for the corporation other than those required by attendance at and participation in meetings of the board of directors.

Sec. 1002.3. Executive employees. -- An individual "employed in a bona fide executive capacity" means any employee --

(a) whose primary duty consists of the management of the establishment in which he is employed or of a customarily recognized department or subdivision thereof, and

(b) who customarily and regularly directs the work of other employees, and

(c) who has the authority to hire or fire other employees or whose suggestions and recommendations as to the hiring or firing and as to the advancement and promotion or any change of status of other employees will be given particular weight, and

(d) who customarily and regularly exercises discretionary powers, and

(e) who is compensated for his services on a salary basis at not less than $30 per week (exclusive of board, lodging, or other facilities), and

(f) whose hours of work of the same nature as that performed by employees not employed in an executive, administrative or professional capacity do not exceed 20 percent of the total number of hours worked in the workweek by the employees under his direction; provided that this subsection (f) shall not apply in the case of an employee who is in sole charge of an independent establishment or a physically separated branch establishment.

Sec. 1002.4. Administrative employees. -- An individual "employed in a bona fide administrative capacity" means any employee --

(a) who is compensated for his services on a salary or fee basis at a rate of not less than $200 per month (exclusive of board, lodging, or other facilities), and

(b)(1) who regularly and directly assists an employee in a bona fide executive or administrative capacity (as such terms are defined in these regulations), where such assistance is nonmanual in nature and requires the exercise of discretion and independent judgment; or

(2) who performs under only general supervision, responsible nonmanual office or field work, directly related to management policies or general business operations, along sepcialized or technical lines requiring special training, experience, or knowledge, and which requires the exercise of discretion and independent judgment; or

(3) whose work involves the execution under only general supervision of special nonmanual assignments and tasks directly related to management policies or general business operations involving the exercise of discretion and independent judgment; or

(4) who is engaged in transporting goods or passengers for hire and who performs, under only general supervision, responsible outside work of a specialized or technical nature requiring special training, experience, or knowledge, and whose duties require the exercise of discretion and independent judgment.

Sec. 1002.5. Professional employees. -- Any individual "employed in a bona fide professional capacity" means any employee who is --

(a) engaged in work

(1) predominantly intellectual and varied in character as opposed to routine mental, manual, mechanical, or physical work, and

(2) requiring the consistent exercise of discretion and judgment in its performance, and

(3) of such a character that the output produced or the result accomplished cannot be standardized in relation to a given period of time, and

(4) whose hours of work of the same nature as that performed by employees not employed in an executive, administrative or professional capacity do not exceed 20 percent of the hours worked in the workweek by such employees; provided that where such non-professional work is an essential part of and necessarily incident to work of a professional nature, this subsection (4) shall not apply, and

(5) (A) requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction and study, as distinguished from a general academic education and from an apprenticeship, and from training in the performance of routine mental, manual, or physical processes; or

(B) predominantly original and creative in character in a recognized field of artistic endeavor as opposed to work which can be produced by a person endowed with general manual or intellectual ability and training, and the result of which depends primarily on the invention, imagination, or talent of the employee, and

(over)

(b) compensated for his services on a salary or fee basis at a rate of not less than $200 per month (exclusive of board, lodging, or other facilities); provided that this subsection (b) shall not apply in the case of an employee who is the holder of a valid license or certificate permitting the practice of law or medicine or any of their branches and who is actually engaged in the practice thereof.

Sec. 1002.6. <u>Salary payments.</u> -- The terms "salary" and "salary payment" mean only such salaries over which the Commissioner has jurisdiction. (See section 1002.10 of these regulations.) These terms are not used in any restricted, narrow or technical sense, but encompass all forms of direct or indirect compensation for personal services of an employee which is computed on a weekly, monthly, annual or other basis, other than wages (as defined in the General Regulations and in orders or rulings of the Board). Bonuses, gifts, loans, commissions, fees, additional compensation and any other remuneration in any form or medium whatsoever are considered as falling within the concept of "salary" or "salary payment". Any compensation which is not regarded as wages in the commonly accepted sense of the term is salary notwithstanding that it may be computed on an hourly, daily or piece-work basis.

Retainer fees paid to an individual, not otherwise an employee, are not to be considered as salary. Insurance and pension benefits in a reasonable amount (see section 1002.8) are likewise excluded from the terms "salary" and "salary payment".

Although the terms "salary" and "salary payment" do not include any compensation other than for personal services of an employee, the Commissioner is not precluded from determining, after investigation, that amounts denominated, for example, as rents or royalties are in fact salary payments subject to the controls set forth in these regulations.

All amounts paid to, authorized to be paid to, or accrued to the account of any employee during a calendar year for services rendered or to be rendered are to be included as salary for such year.

Sec. 1002.7. <u>Salary rate.</u> -- The term "salary rate" means the rate or aggregate of rates or other basis at which the salary for any particular work or service is computed, either under the terms of a contract or agreement, express or implied, or in conformity with custom or usage existing in the employer's business establishment. For treatment of commissions and bonuses on a percentage basis see section 1002.14.

Sec. 1002.8. Insurance and pension benefits. -- Compensation may include insurance and pension benefits. In determining the amount of salary of an employee, the insurance or pension benefit inuring to such employee is not measured by what he will be entitled to receive after the happening of certain contingencies, but rather in terms of the amount of contributions or premiums paid by the employer. To the extent that an insurance and pension benefit inuring to an employee is reasonable in amount, such benefit is not considered as salary as defined in section 1002.6.

Section 165(a) of the Code sets forth the conditions under which a trust forming part of a stock bonus, pension or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries shall not be taxable for Federal income tax purposes. Contributions by an employer to an employees' trust or under an annuity plan, which trust or plan meets the exemption requirements of such section 165(a) (as of the date the contributions are made), shall be considered as reasonable, regardless of the amount of such contributions. On the other hand, contributions by an employer to an employees' trust which is subject to Federal income taxation because it does not meet the requirements of such section 165 (a) shall be treated, for purposes of these regulations, as salary.

To the extent amounts paid by an employer on account of insurance premiums on a policy on the life of an employee are deductible by the employer in computing net income under the conditions set forth in section 23 (a) of the Code (relating to deductions for ordinary and necessary business expenses), such amounts are not considered as salary. The amount of insurance premiums that will be considered as falling outside the concept of salary cannot exceed the amount of such premiums deductible by the employer for Federal income tax purposes. If, however, such insurance premiums are includible in the gross income of the employee (for whose benefit the insurance has been taken out), as well as deductible by the employer, the amount which shall not be considered as salary in respect of such employee may not exceed 5 percent of the employee's annual salary determined without the inclusion of insurance and pension benefits.

The application of the preceding paragraph may be illustrated by the following examples. An employer having 20 salaried employees takes out life insurance policies on each of such employees in favor of beneficiaries designated by them. The premiums paid for 10 of the employees are in each

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instance 7 percent of the employee's annual salary (exclusive of insurance and pension benefits). As to the remaining 10 employees the premiums in each instance are 5 percent of the employee's annual salary (exclusive of insurance and pension benefits). It is assumed that with respect to each employee the premium paid would be includible in his gross income under the Code and would be deductible by the employer under section 23 (a) of the Code. As to the first 10 employees 2 percent of the premiums in each instance will be considered as salary, whereas no part of the premiums will be considered as salary in the case of the second group of employees. If, however, none of the premiums were deductible in computing the net income of the employer, then the entire amount of the premium in each instance would be considered as salary to the employee involved.

Premiums paid by an employer on policies of group life insurance without cash surrender value covering the lives of his employees, or on policies of group health or accident insurance, the beneficiaries of which are designated by such employees do not constitute salary (regardless of the amount of salary otherwise received annually by such employees) if such premiums are deductible by the employer under section 23(a) of the Code.

Sec. 1002.9. Approval by Commissioner. -- Wherever the terms "approval by the Commissioner" and "determination by the Commissioner" are used in these regulations they shall, except as otherwise provided, include an approval or determination by a regional officer of the Salary Stabilization Unit established by the Commissioner under Treasury Decision 5176, which officer is authorized to make such determination. If an approval or determination made by such regional officer is subsequently modified or reversed by the Commissioner, such approval or determination shall be deemed to have been continuously in effect from its original date until the first day of the payroll period following reversal or modification, or until such later date as the Commissioner may provide in his ruling.

To illustrate, an employer obtains the approval of a regional officer of the Salary Stabilization Unit that a proposed increase in certain salaries is permissible. The approval is given on January 2, 1943, and the salary increase is to become effective January 15, 1943. On March 15, 1943, the Commissioner determines that the salary increase was not proper and reverses the approval given by the regional officer. The Commissioner provides in his ruling that the increase in salary shall be discontinued after March 31, 1943.

For purposes of these regulations, no part of the salary for the period between January 15 and March 31 shall be considered to have been in contravention of the Act.

SUBPART B -- JURISDICTION OF COMMISSIONER

Sec. 1002.10. Amount of Salary Payment. -- The General Regulations provide that the Commissioner shall have authority to determine, under regulations to be prescribed by the Commissioner with the approval of the Secretary of the Treasury, whether salary payments are made in contravention of the Act. The Commissioner's jurisdiction is confined to --

(1) salary payments in excess of $5,000 per annum, in the case of individuals employed in any capacity whatsoever; and

(2) salary payments of $5,000 or less per annum, in the case of individuals (i) who are employed in bona fide executive, administrative or professional capacities, and (ii) who, in their relations with their employer, are not represented by duly recognized or certified labor organizations, and (iii) whose services are not within the meaning of "agricultural labor" as defined in paragraph (l) of section 4001.1 of the General Regulations.

Other salary payments are subject either to the jurisdiction of the Board or the Secretary of Agriculture, as prescribed in the General Regulations. If, for example, a salary is to be increased from $4500 per annum to $5200 per annum (and subdivision (2) is inapplicable), approval of such increase, if required, must be obtained from the Board.

Sec. 1002.11. Conclusiveness of Determination. -- (a) Any determination by the Commissioner that a salary payment is in contravention of the Act is conclusive in every respect upon all executive departments and agencies of the Federal Government for the following purposes --

(1) determining costs or expenses of any employer for the purpose of any law or regulation, either heretofore or hereafter enacted or promulgated, including the Emergency Price Control Act of 1942, or any maximum price regulation thereunder;

(2) calculating deductions under the revenue laws of the United States; or

(3) determining costs or expenses under any contract made by or on behalf of the United States.

(b) Any such determination of the Commissioner is final and not subject ro review by The Tax Court of the United States or by any court in any civil proceedings. Nothing herein is intended, however, to deny the right of any employer or employee to contest in The Tax Court of the United States or in any court of competent jurisdiction the validity of --

(1) any provision of these regulations, on the ground such provision is not authorized by law, or

(2) any action taken or determination made under these regulations, on the ground that such action or determination is not authorized, or has not been taken or made in a manner required, by law.

(c) No increase in salary rate shall result in any substantial increase of the level of costs or furnish the basis either to increase price ceilings of the commodity or service involved or to resist otherwise justifiable reductions in such price ceilings.

Sec. 1002.12. Geographical Scope. -- The provisions of these regulations shall not apply to salaries in any Territory or possession of the United States, except Alaska and Hawaii.

SUBPART C -- SALARY INCREASES

Sec. 1002.13. Commissioner's approval required. -- Section 1 of the Act provides in effect that salaries, so far as practicable, shall be stabilized at the levels which existed on September 15, 1942. In the case of a salary rate of $5,000 or less per annum existing on October 27, 1942, or established thereafter in compliance with these regulations, and in the case of a salary rate of more than $5,000 per annum existing on October 3, 1942, or established thereafter in compliance with these regulations, no increase shall be made by the employer, except as provided in section 1002.14, without prior approval of such increase by the Commissioner. Any salary increase made before the required approval of the Commissioner is obtained is from the date of such increase in contravention of the Act. (See sections 1002.28 and 1002.29 for the consequences of a salary payment made in contravention of the Act.) The Commissioner may, however, approve an increase in salary rate to be effective as of the date of the application for approval.

The burden of justifying an increase in salary rate shall in every instance be upon the employer seeking to make such increase. Increases in salary rates will not be approved unless necessary to correct maladjustments or inequalities, or to aid in the effective prosecution of the war. A promise made by an employer to his employees prior to October 3, 1942 that salaries would be increased in the future is generally to be ignored in determining whether an increase after that date should be approved. The same rule is applicable with respect to a promise made by an employer prior to October 27, 1942, in the case of employees whose salary rates are $5,000 or less per annum. A salary increase, however, may be approved, as to salaries below $5,000 per annum, if to deny such increase would be to force the continuation of a salary which is below the general level existing for the same or comparable work in the local area on September 15, 1942.

An employer who has established a new job classification, or who has begun business, after October 3, 1942, must obtain approval of the Commissioner for the payment of salaries for such job classification or in such new business provided, however, that if the salary rates in question are not in excess of those prevailing for similar job classifications within the local area, the approval of the Commissioner is not required. An increase in a salary rate for a job classification established after October 3, 1942, shall be subject to the limitations provided in this Subpart.

A mere change in the name, organization, or financial structure of an employer, whether such employer be an individual, partnership or corporation, will not in itself be sufficient for a finding that, for the purposes of these regulations, a new business has been begun or new job classification established after such change.

Any change in a salary rate, regardless of its effective date, which results from an award or decision of an arbitrator or referee made after October 3, 1942, in the case of salaries of more than $5,000 per annum, and after October 27, 1942 in the case of salaries of $5,000 or less per annum, is subject to the provisions of these regulations notwithstanding that the agreement or order for arbitration or reference was made on or before October 3, 1942 or October 27, 1942, as the case may be.

Unless otherwise expressly exempted, any change in a salary rate, provided for in any agreement existing as of October 3, 1942 in the case of salaries of more than $5,000 per annum, or as of October 27, 1942 in the case of salaries of $5,000 or less per annum, which is to take effect at some future date or on the happening of some future event, is subject to the provisions of these regulations regardless of when the agreement was made.

Payment for overtime will constitute an increase in salary rate, and thus will require the approval of the Commissioner, unless the customary practice of the employer has been to pay for overtime, and the rate has not been changed.

Except as may be otherwise provided from time to time by the Commissioner, an application for the approval of a salary increase shall be filed by the employer with the regional office of the Salary Stabilization Unit of the Bureau of Internal Revenue in whose territorial jurisdiction the main office or principal place of business of the employer is located. Such application shall be filed on forms prescribed by the Commissioner and shall contain such information as may be required by the Commissioner.

Sec. 1002.14. Commissioner's approval not required. -- The Commissioner's approval is not required where an increase in salary rate is made in accordance with the terms of a salary agreement or salary rate schedule in effect on October 3, 1942, or approved thereafter by the Commissioner, and is a result of--

(1) individual promotions or reclassifications,

(2) individual merit increases within established salary rate ranges,

(3) operation of an established plan of salary increases based on length of service,

(4) increased productivity under incentive plans,

(5) operation of a trainee system, or

(6) such other reasons or circumstances as may be prescribed in rulings or regulations promulgated by the Commissioner from time to time.

For purposes of this section, the term "salary agreement" or "salary rate schedule" may include a salary policy in effect on October 3, 1942, even though not evidenced by written contracts or written rate schedules. For example, a salary policy may be determined from previous payroll records or other payroll data. The existence of such policy, however, must be established to the satisfaction of the Commissioner, and the burden of proof rests upon the employer. In such cases, the employer in advance of making an increase in salary rate may reduce the salary policy to writing and secure approval thereof by the Commissioner.

A bonus or other form of additional compensation which does not exceed in amount the bonus or other additional compensation to such employee for the last bonus year ending before October 3, 1942 does not require approval by the Commissioner. In addition a bonus based upon a fixed percentage of salary where the percentage has not been changed, does not require approval by the Commissioner even though the amount may be increased due to an authorized increase in salary. Any other bonus or other form of additional compensation, requires approval by the Commissioner. Where the compensation, or part thereof, is paid on a commission basis and is based upon a fixed percentage (which has not been changed) of sales made by the employee, a payment does not require approval by the Commissioner even though the amount may represent an increase due to increased sales by the employee. See, however, Subpart F of these regulations.

The provisions of this section may be illustrated as follows:

(1) The X Corporation began business in 1940. As of July 1, 1942, pursuant to a corporate resolution duly passed in January 1942, all of its salaried employees received more than $5,000 per annum. No approval of the Commissioner is required to increase the salary of an employee who is promoted in November 1942 from a salesman to general manager and who receives a salary within the salary range paid previously to individuals occupying the position of general manager.

(2) The X Corporation in December 1942 wishes to establish a new salary rate schedule raising the level of compensation of all its salaried employees. Approval by the Commissioner of such schedule is required. Assuming that such approval has been obtained, further approval by the Commissioner of any adjustment under such schedule coming within this section is not required.

(3) The Y Corporation begins business on November 1, 1942. The salaries paid by it to its employees are commensurate with salaries paid

by other employers in comparable businesses in the same local area. Payment of such salaries does not require the approval of the Commissioner. Any increase in salary rates, however, requires the approval of the Commissioner.

(4) The M. Corporation, which has manufactured furniture since 1925, is reorganized in November 1942 and emerges from the reorganization proceedings as the N Corporation. There is no change in the nature of the business although there is a substantial alteration in the financial structure of the company. The N Corporation is not to be treated as a new employer beginning business after October 27, 1942. Consequently, any general increase in salaries over and above those paid by the M Corporation requires the prior approval of the Commissioner.

(5) Employees of the Z Corporation have customarily received a bonus of 5 percent of their annual salary at the end of each calendar year. If, for example, one of the employees received $6,000 in 1941 but received salary of $7,000 in 1942 due to a salary increase on July 1, 1942, a bonus of $350 may be paid to him for 1942 without prior approval of the Commissioner, notwithstanding that his bonus for 1941 was only $300.

SUBPART D -- SALARY DECREASES

Sec. 1002.15. Salaries under $5,000. -- In the case of a salary rate existing as of the close of October 3, 1942, or established thereafter in compliance with these regulations, under which an employee is paid a salary of less than $5,000 per annum for any particular work, the general rule is that no decrease can be made by the employer in such salary rate below the highest salary rate paid for such work in the local area between January 1, 1942 and September 15, 1942. A decrease is permitted, however, with the approval of the Commissioner, in order to correct a gross inequity in any case or to aid in the effective prosecution of the war. Where such decrease is permitted the salary rate may be reduced below the highest salary rate paid for the work in question between January 1, 1942 and September 15, 1942. Except as otherwise provided in this section, any decrease in such salary rate after October 3, 1942 shall be considered in contravention of the Act if it is made prior to the approval thereof by the Commissioner.

Except as may be otherwise provided from time to time by the Commissioner, an application for approval of any salary decrease shall be filed in the same manner as in the case of an application for approval of a salary increase. See section 1002.13 of these regulations.

The Commissioner's approval is not required, for example, in the following cases where salary decreases are made after October 3, 1942:

(1) The new salary rate does not fall below the highest salary rate existing between January 1, 1942 and September 15, 1942 for the particular work in question or for the same or comparable work in the local area.

(2) An employee has been demoted to a lower position than that filled by him between January 1, 1942 and September 15, 1942 and the salary rate for such lower position is not less than the highest salary rate existing for that position during the same period.

(3) An employee has been relieved of substantial duties and responsibilities.

A disparity between salaries paid by a particular employer and those paid by employers generally in the local area does not necessarily constitute justification for decrease in salary rates paid by such employer.

Sec. 1002.16. Salaries over $5,000. -- In the case of a salary rate existing as of the close of October 3, 1942, or established thereafter in compliance with these regulations, under which an employee is paid a salary of more than $5,000 per annum, the employer is permitted to make, without approval by the Commissioner, a decrease to a rate not less than $5,000 per annum. If, however, by virtue of a decrease the new salary paid to the employee is less than $5,000 per annum, then the decrease below $5,000 per annum is subject to the limitations of section 1002.15 of these regulations. To the extent that prior approval by the Commissioner of a decrease is not required under section 1002.15 or this section, such decrease shall not be considered as being in contravention of the Act.

SUBPART E -- GOVERNMENTAL EMPLOYEES

Sec. 1002.17. State and local employees. -- An adjustment in salaries (not fixed by statute, see section 1002.32) may be made by a State, or any political subdivision thereof, the District of Columbia, or any agency or instrumentality of any of the foregoing, on certification to the Commissioner that such adjustment is necessary to correct maladjustments, or to correct inequalities or gross inequities. The certification procedure shall not apply to any adjustment which would not otherwise require the Commissioner's approval or which would raise salaries beyond the prevailing level of compensation for similar services in the area or community. A certificate by the official or agency authorizing the adjustment stating the nature and amount of such adjustment, and briefly setting forth the facts meeting the foregoing requirement, will be accepted by the Commissioner as sufficient evidence of the propriety of the adjustment, subject to review by the Commissioner. Modification by the Commissioner of adjustments made by a governmental official or agency acting pursuant hereto shall not be retroactive.

In exceptional cases where such an adjustment is sought, and in all cases where the agency seeks an adjustment other than by the certification procedure, application for approval shall be filed with the appropriate regional office of the Salary Stabilization Unit.

SUBPART F -- LIMITATIONS ON CERTAIN SALARIES

Sec. 1002.18. Basic allowance. -- In addition to setting forth limitations on increases and decreases in salary rates, the General Regulations provide a ceiling on the amount of salary which may be paid to any employee during a calendar year. The general rule is that no amount of salary may be paid or authorized to be paid to or accrued to the account of any employee or received by him during the calendar year 1943, and in each succeeding calendar year, which, after reduction by the Federal income taxes on the amount of such salary, computed as below without regard to other income and without regard to deductions or credits, would exceed $25,000. Additional allowances of salary which may be permitted in certain circumstances are described in sections 1002. to 1002.22, inclusive.

The amount of Federal income taxes referred to in the preceding paragraph shall be determined --

(1) by applying to the total amount of salary (but not including any amounts allowable under sections 1002.19 to 1002.22, inclusive, of these regulations) paid or accrued during the calendar year in question, undiminished by any deductions, the rates of taxes imposed by Chapter 1 of the Code (except section 466 thereof relating to withholding) as if such total amount of salary were the net income (after the allowance of the appropriate credits), the surtax net income, and the Victory tax net income, respectively; and

(2) without further allowance of any other credits against any of such taxes.

Assume that the rates imposed under Chapter 1 of the Code, as amended by the Revenue Act of 1942, are applicable with respect to the calendar year 1943. Under the formula described in the preceding paragraph, the basic allowance of salary for 1943 (which after reduction by the Federal income taxes would yield $25,000) is $67,200. This latter amount is the maximum amount of salary which an employee would be permitted to receive for 1943, provided he is not entitled to further allowances under sections 1002.19 to 1002.22, inclusive. If the rates of Federal income tax applicable for 1943 should be increased above those now existing in the Code for 1942, the basic allowance of salary will be an amount greater than $67,200.

The basic allowance of salary as described in this section represents an amount against which the appropriate tax rates are applied and remains the same regardless of whether the employee is married or single or of the number of his dependents, if any. It is likewise unaffected by the nature or amount of his other income (taxable or exempt) or by the extent of his deductions allowable for tax purposes generally.

For purposes of this Subpart an amount of salary, in addition to the basic allowance of salary, will be permitted for any expenses paid or incurred by an employee which are ordinary and necessary for the performance of the services for which the employee is compensated. No such additional amount, however, shall be permitted for expenses which would not be deductible in computing individual Federal income taxes.

Sec. 1002.19. <u>Charitable contributions</u>. -- An amount of salary, in addition to the basic allowance of salary described in section 1002.18, will be permitted in certain circumstances to allow an employee to maintain his customary contributions to charitable, educational or other organizations described in section 23(o) of the Code. Such additional amount of salary will be permitted if the employee establishes to the satisfaction of the Commissioner that after resorting to his other income from all sources he would suffer undue hardship in maintaining his customary contributions out of the basic allowance of salary described in the preceding section.

For purposes of this section and sections 1002.20, 1002.21, and 1002.22, "income from all sources" includes income which is exempt under the Federal income tax laws.

What constitutes "undue hardship" for purposes of this section and sections 1002.20, 1002.21, and 1002.22, is dependent upon all the circumstances in each case.

Contributions may be customary within the meaning of this section even though in the particular year in question the organizations to which the contributions are made are different from those to whom contributions were made in previous years.

Sec. 1002.20. Insurance premiums. -- An amount of salary, in addition to the basic allowance under section 1002.18 may be permitted to an employee under this section to meet certain payments during the employee's taxable year for insurance premiums. To be entitled to such extra allowance of salary the employee must establish to the satisfaction of the Commissioner that after resorting to other income from all sources (see section 1002.19) he is unable, without disposing of assets at a substantial financial loss resulting in undue hardship, to meet premium payments on policies of life insurance in force and effect on October 3, 1942 on his life.

The premium payments referred to in the preceding paragraph are those which are required to be met during the calendar year in question. No allowance for salary is permissible for payments of premiums which are due in future calendar years.

If any insurance has been permitted by an employee to lapse after October 3, 1942, no allowance for salary is permissible for payments of premiums on policies taken out after such date, even though the total annual premiums on the new policies are not in excess of the total annual premiums due on policies in effect on October 3, 1942. Renewal of policies in effect on October 3, 1942 (even though new premiums are higher) will not preclude applicability of this section to premium payments on the renewed policies. Generally, in the case of a conversion of a policy in effect on October 3, 1942 to a new policy requiring payment of higher premiums, this section is inapplicable to the annual amount by which the new premiums exceed the premiums in effect on October 3, 1942.

As used in this section, and sections 1002.21 and 1002.22, substantial financial loss is not necessarily confined to a loss suffered on disposition of assets at depressed prices substantially below cost to the employee. The present value in use or in production of income and the potential future value are factors to be considered. For the purpose of this Subpart, the provisions of the Code governing the determination of loss upon disposition of assets are not controlling.

Sec. 1002.21. Fixed obligations. -- An amount of salary in addition to the basic allowance under section 1002.18 may be permitted to an employee under this section to make required payments during the employee's taxable year on fixed obligations. Before any amount will be allowed under this section, the employee must establish to the satisfaction of the Commissioner that after resorting to his income from all sources (see section 1002.19), he is unable, without the necessity of disposing of assets at a substantial financial loss resulting in undue hardship, to meet required payments of fixed obligations for which he was obligated on October 3, 1942. See section 1002.20.

The term "fixed obligations" as used in this section means any enforceable liability of the employee the amount of which liability was fixed and determined on October 3, 1942. In no event is an allowance for salary permissible under this section for the payment of any amount due in future years.

Sec. 1002.22. Federal taxes. -- An amount of salary in addition to the basic allowance under section 1002.18 may be permitted to an employee, under this section, to meet payments during the employee's taxable year of certain Federal income taxes. To be entitled to such an additional allowance of salary the employee must establish to the satisfaction of the Commissioner that after resorting to his income from all sources (see section 1002.19), he is unable, without disposing of assets at a substantial financial loss resulting in undue hardship, to meet payments of certain Federal income taxes, more fully described below. See section 1002.20.

An allowance for additional salary is permissible in order to pay Federal income taxes owed by the employee himself for any prior taxable year, but is not permissible in order to pay any Federal income tax due on the basic allowance of salary under section 1002.18, except as this allowance is applicable for 1942. See section 1002.24. Thus, an amount for additional salary might be allowable in 1943 to meet the payment of the entire Federal income tax due on a salary received in 1942. In 1944 an amount for additional salary might be allowable to meet the payment of Federal income tax due on additional salary allowances permitted for 1943 under sections 1002.19, 1002.20, 1002.21 and this section for 1943; but no amount, however, would be allowable to meet the payment of the Federal income tax due on the basic allowance under section 1002.18 for 1943.

Sec. 1002.23. Multiple employers. -- Salaries payable to an employee from more than one employer may, for purposes of Subpart F, be treated as if all such salaries were payable by a single employer, regardless of the financial or other relationship of the several employers. For example, individual A received a salary as an employee of the X Corporation and also as an employee of its subsidiary, the Y Corporation. Both the X Corporation and the Y Corporation are required to adjust their salary arrangements with such employee to conform with the provisions of these regulations. If individual B is employed by the M Corporation and the N Corporation, both of whom are owned, directly or indirectly, by the same person or persons, the M Corporation and the N Corporation must adjust their salary arrangements with B to conform with the provisions of these regulations. If individual C is employed by the R Corporation and the S Corporation and both corporations have knowledge of that fact, they must adjust their salary arrangements with C to conform with the provisions of these regulations.

Where an individual is employed by two or more employers who, under these regulations, are required to make salary arrangements in order to conform with the provisions of Subpart F, such individual and employers will be deemed to be acting in contravention of the Act and these regulations if proper salary arrangements are not made. In any event, no employee may receive any salary in excess of that allowed under Subpart F. See section 1002.30.

Sec. 1002.24. Limitation on 1942 salaries. -- Unless payment thereof is required under a bona fide contract in effect on October 3, 1942, no amount of salary shall be paid or authorized to be paid to or accrued to the account

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of any employee or received by him after October 27, 1942 and before January 1, 1943, if the total salary paid, authorized, accrued or received for the calendar year 1942 exceeds the amount of salary which would otherwise be allowable under section 1002.18 (but not under sections 1002.19 to 1002.22, inclusive) and also exceeds the total salary paid, authorized, accrued or received for the calendar year 1941. For purposes of this section, the term "bona fide contract" means a leagally enforceable agreement, written or oral. Such an agreement may be evidenced by a bona fide resolution of a board of directors of a corporate employer passed on or before October 3, 1942. The amount allowable under section 1002.18 for 1942 (before reduction by any Federal income taxes) is $54,428.57.

If man makes $200,000 this year he can collect it

Sec. 1002.25. Community property. -- The limitations on salaries provided for in sections 1002.18 to 1002.24, inclusive, shall in nowise be affected by any community property law. For example, an employee resident in the State of R receives a salary in 1943 of $100,000. Under the laws of that State, $50,000 of that salary is deemed to be the property of the employee's wife. For purposes of these regulations, the employee's salary is $100,000, not $50,000.

Sec. 1002.26. Taxable year. -- For purposes of Subparts F and G of these regulations, the term "taxable year" of an employee shall mean the calendar year during which the salary in question is paid or authorized to be paid to or accrued to the account of such employee or received by him. This rule is applicable regardless of whether the employer or employee, or both, file Federal income tax returns for a fiscal year or report income, for Federal income tax purposes, on an accrual basis or on the cash receipts and disbursements basis.

Sec. 1002.27. Effective date. -- The provisions of this Subpart, except as provided in section 1002.24, shall be applicable to all salaries paid or accrued after December 31, 1942, irrespective of when payment or accrual of such salary was authorized and irrespective, also, of any contract or agreement made prior to or after such date.

raise to 50

SUBPART G -- EFFECT OF UNLAWFUL PAYMENTS

Sec. 1002.28. Amounts disregarded. -- (a) Section 5 (a) of the Act provides in effect that the President shall prescribe the extent to which any salary payment made in contravention of regulations promulgated under the Act shall be disregarded by executive departments and other governmental agencies in determining the costs or expenses of any employer for the purposes of any other law or regulation. In any case where a salary payment is determined by the Commissioner to have been made in contravention of the Act, the entire amount of such payment is to be disregarded by all executive departments and all other agencies of the Federal Government for the purposes of --

(1) determining costs or expenses of any employer for the purpose of any law or regulation, either heretofore or hereafter enacted or promulgated, including the Emergency Price Control Act of 1942, or any maximum price regulation thereof;

(2) calculating deductions under the revenue laws of the United States; or

(3) determining costs or expenses under any contract made by or on behalf of the United States.

A payment in contravention of the Act may be disregarded for more than one of the foregoing purposes.

(b) In the case of salaries decreased in contravention of the Act, the amount to be disregarded, as required by paragraph (a) of this section, is the amount of the salary actually paid or accrued by the employer at the reduced rate. Thus, if, for example, on November 1, 1942, a weekly salary rate of $100 has been unjustifiably reduced to $50 for the remainder of the calendar year 1942, the amount to be disregarded under paragraph (a) of this section is the total amount of salary paid at the weekly rate of $50.

(c) In the case of salaries increased in contravention of the Act, the amount to be disregarded, as required by paragraph (a) of this section, is the amount of the salary actually paid or accrued by the employer at the increased rate and not merely an amount representing an increase in such salary. Thus, if, for example, on November 1, 1942 a weekly salary rate of $100 is unjustifiably increased to $150 for the remainder of 1942, then the amount of salary to be disregarded for purposes of paragraph (a) of this section is the total amount paid at the weekly rate of $150. Also, if, for example, on February 1, 1943 a weekly salary rate of $100 is increased to $150 without prior required approval, but is restored to $100 on June 1, 1943 after formal disapproval by the Commissioner or regional officer, then the amount of salary to be disregarded for purposes of paragraph (a) of this section is the total amount at the weekly rate of $150. Neither in the cases described in this paragraph nor in the case described in paragraph (b) of this section are the total amounts paid at the weekly rate of $100 to be disregarded for purposes of paragraph (a) of this section. (See section 1002.31 relating to salary allowances under section 23 (a) of the Code.)

(d) In the case of a salary in excess of the amount allowable under Subpart F of these regulations which is paid to, authorized to be paid to, or accrued to the account of an employee during his taxable year (as distinguished from the taxable year of the employer) in contravention of the Act, the amount to be disregarded is the full amount of such salary and not merely the amount representing the excess over the amount allowable under such Subpart F of these regulations. Thus, if, for example, under such Subpart F an employee would be entitled to receive a total salary during his taxable year of $67,200 for services rendered in such year, but actually receives $100,000 for such services, then the entire amount of $100,000 is to be disregarded for purposes of paragraph (a) of this section.

Sec. 1002.29. Criminal penalties. -- Section 5 (a) of the Act provides in substance that no employer shall pay, and no employee shall receive, any salaries in contravention of the regulations promulgated by the President under the Act. Section 11 of the Act provides that any person, whether an employer or employee, who wilfully violates any provision of the Act or of any regulations promulgated thereunder, shall be subject, upon conviction, to a fine of not more than $1,000, or to imprisonment for not more than one year, or to both such fine and imprisonment.

Sec. 1002.30. Salary allowances under Code. -- Under section 23 (a) of the Code reasonable allowances for salaries are allowed as deductions in computing net income. The tests which determine whether an allowance for salaries paid or accrued is reasonable within the meaning of section 23 (a) of the Code are in nowise suspended by any provision of these regulations. An employer may be exempt from the operation of these regulations yet be denied deductions for purposes of section 23 (a) of the Code with respect to the salaries paid or accrued by him. Also, a basic allowance under section 1002.18 and additional allowances under sections 1002.19 to 1002.22, inclusive, may nevertheless be disallowed in whole or in part as deductions under section 23 (a) of the Code.

SUBPART H -- EXEMPTIONS

Sec. 1002.31. Exempt employers. -- The provisions of these regulations, except those contained in Subparts F and G thereof, shall not apply in the case of an employer who employs eight or less individuals in a single business. An employer is subject to the provisions of these regulations if at the time a salary increase is to take effect he has in his employ more than eight individuals in a single business. It is not necessary that each employee be paid a salary provided all the individuals employed receive compensation for their personal services. If it is subsequently determined that the number of employees has been temporarily reduced by the employer, or that the employer has utilized any other improper device, for the sole purpose of claiming the exemption provided in the General Regulations and these regulations, then such exemption shall be deemed to have been improperly obtained and of no force or effect.

An employer may be exempt under this section notwithstanding that shortly after the effective date of a salary increase he enlarges his personnel in good faith to more than eight employees. Any further adjustment in salary will then be subject to the provisions of these regulations.

Sec. 1002.32. Statutory salaries. -- The provisions of these regulations are applicable in every respect to any salary paid by the United States, any State, Territory, or possession or political subdivision thereof, the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, except where the amount of such salary is fixed by statute. The term "statute" for purposes of this section does not include a municipal ordinance or resolution enacted by a governmental unit inferior to a State, Territory, or possession. Salaries covered by the Federal Classification Act of 1923, as amended, are excluded from the operation of these regulations. Likewise, salaries, for example, of public school teachers which are paid under salary schedules fixed by a state legislature and providing for mandatory increments are excluded from the operation of these regulations. See section 1002.17.

Sec. 1002.33. Services in foreign countries. -- The provisions of these regulations shall not be applicable in the case of any individual employer, resident in the United States or any Territory or possession thereof, or of a corporate employer organized under the laws of the United States or any State, Territory or possession, with respect to salaries paid by such employers to employees for services rendered exclusively in foreign countries.

Sec. 1002.34. Foreign employers. -- The provisions of these regulations shall not be applicable in the case of nonresident foreign employers except that if any salary is paid to an employee residing in the United States payment of such salary is subject to all the provisions of these regulations.

GUY T. HELVERING,
Commissioner of Internal Revenue.

APPROVED: December 2, 1942.

JOHN L. SULLIVAN,
Acting Secretary of the Treasury.

issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 9, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

TREASURY DEPARTMENT

Washington

34-38

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 4, 1942.

The Secretary of the Treasury, by this public notice, invites tenders for $500,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 9, 1942, and will mature March 10, 1943, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern ~~Standard~~ War time, Monday, December 7, 1942. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 4, 1942.
12-3-42

The Secretary of the Treasury, by this public notice, invites tenders for $500,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 9, 1942, and will mature March 10, 1943, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern War time, Monday, December 7, 1942. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof.

The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 9, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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December 2, 1942.

34-39

STATUTORY DEBT LIMITATION
AS OF NOVEMBER 30, 1942.

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Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $125,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$125,000,000,000
Outstanding as of November 30, 1942:			
Interest-bearing:			
Bonds -			
Treasury	$43,380,696,150		
Savings (Maturity value)*	17,276,676,575		
Depositary	110,613,000		
Adjusted Service	725,047,706	$61,493,033,431	
Treasury notes	20,528,925,925		
Certificates of indebtedness	10,716,728,000		
Treasury bills (Maturity value)	5,721,392,000	36,967,045,925	
		98,460,079,356	
Matured obligations, on which interest has ceased		79,496,030	
Bearing no interest (U.S. Savings stamps)		215,804,582	98,755,379,968
Face amount of obligations issuable under above authority			$26,244,620,032

Reconcilement with Daily Statement of the United States Treasury November 30, 1942

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act, as amended		$98,755,379,968
Deduct, unearned discount on Savings bonds (difference between current redemption value and maturity value)		3,197,787,564
		95,557,592,404
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Pre-War, etc.)	195,969,620	
Matured obligations on which interest has ceased	10,366,120	
Bearing no interest	351,822,311	558,158,051
Total gross debt outstanding as of November 30, 1942		$96,115,750,455

* Approximate maturity value. Principal amount (current redemption value) according to preliminary public debt statement $14,078,889,011.

34-39

December 4, 1942

STATUTORY DEBT LIMITATION
AS OF NOVEMBER 30, 1942

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $125,000,000,000 outstanding at any one time."

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* Approximate maturity value. Principal amount (current redemption value) according to preliminary public debt statement $14,078,889,011.

Accordingly, we have just embarked upon the greatest borrowing operation in the history of this or any other government. We are seeking to raise at least $9 billion in the coming weeks, more than half of which we hope will come from individuals, corporations and other sources outside the banking system. The sale of War Savings Bonds is being intensified, especially through the payroll savings plan, but in addition we are now offering securities that should meet the needs of every type of investor. In particular, we are placing great emphasis upon the so-called "Victory two-and-one-halfs" --a long-term bond that is an ideal investment for those able to lend $500 or more to their Government. In this drive we are not only seeking money out of current earnings, which is the best of all kinds of money from the anti-inflationary point of view, but we are also seeking the money that is lying idle in the form of accumulated balances.

This is no time for men or money to be idle. As the President said last week, "We have got to make our dollars 'fighting dollars' by investing them in Government bonds." I have every hope that this gigantic borrowing will go over the top, and that it will set a pattern for similar financing operations in the year to come.

Nor can we become smug and complacent about our borrowing record, impressive though it is. The Treasury, as you know, has attempted to place as large a proportion of its securities in the hands of the people, and not the banks. We have stood four-square for voluntary savings, pushing aside the temptation to depend entirely upon the easier, if potentially more dangerous, method of bank borrowing. Since Pearl Harbor more than 50 million individuals have invested in War Bonds, and close to 24 million workers are now investing regularly every pay day through Payroll Savings Plans. More than $8,500,000,000 of the Series E, F, and G issues were sold from December 1941 through November 1942.

Impressive though this total is when judged in terms of the standards of the past, it is plainly inadequate in terms of the present and the future. It was only last January that the President proposed war expenditures of $56 billion for the fiscal year beginning July 1st. This staggering sum was dwarfed by subsequent revisions upward. Just as it was necessary to raise the sights on war expenditures, so must we now raise the sights on war borrowings.

power from peacetime to wartime use. The civilian economy cannot be permitted to compete with the war economy.

We will not achieve this objective without the enactment of measures more fundamental than any yet adopted. Ways are being devised to induce consumers to refrain from spending some $40 billion in 1943. This huge sum represents the difference between disposable incomes remaining after payment of all personal taxes and the available supply of goods at current prices.

Since the inception of the rearmament program, we have increased tremendously the Government's revenues from taxes. Taxes were increased twice in 1940, once in 1941, and once again in 1942. But we must -- and can -- do more. While income payments to individuals will have increased by $49 billion from 1940 to 1943, personal taxes -- Federal, State, and local -- will have increased by only $12 billion. Heavy as the increases have been, it is clear that we can afford to pay still more.

to convert our peaceful industries to the grim business of war, let us assess realistically and soberly the grave problems we still face.

We who fight the war have also the duty of paying for the war. These costs are inescapable. No financial sleight-of-hand can transfer goods and services from the future to the present. And no debt that we might pile up for the future can reduce the sacrifices in goods and services we must make today.

The strategy of war finance is to encourage the fullest practicable use of our productive resources, to accomplish a prompt and adequate diversion of resources from peacetime to wartime use, to distribute burdens among our citizens with a maximum of fairness and a minimum of hardship, and to cause the fewest possible post-war dislocations in the economy as a whole.

The attainment of these strategical objectives requires, however, the use of different tactics for different situations. Wise financial policies in one set of circumstances may be disastrous in another.

In attaining our strategic financial objectives we must remember that the diversion of goods and services from peacetime to wartime use must be accompanied by a corresponding diversion of spending

Treasury Dept.
Washington

For Monday a.m.'s
12-6-42

no 34.40

The following statement is made by Secretary Morgenthau:

In total war we can be satisfied with nothing less than total victory. This means that we must vanquish our enemies in the field. It also means that we must impose upon ourselves those restraints and self-denials without which victory in the field is made precarious and uncertain.

Total victory also demands that we keep an eye to the future as well as the present. For today, a year after Pearl Harbor, the nation ~~today~~ is engaged in two wars -- the war against the Axis and the war against post-war chaos. Experience has taught us that a military victory alone may turn to ashes.

While we take pride, therefore, in what our arms have accomplished in the first year of war, pride, too, in the magnificent demonstration of our capacity

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, December 6, 1942.

Press Service
No. 34-40

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While we take pride, therefore, in what our arms have accomplished in the first year of war, pride, too, in the magnificent demonstration of our capacity to convert our peaceful industries to the grim business of war, let us assess realistically and soberly the grave problems we still face.

We who fight the war have also the duty of paying for the war. These costs are inescapable. No financial sleight-of-hand can transfer goods and services from the future to the present. And no debt that we might pile up for the future can reduce the sacrifices in goods and services we must make today.

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The attainment of these strategical objectives requires, however, the use of different tactics for different situations. Wise financial policies in one set of circumstances may be disastrous in another.

In attaining our strategic financial objectives we must remember that the diversion of goods and services from peacetime to wartime use must be accompanied by a corresponding diversion of spending power from peacetime to wartime use. The civilian economy cannot be permitted to compete with the war economy.

We will not achieve this objective without the enactment of measures more fundamental than any yet adopted. Ways are being devised to induce consumers to refrain from spending some $40 billion in 1943. This huge sum represents the difference between disposable incomes remaining after payment of all personal taxes and the available supply of goods at current prices.

Since the inception of the rearmament program, we have increased tremendously the Government's revenues from taxes. Taxes were increased twice in 1940, once in 1941, and once again in 1942. But we must -- and can -- do more. While income payments to individuals will have increased by $49 billion from 1940 to 1943, personal taxes -- Federal, State, and local -- will have increased by only $12 billion. Heavy as the increases have been, it is clear that we can afford to pay still more.

Nor can we become smug and complacent about our borrowing record, impressive though it is. The Treasury, as you know, has attempted to place as large a proportion of its securities in the hands of the people, and not the banks. We have stood four-square for voluntary savings, pushing aside the temptation to depend entirely upon the easier, if potentially more dangerous, method of bank borrowing. Since Pearl Harbor more than 50 million individuals have invested in War Bonds, and close to 24 million workers are now investing regularly every pay day through Payroll Savings Plans. More than $8,500,000,000 of the Series E, F, and G issues were sold from December 1941 through November 1942.

Impressive though this total is when judged in terms of the standards of the past, it is plainly inadequate in terms of the present and the future. It was only last January that the President proposed war expenditures of $56 billion for the fiscal year beginning July 1st. This staggering sum was dwarfed by subsequent revisions upward. Just as it was necessary to raise the sights on war expenditures, so must we now raise the sights on war borrowings.

Accordingly, we have just embarked upon the greatest borrowing operation in the history of this or any other government. We are seeking to raise at least $9 billion in the coming weeks, more than half of which we hope will come from individuals, corporations and other sources outside the banking system.

The sale of War Savings Bonds is being intensified, especially through the payroll savings plan, but in addition we are now offering securities that should meet the needs of every type of investor. In particular, we are placing great emphasis upon the so-called "Victory two-and-one-halfs" -- a long-term bond that is an ideal investment for those able to lend $500 or more to their Government. In this drive we are not only seeking money out of current earnings, which is the best of all kinds of money from the anti-inflationary point of view, but we are also seeking the money that is lying idle in the form of accumulated balances.

This is no time for men or money to be idle. As the President said last week, "We have got to make our dollars 'fighting dollars' by investing them in Government bonds." I have every hope that this gigantic borrowing will go over the top, and that it will set a pattern for similar financing operations in the year to come.

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For Immediate Release
12-4-41

~~34-41~~
34-41

SECRETARY MORGENTHAU, AS PERSONAL DIRECTOR OF THE $9,000,000,000 VICTORY LOAN AND WAR SAVINGS SALES CAMPAIGN, ANNOUNCED TODAY THAT THE HALF-WAY MARK WAS PASSED IN THE FIRST FOUR DAYS.

"THIS IS AMAZING AND I AM DELIGHTED," THE SECRETARY SAID. "IT SPEAKS WELL FOR THE PATRIOTIC RESPONSE OF INVESTORS AND OF THE MANY THOUSANDS OF MY CO-WORKERS IN THE DRIVE. WE HAVE MADE A FINE START. BUT DON'T LET US FORGET THAT THE INTENSIVE EFFORT MUST BE CONTINUED TO THE VERY END. ONLY IN THIS WAY WILL THE DRIVE GO OVER THE TOP AND PROVIDE THE NECESSARY FUNDS FOR VICTORY."

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Friday, December 4, 1942.

Press Service
No. 34-41

Secretary Morgenthau, as personal director of the $9,000,000,000 Victory Loan and War Savings sales campaign, announced today that the half-way mark was passed in the first four days.

"This is amazing and I am delighted," the Secretary said. "It speaks well for the patriotic response of investors and of the many thousands of my co-workers in the drive. We have made a fine start. But don't let us forget that the intensive effort must be continued to the very end. Only in this way will the drive go over the top and provide the necessary funds for Victory."

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE, Press Service
Saturday, December 5, 1942.

34-42

Secretary of the Treasury Morgenthau today announced the subscription figures and the basis of allotment on subscriptions from commercial banks for their own account for the current offering of 1-3/4 percent Treasury Bonds of 1948.

Reports received from the Federal Reserve Banks show that subscriptions from such banks aggregate $2,356,000,000. Of this amount $346,000,000 were allotted in full to banks entering subscriptions for not more than $100,000 and the remainder were allotted 85 percent, but not less than $100,000 on any one subscription, with adjustments, where necessary, to the $1,000 denomination.

The subscription books will remain open until further notice on this issue and also on the 2-1/2 percent Treasury Bonds of 1963-68 and the 7/8 percent Treasury Certificates of Indebtedness of Series E-1943 for subscriptions from others than commercial banks for their own account. As previously announced, the books for the certificates will be open for three days beginning December 16 for the receipt of subscriptions from commercial banks for their own account.

Details as to commercial bank subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, December 5, 1942.

Press Service
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circulation. A bill has already been passed by the Senate and is being considered by the House of Representatives which will permit the issuance of minor coins which do not consume large quantities of strategic metals. The Mints plan to begin large-scale production of one-cent pieces composed of zinc-coated steel as soon as this bill is enacted.

The Secretary also gave assurance that adequate quantities of five-cent pieces will soon be available. The Mints are producing the new five-cent piece at maximum capacity. The new piece is composed 35% of silver, 56% of copper and 9% of manganese, thus saving all of the nickel, and 25% of the copper that was used in the former coin.

The Secretary pointed out that one way of meeting temporary shortages in local communities would be for the merchants, trade associations and the local clearing house to work out a cooperative program for pooling the local supply of coins.

O.K. HM Jr

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
NOVEMBER 5, 1944

Press Service
No. 34-43

~~The~~ Secretary Morgenthau said ~~of the Treasury stated~~ today that the issuance of paper one-cent and five-cent pieces by merchants associations may subject to criminal prosecution the associations issuing such paper pieces and any persons who circulate them.

The Secretary called specific attention to section 3583 of the Revised Statutes (United States Code, title 18, section 293) which provides:

> "No person shall make, issue, circulate, or pay out any note, check, memorandum, token, or other obligation for a less sum than $1, intended to circulate as money or to be received or used in lieu of lawful money of the United States; and every person so offending shall be fined not more than $500, or imprisoned not more than six months, or both."

The Secretary said that he was aware of the problem facing retail merchants who fear that the supply of minor coins will not be sufficient to meet the increased demands caused by Christmas shopping. He pointed out, however, that, although it was easy to understand the patriotic motives of groups proposing to issue such scrip, such practice was illegal and could not be tolerated.

Secretary Morgenthau suggested that retail merchants associations cooperate with the Treasury Department in its campaign to persuade thrifty people to turn in to the banks all coins which they have accumulated in coin banks and kitchen crockery. The situation will be alleviated to a considerable extent if this campaign is given the greatest possible publicity. The Secretary indicated that it would be particularly effective if directed at school children and housewives.

The Secretary also stated that the Treasury Department is doing everything that it can to keep adequate quantities of small coins in

TREASURY DEPARTMENT
Washington

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Saturday, December 5, 1942.

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one factor causing hoarding of the cent piece. They pointed out that nearly two billion of the Indian head cents were distributed by the Mint, the greater part of which still are outstanding. ~~Stamp catalogues list the Indian head only at face value.~~

Reports from coin dealers ~~show that~~ most Indian Heads after they have been in circulation, are worth only face ~~value~~.

Officials cite the record coinage figures as evidence that business needs might be met if outstanding money were made to work harder.

Letters which have poured into the Mint from all sections of the country since the shortage of metals for coinage was publicized convinced Director Ross that large quantities of the minor pieces can be enticed out of sugar bowls, children's banks, and bureau drawers. Hence it was decided to enlist the help of the school children, not only in bringing their own savings out of hiding, but in carrying the appeal home to their parents and friends.

One college professor collected 113,000 pennies in three weeks from students and faculty associates, and put them into circulation.

Children of the College Heights school at Abilene, Texas, ~~with~~ enrollment of 465, brought in two gallons of pennies, and bought War Stamps with them, $314 worth.

A Montana woman brought in 35 pounds of pennies, and bought War Stamps.

An Ohio man reported a local establishment had five~~,~~ half-gallon jars of pennies on display. The Mint sent a polite letter to the company named, calling attention to the business needs for coins.

Mint officials believe that a widespread misconception of the numismatic value of the Indian head penny, coinage of which was halted in 1909 when the present Lincoln design was adopted, is of them also are issuing agents for War Bonds and Stamps.

Several recent developments have tended to tighten the coin supply situation. Newly effective increases in Federal taxes on tobacco products and other items have required additional penny change.

~~The Mint has consumed copper allotted by the War Production Board for coinage of one-cent pieces, and has ceased minting these coins pending decision of the Congress on legislation granting authority for use of less critical materials.~~

~~Coinage of 5-cent pieces was suspended for several months this summer while changeover was made to a new alloy reducing consumption of copper, and eliminating all nickel.~~

The Mints have been kept at capacity for months by such factors odd cents pricing of merchandise, state sales, amusement and other taxes, increased use of vending machines, and the general increase in payrolls and trade volume due to the war ~~stimulus all are factors that have kept the Mints at capacity for months~~.

There is a ~~The~~ bill now pending before Congress which, if passed, will ~~would~~ permit coinage of one, three or five cent pieces from such materials as the Treasury and the War Production Board determined upon.

Mint experts are testing various possible substitutes for the critical copper, among them zinc-coated steel which might be used for the one-cent piece. Last year the Mint used 4,600 tons of copper in the making of pennies alone. A billion and a half of these coins were produced, and more than ten billion have been made throughout the years.

For Monday pms
NOVEMBER 7, 1942 34

Thirty million United States school children ~~today were~~ are being asked by the Treasury Department to enlist in a pre-Christmas drive to put idle coins, especially pennies and 5-cent pieces, to work meeting holiday business demands.

Mrs. Nellie Tayloe Ross, Director of the Mint, asked the schools of the nation to undertake the campaign as a "Help Win the War" effort, pointing out that many tons of vital metals may be saved if present coins can be kept circulating, thus ~~alleviating~~ reducing the demand for new coinage.

The Treasury hopes this "coin round-up" will avert possible local shortages at the year's business peak, where shifts in population and wartime payrolls might otherwise result in unbalanced distribution of available money stocks.

With the approval of Secretary Morgenthau and of the U.S. Office of Education, letters are being sent ~~this week~~ to State, county, and city superintendents of schools, asking them to organize "bring in the coins" programs. Heads of universities, colleges and parochial schools are being asked to join in the effort.

Mrs. Ross emphasized that the children are not being asked to give up their savings, but only to free them for business use. She ~~suggests~~ suggested that the "piggy bank" coin stocks be exchanged for War Stamps and Bonds~~, or for currency, or just "spent", so as~~ to get ~~them~~ coins into business channels. They should not be sent to the Mint or anywhere else for melting. Banks have been asked to facilitate the drive by accepting minor coins for exchange for silver or currency, and most

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, December 7, 1942.
12-5-42

Press Service
No. 34-44

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Reports from coin dealers show that most Indian heads after they have been in circulation, are worth only face value.

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selling liquor by the drink likewise revealed virtually no evidence that nontax-paid spirits are being used to refill bar bottles.

~~The statement further pointed out that~~ While bootlegging is at its lowest ebb, tax collections from distilled spirits have reached the highest level in the history of the country.

Treasury officials do ~~The Treasury indicated that it does~~ not expect that the recent increase in the tax rate, of $2 a proof gallon, will result in any increase in bootlegging during the emergency. Nevertheless the field offices of the Bureau have been instructed to be on the alert for such violations. It is believed also ~~and assumed the position~~ that through rigid enforcement the illicit traffic can ~~could~~ be effectively controlled after the termination of the emergency, despite the increase in the tax rate.

December 2, 1942.

Proposed Press Release

~~The Treasury Department today announced that bootlegging had reached its lowest ebb since repeal of national prohibition. In support of this statement, the Treasury pointed out that gallons of mash seized at illicit distilleries--considered the best measure of the volume of the nontax-paid liquor traffic--had gradually decreased from a monthly average of 500,000 gallons during the year prior to the advent of sugar rationing (May 1, 1942), to an average of 170,000 gallons monthly since that date. Illicit distilleries seized during the same periods of time dropped from a monthly average of 1,000 to 640.~~

Mr. Helvering said ~~The Treasury pointed out~~ that the nontax-paid liquor traffic had, over a period of years, been brought under effective control through constant policing and adequate prosecution, except in certain areas of some of the Southern States. While the Commissioner ~~Treasury~~ attributed the abrupt decrease in liquor violations during the last few months primarily to sugar rationing, he said ~~it is stated that~~ gasoline and tire rationing, as well as the fact that many violators had found more profitable employment, were contributing factors.

The Treasury official said ~~advised~~ that the public may be assured that liquor purchased from retail liquor dealers is not likely to be spurious and nontax-paid. It was pointed out that practically no illicit spirits have ~~had~~ been seized in recent years in packages imitating distillers' brands. Inspection of retail liquor dealers

Miss Simpson

34-45

Morning papers, Tues.
DECEMBER 8, 1942

Bootlegging has reached the lowest ebb since repeal of national prohibition, Guy T. Helvering, Commissioner of Internal Revenue said today in reviewing 1942 statistics compiled by the Bureau's Alcohol Tax Unit.

Mash seized at illicit distilleries--considered the best measure of the volume of the non tax-paid liquor traffic--has gradually decreased from a monthly average of 500,000 gallons during the year prior to the advent of sugar rationing, May 1, 1942, to an average of 170,000 gallons monthly since that date.

Illicit distilleries seized during the same periods dropped from a monthly average of 1,000 to 640.

This improvement in the enforcement situation has enabled the Alcohol Tax Unit to concentrate its personnel on the tremendously increased supervisory responsibilities resulting from industrial production of alcohol for war use.

34-45

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 8, 1942
12/8/42

Press Service
No. 34-45

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The Treasury official said that the public may be assured that liquor purchased from retail liquor dealers is not likely to be spurious and nontax-paid. It was pointed out that practically no illicit spirits have been seized in recent years in packages imitating distillers' brands. Inspection of retail liquor dealers selling liquor by the drink likewise revealed virtually no evidence that nontax-paid spirits are being used to refill bar bottles.

While bootlegging is at **its** lowest ebb, tax collections from distilled spirits have reached the highest level in the history of the country.

Treasury officials do not expect that the recent increase in the tax rate, of $2 a proof gallon, will result in any increase in bootlegging during the emergency. Nevertheless the field officers of the Bureau have been instructed to be on the alert for such violations. It is believed also that through rigid enforcement the illicit traffic can be effectively controlled after the termination of the emergency, despite the increase in the tax rate.

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Treasury Department Miss Simpson
Washington

For Immediate Release
Monday, December 7, 1942.

Press Service
No. 34-46

Secretary Morgenthau said today that the Treasury Department has not decided on any tax recommendations for presentation to Congress. The Secretary said that the Treasury is now in the process of consulting a number of government agencies who are interested in curbing inflation. He added that they had not progressed far enough in their studies to decide on any program of fiscal legislation to present to the President or to discuss with Congressional leaders. The Secretary said he doubted that he would be ready to say anything definite on the subject of taxes ~~on a tax program~~ until after the President has sent his Budget Message to Congress in January.

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TREASURY DEPARTMENT
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Monday, December 7, 1942.

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Dec. 7, 1941

Miss Simpson

34-47

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Secretary Morgenthau announced today that a total of $5,586,000,000 in "new money" had been realized from the sale of all types of securities during the first five days of December. ~~More than half~~ About 60 per cent, of this amount, or $3,381,000,000, was raised from non-banking sources, he said.

In the table that follows a breakdown of funds received from all sources from the sale of all Government securities is given for the period through December 5:

Funds from banking sources --	
Treasury bills	$150,000,000
1-3/4% Treasury bonds	2,055,000,000
	2,205,000,000
Funds from non-banking sources --	
7/8% Certificate	610,000,000
1-3/4% Treasury bond	452,000,000
2-1/2% Victory bond	2,101,000,000
Tax notes	114,000,000
Savings bonds (E, F & G)	104,000,000
	3,381,000,000
Total	$5,586,000,000

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, December 7, 1942.

Press Service
No. 34-47

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FOR IMMEDIATE RELEASE
December 7, 1942.

No. 34-48

The Bureau of Customs announced today that under the silver or black fox import quota provided for in the supplementary trade agreement with Canada there were imported during the period December 1 to 5, 1942, 201 live silver or black foxes and 130 silver fox skins from Canada, 1,623 silver fox skins from countries other than Canada, 462 pounds of paws, heads, or other separate parts of silver or black foxes, and 462 silver or black fox tails.

TREASURY DEPARTMENT
Washington

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 8, 1942.
12/7/42

PRESS SERVICE
No. 34-49

The Secretary of the Treasury announced last evening that the tenders for $500,000,000, or thereabouts, of 91-day Treasury bills to be dated December 9, 1942, and to mature March 10, 1943, which were offered on December 4, were opened at the Federal Reserve Banks on December 7.

The details of this issue are as follows:

Total applied for - $1,222,832,000
Total accepted - 504,821,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx.	0.297%	per annum
Low	- 99.907	" " " " "	0.368%	" "
Average price	- 99.907+	" " " " "	0.367%	" "

(80 percent of the amount bid for at the low price was accepted)

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 8, 1942.

12/7/42

Press Service
No. 34-49

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TREASURY DEPARTMENT

Washington

(The following address by Randolph E. Paul, General Counsel of the Treasury, before the Life Managers Association of Greater New York, New York, is scheduled for delivery at 8:30 P.M., Eastern War Time, Tuesday, December 8, 1942, and is for release at that time.)

The Role of Life Insurance in War Finance

The magnitudes of our war expenditures and war financing operations are so stupendous that they defy imagination. The resulting problems are infinitely complicated. Yet the outlines of these problems are basically very simple. The Government must always be ready with the money to pay our fighting forces and to meet the cost of the equipment and supplies which they must have to do their all-important job. The Government should get that money in ways which will keep civilian spending from interfering with the war effort, either directly or indirectly. Insofar as possible, it should get the money in such a way that post-war readjustments will be made easier. And, finally, but not of least importance, the job should be done in such a way that the cost will be distributed fairly among the people.

The cost of the war can not be postponed. It must be met now while the fighting is going on. Funds to pay for the war can be secured by taxation and by borrowing. Much the better way is through taxation. Taxes collected now make a final distribution of the cost at a time when incomes and patriotism alike are at a high level. Borrowing postpones the final distribution until after the war when high taxes may be harder to pay and less desirable economically. Taxation now avoids the payment of heavy interest charges later. Taxation now fights wartime inflation and diminishes the dangers of a post-war inflation.

Congress has just emerged from the necessarily extended and painful process of enacting a tax bill which on an annual basis will bring into the Treasury an estimated additional seven billion dollars of net tax revenue. No doubt you feel -- if you do I certainly share the feeling -- that we deserve a vacation from further taxes to adjust ourselves to those recently enacted. It is a vacation we shall probably have to sacrifice. For the job of tax legislation is never done, particularly when the greatest war expenditures in world history are to be financed.

Taxes are particularly important now because they reduce the competition for goods and services, among civilians and between civilians and war agencies. Although production in the United States is at a very high level, at least half of it is going and must go into the war effort. The most optimistic current estimates indicate that about $70 billion of consumer goods and services, measured at present prices, will be available for civilians to purchase in calendar year 1943. Yet during that same year individuals will receive, as a result of record levels of production, employment and economic activity, incomes aggregating about $125 billion. After deducting certain personal taxes chargeable against this income, individuals will have left $110 billion of disposable income which they will be free to spend or to save. If they spend more than $70 billion on consumer goods and services, the market demand will be in excess of supply and prices must rise. If they should try to spend the whole $110 billion, prices would take a tremendous jump in 1943, greatly increasing the cost of the war effort, disrupting markets, bringing dissatisfaction and lowered morale because of the high cost of living, and in other ways greatly injuring the war effort.

Fortunately, people have been saving in recent months at record levels, and the figures may reach $25 billion for 1942. If, in 1943, they save no more than in 1942, they will be in the position of trying to spend $85 billion for only $70 billion of available goods and services. Even with only this excess of attempted consumption over available goods, the price ceilings and the wage controls now in operation would be put under severe and dangerous pressure — pressure which would threaten not only their integrity, but also the possibility of their continuance. Somehow we shall have to absorb by savings or by taxes an additional $15 billion of attempted spending if we are to avoid further inflation and increases in the cost of living.

The Treasury is deeply concerned with the inflationary potentialities of the situation which is rapidly developing in our economy. There are some who scoff at the threat of inflation, and who have characterized warnings of inflationary danger as inflation hysteria. I am sure that you will not agree with this unrealistic view. The Treasury is confident of our ability to pay for this war without injury to our financial institutions or to the life savings or to the health and morale of our people. But we shall not accomplish this task by avoiding our problems. We shall preserve our institutions and way of life only if we face our problems squarely. This means that we must analyze our tasks and discuss them with each other frankly and without equivocation. Intelligent action must be based upon analysis of the facts, however unpleasant they may be. Our problems are so difficult that their satisfactory solution will require our combined wisdom.

It should be clear by now that heavier taxes are needed. The size of the problem is almost staggering. Increasing taxes by $15 billion — no task to be undertaken lightly, I can assure you — would not necessarily reduce consumption by the same amount. Some of the taxes would be paid out of funds that are already counted as part of the saving anticipated for next year.

For both political and economic reasons, countries fighting major wars have unfortunately never been able to rely on taxation alone for their war financing. Large-scale borrowing is also necessary. But it makes a difference what kind of borrowing is used. It makes a difference whether the funds borrowed come from savings of current income or from accumulated past savings, or from commercial banks out of newly created bank credit. The inflationary effects of the expenditure of funds derived from commercial banks are well known. Another point should be made equally clear. Merely lending to the Government $15 billion of past accumulated savings will not meet the need of reduced spending. Lending accumulated savings to the Government has the great value that it gives the Government the funds it must have without borrowing from commercial banks, and thereby future inflationary dangers are diminished. But lending savings accumulated in the past does not necessarily reduce the demand for goods or the attempt to consume in the present. What is required is additional <u>net savings of $15 billion from current income</u>. I stress the word "<u>net</u>". If some people <u>reduce</u> their accumulated savings by $10 billion, then others will have to <u>increase</u> theirs by $25 billion. It is the <u>net</u> increase in savings, not the <u>gross</u> increase, that counts.

A number of factors are cooperating with us to increase savings. Increased incomes have encouraged many persons to save more. Many persons have curtailed their spending and increased their savings because they know that excessive spending is dangerous to our economy in time of war. Undoubtedly, a large amount of saving has been induced by the fact that many goods of importance in the consumers' budget are no longer available. This is true particularly of automobiles, refrigerators, stoves, and other durable goods. Saving in anticipation of tax payments has doubtless been a recent factor also.

The Government has taken various steps which are having the effect of increasing voluntary saving. Price controls and rationing restrictions have had important <u>direct</u> effects, both in keeping down the cost of living and thus enabling people to save, and also in reducing their purchases of certain kinds of goods. Indirectly these measures have encouraged simpler, more economical, ways of living.

Consumer credit controls have played a substantial part in absorbing buying power, by speeding up repayment of existing debts and decreasing current spending.

Millions of our citizens have responded, and are responding, magnificently to the War Savings Bond campaign. Such saving from current income and lending directly to the Government is, next to taxes, the best possible form of war finance in the present crisis. It is of great assistance in the war effort, and can not be encouraged too strongly.

Saving in other forms is also valuable to the war effort. An excellent example is one in which every one in this room is interested, namely, savings made from current income and devoted to the payment of life insurance premiums. Such payments are withdrawn from the inflationary stream of spending. They are set aside more permanently than many other types of saving because most of us make a special effort to keep our insurance in effect. In addition, insurance premium payments enable the life insurance companies to purchase Government bonds. Life insurance companies have been, and it may be confidently expected will continue to be, large purchasers of Government securities. Thus, to a large extent, amounts paid for life insurance premiums flow just as surely, if not as directly, into the war effort.

I would not be frank with you if I did not express a very real concern that in the absence of further governmental action the attempted purchase of goods in 1943 will not be sufficiently reduced by an increase in savings to hold prices and the cost of living down to the present level. Part of that governmental action should be, and no doubt will be, a further increase in taxes. The burden of the war will not be increased by appropriate higher taxes and it will be distributed better. Part of the action will no doubt be in the fields of price control and the rationing of goods. Part of the action might be in the form of an inducement not to spend; a progressive tax on consumer spending of the type recommended last year by the Treasury Department would have such an effect. Part of the action could conceivably be through setting a minimum lending requirement, adjusted to income and family responsibilities, and which everyone would be obliged to equal or surpass. These examples do not exhaust the list. Whatever the form governmental action may take, the purpose would be to reduce attempted consumption, either through withdrawing money from the spendings stream or through increasing saving from current income.

The average American is satisfied, I believe, that he is not contributing to inflation or an increase in the cost of living. He is certainly not consciously doing so. But every dollar spent is a dollar of demand for goods. I repeat what I said earlier. There will only be perhaps $70 billion worth of goods and services available in 1943 at present prices. Under existing taxes and savings, attempted consumption will be about $85 billion. In some way or ways that amount must be reduced to $70 billion if prices are not to rise further. We shall not be benefited as a people by trying to buy more than that amount. There just will be no more. If we try to buy more, the result will simply be shortages, black markets, broken price ceilings, higher living costs, and a wild scramble for goods. I need not dwell on the effects which major price increases would have on the cost of the war effort or the hardships which rising living costs would impose on the lower income groups and on persons with fixed incomes. I certainly do not need to dwell with this audience on the injury which such price rises would bring to holders of life insurance policies, who are represented in all income groups.

As I said at the beginning, the basic problems of war finance are relatively simple. The one I have discussed tonight is the problem of financing the war without the disruptive price rises which result from rising incomes and a declining volume of goods. The solution of the problem -- a solution that will be for the benefit of the people as a whole -- is higher taxes and more thrift, more saving. I am confident the American people will support that solution.

COTTON CARD STRIPS,2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent2/ of the quotas shall be filled by cotton wastes other than card strips/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 21, 1942 to Nov.28, 1942	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 21, 1942, to Nov. 28, 1942 1/
United Kingdom......	4,323,457	-	1,441,152	-
Canada..............	239,690	81,495	-	-
France..............	227,420	-	75,807	-
British India.......	69,627	61,823	-	-
Netherlands.........	68,240	-	22,747	-
Switzerland.........	44,388	-	14,796	-
Belguim.............	38,559	-	12,853	-
Japan...............	341,535	-	-	-
China...............	17,322	-	-	-
Egypt...............	8,135	-	-	-
Cuba................	6,544	-	-	-
Germany.............	76,329	-	25,443	-
Italy...............	21,263	-	7,088	-
TOTALS	5,482,509	143,318	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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34-50

FOR IMMEDIATE RELEASE,
~~December 8~~, 9 1942.

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the ~~import~~ quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 21, 1942, to November 28, 1942, inclusive:

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8": Established Quota	Staple length less than 1-1/8": Imports Sept. 21, 1942, to Nov. 28, 1942	Staple length 1-1/8" or more but less than 1-11/16": Established Quota 45,656,420	Staple length 1-1/8" or more but less than 1-11/16": Imports Sept. 21, 1942, to Nov. 28, 1942
Egypt and the Anglo-Egyptian Sudan.........	783,816	-		25,142,537
Peru..................	247,952	247,952		1,019,654
British India...........	2,003,483	-		-
China..................	1,370,791	-		-
Mexico.................	8,883,259	8,883,259		-
Brazil.................	618,723	618,723		-
Union of Soviet Socialist Republics....	475,124	-		-
Argentina..............	5,203	-		-
Haiti..................	237	237		-
Ecuador................	9,333	9,263		-
Honduras...............	752	-		-
Paraguay...............	871	-		-
Colombia...............	124	-		-
Iraq...................	195	-		-
British East Africa.....	2,240	-		-
Netherlands East Indies.	71,388	-		-
Barbados...............	-	-		-
Other British West Indies 1/.........	21,321	-		-
Nigeria................	5,377	-		-
Other British West Africa 2/...........	16,004	-		-
Other French Africa 3/.	689	-		-
Algeria and Tunisia.....	-	-		-
	14,516,882	9,759,434	45,656,420	26,162,191

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, December 9, 1942.

Press Service
No. 34-50

The Bureau of Customs announced today that preliminary reports from the collectors of Customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 21, 1942, to November 28, 1942, inclusive:

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8": Established Quota	Staple length less than 1-1/8": Imports Sept. 21, 1942, to Nov. 28, 1942	Staple length 1-1/8" or more but less than 1-11/16": Established Quota 45,656,420	Staple length 1-1/8" or more but less than 1-11/16": Imports Sept. 21, 1942, to Nov. 28, 1942
Egypt and the Anglo-Egyptian Sudan	783,816	-		25,142,537
Peru	247,952	247,952		1,019,654
British India	2,003,483	-		-
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Mexico	8,883,259	8,883,259		-
Brazil	618,723	618,723		-
Union of Soviet Socialist Republics	475,124	-		-
Argentina	5,203	-		-
Haiti	237	237		-
Ecuador	9,333	9,263		-
Honduras	752	-		-
Paraguay	871	-		-
Colombia	124	-		-
Iraq	195	-		-
British East Africa...	2,240	-		-
Netherlands East Indies	71,388	-		-
Barbados	-	-		-
Other British West Indies 1/	21,321	-		-
Nigeria	5,377	-		-
Other British West Africa 2/	16,004	-		-
Other French Africa 3/	689	-		-
Algeria and Tunisia ..	-	-		-
	14,516,882	9,759,434	45,656,420	26,162,191

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

COTTON CARD STRIPS 2/, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

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Canada	239,690	81,495	-	-
France	227,420	-	75,807	-
British India	69,627	61,823	-	-
Netherlands	68,240	-	22,747	-
Switzerland	44,388	-	14,796	-
Belgium	38,559	-	12,853	-
Japan	341,535	-	-	-
China	17,322	-	-	-
Egypt	8,135	-	-	-
Cuba	6,544	-	-	-
Germany	76,329	-	25,443	-
Italy	21,263	-	7,088	-
TOTALS	5,482,509	143,318	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of November 28, 1942
Silver or black foxes, furs, and articles:				
Paws, head, or other separated parts	12 months from Dec. 1, 1941	500	Pounds	(Import quota filled)
Piece plates	"	550	Pounds	None
Articles, other than piece plates	"	500	Unit	45
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	724,696

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34-51

FOR IMMEDIATE RELEASE
~~December 8, 1942.~~ Thurs Dec 10

The Bureau of Customs announced preliminary figures for imports of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to November 28, 1942, inclusive, as follows:

Commodity	Established Quota		Unit of Quantity	Imports as of November 28, 1942
	Period and Country	Quantity		
Cattle less than 200 pounds each	Calendar year	100,000	Head	66,164
Cattle, 700 pounds or more each (other than dairy cows)	Quarter year from Oct. 1, 1942			
	Canada	51,720	Head	46
	Other countries	6,214	Head	(Tariff rate quota filled)
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	5,342
Cream, fresh or sour	Calendar year	1,500,000	Gallon	804
Fish, fresh or frozen filleted, etc., cod, haddock, hake, pollock, cusk and rosefish	Calendar year	17,174,495	Pound	15,295,761
White or Irish potatoes certified seed	12 months from Sept. 15, 1942	90,000,000	Pound	19,180,829
other	12 months from Sept. 15	60,000,000	Pound	229,990
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	(tariff rate quota filled)
Red cedar shingles	Calendar year	2,617,111	Square	2,530,684
Silver or black foxes, furs, and articles: Foxes valued under $250 ea. and whole furs and skins	Period - May-Nov. 1942 All countries	41,774	Number	21,017
Tails	12 months from Dec. 1, 1941	5,000	Piece	(Import quota filled)

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, December 10, 1942.

Press Service
No. 34-51

The Bureau of Customs announced preliminary figures for imports of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to November 28, 1942, inclusive, as follows:

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of Nov. 28, 1942
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ails	12 months from Dec. 1, 1941	5,000	Piece	(Import quota filled)

Commodity	Established Quota		Unit of	Imports as of
	Period and Country	Quantity	Quantity	Nov. 28, 1942
ilver or black foxes, furs, and articles:				
aws, head, or other separated parts	12 months from Dec. 1, 1941	500	Pounds	(Import quota filled)
iece plates	"	550	Pounds	None
rticles, other than piece plates	"	500	Unit	45
olasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	724,696

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FOR IMMEDIATE RELEASE,
December ~~8,~~ 1942.
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34-5

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the twelve months commencing May 29, 1942, as follows:

Country of Origin	WHEAT		Wheat, wheat flour, semolina, crushed or cracked wheat and similar wheat products	
	Established Quota	Imports May 29, 1942, to Nov. 28, 1942	Established Quota	Imports May 29, 1942, Nov. 28, 1942
	(Bushels)	(Bushels)	(Pounds)	(pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	44
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,815,044

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, December 10, 1942.

Press Service
No. 34-52

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the twelve months commencing May 29, 1942, as follows:

Country of Origin	WHEAT		Wheat, wheat flour, semolina, crushed or cracked wheat and similar wheat products	
	Established Quota	Imports May 29, 1942, to Nov. 28, 1942	Established Quota	Imports May 29, 1942, Nov. 28, 1942
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	44
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,815,044

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34-53

FOR IMMEDIATE RELEASE
December ~~8~~ 9, 1942.

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds)	Authorized for entry for consumption As of (Date)	Authorized for entry for consumption (Pounds)
Signatory Countries:			
Brazil	1,353,183,480	Nov. 28, 1942	49,678,907
Colombia	458,336,340	"	86,161,193
Costa Rica	29,100,720	"	967,919
Cuba	11,640,288	"	3,492,012
Dominican Republic	17,460,432	"	3,794,985
Ecuador	21,825,540	"	2,716,594
El Salvador	87,302,160	"	7,062,528
Guatemala	77,844,426	"	5,038,392
Haiti	40,013,490	"	10,543,718
Honduras	2,910,072	"	958,298
Mexico	69,114,210	"	3,064,225
Nicaragua	28,373,202	"	67,380
Peru	3,637,590	"	2
Venezuela	61,111,512	"	11,347,866
Non-signatory countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	13,155,101

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, December 9, 1942.

Press Service
No. 34-53

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds)	Authorized for entry for consumption As of (Date)	Authorized for entry for consumption (Pounds)
Signatory Countries:			
Brazil	1,353,183,480	Nov. 28, 1942	49,678,907
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El Salvador	87,302,160	"	7,062,528
Guatemala	77,844,426	"	5,038,392
Haiti	40,013,490	"	10,543,718
Honduras	2,910,072	"	953,298
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Non-signatory countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	13,155,101

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issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 16, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

TREASURY DEPARTMENT

Washington

no. 34-54

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 11, 1942 .

The Secretary of the Treasury, by this public notice, invites tenders for $600,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 16, 1942, and will mature March 17, 1943, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War ~~Standard~~ time, Monday, December 14, 1942. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 11, 1942.
12-10-42

The Secretary of the Treasury, by this public notice, invites tenders for $600,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 16, 1942, and will mature March 17, 1943, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern War time, Monday, December 14, 1942. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof.

The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 16, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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DIVIDEND PAYMENTS TO CREDITORS OF INSOLVENT NATIONAL BANKS AUTHORIZED DURING THE MONTH ENDED NOVEMBER 30, 1942

Name and Location of Bank	Nature of Dividend	Date Authorized	Number and Percentage of Dividend Authorized		Distribution of Funds by Dividend Authorized	Total Percentage Authorized Dividends to Date	Number of Claimants	Amount Claims Proved
The Nat'l City Bk of New Rochelle, N.Y.	Final	11-27-42	3rd	3.98%	$242,800	48.98%	10,138	$6,100,950
The Harriman NB & Tr Co of The City of New York, N.Y.	Final	11-27-42	5th	3.04%	504,120	83.29%	10,142	16,583,160
The Nat'l Bk of Ridgewood in New York, N.Y.	Final	11-30-42	1st	17.58%	52,100	17.58%	2	296,600
First Nat'l Bank in Salem, Oregon	Final Interest	11-24-42		2.66%	21,590	107.66%	4,347	811,930
The First Nat'l Bk of Clarion, Penna.	Final	11-18-42	4th	10.2%	144,600	87.2%	3,197	1,417,400
Farmers NB & Tr Co Reading, Penna.	Final	11-9-42	6th	4.35%	246,600	76.35%	13,000	5,668,500
First NB & Tr Co. of Petersburg, Virginia	Final	11-20-42	5th	7.18%	168,600	97.18%	8,480	2,347,700
The National Bank of Fairmont, W. Va.	Final	11-25-42	6th	8.1%	231,430	73.1%	8,150	2,857,200
The First Nat'l Bank of Dodgeville, Wisconsin	Regular	11-7-42	2nd	12.%	104,800	67.%	483	874,000

12-9-42

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RÉLEASE, MORNING NEWSPAPERS
Saturday, Dec. 12, 1942.

Press Service
34-55

During the month ended November 30, 1942, authorizations were issued to receivers for payments of dividends to the creditors of nine insolvent national banks. Dividends so authorized will effect total distributions of $1,716,640 to 57,939 claimants who have proved claims aggregating $36,957,440 or an average payment of 4.64 percent. The minimum and maximum percentages of dividends authorized were 2.66 percent and 17.58 percent, while the smallest and largest payments involved in dividend authorizations during the month were $21,590 and $504,120, respectively. Of the nine dividends authorized during the month, one was a regular payment, seven were final payments, and one was a final interest payment. Dividend payments so authorized during the month ended November 30, 1942, were as follows:

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12-9-42

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, December 12, 1942.
12/11/42

Press Service
No. 34-55

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DIVIDEND PAYMENTS TO CREDITORS OF INSOLVENT NATIONAL BANKS AUTHORIZED DURING THE MONTH ENDED NOVEMBER 30, 1942

Name and Location of Bank	Nature of Dividend	Date Authorized	Number and Percentage of Dividend Authorized		Distribution of Funds by Dividend Authorized	Total Percentage Authorized Dividends to Date	Number of Claimants	Amount Claims Proved
The Nat'l City Bk of New Rochelle, N.Y.	Final	11-27-42	3rd	3.98%	$242,800	48.98%	10,138	$6,100,950
The Harriman NB & Tr Co of The City of New York, N.Y.	Final	11-27-42	5th	3.04%	504,120	83.29%	10,142	16,583,160
The Nat'l Bk of Ridgewood in New York, N.Y.	Final	11-30-42	1st	17.58%	52,100	17.58%	2	296,600
First Nat'l Bank in Salem, Oregon	Final Interest	11-24-42		2.66%	21,590	107.66%	4,347	811,930
The First Nat'l Bk of Clarion, Penna.	Final	11-18-42	4th	10.2%	144,600	87.2%	3,197	1,417,400
Farmers NB & Tr Co Reading, Penna.	Final	11-9-42	6th	4.35%	246,600	76.35%	13,000	5,668,500
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The National Bank of Fairmont, W. Va.	Final	11-25-42	6th	8.1%	231,430	73.1%	8,150	2,857,200
The First Nat'l Bank of Dodgeville, Wisconsin	Regular	11-7-42	2nd	12.%	104,800	67.%	483	874,000

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Friday, December 11, 1942.

Press Service
No. 34-56

Secretary of the Treasury Morgenthau today announced the final subscription and allotment figures with respect to subscriptions from commercial banks for their own account for the current offering of 1-3/4 percent Treasury Bonds of 1948.

Subscriptions and allotments were divided among the several Federal Reserve Districts as follows:

Federal Reserve District	Total Subscriptions Received	Total Subscriptions Allotted
Boston	$ 103,976,000	$ 90,756,000
New York	760,328,500	651,231,500
Philadelphia	117,623,500	104,200,500
Cleveland	162,613,000	143,756,500
Richmond	106,343,000	94,396,000
Atlanta	103,865,500	91,943,500
Chicago	409,033,500	357,017,500
St. Louis	93,616,000	84,202,000
Minneapolis	80,737,000	73,052,000
Kansas City	104,289,000	92,441,000
Dallas	87,708,000	77,601,000
San Francisco	230,067,000	197,539,000
TOTAL	$2,360,200,000	$2,058,136,500

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TREASURY DEPARTMENT
Washington

(The following address by Randolph E. Paul, General Counsel of the Treasury, before the Cornell University Law School, Ithaca, New York, is scheduled for delivery at 4 P.M., Eastern War Time, Friday, December 11, 1942, and is for release at that time.)

Federal Taxation in Total War

I wish I could tell you adequately how pleased and honored I feel at being asked to come to Ithaca to give this lecture. My sense of honor and pleasure has many facets. There is first a personal consideration. It is pleasant to come to the Law School whose "Quarterly" in 1933 saw fit to publish my first Law Review article. That article was the start of a long hard journey which has not yet ended. But I still feel glad - first, that I published the article, and second, that it was published in the Cornell Law Quarterly.

Secondly, the list of my predecessors is a special mark of honor. It almost frightened me into refusal. But a letter from Mr. Edelstein persuaded me to adhere to my too frequent practice of trying to do more than I should, especially at a time when Washington demands upon time and energy are so unpredictable and so endless.

Before I get into my subject I want to tell you another reason why I was pleased to receive your invitation. For nearly a year I have been engaged on what I have discovered to be the most unpopular job in the world. I have been privately and publicly advocating the imposition of higher taxes upon the American people — higher than they have ever been asked to pay in their entire history. The experience has taught me the truth of a New Testament adage: "Where your treasure is, there will your heart be also." 1/ The heart, more than the head, I have sometimes thought. At any rate, you were kind to invite into your midst "Public Enemy Number 1," who will never forget the remark of Edmund Burke: "To tax and to please, no more than to love and be wise, is not given to any man."

I would compliment you on your capacity for punishment if I did not interpret your invitation in a different way. My compliment will have another flavor. I am going to assume a high degree of interest on your part in the most challenging fiscal problem the world has ever known. I am going to assume that you want to hear the facts underlying this problem, however grim and unpleasant they may be. Some there are who want to play the ostrich, but you are not of that pale cast of thought. At least, so I have decided. I will, therefore, tell you the blunt truth as I see it — candidly, without equivocation, without any attempt to pull my punches. I will call a spade a spade in spite of Oscar Wilde's epigram that those who call a spade a spade should be given a spade. I think you can take what I wish to say, and I would not like to think that you wanted anything less direct.

1/ St. Matthew, Ch. 6, v. 21.

The Growth of Expenditures and National Income

If some of you are bored with life, I suggest that you go back to the economic literature of the 30's. You will find that the financial world was in a state bordering upon nervous collapse about annual expenditures of from \$4 billion to \$9 billion by the Federal Government. People talked with grim apprehension about the mounting debt occasioned by such constructive expenditures as those for public works. Some of them violently protested against expenditures to provide food and housing for the needy. All these dreaded expenditures lifted the public debt from \$17 billion in 1929 to \$40 billion in 1939.

I hope I may not be understood as being cavalier about our debt problem if I say that all the worry and fear of those days was in a relative sense little more than a tempest in a teapot. Following Pearl Harbor the President on January 5, 1942, sent to Congress a budget message for the fiscal year 1943, proposing \$56 billion of war expenditures and recommending additional tax revenues of \$7 billion. Original goals became obsolete before they could be reached. On April 24, 1942, a budget revision added \$14 billion to these war expenditures. Again on October 3, 1942, the second revision added another \$8 billion, making a total estimated war expenditure for the fiscal period of \$78 billion. These figures, and expenditures that will have to be made in fiscal years to come, may well provoke grave concern. Taking into account non-war governmental outlays, total expenditure for the fiscal year 1943 will be \$85 billion, or more than \$600 for every man, woman, and child in the land. To be compared with this figure is the modest sum of \$33 billion spent during the three years, 1917 to 1919, of World War I.

The Inflationary Gap

Those of you who enjoy contrasts may not object to some further figures. Not long ago we were coaxing dollars out of their stagnant hiding places and into the market. We were trying to stimulate trade and industry. Our economic objective was critically described by some as being to spend ourselves into prosperity.

We managed in those far-away days of the recent past to increase our national income from a low in 1932 of about \$40 billion to the much higher figure of \$71 billion in 1939. But, to borrow from Mr. Churchill, this was "not even the beginning of the end." But it is perhaps the "end of the beginning." Next year our national income will amount to about \$125 billion. Notwithstanding greatly increased war taxes, those who receive that income will have left about \$110 billion, some \$42 billion in excess of what they had after taxes in 1939. We have spent ourselves into financial prosperity.

Does this mean that we have solved our economic problem? Not at all. We have merely changed our problem. Our people will have in 1943 a total purchasing power of \$110 billion, an increase of \$36 billion over the year

1940 when they had only $74 billion to spend. But at the best only $70 billion worth of goods and services at present prices will be available to consumers in 1943. The difference between $110 billion and $70 billion, $40 billion, is the new problem. It is an excess we must absorb by more saving and by more taxes. If people save $25 billion of that $40 billion, there will still be left $15 billion of spending power in excess of goods and services available. If this $15 billion is poured into the market by consumers, nothing can save Mr. Henderson's price ceilings. Nothing can save our whole economic structure, as we know it today.

The Transition to a War Economy

From a pre-war goal of increasing spending, we have come to a war goal of reducing spending, The story of this change in objectives is a story that cannot be too simply told. When conversion to war began, we had at our command a substantial reserve of unemployed natural and human resources. Although many of the depression unemployed had found work by 1940, there still remained in 1940 a welcome supply of untapped manpower. We had what seemed to be an abundance of raw materials. Formerly partly or wholly-idle factories were available for the expansion of production. By using these idle materials and facilities, by adding new capacity, by using men who had been idle, and by training new workers, we were able for about a year and a half to increase our output of armaments and at the same time to continue to increase our supply of civilian goods. As consumers, we had simultaneously more money and more goods. Both our money income and our real income were higher then they had ever been before.

In this early stage the real cost of producing the implements of war -- the extra work, the additional pressure, and the sacrifice of things we might have had -- often seemed remote and unreal. The previously unemployed person regarded his new job, even though it required hard work, as a blessing rather than a burden. His higher income enabled him to buy more goods and services. Because civilian output was expanded, no one else had to receive less goods and services when the newly-employed person received more income. There was relative plenty for everybody.

As our war output expanded, it was no longer possible to depend entirely upon the employment of equipment and labor that had formerly been idle. We were obliged to turn to other sources. We had to develop new supplies of labor, on the one hand drawing upon the women of our country and, on the other hand, training much of the existing labor force in higher skills. We had to curtail drastically private construction and the production of capital goods. Instead of maintaining, replacing, and adding to our existing equipment in the normal way, we were producing the implements of war. The rapidly expanding armaments program also made inroads on another supplemental source of war production -- our stocks of basic raw materials. Once our accumulated stockpiles of rubber, strategic metals, and scrap materials are depleted, they can be replaced only with great difficulty, if at all.

Until recently these three sources -- unemployed facilities, deferred maintenance and construction, and stockpiles -- have been sufficient to provide the major part of our war output. We have drawn heavily on only one segment of consumer goods output -- automobiles, refrigerators, stoves, and other durable goods. Until recently we have maintained the supplies of consumer non-durable goods and services at levels above any that have ever been reached in this country.

These happy days are almost history. The demands of total war play no favorites with sources of increased output. To meet increasing demands, equipment and labor must be shifted from the production of the comforts, and even some of the things we have come to regard as the necessities of life, to the production of the implements of war. To produce more tanks, planes, and guns, and to feed our armies and our allies, we shall have to accept not only fewer automobiles, but also less heat, less clothing, and even less food. Furthermore, while we continue the principal business of winning the war, our houses, streets, transportation facilities, and, in considerable measure, our factories and equipment devoted to the production of consumer goods, will have to serve in substantially their present condition.

Had we planned this war, our timing of war production could have been better. If, for example, the United States had embarked on rearmament at the depth of the industrial depression, when a large part of our human and material resources were idle, the nation could have produced war materials without displacing existing civilian production. At that time our standard of living was substantially lower than in 1940, which marked the beginning of our defense program. It was under such circumstances that Germany began to rearm. She was thus enabled to utilize for war purposes substantially all of the increased output resulting from increased employment of men and machines. We cannot devote a comparable proportion of our resources to war without returning to depression levels of consumption, and without retaining at the same time prosperity levels of income and production. On a physical level we can, however, more easily curtail current civilian production because of the consumer capital we have accumulated during the years of relatively high output of consumer goods.

The hard economic fact of a dwindling output of consumer goods and services can be hidden for a time by bulging inventories. For a time stores have been able to continue to supply goods from ample stocks. But the protective covering of inventories is wearing thin in dozens of places. Bare spots in store shelves are becoming commonplace. The Christmas rush will further deplete stocks of available goods. The scarcity of nylon stockings and of rubber products has made the headlines; but they are only a symbol of what has already occurred, and only a foretaste of what is to come. Each scarcity that develops diverts purchasing power into other channels, creating additional scarcities and making the real cost of war more and more evident.

The Real Cost of the War

Now we are getting away from conventional monetary symbols into a more realistic appraisal of the economic cost of the war. The budget figures I have given you can mean very little to most of us. But what I now have to say can mean a great deal, because it is definite and concrete. More of us will have to work more next year than this year. We shall have to work more hours than today, and more intensively. There will be a smaller supply of consumers' goods and services to reward us for our greater exertions. These are hard physical facts. They cannot be obscured by any terminology. Neither taxes, nor any economic measures at our command, can change the picture. Civilian goods will not grow where war goods are planted. Harder work on the one hand, and a lower supply of goods and services on the other hand, constitute the price civilians must pay to win the war. They are the inescapable economic cost of the war.

This cost must be met now while we are fighting. It cannot be shifted to foreign countries. We will not, like the Axis, obtain resources by looting conquered territory. We cannot, because of the limitations of the industrial capacity of the neutrals and our Allies, obtain substantial resources by borrowing goods from abroad.

Likewise, the real cost of the war cannot be shifted to the future. Borrowing dollars at home in no sense postpones the real cost of the war to the future. By no financial manipulation can we reach our hands into the future, and bring back to the present guns and planes with which to fight this war. No financial legerdemain can transfer civilian goods and services from the future to the present. Future generations cannot arm our fighting forces. We of the present have no choice between paying for the war now and postponing the economic cost to the future. As sensible citizens we should turn, then, from what is impossible to what is only difficult. Although we cannot evade or postpone the economic cost of the war, we can, if we will, distribute that cost fairly. But we shall not find that an easy job.

The Effects of Inflation

The physical realities of hard work and short supplies have a monetary counterpart. Our increasingly intensive mobilization of resources means large and increasing incomes to workers and to investors. Our short supply of consumer goods means that there is relatively little for these incomes to buy. Thus, we have the paradox of large incomes and short supplies. Increased income has no place to go. It is burning holes in millions of pockets. This is the explosive factor in our economy.

As I have said, we have an inflationary gap of $15 billion. Shall we permit this purchasing power to flow freely to the market for consumer goods and services? If we do, we may be sure of a wild competition for our short supply. Black markets will mushroom. Evasion and dealer favoritism will become commonplace. Empty shelves and illegitimate profits will become the order of the day. The distribution of the short supply of the necessities of life will be wasteful and inequitable. Competition to buy these necessities will be reduced to a disorderly, time-consuming scramble. The goods and services will go not to those who need them most, but to those who are least bound by limitations of time, money and scruples. The devil will take the hindmost. The ensuing hardships will be suffered particularly by families in the low income groups.

This is one method of distributing limited supplies. It is the method of inflation. It is a method we used in the last war, and a method other countries have used to an even greater degree. We have made some use of the method during the past two years, though by default rather than design. Prices of consumer goods, as measured by the Bureau of Labor Statistics Cost of Living Index Number, have risen 19 percent during the past two years. This is only the handwriting on the wall.

It would be carrying coals to Newcastle to discuss at any length the meaning of that handwriting on the wall. Inflation is the most unsatisfactory method of distributing short supplies we could select. It is a method intelligent men would never explicitly choose. It imposes the heaviest burden on those who can least afford sacrifice and the lightest burden on those who can best afford sacrifice. Rising prices hit persons with fixed incomes much harder than persons with rising incomes. They affect persons with low incomes, who must ordinarily spend all of their income for goods and services, more heavily than persons with high incomes, who can maintain their standards of living despite rising prices.

Inflation also disorganizes the economic process. Business is conducted in terms of prices that are expected to remain fairly stable. Rapid price increase shifts the emphasis from production as a source of profit to speculation and hoarding as a source of profit. The struggle of labor to keep wages in line with ever-rising prices adds to the confusion. If inflation takes precedence over production as the main concern of business and labor, the war effort will surely suffer.

Finally, inflation multiplies the monetary costs of the war and makes the post-war adjustment more difficult, if not impossible. If a given supply of war goods rises in price, we will be obliged either to raise taxes or to float more debt. The wake of inflation will be a disjointed price system, which will promote a policy to "watch and wait" until prices are again in line. Once they are in line -- that is, when they have descended from inflationary heights -- debts incurred at the high levels will be immeasurably harder to pay. The great farm debt was one of the most disastrous economic legacies of the inflation we suffered in the last war.

Direct Inflation Control

We have taken two steps to control inflation. Congress made a direct attack on the problem in the first Price Control Act under which the Office of Price Administration established price ceilings. Congress made another frontal attack by its passage of the Second Price Control Act, following which the President created the Office of Economic Stabilization.

But the battle against inflation will not be won without the enactment of more fundamental measures than any we have yet adopted. It will not be won without heavy reliance upon fiscal weapons. Price ceilings and wage controls by themselves will check, but they will not halt, the upward course in prices. They will be successful only if they are reinforced by fiscal measures designed to restrict civilian spending and to relieve the pressure on prices of unrestricted consumer purchasing. Such measures are an essential part of a comprehensive anti-inflation program. We must somehow accomplish an absorption by additional saving and taxes of $15 billion of excess spending power.

To be effective, fiscal measures must be weighed in net, as distinguished from gross, terms. The goal for 1943 is to prevent $40 billion of excess purchasing power from reaching the market for consumer goods and services. It will not do merely to shift saving now being made from a voluntary to an enforced status. Nor will compulsory lending out of accumulated saving contribute to the solution of the inflation problem. The net effect of such measures would be zero. Our task in 1943 will be to add to net individual savings and existing taxes.

The Criteria of a Sound Tax Policy

A sound tax policy must ride several horses at the same time. It must look to the expansion of war production; it must be adapted to post-war needs; its measures must be reasonably capable of administration. These things go almost without saying, and I wish to dwell today on less obvious criteria of a sound tax policy.

I have tried to describe to you in simple concrete terms the inescapable economic cost of the war. The primary function of the tax system at a time like the present is to distribute that cost fairly and equitably. The test of a good tax measure is how it distributes that burden. In the next few weeks you will read of many tax proposals. I would like to urge upon you that you test each proposal made in the light of one basic group of facts. They are unpleasant facts. They are easily forgotten facts. But they must be remembered, or we shall lose our way to a sound tax policy.

Millions of our people are living today at a level that is barely adequate to keep them working efficiently in the factories and in the fields. Recent increases in income have been much advertised, and it has been seriously suggested that a special tax be put upon them. Yet the fact remains that these increases in income have represented to many families merely the possibility of changing a diet sufficient for a sedentary life of partial or full employment to a diet capable of sustaining a vigorous day at a swiftly moving machine. For other families increases in income have represented nothing more than the maintenance of a previous meagre living which can now be maintained only at a higher price. For still other families increases in income have represented only a partial correction of many years lack of medical and dental care, inadequate clothing, and deficient shelter.

I do not want you to think that I am discussing problems of social welfare. I would make no apologies for discussing such problems, but in these days we need not place our emphasis upon social considerations. The problem of distributing the cost of a total war becomes in war a matter of military importance. The exemption of a minimum level of income from taxation, and the limitation of the war burden on those workers whose standard of living is barely adequate for productive efficiency, are the social cost of providing vigorous workers in our steel mills, in our coal pits, and on our farms.

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So much for the broad considerations of policy that must enter into our war tax program. We must discard old notions that taxation is for revenue only. We must use taxation as an instrument of inflation control. We must recognize its function of distributing the economic burden of the war in a fair and equitable manner. In the light of these basic principles we may turn to the immediate legislative situation, and to the proposals commonly, and sometimes strenuously, offered as solutions. We may even imagine the possible features of a Revenue Act of 1943. It would be a strange legislative year which failed to produce a revenue act. The 1942 Act was our twenty-first modern revenue act. I see no reason to abandon Karl Llewellyn's doctrine.2/ "For too much law, more law will be the cure."

The Income Tax

We may perhaps best begin this phase of our discussion with the income tax. That is a tax to which we are accustomed. It has been a principal source of revenue for many years. To what extent may we rely upon that tax for the future under a war economy? To what extent shall we be obliged to resort to other methods of taxation?

I am not going to try to answer the question whether our income tax will be increased for the year 1943. That is a matter for Congress to determine. All that I can do is to indicate some facts that may not be fully realized. For this purpose we may first pass judgment on the Revenue Act of 1942. That Act may not have raised sufficient revenue; it may be an inadequate answer to the inflation threat; to use a metaphor of a predecessor Irvine lecturer, it may be no more than an inn that shelters for the night, and not the journey's end. But much may be said in favor of the Act. It is certainly safe to say that it contains more relief provisions than any other revenue act in our history. More than half of its total 208 pages, or 120 pages, are devoted to the relief of inequities. Many loopholes were closed which for years have offered opportunities for evasion.3/ The Act devotes 42 pages to the clarification and definition of existing provisions to enable more equitable and fair enforcement. This makes a total of 104 corrective sections out of a total of 173. In pages, this is nearly 78 percent of the Act, 162 pages out of 208. In this sense, if not in a fiscal sense, the bill will perform an outstanding service. We had reached the point in our rate structure where loopholes resulted in drastic loss of revenue, and where inequities and discrepancies threatened to be not only troublesome, but even disastrous to taxpayers. The tax structure had to be put in shape to carry an increased load. A part of

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2/ Llewellyn, The Bramble Bush, p. 122 (1930)

3/ Outstanding among loopholes corrected are the change in the capital gains provisions, the new treatment of pension trusts, and the disregard of the community property system for estate tax purposes.

this job was done in the Revenue Act of 1942, and we now have a basic tax structure which will be better able to stand the strain of increased rates.

Adhering to my purpose not to prophesy, let me make some comparisons. The Revenue Act of 1942 levies on citizens of this country the heaviest income tax they have ever been asked to pay. I have attached to my lecture notes a chart showing a graph of our income taxes commencing with the 1918 Act and going through to the 1942 Act. Curves go down from 1918 to the delightful days of 1929, and then swing upward. The 1942 curve is well above the 1918 curve.

No one would want to deny the fact that sudden and sharp increases in income taxes will cause some hardship and much inconvenience, especially for the fixed income group. But that is not the same thing as saying that further use of the income tax is impracticable. I have also attached to my lecture notes a graphic comparison of the income taxes imposed by the United States, Canada, and Great Britain. High as our income taxes now are, they do not reach the levels of these two members of the United Nations group. For example, in the United States, a married person without dependents who receives a $5,000 net income will pay in the form of income taxes, including the Victory tax, less than one-fourth of his income. In Canada, he would pay more than one-fourth of his income, in Great Britain almost one-third. To cite another example: A single person without dependents who receives a $2,500 income will pay 18 percent in the United States; 25 percent in Canada; and 29 percent in Great Britain. Certainly, we can have higher income taxes if we can take what the British and the Canadians are taking.

We must recognize, however, that the income tax can be improved to meet the needs of the present. Our concept of income has its limitations. Certain types of incomes, such as home-produced commodities, are not taxed. Some items which are not income may be subjected to tax. The expense of getting to and from work, and of moving to take a new job, are illustrations. Some defects of the income tax, such as the exemption of state and local securities, could be remedied by legislation, though the Treasury Department has encountered much resistance to any such legislation. Other defects, such as the failure of the tax to reach the rental value of an owner-occupied home, are exceedingly difficult to remedy. Differences in the costs of living, problems of capital gains and losses, and the specification of deductions, create still more difficulties. Other limitations stem from faulty definitions of the taxpayer unit. There are here further defects than can be reached by the Treasury joint return proposal. Every increase in rates adds to the gravity of these imperfections of the income tax.

Income taxation adequate to siphon off sufficient purchasing power to remove the danger of inflation will require the extension of high tax rates to lower incomes, as well as sharp increases in rates on higher incomes. Without safeguards this may have an adverse effect on the incentives to make the exertion required for an all-out war effort. Labor may be reluctant to work overtime, and married women may be hesitant to accept war jobs if too large a part of the additional income is taken by the income tax.

When tax rates were at peacetime levels many individuals assumed long-term obligations which they are unable to readjust on reasonable terms. They have obligated themselves to devote large parts of their income to the repayment of debt, to the payment of life insurance premiums, to mortgage payments, and to other savings programs. Although the war will inevitably impose personal hardships, avoidable burdens need not be imposed. Recent increases in tax rates have been so sudden that many taxpayers have not been able to rearrange their financial affairs. In making further increases of sufficient magnitude to meet present and prospective needs we should make certain that they are not unnecessarily harsh in their impact on large numbers of taxpayers.

We can place much greater reliance on the income tax than we have thus far. In doing so, however, we will do well to make those refinements in the structure of the tax which were desirable even in the past but have become indispensable in the present.

The Individual Excess Profits Tax

One modification suggested in the form of the income tax is a special tax on increases in individual income. Such a supplement to the income tax has a special appeal in time of war, because many individuals do enjoy increases of income as a direct result of the war, and also because individual proprietorships and partnerships are exempt from the excess profits tax, although their profits are sometimes substantial.

But when we look more deeply into the matter, we quickly find that a tax on increases in individual income would have serious shortcomings. A large part of the recent increase in national income represents higher wages earned by those in the lower income groups. In many cases these higher wages result from steadier employment, more hours of work, extra pay for overtime, and bonuses for extra output. The combination of a special tax on increases in individual income and increases in the regular income tax, at a time when many workers are called upon to pay income taxes for the first time, might seriously deter many individuals from asserting the maximum war effort.

Furthermore, a special tax on the excess of current income over income in a specified base period would discriminate against certain groups of taxpayers. The most conspicuous case, perhaps, is the one whose income was abnormally low in the base period, or who was unemployed and was entirely without income in the base period. I am not anxious to be the person who has to explain why one of two individuals both receiving $2,000 income has to pay more tax than the other. I would probably get the reply that the individual who had no income in the base period has less current tax-paying ability than the person who earned $2,000 continuously over the past few years. Presumably, the individual with a steady income, who has been able to maintain his person and property in good repair, is at least as well able to bear the war burden as the worker who is employed for the first time in years.

A tax on increases in the incomes of individuals would be especially burdensome in the case of a member of the family who becomes a wage earner to compensate for the loss of earnings of another member of the family who has become unemployable, or who has been called for military service. Where a son or husband has entered the armed services, the family income is likely to be reduced, even though the wife or another member of the family receives a larger income now than in the base period. In all probability, under a special tax on increases in income, inequity to this kind of case could not be avoided; and from present indications there will be millions of such cases.

A super-tax of this type would impinge also on normal increases in income not in any way connected with war profits. The modest increase in the salary of a postman, fireman, or a college professor, in accordance with an established promotion schedule is an example. The tax would bear with particular weight on those who are at present establishing themselves professionally. An engineer who, after years of study and training, finally secures a post illustrates this type of case. The craftsman who, as a result of the war, is for the first time afforded an opportunity at work of greater responsibility and skill within his competence, is another illustration.

The administrative problems involved in ascertaining what individuals were liable to this tax, and in determining the amount of their tax liability, would be extremely complex. For the great body of taxpayers, no means would be available for checking the income of the base period. Income tax records would be available for only a relatively small number, because until recently high exemptions excluded most of the public from the requirement of reporting. In addition, many persons having no intention of evading taxes simply do not have accurate information about their income in past years.

A tax of this type would probably have to contain extensive relief provisions to safeguard individuals with abnormalities in base period income, or with extraordinary income in the current year, particularly where income is derived from small proprietorships and partnerships. We have had enough experience with analogous problems in the corporate field to know well its administrative difficulties.

These considerations, together with the fact that any practicable scheme would yield little revenue and would contribute even less to the control of inflation, make this modification of the income tax highly questionable.

The Sales Tax

I probably do not need to tell you the Treasury attitude toward the sales tax. We have been roundly criticized for our opposition to that tax. I make no apology for opposing it. I would like to give you today some of the reasons why I have done so.

My first objection to the sales tax goes to the point of equity. I can imagine no more unfair way of distributing the economic cost of the war. The Secretary of the Treasury phrased this objection in crisp words in his statement to the Ways and Means Committee on March 3, 1942: "The general sales tax falls on scarce and plentiful commodities alike. It strikes at necessaries and luxuries alike. As compared with the taxes proposed in this program, it bears disproportionately on the low income groups whose incomes are almost wholly spent on consumer goods. It is, therefore, regressive and encroaches harmfully upon the standard of living."

To the Secretary's statement I would like to add some details. If we imposed a general retail sales tax on consumer purchases large enough to equal 10 percent of the income of a person with consumer income under $500, the tax would amount to only 6 percent of an income between $2,000 and $2,500, and 3 percent of an income above $10,000. It would have an effect similar to imposing an income tax without exemption at the rate of 10 percent on an income of $500, at 6 percent on an income of $2,500, and at 3 percent on an income above $10,000. The idea is fantastic when we consider imposing such rates under the income tax. But when we consider the imposition of a sales tax, we should keep in mind that that is the way the tax would distribute the burden of the war.

There are at least three places in the economic chain where a sales tax could be imposed. The tax could be imposed on manufacturers, on wholesalers, or on all retail sales. The task of administration varies enormously according to which one of these taxes is adopted. The tax on manufacturers would probably be the easiest to administer and enforce. Such a tax would be directly paid by 157,000 manufacturing taxpayers. A tax on sales by wholesalers would not be greatly different from the administrative point of view. It would be directly paid by some 306,000 taxpayers. Either of these taxes could be administered by a relatively small force.

But here is the dilemma. Either of these taxes would play havoc with our whole system of price control. It would do so because a tax at these early stages in the production-distribution process would be treated as an ordinary cost of doing business. This would lead to the necessity of determining how the tax affected the cost of each particular product, of examining every situation to see whether the seller could absorb the price increase, and if not, of granting increases above the ceiling prices. Each such increase would necessitate still further increases at subsequent stages in the productive and distributive process. The difficulty of preventing the maintenance of percentage margins might lead to increases greater than the tax imposed. Mr. Henderson has every right to "shudder", as he has said he does, at the thought of how his office would be swamped if such a tax were passed.

The retail sales tax to some extent gets by this Scylla only to run into Charybdis. While it would affect price ceilings, it would not demolish them. But its administration would be very difficult at a time like the present. There are over two and one-half million business units selling at retail. A tax on retail sales would require frequent tax returns from every one of these taxpayers. It would require a huge administrative force; a large, well-trained field staff to audit the taxpayers' books periodically is the backbone of an efficiently administered retail sales tax. The personnal problem becomes almost insuperable at a time when there is such great demand by war industries and many branches of the Government for personnel. In addition, we have the problem of accounting and business machines, desks, chairs, filing cases, stationery, forms, office space, and transportation for a field staff.

I would like to plead also for some realism about the revenue that could be expected of a sales tax. The sales tax advocates are romantics on this subject. I will not bore you with detailed figures, but I would like to call your attention to the fact that the war-time base for a sales tax on tangible goods would probably be less than $50 billion; the rest of the $70 billion total of consumers' goods and services represents services which cannot readily be subjected to a sales tax. The minute we begin to grant exemptions, this $50 billion base dissipates. It would be reduced to $30 billion if we exempted food. Put the matter around the other way: In order to raise only $5 billion, a sales tax of 11 percent would be required if food were included in the tax base, and 17 percent if we mitigated the regressive character of the tax by exempting food.

Much of the support given the sales tax stems from the erroneous belief that foreign countries have found the sales tax an indispensable weapon of war taxation. Actually, most European countries, like our own States, introduced the sales tax not in time of war, but at a time when other revenue measures became unproductive. They adopted it in depressions when the income tax base disappeared and in periods of hyper-inflation when income taxes assessed one day became meaningless the next.

In Great Britain and Canada the relative importance of sales taxes and customs has declined as the war has progressed.

Canada makes important use of consumption taxes. But the ratio for the Dominion, which was 51.8 percent in the fiscal year 1942, is estimated to decrease to 34.6 percent in the fiscal year 1943. It is significant that Canada adopted the general sales tax long before the War, and that it has consistently refused to increase the tax rate for purposes of war finance.

The British Purchase Tax applies high rates to a very wide range of commodities. But it leaves numerous articles untaxed. In fact, it applies to substantially less than 20 percent of consumer expenditures. Three principal groups of commodities are not taxed, (1) absolute necessities, including food, coal, and utility services, (2) goods already taxed, such as gasoline, tobacco, and drinks, and (3) most industrial machinery and equipment and materials. The expected yield in 1942-43 is only 80 million pounds, less than 3 percent of national and local revenue. This represents a decline from about 4 percent in 1941-42.

The United States already makes considerable use of taxes on consumption. In 1942 the ratio of sales taxes and customs to total taxes imposed by all levels of government was 25.2 percent in the United States. The corresponding ratio for the United Kingdom was 30.2 percent, -- and that includes the Purchase Tax.

The sales tax is too crude an instrument to do an effective job in controlling inflation. It is not sensitive to differences in spending capacity. Every person pays the same tax rate whether he contributes one dollar or a million dollars to the stream of inflationary spending power. Thus, the tax fails to discriminate between persons who can reduce their purchases substantially and persons who cannot do so. In consequence, it is impossible to impose a sales tax at sufficiently high rates to curtail the consumption of persons whose living standards are liberal, without at the same time levying an intolerable burden on tens of millions of our citizens. If it is imposed at low rates, the sales tax will exercise little or no restraining influence on the persons who are in the best position to reduce their standards of living.

It would be fatuous in planning a tax program for today to leave out tomorrow. The tax system of the war period will be the tax system of the post-war period except to the extent that provisions are deleted by later Congresses. There is such a thing as legislative inertia, and there are such things as special pressure groups that enter into the equation of future tax policy. Of course, any tax now needed in the light of war conditions should go into our structure. But where the scales are nicely balanced, it is proper to question a proposal from the viewpoint of whether the suggested tax would be a proper part of a permanent tax system. The sales tax may be questioned on this point. If we think it would not be a sound permanent measure, we had better realistically remember that if we adopt it now it will be in the system when the war ends. What will be the first deletion then? Will there be a reduction of progressive income tax schedules or an elimination of the regressive sales tax? I cannot give the answer to this question, but I am able to foresee pressure in favor of the diminution of the taxes that bear most heavily on those who are most able to bear post-war taxes.

Compulsory Saving and Compulsory Lending

Two measures, which assign tomorrow a prominent place in the framing of today's fiscal program, are compulsory saving and compulsory lending. These measures are like taxes in that they compel the taxpayer to do specified things with his money. But, unlike taxes, they give him a financial claim against the future. For his payment he receives a promissory note rather than a mere tax receipt.

In discussing compulsory saving and compulsory lending, I should first like to clear the murky atmosphere which envelopes these proposals. Current discussion tends to use interchangeably the terms "compulsory saving," "compulsory lending," "minimum saving," and "forced loans." Actually, saving and lending may be two quite different things, and putting them on a compulsory basis by no means resolves the differences. Compulsory lending imposes the legal obligation to lend to the Government an amount equalling a specified fraction of income, expenditure, or other base. The amount loaned may come from any source, so long as it equals the specified fraction of the chosen base. Compulsory saving, on the other hand, imposes the legal obligation to save a specified fraction of income.

Notice, if you please, that I did not say "an amount equalling a specified fraction." Compulsory saving specifies a minimum amount which must be saved out of income itself, and the savings requirement cannot be met by converting other assets or by borrowing money. To clarify the difference between the two, let me point out, finally, that an individual can lend to the Government without saving, by drawing on accumulated assets or by borrowing, and that he can save without lending to the Government, by investing in assets other than Government bonds. Compulsory lending is now in effect in a mild degree under the new Victory tax.

In sharply differentiating compulsory lending and compulsory saving, I do not mean to ignore the things they have in common. Both of them can be made progressive in their incidence through the provision of exemptions and the use of graduated rates. Both of them can recognize fixed commitments and extraordinary expenses by allowing offsets for such things as personal taxes, rent, medical expenses, debt repayment, and the like. Both of them can contribute to the control of inflation by immobilizing consumer spending power. Finally, both of them enjoy certain advantages over taxation in this process.

Compulsory lending and compulsory saving both preserve the incentive to work by postponing, rather than taxing away, the rewards of labor. The promise of future rewards inherent in either of the measures also justifies a greater restriction of consumption among the lower income groups than would be justified under outright taxation. And, of course, larger total levies on all income groups become more acceptable when we are promising to return what we take at the moment. Finally, the compulsory lending and saving schemes create a reserve of individual purchasing power for the post-war period.

In addition to the advantages over taxation which it enjoys in common with compulsory lending, compulsory saving is more effective than the lending plan in its immediate impact on consumer spending. The only way to meet the savings requirement is to spend less; lending, however, need not replace spending, since it may come out of accumulated savings or out of current income that would have been saved anyway. Compulsory saving fixes a net savings requirement for each individual according to his income and family status. By pitching the schedule of requirements to the difference between individual incomes and the value of available consumer supplies, compulsory saving offers a comprehensive solution to the problem of inflation. The form of the saving is relatively immaterial, the vital point being the removal of the excess income from the inflationary channels of consumer spending.

The attractiveness in principle of compulsory saving leads us to the final test of any tax measure, -- its administrative feasibility. To enforce the savings requirement would demand a knowledge not only of each person's income and family status, but also of changes in his capital position. His asset and liability status at the beginning of the year would have to be compared with that at the end of the year. This is not an insuperable problem. More formidable, however, is the difficulty of enforcing saving out of income concurrently with the receipt of that income. We are basing obligations upon a fact before it becomes a fact, because the savings requirement cannot be known precisely until income is known, and income cannot be known precisely until the period is ended.

One method of enforcing the savings requirement would be to issue to each consumer a license to spend only a specified amount on consumer goods and services; in this event, compulsory saving would become expenditure rationing. 4/

Social Security

A governmental program now in operation, which has fiscal implications somewhat similar to those of compulsory lending, is the social insurance system. Social insurance is compulsory and it involves payments into a fund from which benefits are later paid on the insurance principle to the insured contributors. A social insurance program should be considered and judged primarily by the effectiveness with which it furnishes the protection against risks that the bulk of the population face in a modern industrial nation. However, it should be observed that expansion of social insurance has fiscal effects similar to those of compulsory lending. During the early years of a social insurance program, and especially during the war period when incomes are high, the contributions tend greatly to outrun

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4/ Briefly, expenditure rationing is really the reciprocal of compulsory saving. Instead of telling people what minimum amount they must save, expenditure rationing tells them what maximum amount they may spend on the broad assortment of goods which is the subject of inflationary pressure. For a more complete discussion of the measure, see my address before the American Academy of Political and Social Science, November 30, 1942.

the benefits, while in years when the economy is running at low gear and social insurance benefit obligations are high, the out payments will exceed the contributions. For the wartime period a substantial expansion of the social insurance system involving increased contributions in the form of a payroll tax or some other form of tax would have distinctly anti-inflationary effects.

The Spendings Tax

The spendings tax is another method of increasing saving. This tax has never been tried in this country. It is now urged as a supplement to the more conventional income tax because at high rate levels that tax is not sufficiently selective in its impact. The spendings tax was proposed by Ogden Mills in 1921, and has been advocated for many years by Professor Irving Fisher of Yale. These gentlemen have advocated the spendings tax, however, as a permanent part of our revenue system. I do not. I think of the tax as a temporary war measure designed to have a very substantial anti-inflationary effect.

As its name indicates, the spendings tax is imposed on expenditures for consumers' goods and services. It is not imposed upon income received, nor upon income devoted to the purchase of capital assets. The base of the tax consists of the difference between income received and income saved by being applied to debt payments, life insurance premiums, the purchase of war bonds, and the acquisition of other capital assets. Further deductions, such as rent, medical expenses, and educational expenses, can be allowed if desired. Of course, there is a deduction for the amount of the regular income tax. You will note that the taxpayer is not obliged to keep account of his individual expenditures for different items of consumers' goods and services. The amount of individual spendings would be arrived at indirectly by deducting from the total amount of available funds sums spent for purposes other than personal consumption.

The spendings tax has two important advantages over the sales tax. It is possible under the spendings tax to provide for whatever exemptions and deductions are deemed necessary to protect those whose low standard of living threatens to impair their productive efficiency. It is also adaptable to the use of progressive rates. Thus it differentiates among taxpayers on the basis of ability to pay and distinguishes between "luxury" and "non-luxury" spending. When the tax applies to specific commodities, as under the sales tax, it is necessary to classify them for purposes of establishing their rates according to some criterion of luxury. If commodities are enumerated, many knotty problems of definition arise, which add greatly to the administrative problem. If price is made the criterion, many goods are taxed at the higher luxury rates merely because the goods are made to last longer. Furthermore, if general prices are rising, some commodities become luxuries merely because their prices have risen.

The spendings tax does not require difficult decisions as to what constitutes a luxury; the basis for graduating the rates is the total spending of the individual. If his spendings are high, it is presumed that they are devoted in part to luxuries, and they are taxed accordingly. Furthermore, the spendings tax can make allowance for the size of family, whereas the sales tax increases the burden the larger the number of dependents. A further advantage of the spendings tax over the sales tax is that it does not tend to enter into costs of production, and hence it does not contribute to price inflation.

I cannot take the time to tell you in detail the many further advantages of the spendings tax. It will not strike at those who spend only enough to provide a minimum standard of living. It will strike only moderately at those who live in moderate comfort. It will strike hard at those who maintain a high level of personal expenditure, and who thereby make unjustifiable demands upon the reduced national supply of consumers' goods and services. The tax is a powerful instrument for facilitating a fair distribution of the limited supply of goods and services available. In this respect it would be an important supplement to rationing. By placing a tax penalty on the excessive expenditures of the wealthy it would prevent the wealthy from monopolizing the supply of goods, thus leaving a larger share for those with more moderate means. By mopping up a part of the restless funds seeking outlets in consumer spending, the spendings tax would minimize the danger of major breaks in our price ceilings through the competitive bidding-up of prices.

I might mention one further important consideration. The purpose of the spendings tax is to discourage spending and to stimulate saving. To the extent that revenue is produced by the tax, the Treasury benefits. To the extent that individuals avoid the tax by not spending, the pressure of inflation is released. The resultant personal savings become available for borrowing by the Government either directly from the individual or indirectly from financial institutions. Incidentally, the tax will therefore provide an increased measure of individual security and a backlog of purchasing power that will be available after the war when production can again be directed toward civilian needs.

One final point. The spendings tax leaves the taxpayer substantial latitude. He may decide upon the amount of his spendings. He can spend if he is willing to pay the price in higher taxes, but he is strongly induced to postpone this spending. The decision he makes will determine the size of his tax. Thus, he is to a considerable extent his own tax assessor.

Conclusion

I hope that none of you came here today with the expectation of getting a neatly packaged solution of our fiscal problem. If there is any such person in the room, I am afraid he must suffer the fate of most optimists. There is no economic litmus to give ready answers to so endless, so complex, and so novel a problem as taxation in total war. There is no solution to such a problem as one finds an answer to a problem in algebra or geometry; there seldom is to any of the real problems of life. The science of taxation is a poor, inexact science; it has many pressures and shades of contradiction. Honest opinions differ widely, and we must all find our ways as best we can through tangles of imperfectly understood situations, past conflicts of values that cannot be wholly resolved, to answers which have to do. Powerful economic forces produce problems which must be handled with whatever fallible and tentative wisdom legislators can utilize. I am simply giving you a few intensely personal opinions on debated points. I have not meant to be dogmatic; one is entitled to be very suspicious of tax theorists who are too sure of their answers. Dogmatists so often try to disguise difficulties by sweeping all the chessmen off the table. For my definition of a competent tax policy man, you can take Holmes' definition of a liberal; he is "a person who does not imagine himself to be God."

The responsibility for tax legislation is in Congress, not the Treasury. All the Treasury can do is to suggest and advise; it proposes and Congress disposes. I must, therefore, refrain from the thankless task of prophecy. I do not know what taxes will be enacted in 1943; I do not know what the scope and magnitude of the 1943 program will be; I do not know what proportionate contribution each type of solution I have discussed will make to the aggregate 1943 program. To attempt to answer these questions would be to enter into a field of prophecy for which I do not feel qualified. No program of fiscal legislation for 1943 has yet been formulated, so far as I know. It is still in what the President calls "the discussion stage." All I can say today is that I sincerely hope that the principles I have stated here will not be forgotten when the legislative mills grind out our twenty-first modern revenue measure.

As I look back on the 1942 Act and forward to the 1943 Act, I must confess a nostalgic yearning for the old simplicities and delusive exactnesses many Americans once thought they enjoyed. The past of taxation has an enchantment in direct proportion to its distance in time. In long retrospect it has a charming quality of 19th century moderation. We had nearly reached the end of the 19th century when prominent New York lawyers, strenuously arguing before the Bar of the United States Supreme Court against the constitutionality of a two percent income tax, could hardly contain emotions which moved them to call the act "communistic in its purposes and tendencies" and confiscatory. They were able, by the narrow margin more characteristic of later days, to inter income taxation until thirteen years of the new century had passed. Even then we enacted an income tax of 19 pages at the almost unbelievably low rates of 1 to 7 percent. That was only thirty years before the enactment of our twentieth revenue act, the Revenue Act of 1942, which, without the Victory tax, reached rates of 19 to 88 percent and attained a length of 208 pages.

Those were the happy days. Whirl had not deposed Zeus, to become King in his own right. Since then an era has passed. Change -- with its long arm, its disturbing touch, its decree of events not yet manifest -- has come to all the "folkways" of taxation. Tax issues are now stated in novel ways; concepts dominant have exchanged places with concepts recessive; new relationships and shifts of base are born of every economic event. Everything we do is brimful of consequences. We are writing a significant chapter in tax history. 5/

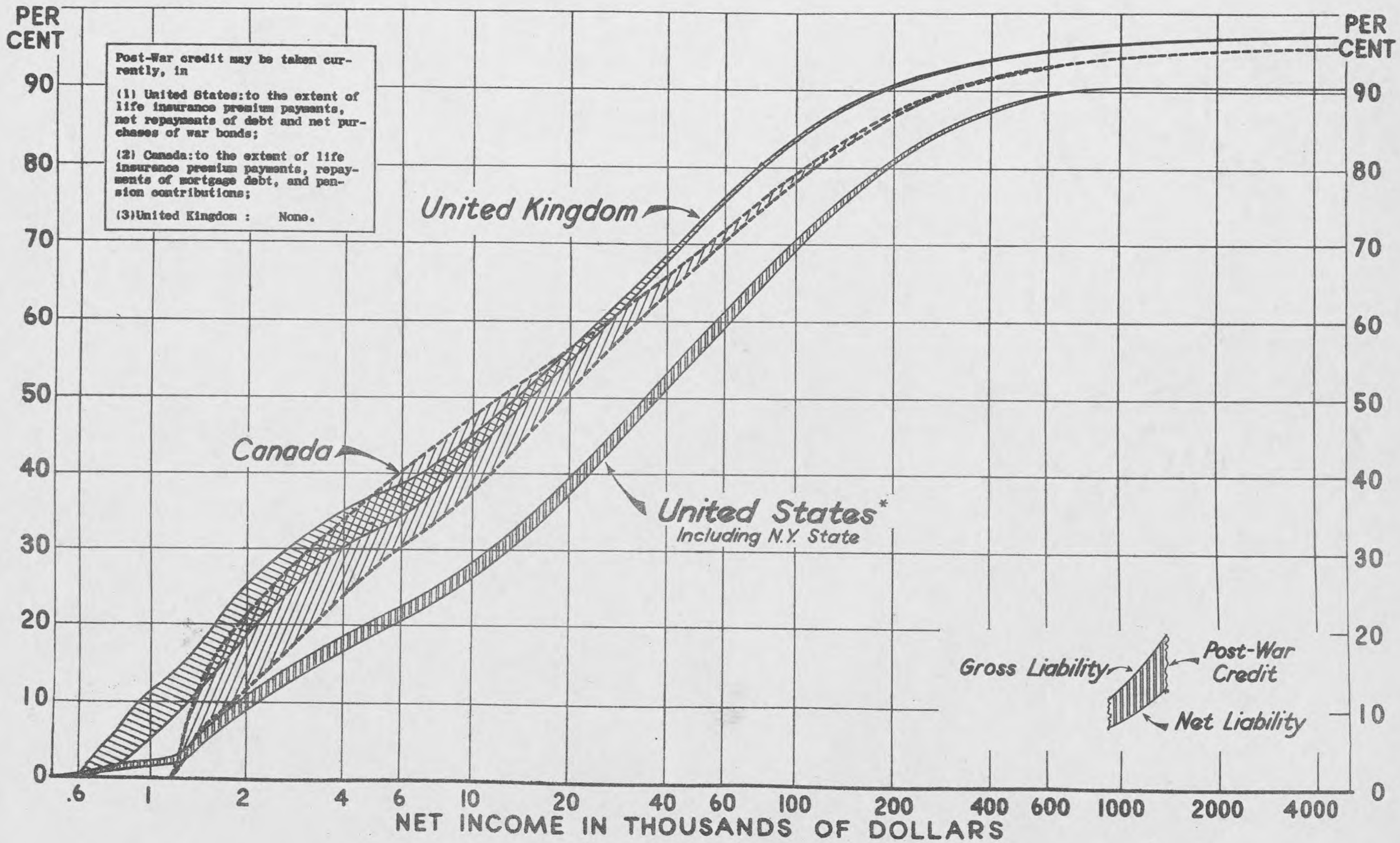
It is pleasant to remember the old days. My mind can share the longing of every human mind for certainty and repose. 6/ But I know of no more wasteful process than wishful thinking that such a golden age will ever return for any of us here today. Such thinking is what should be expected of George Chappell's birds, which flew backward rather than forward because they liked to go where they had been rather than where they were going. I can hardly be suggesting too much if I suggest that we should courageously face the future, no matter how different it may be from the past.

Who can describe that future? I shall not be bold enough to try. It is a future without precedent. It has no clear securities, only "potent imponderables." It is a future in which often we shall have to act in the dark, sometimes mistakenly, upon the basis of available information, however unreliable it may be. There will be no fields of black and white. It is a future on which we shall have to wager our salvation constantly upon an inarticulate and subconscious judgment. The old certainties are gone. The only remaining certainty is that "there is no gospel that will save us from the pain of choosing at every step."

5/ Cf. Hamilton and Braden, The Special Competence of the Supreme Court, 50 Yale L.J. 1319, 1320 (1941).

6/ Holmes.

INDIVIDUAL INCOME TAX
UNITED STATES, UNITED KINGDOM AND CANADA
Effective Rates for Married Person without Dependents



*Including Victory Tax

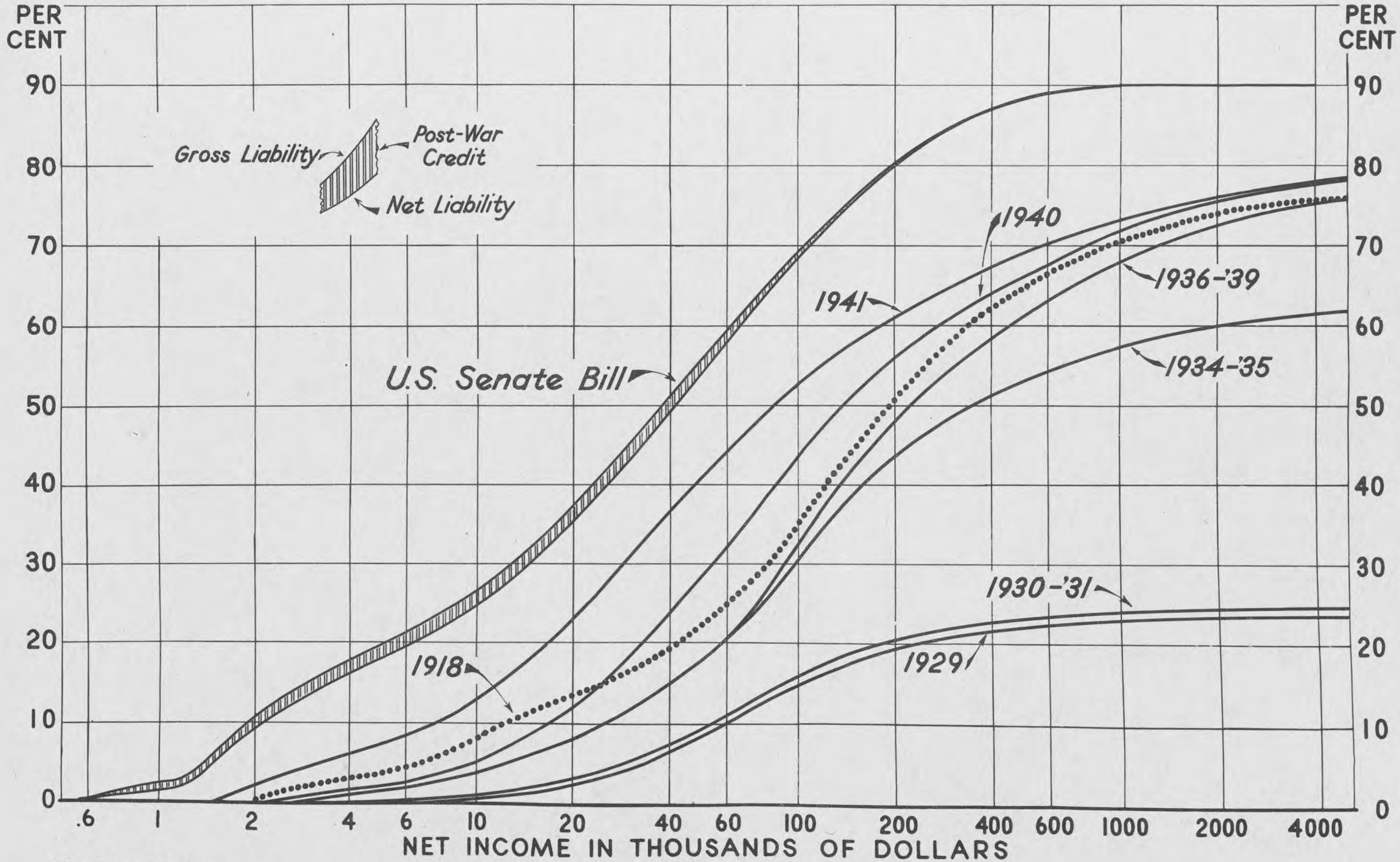
Office of the Secretary of the Treasury
Division of Tax Research

11-3-'42
B-351-2

INDIVIDUAL INCOME TAX

Effective Rates for Married Person without Dependents

1918 and Selected Taxable Years



Office of the Secretary of the Treasury
Division of Tax Research

B-355

TREASURY DEPARTMENT

Washington

(The following address by SECRETARY MORGENTHAU at the presentation of Treasury T flags at a dinner in the Robert E. Lee Hotel, Winston-Salem, North Carolina, and broadcast over the Blue Network, is scheduled for delivery December 12, 1942, at 8:30 P.M., Eastern War Time, and is for release at that time.)

I am happy to be speaking tonight in the home State and in the home community of one of America's outstanding legislators -- my old friend, the Chairman of the Ways and Means Committee of the House of Representatives, the Honorable Robert L. Doughton. No other committee in Congress carries a heavier burden of responsibility, for this is the committee that originates all tax legislation.

Bob Doughton and I have shared many labors together during these recent eventful years. We at the Treasury are indeed fortunate to be working in partnership with a Chairman who takes his responsibilities so seriously in these grave days. And I think the taxpayers of the country are equally fortunate in having tax legislation originate under the leadership of a man like Bob Doughton, who is so devoted to his country and to the welfare of its people. It is his wish, and mine, that tax legislation shall always be the product of a meeting of minds, and that it shall always be sound and just and fair to all the taxpayers.

Mr. Doughton has spoken with understanding of the burden that rests upon me nowadays as Secretary of the Treasury. That burden has been especially great in this month of December. The Treasury is now in the midst of borrowing nine billion dollars in a single month -- a borrowing operation unequalled in the annals of this or any other Government. In this Victory Loan drive we are depending upon the voluntary help of almost fifty thousand professional salesmen drawn from the securities, banking and insurance fields. It is their job to find the dollars that lie idle in the hands of individual investors, corporations and custodians of trust funds; it is their job to see that those dollars go to work for their country.

I am delighted to report to the nation that by today, only the twelfth business day of our drive, we have raised more than six and a half billion dollars. We have come more than two thirds of the way toward our goal. This is a magnificent response, another proof of what a free, enlightened and democratic people can do when their country calls upon them.

In this Victory Loan drive and in the War Savings campaign that has brought us together tonight, you in North Carolina are doing great things. From the mountain homes in your western counties to your factories in Winston-Salem and your shipyards on the coast, this State of yours is giving a fine example of the spirit that is being shown in every State at the start of our second year of war. I have come here tonight to pay my tribute of appreciation to the workers and employers of North Carolina for their part in the War Savings campaign. But in paying my tribute to them I want also to pay it to the workers and employers of the United States as a whole.

Great as our war effort this year has been, however, we are just beginning to fight. We are just beginning to show what this country of 130 million people can do when it puts all its heart and mind and muscle into a single job. This beginning of ours in 1942 has already produced outstanding patriotic service in many fields, in this community and every community.

Take, for example, the Payroll Savings program in which you in North Carolina have made such an enviable record. Every large factory in the State now has a Payroll Savings plan. In those factories 99 percent of all the workers are investing in War Bonds week in and week out, by setting aside a part of their regular pay.

In the nation as a whole there were only 700,000 workers on the Payroll Savings plan a year ago, and they were investing only four percent of their earnings every pay day. Today more than 24 million workers are setting aside an average of eight and a half percent of their pay, so our soldiers and sailors and flyers have the weapons they need. This is an achievement "over here" that will give encouragement to our Allies and to our fighting men at battle stations all over the world.

We could never have achieved this success without the untiring effort of our 300,000 volunteer workers who have been the unsung heroes in this grand enterprise. Day in and day out our labor-management committees, of which there are many thousands in the nation today, have also contributed, not only to the speeding up of production but to the success of the War Savings effort as well.

It is my firm belief that the good-will created by the Payroll Savings plan has been felt all along the production line, and will be felt for years to come. I like to feel that the new relationship between labor and management, which has been shown so magnificently in this War Savings campaign, is helping to build the post-war world right here and now. I like to feel that it is setting the pattern for the post-war years -- a pattern of labor and management working side by side for their own good and their country's good.

Important though the Payroll Savings plan is, it represents only one phase of our War Savings campaign. Millions of farmers, the self-employed, and businessmen have put their savings at their country's disposal. All in all 50 million men and women invested in War Bonds during the past year.

These holders of War Bonds are the people who will be buying the products of American industry ten years from now, when the bonds mature. The bonds that are bought today represent new homes, new comforts, new horizons for the common man. They will help to give body and substance to the ideal of "Freedom From Want" in thousands of American communities and in millions of American homes.

To my mind this is a fact of real significance for the post-war years. It means, as Mr. Doughton has said, that more than 50 million Americans now have a direct and personal stake in the finances of their Government. It means that their savings not only bear fruit now, in helping to win the war, but will also help to keep peace-time industry active and strong in the future years. It means that habits of thrift are growing steadily stronger among the American people, with results that will help to finance this People's War and the People's Peace to come.

OFFICE	JURISDICTION
SAN FRANCISCO--BEAN, Milo W., Head, Room 918 - 100 McAllister Street Building, San Francisco, California.	First Collection District of California, Nevada, Utah and Hawaii
CHICAGO -- LINDER, Porter, Head, Fourth Floor, 208 South La Salle Street, Chicago, Illinois.	Illinois, Wisconsin, Minnesota, North Dakota, South Dakota, Indiana
BOSTON -- DAYLOR, Frank L., Head, Rooms 301-4, 1 State Street, Boston, Massachusetts.	Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island
CLEVELAND-- ELY, Earl C., Head, Williamson Building, 215 Euclid Avenue, Cleveland, Ohio.	Ohio and Kentucky
ATLANTA-- LIVELY, Carlos J., Head, Rooms 717-720, William Oliver Building, Atlanta, Georgia.	South Carolina, Georgia, Florida, Alabama and Tennessee
SEATTLE -- SERVICE, Robert J., Head, Room 312, Smith Tower Annex, Seattle, Washington.	Washington, Oregon, Idaho, Montana, Wyoming and Alaska
KANSAS CITY-- WADE, M. L. R., Head, R. A. Long Building, Kansas City, Missouri.	Kansas, Missouri, Iowa, Nebraska, and Colorado
DALLAS-- HERTWIG, A. H., Head, Tower Petroleum Building, Dallas, Texas.	Mississippi, Louisiana, Texas, New Mexico, Arkansas, and Oklahoma.
WASHINGTON, D. C.--ADDOR, J. F., Head, Room 2529, Internal Revenue Building. Washington, D.C.	Maryland, Delaware, Virginia, West Virginia, North Carolina, District of Columbia, and Puerto Rico

G.N. G.N.H.

on a fixed percentage of the salary of each of the employees of any group, provided the fixed percentage is not increased in 1942. An increase in the amount of any employee's bonus due to an increase in his salary during 1942, without any change in the percentage, will not be in violation of this rule.

4. The bonus or other additional compensation is based on a fixed percentage of an employee's individual sales, provided the rate of such payment was fixed before October 3, 1942.

All other types of bonus payments require the approval of the Commissioner.

An employer who wishes to pay a bonus which requires the Commissioner's approval before making payment should file an application on forms which may be secured from any of the Salary Stabilization Regional offices listed below:

C. D. Leiter,

OFFICE	JURISDICTION
DETROIT -- LEITER, C. D. Head, 14th Floor, Penobscot Building, Detroit, Michigan.	Michigan
LOS ANGELES -- DUCKER, Hugh Head, Suite 770, Subway Terminal Building, Los Angeles, California.	Sixth Collection District of California, and Arizona
NEW YORK -- DRAKE, Charles A. Head, 253 Broadway, Fourth Floor, New York, New York.	New York and the Fifth Collection District of New Jersey
PHILADELPHIA -- PERRY, Walter D. Head, Suite 1313, Market Street, National Bank Building, Philadelphia, Pennsylvania.	Pennsylvania and New Jersey with the exception of the Fifth Collection District of New Jersey

2.000 copies for Mr Burford 2509

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

Press Service No. 34-58

FOR IMMEDIATE RELEASE
Friday, December 11, 1942.

Commissioner of Internal Revenue Guy T. Helvering today issued a statement for the guidance of employers who wish to pay Christmas or year-end bonuses in 1942 to employees whose salaries are within his jurisdiction.

The Commissioner's jurisdiction, he explained, extends only to salaried employees receiving more than $5,000 a year and to executive, administrative, and professional employees receiving less than $5,000 a year and not represented by a recognized labor organization. In order to come within the Commissioner's jurisdiction, an executive employee must receive more than $30 a week, and an administrative or professional employee must receive more than $200 a month.

The Commissioner stated that his approval of bonuses to be paid in 1942 to salaried employees within his jurisdiction is not required where:

1. The amount to be paid in 1942 is not greater than the amount paid to the same employee or an employee occupying the same position in 1941.
2. Before October 3, 1942, the employer had entered into an enforceable contract with the employee to pay him, in 1942, (a) a bonus of a specified amount or, (b) a bonus calculated in a specified manner. the amt. of which was determinable on or before Oct. 3, 1942
3. It has been the settled policy of the employer over a period of at least two years to pay bonuses calculated

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3. It has been the settled policy of the employer over a period of at least two years to pay bonuses calculated on a fixed percentage of the salary of each of the employees of any group, provided the fixed percentage is not increased in 1942. An increase in

the amount of any employee's bonus due to an increase in his salary during 1942, without any change in the percentage, will not be in violation of this rule.

4. The bonus or other additional compensation is based on a fixed percentage of an employee's individual sales, provided the rate of such payment was fixed before October 3, 1942.

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PHILADELPHIA -- Walter D. Perry, Head, Suite 1313, Market Street National Bank Building, Philadelphia, Pennsylvania.	Pennsylvania and New Jersey with the exception of the Fifth Collection District of New Jersey
SAN FRANCISCO -- Milo W. Bean, Head, Room 918 - 100 McAllister Street Building, San Francisco, California.	First Collection District of California, Nevada, Utah and Hawaii
CHICAGO -- Porter Linder, Head, Fourth Floor, 208 South La Salle Street, Chicago, Illinois.	Illinois, Wisconsin, Minnesota, North Dakota, South Dakota, Indiana

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SEATTLE -- Robert J. Service, Head, Room 312, Smith Tower Annex, Seattle, Washington.	Washington, Oregon, Idaho, Montana, Wyoming and Alaska
KANSAS CITY -- M. L. R. Wade, Head, R. A. Long Building, Kansas City, Missouri.	Kansas, Missouri, Iowa, Nebraska, and Colorado
DALLAS -- A. H. Hertwig, Head, Tower Petroleum Building, Dallas, Texas.	Mississippi, Louisiana, Texas, New Mexico, Arkansas, and Oklahoma.
WASHINGTON, D. C. -- J. F. Addor, Head, Room 2529, Internal Revenue Building, Washington, D. C.	Maryland, Delaware, Virginia, West Virginia, North Carolina, District of Columbia, and Puerto Rico

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UNITED STATES SAVINGS BONDS

(Figures through December 10, 1942)

FEDERAL RESERVE DISTRICT	TOTAL SUBSCRIPTIONS RECEIVED & ALLOTTED
Boston	$23,824,000
New York	55,673,000
Philadelphia	14,457,000
Cleveland	30,756,000
Richmond	17,262,000
Atlanta	15,566,000
Chicago	48,449,000
St. Louis	13,833,000
Minneapolis	11,882,000
Kansas City	10,390,000
Dallas	11,828,000
San Francisco	33,866,000
Treasury	3,137,000
Total	$290,923,000

TREASURY TAX SAVINGS NOTES

(Figures through December 10, 1942)

FEDERAL RESERVE DISTRICT	TOTAL SUBSCRIPTIONS RECEIVED & ALLOTTED	TOTAL SUBSCRIPTIONS ORIGINATING IN DISTRICT
Boston	$17,550,000	$18,231,000
New York	71,335,000	62,308,000
Philadelphia	12,701,000	16,238,000
Cleveland	50,406,000	49,168,000
Richmond	9,287,000	11,898,000
Atlanta	5,120,000	5,322,000
Chicago	22,382,000	25,389,000
St. Louis	3,226,000	3,229,000
Minneapolis	4,855,000	4,955,000
Kansas City	4,262,000	4,262,000
Dallas	5,311,000	5,432,000
San Francisco	7,841,000	7,844,000
Treasury	10,000	10,000
Totals	$214,286,000	$214,286,000

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS, SERIES E-1943

(Figures through December 10, 1942)

FEDERAL RESERVE DISTRICT	TOTAL SUBSCRIPTIONS RECEIVED & ALLOTTED	TOTAL SUBSCRIPTIONS ORIGINATING IN THE DISTRICT
Boston	$ 43,441,000	$ 44,871,000
New York	584,496,000	576,921,000
Philadelphia	36,257,000	37,057,000
Cleveland	26,284,000	26,359,000
Richmond	26,642,000	30,112,000
Atlanta	8,094,000	8,044,000
Chicago	119,966,000	120,641,000
St. Louis	12,633,000	12,713,000
Minneapolis	5,291,000	5,316,000
Kansas City	6,168,000	6,183,000
Dallas	7,726,000	8,231,000
San Francisco	14,005,000	14,555,000
Treasury	5,000	5,000
TOTAL	$891,008,000	$891,008,000

2

1-3/4 PERCENT TREASURY BONDS OF 1948

(Figures through December 10, 1942)

FEDERAL RESERVE DISTRICT	TOTAL SUBSCRIPTIONS RECEIVED & ALLOTTED	TOTAL SUBSCRIPTIONS ORIGINATING IN THE DISTRICT
Boston	$ 63,493,000	$116,608,000
New York	371,668,000	313,695,000
Philadelphia	10,960,000	11,495,000
Cleveland	21,034,500	21,575,500
Richmond	23,114,500	25,234,500
Atlanta	22,280,000	21,780,000
Chicago	29,753,000	31,987,000
St. Louis	7,038,500	6,094,500
Minneapolis	4,348,500	4,368,500
Kansas City	6,782,000	6,252,000
Dallas	5,436,500	6,013,500
San Francisco	20,518,500	21,323,500
Treasury	2,248,000	2,248,000
TOTAL	$588,675,000	$588,675,000

(1)

DEC 14, 1942

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2-1/2 PERCENT TREASURY BONDS OF 1963-68

(Figures through December 10, 1942)

FEDERAL RESERVE DISTRICT	TOTAL SUBSCRIPTIONS RECEIVED & ALLOTTED	TOTAL SUBSCRIPTIONS ORIGINATING IN THE DISTRICT
Boston	$ 192,594,000	$ 251,641,500
New York	1,352,692,000	1,299,583,000
Philadelphia	103,549,000	103,790,500
Cleveland	64,882,000	67,027,000
Richmond	48,762,000	52,509,000
Atlanta	12,132,500	13,548,000
Chicago	109,772,500	99,241,000
St. Louis	14,357,500	19,404,500
Minneapolis	24,585,000	28,143,000
Kansas City	35,495,500	19,399,500
Dallas	17,395,000	20,672,500
San Francisco	41,056,500	42,314,000
Treasury	238,167,500	238,167,500
TOTAL	$2,255,441,000	$2,255,441,000

to be allotted in full, while larger applications will be subject to percentage allotments.

The funds raised through the drive, together with funds to be raised through the sale after January 1 of Treasury bills, savings bonds, certificates of indebtedness and tax savings notes may enable the Treasury to function until some time in March or April before another major financing campaign.

Secretary Morgenthau praised the diligence of the 50,000 salesmen of the Victory Fund Committee ~~and the 300,000 workers of the War Savings Staff,~~ in soliciting subscriptions to the $9,000,000,000 of new securities. The unselfish devotion of these ~~groups~~ salesmen is contributing greatly to the indicated success of the drive, he said.

Subscriptions through Dec. 10 for the different issues from all sources are:

Insert (table A)

~~Subscriptions to the new issues from non-banking sources through Dec. 10, by Federal Reserve Districts, are:~~

(~~District tables~~)

Dec. 12, 1942

34-59

Secretary Morgenthau announced today that subscriptions to Treasury securities offered in the $9,000,000,000 December Victory Fund Drive now total $6,600,000,000. Although success in achieving the aim now is indicated, he said, there must be no relaxation of effort.

The December drive, ~~Mr. Morgenthau~~ the Secretary also announced, will terminate, and the subscription books will close, at the close of business December 23, with respect to three issues of securities, namely, Victory two-and-one-halfs due December 15, 1968, callable December 15, 1963; 1-3/4% bonds due June 15, 1948; and 7/8% certificates of indebtedness due December 1, 1943. The Sale will continue on the Series A & C Tax Savings Notes and the Series F & G. U.S Savings Bonds ~~The drive will continue throughout December, however, with respect to series A and C tax savings notes, series E War Savings Bonds and series F and G United States Savings Bond~~

The Treasury will accept subscriptions which are placed in the mails up to midnight of December 23 for the three issues on which the drive ends that day. The issue of 7/8% certificates of indebtedness, as previously announced, will be open to subscription by commercial banks December 16, 17 and 18 for their own account, in the aggregate sum of $2,000,000,000, with applications from such banks in amounts up to $100,000

34-59

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, December 12, 1942
12/11/42

Press Service
No. 34-59

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The sale will continue on the Series A and C Tax Savings Notes and the Series F and G United States Savings Bonds.

The Treasury will accept subscriptions which are placed in the mails up to midnight of December 23 for the three issues on which the drive ends that day. The issue of 7/8% certificates of indebtedness, as previously announced, will be open to subscription by commercial banks December 16, 17 and 18 for their own account, in the aggregate sum of $2,000,000,000, with applications from such banks in amounts up to $100,000 to be allotted in full, while larger applications will be subject to percentage allotments.

The funds raised through the drive, together with funds to be raised through the sale after January 1 of Treasury bills, savings bonds, certificates of indebtedness and tax savings notes may enable the Treasury to function until some time in March or April before another major financing campaign.

Secretary Morgenthau praised the diligence of the 50,000 salesmen of the Victory Fund Committee in soliciting subscriptions to the $9,000,000,000 of new securities. The unselfish devotion of these salesmen is contributing greatly to the indicated success of the drive, he said.

Subscriptions through December 10 for the different issues from all sources are:

	From Banking Sources	From non-banking sources	Total
Treasury bills	$300,000,000		$ 300,000,000
7/8% Certificates		$891,000,000	891,000,000
1-3/4% Treas. Bonds	2,058,000,000	589,000,000	2,647,000,000
2-1/2% Victory Bonds		2,255,000,000	2,255,000,000
Tax Notes		214,000,000	214,000,000
Savings Bonds (E, F & G)		291,000,000	291,000,000
Total	$2,358,000,000	$4,240,000,000	$6,598,000,000

special depositaries in any amount which in your opinion may be justified to meet banks' requirements provided that all deposits in war loan accounts in excess of 100% capital and surplus shall be collaterally secured by the pledge of U. S. Government securities". While the Treasury has received no definite advice as to the interpretation placed upon this authority by the various Federal Reserve Banks, it appears to the Department, in view of present conditions, that we would be justified in adopting a rather liberal attitude in order to avoid unnecessary disturbance to the banking system, which might result from excessive cash payments on any one day. At the same time, the Treasury believes that it is no longer necessary to enforce the requirement that all deposits in war loan accounts in excess of 100% capital and surplus shall be collaterally secured by the pledge of United States Government securities. Your bank is, accordingly, authorized to accept as security any collateral for war loan accounts provided by the existing terms of Treasury Circular No. 92.

Very truly yours,

(Signed) D. W. Bell

Under Secretary of the Treasury

EDB:mc 11/13/42

NOV 16 1942

Mr. W. W. Paddock
President
Federal Reserve Bank of Boston
Boston, Massachusetts

Dear Mr. Paddock:

In view of the Treasury's present and prospective large requirements in connection with the financing of the war effort, and the increasingly important part which banks may be called upon to take in this financing, it would appear desirable to have Federal Reserve Banks circularize all incorporated banks and trust companies, clearly indicating to such banking institutions the desirability of qualifying as Special Depositaries of Public Moneys, under the provisions of Treasury Circular No. 92, and of making payment, through "War Loan Deposit Accounts", for Government securities. It is noted that only 3,253 banks in the entire United States now hold designation as special depositaries, and of that number only 2,149 are at present utilizing the war loan accounts.

The banks should be advised that this system makes it unnecessary for them to provide immediately available funds at the time subscriptions are allotted but that, on the other hand, the proceeds of subscriptions can be retained on deposit at the banks until called by the Treasury. This will become increasingly important as payment for the banks' own subscriptions may come simultaneously with withdrawals of cash by depositors to make payment for individual subscriptions. It appears especially desirable to inform banks that payment for customers' allotments, on subscriptions made through such banks, also may be made through the medium of the war loan accounts. In other words, through this method of paying for Government securities subscribed for by the banks and their customers, the funds can be retained in the Community up to the time such funds are needed to meet Government obligations presented for payment.

With respect to those banks which already have qualified as special depositaries, as well as any banks which may qualify in the future, attention is invited to Treasury telegram of August 3, 1942, which provided in part as follows: "Until further advised to the contrary, you are hereby authorized to recommend qualification of

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SPECIAL DEPOSITARIES DESIGNATED UNDER THE PROVISIONS OF TREASURY CIRCULAR NO. 92 - CHANGES IN FEDERAL RESERVE DISTRICTS DURING PERIOD FROM NOVEMBER 14 TO DECEMBER 10, 1942

DISTRICTS	New DESIGNATIONS No.	Amount	INCREASES in previous designations No.	Amount
Boston	70	$ 36,885,000	23	$ 81,400,000
New York	93	42,517,500	80	261,905,000
Philadelphia	113	22,174,100	38	23,409,500
Cleveland	152	75,384,000	28	59,810,000
Richmond	103	48,586,000	25	18,667,500
Atlanta	83	17,160,500	35	36,557,500
Chicago	57	68,750,000	25	876,182,250
St. Louis	42	9,490,800	15	9,635,650
Minneapolis	570	57,974,600	54	19,643,000
Kansas City	115	16,890,750	28	1,963,500
Dallas	24	7,035,000	27	69,075,000
San Francisco	4	3,900,000	13	10,096,000
TOTALS	1426	406,748,250	391	1,468,344,900
Qualifications prior to Nov. 14, 1942.	3313	6,553,924,014		
Total to date	4739	$8,429,017,164		

no. 34-60

For immediate release
Dec. 14, 1942

Secretary Morgenthau announced today that during the past month additions to the Treasury's list of Special Depositaries throughout the country and increases in the qualifications of depositaries previously designated have brought to $8,429,017,164 the total amount that may be held at any one time by banks and trust companies in behalf of the Government.

A special effort in co-operation with the Federal Reserve System added 1,426 new depositaries, qualified to hold $406,748,250, and increased the eligibility of 391 institutions now designated by $1,468,344,900.

In order to keep ~~in each community, the until needed by the Treasury,~~ the funds raised by sale of Government securities in the communities where raised until actually needed to meet Govt payments the Secretary asked the Federal Reserve Banks to circularize the banks in their districts with a view to having them qualify for use of the "War Loan Accounts" ~~and~~ as Special Depositaries. Those taking advantage of this method of participating in Treasury financing ~~xxxxx~~ are thus able to ~~hold~~ retain ~~until~~ the proceeds of the sales of securities subscribed ~~for~~ for their own account and those of their customers until called by the Treasury.

The number, by Federal Reserve Districts, of new depositaries and the amount they are qualified to hold and the increases in previous designations are as follows:

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
December 14, 1942.

Press Service
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New York	93	42,517,500	80	261,905,000
Philadelphia	113	22,174,100	38	23,409,500
Cleveland	152	75,384,000	28	59,810,000
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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, December 15, 1942.

Press Service
34-61

The Secretary of the Treasury announced last evening that the tenders for $600,000,000, or thereabouts, of 91-day Treasury bills to be dated December 16, 1942, and to mature March 17, 1943, which were offered on December 11, were opened at the Federal Reserve Banks on December 14.

The details of this issue are as follows:

Total applied for - $1,293,757,000
Total accepted - 600,722,000

Range of accepted bids: (Excepting two tenders totaling $60,000)

High	- 99.926	Equivalent rate of discount approx. 0.293% per annum
Low	- 99.907	" " " " " 0.368% " "
Average price	- 99.908	" " " " " 0.364% " "

(35 percent of the amount bid for at the low price was accepted.)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 42,790,000	$ 30,083,000
New York	777,096,000	297,907,000
Philadelphia	40,997,000	21,554,000
Cleveland	17,682,000	11,084,000
Richmond	28,363,000	13,623,000
Atlanta	10,383,000	5,736,000
Chicago	214,091,000	121,664,000
St. Louis	26,959,000	17,303,000
Minneapolis	13,128,000	5,018,000
Kansas City	32,138,000	24,898,000
Dallas	17,735,000	15,551,000
San Francisco	72,395,000	36,301,000
TOTAL	$1,293,757,000	$600,722,000

mRP.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 15, 1942.
12-14-42

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-oOo-

Mr. Schwarz

December 7, 1942.

TO MR. BELL:

During the month of November no market transactions took place in direct and guaranteed securities of the Government.

(Initialed) R. W. M.

Copy to: Mr. Schwarz
Mr. Heffelfinger
Miss Sanford
File

gwm

Treasury Department
Washington

(Miss Simpson)

For Immediate Release,
Tuesday, December 15, 1942.

~~December 7, 1942~~ Press Service
No. 34-62

~~TO MR. BELL:~~

During the month of November no market transactions took place in direct and guaranteed securities of the Government for Treasury investment and other accounts, Secretary Morgenthau announced today.

o0o

~~(Initialled) R.W.M.~~

~~Copy to: Mr. Schwarz~~
~~Mr. Heffelfinger~~
~~Miss Sanford~~
~~File~~

~~gwm~~

~~C O P Y~~

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, December 15, 1942.

Press Service
No. 34-62

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TREASURY DEPARTMENT

Washington

An address by Roy Blough, Director of Tax Research, United States Treasury Department, Before the New England Institute of the Controller's Institute of America, Boston, Massachusetts, December 15, 1942.

WARTIME PROBLEMS OF BUSINESS TAXATION

It will not be surprising if most businessmen remember the Revenue Act of 1942 mainly for its corporate tax rates. The rates finally adopted were not agreed on easily or quickly. They were the subject of much discussion and even controversy in the Ways and Means Committee, on the floor of the House, in the Senate Finance Committee, on the floor of the Senate and finally in the Committee of Conferees where the final decision was made. Indeed the corporate tax rates were one of the most thoroughly considered questions in the whole revenue bill.

Out of this legislative process came the following rates, with which you are all surely familiar. The excess profits tax rate was increased to a flat 90 percent with a credit allowed for current debt payments or postwar refunds up to 10 percent of the excess profits tax. The combined normal tax and surtax rates were increased to a maximum of 40 percent. Of course, the great majority of American corporations will pay at less than the 40 percent combined rate since the corporate rate for small corporations starts at 25 percent. Most of the income of corporations, however, will be taxed at the higher rates — part at the 40 percent rate and part at the excess profits tax rate of 90 percent. A number of companies will be affected by the limitation whereby the total tax cannot exceed 80 percent of the net income.

There appears to be an impression in some circles that American corporations will have practically nothing left after taxes under these rates. Happily, such is not the case. It is estimated that the 1942 net tax bill of American corporations will amount roughly to $8 billion or a little over half of their 1942 profits, and that after taxes the 1942 profits will amount to $7 billion, as compared with $7 billion in 1941, $5 billion in 1940 and $4 billion in 1939.

In this connection, I should like to quote from Secretary Morgenthau's statement before the Ways and Means Committee on March 3, 1942:

"There can be no fair quarrel with the imposition upon corporations of a substantial proportion of the increased

> load of taxation required by our national peril. We are fighting for the maintenance of the very system of free enterprise which makes corporate profits possible. At a time like this, I am confident that incorporated business will willingly pay additional taxes which will, after all, leave it in the aggregate about the same amount of income after taxes as during the years before 1940."

Of course, the figures just mentioned are totals and show an average situation. The weight of the tax burden must be pictured also in terms of its effect on specific corporations. Undoubtedly many corporations will be more seriously affected than is indicated by the totals.

Wartime corporate tax rates are high, in other countries as well as our own, for a variety of reasons. The first, obviously, is revenue requirements, which are so tremendous that every tax must be vigorously exploited which does not impair the minimum living standard necessary for decency and productive efficiency. Corporations, being the source of a huge volume of income, are inevitably a target for high tax rates. Moreover in the absence of high corporate taxes a major portion of the currently very large corporate earnings might altogether escape wartime taxation by being withheld from payment as dividends.

Wartime corporation taxes are high also because the great majority of the people rightly consider war profits and all unusually high profits to be highly objectionable during the war. They feel that the sacrifices which others must bear in these times should be fully shared by corporations, that the willing acceptance by farmers and workers of restrictions on farm prices and on wages and freedom to move from job to job should be accompanied by heavy taxation of profits. Indeed, one of the sources of labor difficulties has been the belief of workers that management and capital are making fortunes out of the war. The war production program, the fight against inflation, and the general maintenance of public morale thus depend in some degree on having corporate taxes high enough and well enough distributed to convince the man on the street that the sacrifices of war are being generally shared and that large profits are not being made by some from the sacrifices of others.

It is also a matter of fairness to what one may truthfully call the war casualty concern that taxes be high on those who are fortunate enough in these times to continue making profits perhaps at an accelerated rate. I need not elaborate the fact that some concerns have already passed out of existence and that many others have little prospect of surviving the application of the imperious rule that war production must come first. The Federal tax system cannot prevent this regrettable result; happily, it is not responsible for it although too often it receives the blame.

Aside from a minor exception - the capital stock tax - Federal taxes on business are imposed on net income. The worst hit businesses may nurse their wounds practically tax free so far as the Federal Government is concerned. Businesses which are making profits but are no more than holding their own are subject to the income tax while those which are making exceptional profits pay in addition the excess profits tax. To some extent the businesses which are prospering now are reaping the rewards of superior foresight and of superior willingness and ability of management to make the adjustment to the war-time situation. For the most part, however, they are better off merely because they are luckier with respect to their industry and their location. It is a kind of luck not associated with the important business function of assuming risks. Tax policy can do little to help the unfortunate business. But it can achieve some measure of equalization by seeing to it that a substantial measure of the burden of paying for the war is placed on the prosperous businesses.

While the reasons for imposing high wartime tax rates on corporations have been persuasive there is another side to the case. To the extent that corporate profits are no greater than could be realized outside the corporate form and are distributed to stockholders, taxation of such profits in part duplicates the individual income tax. Moreover, the corporation tax bears little relation to personal ability-to-pay of the stockholders. Furthermore, as corporate tax rates rise, this duplicate taxation reduces the possibility of building up capital out of earnings to meet new and expanded needs which may lie ahead.

While these considerations may have to be overruled by the exigencies of war, high rates also give rise to a problem close to the war program itself, namely, the problem of incentive.

When the profit incentive to businessmen is mentioned one or more of at least two ideas may be in mind. The incentive may be that of encouraging businessmen to undertake war work and do it to their utmost capacity. I question if the profit incentive is very important in this connection. The businessmen I have been talking with — and a great many come to the Treasury in connection with tax legislation — have for the most part been saying they are not concerned whether they make a profit out of the war; they are going to do their utmost for the war effort, profit or no profit. I praise them for their realism and their patriotism.

There is another kind of incentive, however, that is important in war production, namely the incentive to efficiency. In a time when there is great scarcity of manpower, machines, and materials, it is important that the output per unit of input be raised to its maximum. High tax rates are likely to dull somewhat the effort to keep costs to a minimum both in terms of money and in terms of man hours, machine hours, and raw materials. There are, of course, incentives to efficiency other than profits. I believe businessmen have a great and proper sense of pride in their real accomplishments and that they will make great efforts to maintain efficiency even where the pecuniary rewards of such efforts are small if adequate recognition is given to efficiency. But extremely high tax rates inevitably lead to some relaxation in the efforts of management to keep costs down.

Tax policy thus faces this dilemma: On the one hand, the need for encouraging efficiency indicates that a substantial margin of profit should be left after taxes. On the other hand, the need for eliciting the full response of other groups important to production indicates that taxes on business profits should be high. It would be too much to say that the Revenue Act of 1942 has solved the dilemma, but it contains features which I think go a substantial distance toward a solution.

The problem was faced to some extent in the rate structure itself. The forty percent income tax rate is hardly high enough to affect efficiency adversely. The 90 percent excess profits tax rate is softened by two features of the law. Provision is made for a rebate in the post-war period of 10 percent of the excess profits tax. Further provision is made for a maximum average effective rate limitation of 80 percent for combined normal tax, surtax, and excess profits tax. The 10 percent post-war credit has also been used as a means to grant some current help to corporations paying debts. The Act allows a tax credit for net debt repayments up to 40 percent of the debts repaid in the taxable year, but not in excess of the post-war credit for such year. The post-war refund will, of course, be correspondingly reduced. A corporation taking its total post-war credit in the form of the credit for debt payment would have a maximum current excess profits tax rate of 81 percent. The number of hardship cases affected by the debt relief credit is limited by the fact that no post-war credit and accordingly no credit for debt payment is available to the corporation that is not subject to excess profits tax.

However, it is primarily in its modifications of the tax base that the Revenue Act of 1942 has helped to meet the problems of businessmen. If my observation is accurate, businessmen and industrial leaders are much more concerned about what is subject to Federal income and excess profits taxes than they are about the rate of tax. They are fearful that income and excess profits taxes will be imposed on apparent profits which are not actually profits. In that case the tax becomes, not a tax on income, but a tax on capital. They are also concerned that the excess profits tax shall not be imposed on profits which are not in excess of what Congress really intended normal profits to be.

The Treasury Department has been deeply concerned with these problems and has over the past few years made a series of intensive studies in an effort to see just where the errors are likely to arise and what remedies might be applied. It has, in the consideration of previous revenue bills, made various recommendations to Congress for the refinement of the income base and the protection of taxpayers against unintended taxes on their capital. One that you may recall is the loss carry-over provision which was re-introduced in 1939. During the recent Revenue Bill of 1942, the Treasury made suggestions to the congressional committees for a variety of corrective measures. The committees have also been interested in the problem and not only considered sympathetically most of the Treasury recommendations but adopted additional features for the relief of taxpayers. I think it is not too much to say that the refinement and purification of the income and excess profits tax bases represent a fixed policy on the part of the Treasury and of Congress. The Revenue Act of 1942 took steps of great importance along these lines. It is to these steps that I wish to devote the major part of my discussion this evening.

Taxable Income and Its Allocation

The Federal income tax law has throughout its history made provision that in computing taxable net income all costs shall be deducted over the long run, including depreciation and obsolescence of capital and depletion of natural resources. The possibility that unreal income may be taxed derives not from this eventual calculation of net income but rather from the timing of income and losses, that is, their allocation among years. What difference in taxes does it make whether income and cost items are correctly allocated to the right year? The answer depends on many factors, and time does not permit an extensive analysis. A minor point is that a tax paid in the wrong year either costs the taxpayer interest or pays him interest. Much more important is the fact that most corporations do not have income in every year but incur losses in some years and that many corporations are subject to excess profits taxes in some years and not in others. Obviously, if an incorrect allocation of costs among years results in a larger than correct loss in one year and a correspondingly larger than correct income in another year, the total tax is increased unless the loss of the one year may be offset against the profit of the other year. Even if there were income in every year the amount of taxes paid would be affected by incorrect allocation if there were changes in tax rates or if the rates contained a progressive element.

Tax rates tend to be higher in war years than in peace years and excess profits taxes are usually war taxes. Moreover profits tend to be overstated in the war years. Accordingly, there is every reason to believe that the bunching profits in war years results in higher taxes than would have resulted if the allocation had been correct. It is thus in the interests of the taxpayer as well as of accurate taxation to have the allocation of income by years as correct as possible. In times of peace and under relatively low rates, the incorrect allocation probably does not result in many instances of excessive hardship; but in wartime and under high tax rates discrepancies between taxable profits and actual profits can easily lead to more serious consequences.

To some extent errors in allocating income and costs may be due to differences between the provisions of the tax laws and the practices of accountants. Some of these differences might be eliminated; more often there is good reason for them. Errors in allocating income are, however, for the most part due to inadequacies of accounting procedures in determining the income for any one year. This is not a criticism of accountants but rather a recognition of their task which involves prophecy of the future in estimating the income of the present and the past. Most business enterprises are continuing ventures in which the events of any one year represent only a part of their life histories. Even under relatively normal circumstances, the book profits shown at the close of any one annual accounting period may turn out not to have been actual profits. Some assets may prove in time to have been overvalued, or some expectations may fail to materialize. Until sufficient years have elapsed to permit a final review of substantially all of the facts essential to the determination of actual profits, the periodic summing up of income on the basis of a single year's operations must usually be regarded as little more than a tentative estimate of actual profits.

The tentative character of the annual estimates of corporation profits do not prevent dividends from being paid and other transactions being carried on as the profits were finally determined. Likewise corporation taxes must be levied largely on the basis of such annual estimates. The revenue requirements of governments do not permit the postponement of taxes until apparent profits can be shown to be actual profits. On the other hand, any attempt to keep each year's tax open for correction until profits or losses can be determined in the light of later history would make the administration of our tax laws much more difficult. Hence, Congress has followed the general rule that income taxes be levied on the basis of the profits shown in a single annual accounting period although provision is made for some practical correction of uncertain prophecy in the light of later experience.

Amortization of Wartime Equipment

Many factors may give rise to an incorrect determination of income in a given year. An important one concerns the amount of investment in wartime equipment which should be charged off each year. A very large amount of equipment used in making war goods has been supplied by the Government; nevertheless a large volume is privately owned and financed.

The amount of the cost to be charged off in any year depends, of course, on the probable useful life of the asset. In some cases this can be answered with little difficulty. If a certain jig or pattern, for example, is usable only for a given contract, the cost can be charged as an expense against the income from that contract. This has been permitted for many years.

Some machinery, equipment, and even buildings, however, while usable only in connection with war work, will be useful throughout the war period but then cease to be of any use or value. An example might be special equipment used in making machine guns. The problem in this case is to determine how long the company is going to make machine guns and to charge the cost (or more accurately the depletable value) of the special equipment against the sales over that period. But no one knows how long the war will last, so that some special type of treatment is necessary to make sure that in computing taxable income the cost of this special equipment will be spread equitably over the contracts on which it is usable.

A third situation presents a still more puzzling problem. The goods being produced may be one which will have a large use in the post-war period, for example, airplanes; or, alternatively, the equipment or plant may be readily adapted to peacetime use. In such case the problem is one of forecasting the extent to which peacetime use will really be possible and profitable. Thus, for example, nearly all of the equipment for making war planes might be adapted to producing planes in the post-war period, but the market at that time does not appear likely to be more than a fraction of the wartime market. The machinery and equipment will be practically all usable but obviously a great deal will not actually be so used and may have to be scrapped.

These problems were fairly clear early in the defense program and the Second Revenue Act of 1940 contained a provision for amortizing the cost of defense plants over a period of five years or less if the war should not last so long. As revised by subsequent acts, the amortization provision should largely remove the businessman's worry about securing tax deductions for his wartime investment and allocating them over the war years. Whether he can also secure a profit margin large enough to repay the investment during war is another matter, but not one concerned with taxation. The tax treatment is generous and may indeed be found unduly so in the light of what may actually transpire.

Inventory Profits

Apparent profits may also arise due to changes in price. Thus if a concern holding a million dollars' worth of inventory replaces that inventory at successively higher prices during the year and assuming it is using the first-in first-out method of taking inventory, its profits for the year will include what is called "inventory profits." If, on the other hand, prices fall during the year and the taxpayer continues to replace his inventory, he will have suffered inventory losses. In view of the fact that to stay in business he must continue to keep an inventory, there is much to be said for the view that inventory profits and inventory losses should either not be counted or should offset each other. This view is supported by the fact that if the same physical inventory is continuously maintained, the higher apparent profit due to rising prices will not be available for the payment of taxes and dividends, since a larger sum will have to be spent in replacing the goods sold than was deducted in computing profits.

Deferred Maintenance

In still other cases, current income may be overstated as a result of wartime restrictions upon the making of normal expenditures. For example, the railroads report that they are finding it impossible to make their normal maintenance outlays because of priorities on the needed materials. Although most of these maintenance expenditures are merely being deferred and will have to be made at some future time, the aggregate taxes paid by the roads may be substantially affected. Thus total taxes may be higher if deferred maintenance is made good in a loss year or in a year in which the roads are subject to lower tax rates than prevailed when the maintenance expenditures would normally have been made. Other industries face the same problem although perhaps in lesser degree. Similarly certain mining corporations because of labor shortages have been unable to make normal development expenditures. Other similar cases could no doubt be cited.

Reconversion

Another error in wartime income may arise from the costs of post-war reconversion. Costs of conversion to war work are allowable at the time made, to the extent that they are not investments in new capital; and costs of reconversion will be allowable as deductions at the time they are incurred. However, that time will be after the war is over and war profits are no longer received; it may indeed be a time when the business is losing money and the deduction of the reconversion cost would be of no value in cutting down otherwise taxable income.

Reserves and the Allocation of Income

There are several ways by which the incorrect allocation of income due to these and possibly other factors could be handled in the income tax laws. An obvious approach and one which has been frequently proposed would be through allowing special reserves to be set up to cover specific contingencies. A great deal of attention and study was given during the past year or more to the possibilities of applying the specific-contingencies reserve method. The difficulties prove to be very great. Neither the Treasury nor the taxpayer was in a position to measure the extent of the problem in most cases. The solution of each problem required a specific formula and each industry required a variation of the formula; even with provision in such detail the relief to particular corporations might be too great or too small.

Consideration was also given to a kind of omnibus reserve which might be set up to cover any war or post-war contingencies which might affect the amount of income ultimately realized from current operations. Under this idea, corporations would have been permitted to deduct from current income a small percentage of net income to be set up in a reserve account. Amounts in this reserve account would be added back to net income in years when contingencies became facts. Any unused reserves were to be restored to income and taxed in full.

This omnibus reserve raised difficult problems. The absence of any clear test prescribed in advance for determining the reasonableness of amounts credited to the reserve and the amounts later charged against it meant the opening up of a new field for litigation. There was some feeling also that the post-war Congress should not be faced with the pressure which taxpayers would undoubtedly put upon it to repeal the provision for taxability of unused parts of the reserve.

Loss Carry-back

A third method and the one adopted by the Congress upon joint recommendation of the Treasury and the staff of the Joint Committee on Internal Revenue was a two-year carry-back of losses. Thus, a corporation which has income in 1942 and 1943 and a heavy loss in 1944 can apply the 1944 loss in the following ways. First, the 1944 loss can be offset against 1942 income to the extent of such income. Second, if any uncredited loss remains, it can be offset against 1943 income and the 1943 tax reduced accordingly. Third, if there still remains an uncredited loss, it can be offset against 1945 income, and any still remaining loss can be offset against 1946 income. If even after these four offsets covering a five-year period including the year of loss there still remains an unoffset loss, the taxpayer has no further opportunity to offset it against income. The prior law provided for the carry-forward of loss; the present law adds the carry-back. The revenue law has had a previous example of loss carry-back, namely in the Revenue Act of 1918, which permitted carry-back of 1919 losses against 1918 income. That provision did not meet the problem since the losses involved in post-war adjustments were not incurred in many cases until 1920 or later.

Although the loss carry-back and carry-forward provisions will not accomplish precisely the same results as would have been achieved under the reserve proposals, taxpayers are permitted, in effect, to compute tax liabilities on the basis of an accounting period which may embrace as many as five years. Many corporations will be benefitted by the loss carry-back provision which would have received little or no help from the reserves because such corporations normally fluctuate between income and loss years. A group of corporations which will be benefitted deserves particular mention, namely, those which in 1942 have suffered losses because of the adjustment to the war. While, normally, provisions of this type are not made retroactive, it was provided that 1942 losses could be offset against 1941 income, although not against 1940 income. This will give extensive relief to business concerns hard hit by the war.

Carry-back of Unused Excess Profits Credit

The loss carry-back technique was applied also in the case of the excess profits tax, in this case the carry-back being in the form of unused excess profits credit. Important steps were also taken to assure that only that type of profit which Congress intended to be taxed as excess profits should actually be so taxed. There are a number of competing theories of excess profits taxation. The one which the Congress has adopted is that profits in the taxable year which are in excess of what normal profits would have been during the base period should be subject to excess profits tax. Protection for concerns with low profit records in the base period is given in the form of an invested capital credit, but this may be viewed as a relief measure and not as indicating any real divergence from the principle of taxing profits in excess of normal profits for the base period. Any one who has made any studies of the problem of determining what normal profits were during the base period realizes the practical impossibility of accurate determination of such a figure. Nevertheless, with a gross rate of 90 percent and a net rate of 81 percent, the results of substantial error in determining excess profits are serious and in some cases might cause severe hardship.

These hardships could arise either through some abnormality in the earning of the base period or in the earning of the taxable year. Under the 1940 and 1941 Acts it was recognized that some provision should be made for taxpayers whose average base period net income had been affected by some abnormal event or some of whose taxable year income was more properly attributable to some other year. These special relief provisions were, however, broadened into a general relief provision in the 1942 Act which will, in effect, give to any taxpayer who can establish a base period abnormality, the right to appeal to the Commissioner and ultimately to the Tax Court of the United States for a constructive average base period net income more fairly reflecting his normal profits. This provision will particularly favor corporations which were unusually depressed during the base period as well as new and growing corporations whose average earnings during this period are an inadequate reflection of their normal earnings for the year subsequent to the base period.

Taxpayers which were not in business as of January 1, 1940, obviously have no base period earning. Under the 1940 and 1941 Acts they were denied the use of an average earnings base. However, as it appears that some of the corporations which have come into existence since the beginning of 1940 would be subject to unreasonable and excessive tax burdens if compelled to compute their excess profits credit by the invested capital method, the 1942 Act permits them to apply to the Commissioner and to the Tax Court for a constructive earnings base. This privilege, however, was restricted to corporations of a class in which tangible assets not includible in invested capital make important contributions to income, to corporations of a class in which capital is not an important income producing factor, and to corporations whose invested capital is abnormally low.

Special Relief

There were, in addition, several classes of taxpayers for whom special relief from excess profits taxes was provided in the 1942 Act. One such class embraces the operators of mining properties. These operators, with some justification, contended that they were being unfairly taxed on profits in excess of normal to the extent that such profits were the result, not of higher unit profits, but of more units produced. They pointed out that in accelerating the production of critical war materials, they were speedily exhausting the ore reserves on which they had counted for many years of profitable operations. Since the ore mined today is not available for tomorrow's operations, it could be argued that the aggregate increase by the whole-hearted cooperation of these operators in the war production program was resulting in larger aggregate taxes than would have been imposed had production been extended over a longer period of years.

Accordingly, an attempt was made to work out a formula which would make adequate allowance for the more rapid depletion of these wasting assets. The formula which was finally adopted makes the amount of relief roughly proportionate to the extent of acceleration, on the one hand, and the life of the property, on the other. Thus, those mine operators whose reserves will be exhausted within a few years will be substantially relieved of their excess profits arising from accelerated output, which those whose reserves are more or less unlimited will be granted no relief.

Another situation was discovered in the case of installment sellers who are permitted to report income for tax purposes under the installment method of accounting. These taxpayers have found themselves liable to excess profits taxation, even in cases where they have enjoyed no increase in sales. The reduction in the supply of certain durable consumers' goods and the credit restriction imposed by Regulation W of the Federal Reserve Board have bunched income to the extent that they have caused payments to run currently far ahead of expenditures or costs. These taxpayers were therefore permitted to use an accrual basis of accounting in computing their excess profits taxes for all years in which this tax has been in effect.

Other Relief Provisions

A few other provisions of the 1942 Act which give relief from hardships of wartime taxation may be mentioned briefly:

1. When a business must dispose of real or personal property due to war conditions, the resulting income or loss is largely or altogether

involuntary. To prevent overtaxation of this income, the taxpayer is permitted to treat net gains realized on the disposition of real or depreciable property as capital gains while the net loss may be deducted from ordinary taxable income at his option. This generous provision will reduce tax liabilities in many cases. It was approved no doubt in the belief that there would be no substantial tax avoidance by the device of selling assets. Perhaps this expectation was overoptimistic, since references are already appearing in the financial press describing the possibility of decreasing taxes through the use of this device.

2. Consolidated income tax returns are again permitted for normal and surtax purposes as well as for excess profits tax purposes. An additional tax of 2 percent of surtax net income is imposed on corporations filing consolidated returns.

3. Special provision is made for taxpayers using the last-in first out method of valuing inventories where such taxpayers have been obliged involuntarily to liquidate inventories on account of war shortages. A redetermination of taxable income in the year of liquidation is to be made later, at the time of actual replacement, and the profit or loss will depend on the replacement cost.

4. The group of investment companies entitled to special tax treatment was modified and expanded to include regulated investment companies registered under the Investment Company Act of 1940 as a diversified investment company or a unit investment trust. Such companies are regarded, for tax purposes, as a mere pipe line through which the earnings of the company must pass before the shareholder receives his share of the income from investments; the companies are not taxed on such earnings. The 1942 Act has extended this conduit theory to include capital gains made by the regulated investment companies. Such gains are not taxed to the company but are to be included in the shareholder's return as capital gains.

5. Regulated public utilities are permitted to deduct from their surtax net income the amount of income paid out as dividends on preferred stock. Such preferred stock must be cumulative, have prior claims before any other class of stock, and must have been issued prior to October 1, 1942. The deduction applies only for purposes of the 16 percent surtax.

Numerous other provisions of the Revenue Act of 1942 were included largely or entirely as a measure of relief in making more accurate the determination of taxable income of corporations or the income subject to excess profits tax. Some important problems of business taxation were, however, not dealt with in the 1942 Act, despite the considerable amount of study and attention they have been given by the Treasury and Congressional committees. For example, present tax laws give highly preferential treatment to corporations financed through borrowing as against corporations financed through stock issues. This problem, although by no means overlooked, was not solved; its difficulty is generally recognized.

Conclusion

Most of the problems of business uncertainty in the postwar period are not created by the tax laws and cannot be cured by changes in them. The uncertainties are due to the inevitable flux of business arising from the technological developments of the war, to population shifts, to changes in tastes and interests, to the problem of getting an industry geared to the war regeared once more to peace. The tax laws can provide, however, that only actual profits shall be subject to the inevitably heavy wartime taxation, thus leaving the corporation its capital unimpaired to face the postwar period. That ideal result can probably not be achieved in full; undoubtedly the Revenue Act of 1942 has not gone as far as it is possible to go; nevertheless, it has made a very great advance in that direction. Indeed, the future historian of our time may be interested not so much in the tax rates of the 1942 Act as in the efforts that were made to equalize taxes and prevent income distortion. In those efforts are the implications for a more perfect tax system.

Perhaps one point has become clear in the course of this discussion. The taxation of business in wartime is not a simple matter readily determinable by the application of a single generally accepted principle. There are all sorts of competing principles, each with its rational objective and its pressure of interests. There must always be a choice or compromise between one principle and another, between one objective and another. There is always the danger of doing too much or too little. Even relief for taxpayers can be carried too far.

This tax question is not one of those things that any one can dash off the answer to over night. Tax problems require detailed study in the light of the many and varying actual situations in which people find themselves. The solution of tax problems requires above all, the cooperation of every one concerned. We in the Treasury have been happy at the cooperation shown by the businessmen of America. We sincerely hope and believe that we can count on its continuation and its growth. On our side we have endeavored to cooperate with business. I hope this discussion has indicated that our cooperation has not been merely verbal. We shall try to do even better in the future. It is on mutual cooperation and on mutual respect and forbearance for each other's views and ideas that the hope for continued progress in the sound development of business taxation must rest.

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Treasury Department
Washington

34-63

DEC. 11, 1941

Foreign Funds Control of the

The Treasury Department announced today that remittances of United States Postal Money Orders to members of the armed forces abroad are permissable, provided they are sent through the Army Post Office, Naval or other service mails.

The ruling was in response to many inquiries received by the Department by persons desiring to send gifts of money to servicemen abroad.

Such money orders may be purchased at any United States post office by executing regular money order applications, Treasury officials said. The Army and Navy have made special facilities available to servicemen for realizing cash on money orders in every part of the world in which our forces are located.

The Treasury Department, at the same time, issued a caution against sending currency in view of possible conflict with the various types of currency controls inaugurated both in the United States and abroad.

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PRESS RELEASE
Washington

Press Service
No. 34-63

FOR IMMEDIATE RELEASE

Dec. 11, 1942.

Persons desiring to send gifts of money to servicemen abroad have been asking the Treasury Department in recent weeks whether such remittances may be effected by United States Postal Money Orders.

In response to such inquiries, Treasury Department officials have announced that there is no objection to sending United States Postal Money Orders to members of the United States armed forces abroad, provided that they are sent through the Army Post Office, Naval or other service mails. Such money orders may be purchased at any United States Post Office by executing regular money order applications. The Army and Navy have made special facilities available to servicemen for encashment of money orders in every part of the world in which our forces are located.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, December 16, 1942.

Press Service
No. 34-63

The Foreign Funds Control of the Treasury Department announced today that remittances of United States Postal Money Orders to members of the armed forces abroad are permissible, provided they are sent through the Army Post Office, Naval or other service mails.

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34-64

FOR IMMEDIATE RELEASE
December 15, 1942.

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption: As of (Date)	Authorized for entry for consumption: (Pounds)
Signatory Countries:			
Brazil	1,535,367,083	Dec. 5, 1942	73,120,392
Colombia	520,084,629	"	95,436,334
Costa Rica	33,019,264	"	1,262,829
Cuba	13,212,917	"	5,404,814
Dominican Republic	17,533,713	"	3,794,985
Ecuador	24,767,094	"	2,716,594
El Salvador	99,680,284	"	7,517,085
Guatemala	88,334,442	"	5,839,389
Haiti	45,400,298	"	12,139,157
Honduras	2,908,617	"	991,290
Mexico	78,758,056	"	3,204,453
Nicaragua	32,462,515	"	67,380
Peru	4,127,276	"	2
Venezuela	61,254,106	"	11,347,900
Non-signatory Countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen, and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	13,923,808

1/ Quotas revised.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, December 16, 1942.

Press Service
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1/ Quotas revised.

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issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

oOo

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 23, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

Miss Simpson

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34-65

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 18, 1942 .
~~(1)~~

The Secretary of the Treasury, by this public notice, invites tenders for $600,000,000 ~~(2)~~, or thereabouts, of 91 ~~(3)~~-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 23, 1942 ~~(4)~~, and will mature March 24, 1943 ~~(5)~~, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War ~~Standard~~ time, Monday, December 21, 1942. ~~(6)~~ Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal

34-65

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 18, 1942.
12/17/42

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 23, 1942.

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Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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INSOLVENT NATIONAL BANKS LIQUIDATED AND FINALLY CLOSED DURING THE MONTH OF NOVEMBER, 1942

Name and Location of Bank	Date of Failure	Total Disbursements to Creditors Including Offsets Allowed	Percent Dividends Declared to all Claimants	Capital Stock at Date of Failure	Cash, Assets, Uncollected Stock Assessments, etc., Returned to Shareholders
Pelham Nat'l Bank Pelham, N. Y 1/	7-21-33	$ 2,007,387	44.1	$ 200,000	$ -0-
First Nat'l Bank Centerville, S. D. 3/	12-19-36	362,249	54.63	87,500	-0-
First Nat'l Bank Rockwood, Tenn. 1/	10-30-34	689,650	43.85 2/	80,000	-0-

1/ Formerly in conservatorship.
2/ Including dividends paid thru or by purchasing bank.
3/ F. D. I. C. appointed receiver in accordance with banking act of 1933.

12-8-42

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS   PRESS SERVICE
Sat. DEC 19   no. 34-66

During the month of November, 1942, the liquidation of three insolvent national banks was completed and the affairs of such receiverships finally closed.

Total disbursements, including offsets allowed, to depositors and other creditors of these three receiverships, amounted to $3,059,286, while dividends paid to unsecured creditors amounted to an average of 46.43 percent of their claims. Total costs of liquidation of these receiverships averaged 10.58 percent of total collections from all sources, including offsets allowed.

Dividend distributions to all creditors of all active receiverships during the month of November, amounted to $935,630. Data as to results of liquidation of the receiverships finally closed during the month are as follows:

12-15-42

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, December 19, 1942.
12-18-42

Press Service
No. 34-66

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1/ Formerly in conservatorship.
2/ Including dividends paid thru or by purchasing bank.
3/ F. D. I. C. appointed receiver in accordance with banking act of 1933.

Funds borrowed to and including December 19 from all sources, on the different issues, are:

Funds from banking sources --

Treasury bills	$ 500,000,000
1-3/4% Treasury bonds.	2,058,000,000
7/8% Certificate	2,030,000,000*
	$ 4,588,000,000

Funds from non-banking sources --

7/8% Certificate	1,294,000,000
1-3/4% Treasury bond	809,000,000
2-1/2% Victory bond.	2,528,000,000
Tax notes.	480,000,000
Savings bonds (E, F & G)	530,000,000
	5,641,000,000
Total	$10,229,000,000

*Tentative

The December drive was opened by President Roosevelt, when he bought the first $1,000 Victory two-and-one-half from Secretary Morgenthau, and declared that our dollars must be made "fighting dollars" by investing them in Government securities. To the Victory Fund organization was assigned the task of placing with individual investors, business firms, institutions and banks the three series on which books will close December 23, and also tax savings notes and Series F and G savings bonds.

Continually available, it was emphasized, are the various series of Treasury tax savings notes and savings bonds.

All issues, including Treasury bills, are included in the flotations from which the Treasury hopes to raise the total to $11,000,000,000 or more in December. Secretary Morgenthau expressed the hope that year-end bonuses will be invested in securities of the United States Government.

The extent to which previous records already have been exceeded in the December drive is indicated by comparison with the largest loan heretofore floated, which was the $6,964,581,100 Fourth Liberty Loan raised in three weeks by the United States Treasury in 1918.

Together with tax and other receipts of about $2,500,000,000, the estimated $11,000,000,000 of borrowing would draw into the Treasury a total of about $13,500,000,000 in this single month of December.

The Treasury figures show that the drive is successful not only because of the amount involved, but also because of heavy purchases of securities by others than commercial banks. One of the principal aims of the drive was to borrow a large proportion of the funds from non-banking sources, since that is the soundest and least inflationary method of Treasury borrowing. Of the total sales of $10,229,000,000, to the close of business December 19, about $4,588,000,000, or 45 percent was to commercial banks, and about $5,641,000,000, or 55 percent was to non-banking investors.

Secretary Morgenthau revealed heavy subscriptions by commercial banks to the 7/8 percent certificates of indebtedness on which books were open to these institutions for three days last week. Allotments to the banks were about $2,030,000,000, and these funds, together with sums realized on the continuing sales of all issues to others, gave the Treasury figures the lift which carried them first to the $9,000,000,000 goal of the drive, and then to the $10,000,000,000 level.

Reports received from the Federal Reserve Banks show that subscriptions received from commercial banks for their own account to the issue of 7/8 percent Treasury certificates of indebtedness of Series E-1943 aggregated $3,360,000,000. Subscriptions in amounts up to and including $100,000, totaling about $270,000,000, were allotted in full. Subscriptions in amounts over $100,000 were allotted 57 percent, but not less than $100,000 on any one subscription, with adjustments, where necessary, to the $1,000 denomination.

Although results of the drive are exceeding expectations, Secretary Morgenthau urged redoubled efforts by the Victory Fund organization and heavier purchases by investors, as a means of insuring that the next drive can be postponed until late March or early April, 1943.

Issues to which further subscriptions are urged up to the close of business December 23 by others than commercial banks, for their own account, are Victory two-and-one-half's due December 15, 1968 and callable December 15, 1963; 1-3/4 percent bonds due June 15, 1948, and 7/8 percent certificates of indebtedness due December 1, 1943.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, December 21, 1942.
12/19/42

Press Service
34-67

All financial records of history have been shattered in the December Victory Fund Drive of the Treasury, which already has enlisted over \$10,000,000,000 of borrowed funds in the war effort, or \$1,000,000,000 more than the \$9,000,000,000 mark set at the beginning of the campaign, Secretary Morgenthau announced today. The sights have been raised, he added, in the hope that the borrowing can be increased to \$11,000,000,000 by the end of the month.

"I am deeply gratified by the superb public response to the financial needs of our country in this war" Secretary Morgenthau said. "This is the sort of news that Axis leaders dread to hear and that they will not permit their misguided peoples to know. It is the sort of news that inspires our associates of the United Nations. It will reassure all soldiers who are fighting the good fight. The speedy borrowing of the tremendous sum is a reflection of our American determination to win the war and win it quickly.

"Much more than \$10,000,000,000 will be needed, and I urge every American to dig deep into his pockets and buy more of the securities that will remain available until December 23, and the tax notes and savings bonds that will continue to be on sale. The funds are an indispensable means for making available the guns and ships, tanks and planes, with which the armed forces of the United Nations will achieve victory.

"The response by investors has been stimulated in large part by the eager participation in the drive of many thousands of volunteer workers drawn from the banking, securities, insurance and other fields. These workers have well earned the thanks of the nation."

(To telegrapher: More to follow this afternoon)

TREASURY DEPARTMENT
Washington

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12-19-42

Press Service
No. 34-67

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Secretary Morgenthau revealed heavy subscriptions by commercial banks to the 7/8 percent certificates of indebtedness on which books were open to these institutions for three days last week. Allotments to the banks were about $2,030,000,000, and these funds, together with sums realized on the continuing sales of all issues to others, gave the Treasury figures the lift which carried them first to the $9,000,000,000 goal of the drive, and then to the $10,000,000,000 level.

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Although results of the drive are exceeding expectations, Secretary Morgenthau urged redoubled efforts by the Victory Fund organization and heavier purchases by investors, as a means of insuring that the next drive can be postponed until late March or early April 1943.

Issues to which further subscriptions are urged up to the close of business December 23 by others than commercial banks, for their own account, are Victory two-and-one-half's due December 15, 1968 and callable December 15, 1963; 1-3/4 percent bonds due June 15, 1948, and 7/8 percent certificates of indebtedness due December 1, 1943. Continually available, it was emphasized, are the various series of Treasury tax savings notes and savings bonds.

All issues, including Treasury bills, are included in the flotations from which the Treasury hopes to raise the total to $11,000,000,000 or more in December. Secretary Morgenthau expressed the hope that year-end bonuses will be invested in securities of the United States Government.

The extent to which previous records already have been exceeded in the December drive is indicated by comparison with the largest loan heretofore floated, which was the $6,964,581,100 Fourth Liberty raised in three weeks by the United States Treasury in 1918.

Together with tax and other receipts of about $2,500,000,000, the estimated $11,000,000,000 of borrowing would draw into the Treasury a total of about $13,500,000,000 in this single month of December.

The Treasury figures show that the drive is successful not only because of the amount involved, but also because of heavy purchases of securities by others than commercial banks. One of the principal aims of the drive was to borrow a large proportion of the funds from non-banking sources, since that is the soundest and least inflationary method of Treasury borrowing. Of the total sales of $10,229,000,000, to the close of business December 19, about $4,588,000,000, or 45 percent was to commercial banks, and about $5,641,000,000, or 55 percent was to non-banking investors.

Funds borrowed to and including December 19 from all sources, on the different issues, are:

Funds from banking sources --	
Treasury bills	$ 500,000,000
1-3/4% Treasury bonds.	2,058,000,000
7/8% Certificate	2,030,000,000*
	$ 4,588,000,000
Funds from non-banking sources --	
7/8% Certificate	1,294,000,000
1-3/4% Treasury bond	809,000,000
2-1/2% Victory bond	2,528,000,000
Tax notes	480,000,000
Savings bonds (E, F & G)	530,000,000
	5,641,000,000
Total	$10,229,000,000

*Tentative

The December drive was opened by President Roosevelt, when he bought the first $1,000 Victory two-and-one-half from Secretary Morgenthau, and declared that our dollars must be made "fighting dollars" by investing them in Government securities. To the Victory Fund organization was assigned the task of placing with individual investors, business firms, institutions and banks the three series on which books will close December 23, and also tax savings notes and Series F and G savings bonds .

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~~COMPARATIVE STATEMENT OF THE NUMBER OF SPECIAL DEPOSITARIES AND AGGREGATE AMOUNT OF QUALIFICATIONS BY FEDERAL RESERVE DISTRICTS FOR PERIOD OCTOBER 31 TO DECEMBER 19, 1942, INCLUSIVE~~

Districts	October 31		November 30		December 19	
	No.	Amount	No.	Amount	No.	Amount
Boston	169	292,080,000	172	295,080,000	250	461,116,485
New York	500	3,243,320,139	501	3,428,460,139	656	4,317,176,624
Philadelphia	299	324,510,150	305	325,710,150	431	407,812,235
Cleveland	191	325,120,000	203	330,270,000	426	557,784,985
Richmond	173	181,509,500	176	188,589,500	334	321,232,485
Atlanta	295	197,260,350	308	203,262,850	402	282,021,835
Chicago	458	732,010,550	464	842,679,800	566	1,059,188,285
St. Louis	181	169,577,800	185	190,538,300	273	241,862,735
Minneapolis	235	79,284,200	267	117,818,750	949	748,033,950
Kansas City	439	173,393,025	442	173,549,525	585	232,733,760
Dallas	230	194,087,000	233	194,932,000	289	310,428,485
San Francisco	83	316,760,800	86	345,501,800	99	415,537,800
TOTALS	3,253	6,228,913,514	3,342	6,636,387,814	5,260	9,354,929,664

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

TO

FROM

Treasury Department
Washington

For Release, Morning Newspapers,
Tuesday, December 22, 1942.

Press Service
No. 34-68

Secretary Morgenthau announced today that Special Depositaries of the Treasury ~~totalled~~ numbered 5,260 on December 19~~, 1942, holding a total of~~ and that they are qualified to hold $9,354,929,664 of Government deposits.

These figures compare with 3,253 depositaries eligible to hold~~ing~~ an aggregate of $6,228,913,514 on last October 31, the increase being due to a special effort to increase these depositaries, conducted by the Treasury in cooperation with the Federal Reserve System.

In order to keep the funds raised by sale of Government securities in the communities where raised until actually needed to meet Federal payments, ~~Mr. Morgenthau~~ the Secretary asked the Federal Reserve Banks to circularize the banks in their districts with a view to having them qualify for use of the "War Loan Accounts" as Special Depositaries. Those taking advantage of this method of participating in Treasury financing are thus able to retain the proceeds of the sales of securities subscribed for their own account and those of their customers until called by the Treasury.

The number of Special Depositaries, with ~~their accounts,~~ the amounts they were qualified to hold on October 31 and as of December 19, are given by Federal Reserve Districts in the table that follows:

TREASURY DEPARTMENT
Washington

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Tuesday, December 22, 1942.

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Districts	October 31		December 19	
	No.	Amount	No.	Amount
Boston	169	$ 292,080,000	250	$ 461,116,485
New York	500	3,243,320,139	656	4,317,176,624
Philadelphia	299	324,510,150	431	407,812,235
Cleveland	191	325,120,000	426	557,784,985
Richmond	173	181,509,500	334	321,232,485
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San Francisco	83	316,760,800	99	415,537,800
TOTALS	3,253	$6,228,913,514	5,260	$9,354,929,664

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, December 22, 1942.

Press Service
34-69

The Secretary of the Treasury announced last evening that the tenders for $600,000,000, or thereabouts, of 91-day Treasury bills to be dated December 23, 1942, and to mature March 24, 1943, which were offered on December 18, were opened at the Federal Reserve Banks on December 21.

The details of this issue are as follows:

Total applied for - $1,220,406,000
Total accepted - 600,709,000

Range of accepted bids:

High	- 99.926	Equivalent rate of discount approx. 0.293% per annum
Low	- 99.908	" " " " " 0.364% " "
Average price	- 99.908+	" " " " " 0.363% " "

(92 percent of the amount bid for at the low price was accepted.)

Federal Reserve District		Total Applied For	Total Accepted
Boston		$ 32,265,000	$ 21,043,000
New York		789,657,000	319,978,000
Philadelphia		35,906,000	20,187,000
Cleveland		35,650,000	20,092,000
Richmond		21,767,000	12,466,000
Atlanta		10,692,000	5,958,000
Chicago		155,687,000	105,401,000
St. Louis		21,042,000	12,362,000
Minneapolis		16,862,000	15,389,000
Kansas City		12,268,000	10,464,000
Dallas		10,990,000	9,485,000
San Francisco		77,620,000	47,884,000
	TOTAL	$1,220,406,000	$600,709,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 22, 1942.
12-21-42

Press Service
No. 34-69

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Dallas	10,990,000	9,485,000
San Francisco	77,620,000	47,884,000
TOTAL	$1,220,406,000	$600,709,000

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34-70

FOR IMMEDIATE RELEASE,
DECEMBER ~~22~~ 23, 1942.

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption	
		As of (Date)	(Pounds)
Signatory Countries:			
Brazil	1,535,367,083	Dec. 12, 1942	108,126,660
Colombia	520,084,629	"	101,491,577
Costa Rica	33,019,264	"	1,899,357
Cuba	13,212,917	"	6,398,120
Dominican Republic	17,533,713	"	3,964,463
Ecuador	24,767,094	"	4,129,262
El Salvador	99,680,284	"	7,659,205
Guatemala	88,334,442	"	6,238,525
Haiti	45,400,298	"	13,291,310
Honduras	2,908,617	"	991,290
Mexico	78,758,056	"	3,574,710
Nicaragua	32,462,515	"	67,380
Peru	4,127,276	"	2
Venezuela	61,254,106	"	11,347,767
Non-signatory Countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen, and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	14,551,589

1/ Quotas revised.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, December 23, 1942.

Press Service
No. 34-70

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

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Non-signatory Countries: British Empire, except Aden and Canada Kingdom of the Netherlands and its possessions Aden, Yemen, and Saudi Arabia Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	14,551,589

1/ Quotas revised.

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[redacted]

issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

~~ALPHA~~

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 30, 1942 .
~~(7)~~

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

~~ALPHA~~

TREASURY DEPARTMENT 34-71

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, December 24, 1942 .
~~(1)~~

The Secretary of the Treasury, by this public notice, invites tenders for $ 600,000,000 ~~(2)~~, or thereabouts, of 91 ~~(3)~~ -day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 30, 1942 ~~(4)~~, and will mature March 31, 1943 ~~(5)~~, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War ~~Standard~~ time, Monday, December 28, 1942 ~~(6)~~. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal

34-71

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, December 24, 1942.
12/23/42

Press Service
No. 34-71

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 30, 1942.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal Tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Dec. 24, 1942

Press Service
No. 34-72

The Treasury Department today made public a booklet entitled "Administration of the Wartime Financial and Property Controls of the United States Government", containing the most complete statement of the scope and operations of Foreign Funds Control released to date.

This booklet was prepared in June, 1942, for the use of the delegates to the Inter-American Conference on Systems of Economic and Financial Control and has not been materially revised since that time. The Treasury Department believes, however, that it is now appropriate to make this document generally available to persons interested in the purposes and functions of Foreign Funds Control even though many developments have taken place since June, 1942, in the operations and policies of the Control.

The booklet contains much heretofore unrevealed information on the Government's wartime financial controls which will be of interest to the financial public and to all persons interested in increasing the effectiveness of economic warfare against the Axis.

Cleared with Rains and Luxford
M.G.H.

M.G.H.
MLHOFFMAN:af - 12/23/42

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, December 24, 1942.

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No. 34-72

The Treasury Department today made public a booklet, "Administration of the Wartime Financial and Property Controls of the United States Government," in which is contained the most complete statement of the scope and operations of Foreign Funds Control released to date.

This booklet was prepared in June, 1942, for the use of the delegates to the Inter-American Conference on Systems of Economic and Financial Control and has not been materially revised since that time. The Treasury Department believes, however, that it is now appropriate to make this document generally available to persons interested in the purposes and functions of Foreign Funds Control even though since its issuance many developments have taken place in the operations and policies of the Control.

The booklet contains much heretofore unrevealed information on the Government's wartime financial controls which will be of interest to the financial public and to all persons interested in increasing the effectiveness of economic warfare against the Axis.

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The extremely thin zinc coating will protect the steel from rust.

Authority to make the new coin expires December 31, 1946, but the order establishing the zinc-steel composition may be modified or revoked at any time by the Secretary of the Treasury.

Official specifications for the wartime one-cent piece are as follows:

1. It shall be composed of steel with the obverse and reverse sides covered with a coating of .00025 inches of zinc.

2. It shall weigh 41.5 grains.

3. It shall have a diameter of .750 inches.

4. It shall be in the shape of a disc.

5. It shall not vary in weight by more than 3 grains; it shall not vary in diameter by more than .002 inches; and the zinc coating shall not exceed .001 inches.

6. It shall contain the same design, devices and legends as those used since 1909, for the one-cent piece coined pursuant to amended Section 3515 of the Revised Statutes (U.S.C. title 31, Sec. 317).

publicity programs in their communities at their own expense. Many individuals, radio stations, and commercial establishments have helped.

A huge volume of correspondence received at the Mint attests to the enthusiasm with which the schools have participated.

Since the coins, upon reaching the banks, have been packaged promptly and reissued to fill business needs, no actual figures on the number of pieces attracted from hiding are available.

Legislation authorizing a change in the penny was signed last week by President Roosevelt. With approval of the War Production Board, Secretary Morgenthau authorized production of the zinc-coated steel coin after prolonged experimentation convinced Mint officials that this was the most practical material available at this time.

The new law also authorizes coinage of a three-cent piece, and, if the demand for minor coins continues, consideration will be given this denomination after the new penny is in production. The United States last minted a three-cent coin in 1889.

The zinc-steel penny will weigh slightly less than the copper coin, 41.5 grains, against the present 48 grains. Newly minted, it will have a blue-gray cast, which will tend to become dull with circulation.

Treas Dept.
Washington

For Release morn.
Fri. Dec 25, 1942

34-73

Secretary Morgenthau today established specifications for a new, wartime one-cent coin to be made of zinc-coated steel. The action was taken under recently enacted legislation designed to conserve strategic metal.

The order provides that the new piece shall be of the same size and design as the present coin, which has been minted since 1909. Coinage of the present penny, which is 95 percent copper, is suspended after January 1, 1943.

Mrs. Nellie Tayloe Ross, Director of the Mint, said the new one-cent piece will be in production about February 1. At the same time, Mrs. Ross said that the campaign to draw outstanding coins out of hiding and into business use will be continued. It is believed that by increasing circulation of coins already minted, demands for war-necessary metals can be reduced substantially.

School children throughout the Nation have joined this month in the Treasury's campaign to induce conversion of coin savings into War Stamps and Bonds, or otherwise to divert them into business channels. The program, designed initially to increase available penny stocks for holiday needs while the changeover to the new metal is being made, has proved so successful that it is being adopted as a continuing wartime policy.

Banks throughout the country have given substantial assistance to the campaign to increase circulation of outstanding coins, Mrs. Ross said, many of them carrying on extensive

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 25, 1942.
12-24-42

Press Service
No. 34-73

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The extremely thin zinc coating will protect the steel from rust.

Authority to make the new coin expires December 31, 1946, but the order establishing the zinc-steel composition may be modified or revoked at any time by the Secretary of the Treasury.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Saturday, December 26, 1942.

Press Service

Secretary of the Treasury Morgenthau today announced the final subscription and allotment figures with respect to subscriptions from commercial banks for their own account for the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series E-1943.

Subscriptions and allotments were divided among the several Federal Reserve Districts as follows:

Federal Reserve District	Total Subscriptions Received	Total Subscriptions Allotted
Boston	$ 199,299,000	$ 118,958,000
New York	1,293,455,000	747,562,000
Philadelphia	128,239,000	81,557,000
Cleveland	257,212,000	159,447,000
Richmond	149,405,000	92,995,000
Atlanta	173,834,000	108,336,000
Chicago	500,827,000	308,405,000
St. Louis	147,436,000	96,699,000
Minneapolis	106,777,000	71,023,000
Kansas City	107,238,000	70,132,000
Dallas	117,339,000	74,050,000
San Francisco	315,242,000	184,441,000
TOTAL	$3,496,303,000	$2,113,605,000

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, December 26, 1942.

Press Service
No. 34-74

Secretary of the Treasury Morgenthau today announced the final subscription and allotment figures with respect to subscriptions from commercial banks for their own account for the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series E-1943.

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St. Louis	147,436,000	96,699,000
Minneapolis	106,777,000	71,023,000
Kansas City	107,238,000	70,132,000
Dallas	117,339,000	74,050,000
San Francisco	315,242,000	184,441,000
TOTAL	$3,496,303,000	$2,113,605,000

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Par. 5. Section 19.147-4, as amended by Treasury Decision 5103, is further amended by inserting at the end thereof the following:

(As to the requirements of filing ownership certificates for bond interest generally in the case of a nonresident alien, a nonresident partnership composed in whole or in part of nonresident aliens, a nonresident foreign corporation or where the owner is unknown, and with respect only to interest on obligations containing a tax-free covenant and issued prior to January 1, 1934 in the case of a citizen or resident of the United States, a resident partnership and nonresident partnership all of the members of which are citizens or residents of the United States, see section 19.143-4).

(This Treasury decision is issued under the authority contained in sections 62 and 147 of the Internal Revenue Code (53 Stat. 32, 64).)

(Signed) Guy T. Helvering

Commissioner of Internal Revenue

Approved: December 28, 1942

(Signed) John L. Sullivan
Acting Secretary of the Treasury.

(D) By inserting in the sixth paragraph immediately after the word "monthly" the following: "(quarterly, for the calendar year 1943 and subsequent calendar years)".

Par. 3. Section 19.143-7, as amended by Treasury Decision 5174, is further amended as follows:

(A) By inserting immediately after the sixth sentence the following:

> However, for the calendar year 1943 and subsequent calendar years the withholding agent shall make a quarterly return on Form 1012 on or before the last day of the month following the termination of the quarter for which the return is made. The ownership certificates, Forms 1000 and 1001, must be forwarded to the Commissioner with the quarterly return. Forms 1001 should be listed on the quarterly return. While Forms 1000 need not be listed on the return, the number of such forms submitted and the total amount of interest paid and of the tax withheld on such of the forms as report interest from which the tax is to be withheld should be entered in the spaces provided.

(B) By inserting in the fourth sentence of the second paragraph immediately after the word "monthly" the following: "(quarterly, for the calendar year 1943 and subsequent calendar years)".

Par. 4. Section 19.143-9 is amended by adding after "14" the following: "(and, for a taxable year beginning after December 31, 1942, the Victory tax imposed by section 450)".

certificates are required to be filed by such citizens, residents, fiduciaries and partnerships only with respect to interest coupons on bonds, mortgages or deeds of trust, or other similar obligations issued prior to January 1, 1934, and containing a tax-free covenant. In the case of interest on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance thereof, ownership certificates shall be filed by such citizens, residents, fiduciaries and partnerships only in the case of interest paid on or after January 1, 1942 and prior to January 1, 1943.

(B) By striking out the second sentence of the third paragraph and inserting in lieu thereof the following:

The ownership certificate is required in such cases whether or not the obligation contains a tax-free covenant.

(C) By amending the last sentence of the third paragraph to read as follows:

Ownership certificates (Form 1001) shall also be filed in the case of interest paid on or after January 1, 1942, on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance of such obligations, if such obligations are owned by the persons described in the first sentence of this paragraph.

(T. D. 5204)

TITLE 26 -- INTERNAL REVENUE

CHAPTER I

SUBCHAPTER A, PART 19

INCOME TAX

Ownership certificates required in connection with interest on bonds of corporations and obligations of the United States and its instrumentalities - Regulations 103 amended.

TREASURY DEPARTMENT,
Office of Commissioner of Internal Revenue,
Washington, D. C.

TO COLLECTORS OF INTERNAL REVENUE
AND OTHERS CONCERNED:

Regulations 103 [Part 19, Title 26, Code of Federal Regulations, 1940 Sup.] are amended as follows:

Paragraph 1. Section 19.143-3, as amended by Treasury Decision 5174, approved October 28, 1942, is further amended by adding before the period at the end of the first sentence the following: "and (in the case of taxable years beginning after December 31, 1942) that his victory tax net income does not exceed the specific exemption of $624".

Par. 2. Section 19.143-4, as amended by Treasury Decision 5103, approved December 13, 1941, is further amended as follows:

(A) By striking out the last sentence of the first paragraph and inserting in lieu thereof the following:

However, in the case of interest coupons presented on or after January 1, 1943, such ownership because this requirement could be changed only by Congress. However, handling of these certificates is being considerably simplified.

The text of the Decision is as follows:

interest, and the bondholder's signature.

The completed certificate was presented at the bank window with the coupon, and they remained together through banking channels to the office of the company issuing the bond. The company then forwarded the certificate to the Commissioner of Internal Revenue at Washington. The Revenue Bureau used the certificates as a check on the accuracy of income tax returns.

Owners of obligations of the United States were required to prepare ownership certificates in substantially the same way when presenting coupons for payment. In the case of registered Government bonds, the certificates were prepared by the Treasury when interest checks were mailed.

Not only the preparation of the certificates by the bond owners, but also the subsequent handling of them by private banks, Federal Reserve banks, corporations, and the Revenue Bureau required the expenditure of much effort.

In the Revenue Bureau, the certificates had to be sorted and arranged for association with the individual income tax returns of the bond owners.

The new Decision continues in effect the requirement for filing of ownership certificates in the case of citizens of the United States cashing interest coupons of domestic corporations where such bonds contain a tax-free covenant

The certificates are eliminated also in the case of citizens of the United States presenting interest coupons from bonds of domestic corporations, except in the case of bonds containing a tax-free covenant. About 4,500,000 certificates accompanying corporation bond coupons have been filed each year.

While the certificates in the past have provided the Bureau of Internal Revenue with information which produced a certain amount of additional taxes, the aggregate amount is not regarded by the Bureau as sufficient, in comparison with the results of other collection efforts, to justify full continuance of the certificate plan.

The original ownership certificate regulations required that bond owners presenting coupons for collection, either through their banks, at Federal Reserve banks, at the Treasury, or at the home offices of domestic corporations, prepare and submit ownership certificates on Form 1000 with the coupons.

A form was required for each coupon submitted, except that one certificate could be submitted for groups of coupons from the same issue of bonds. The owner of domestic corporation bonds was required to show his name and address, the name and address of the obligor of the bonds, name of bond, date of bond issue, due dates and payment dates for

Secretary Morgenthau today made public a Treasury Decision which relieves individuals, business concerns and the Government of much paper work connected with the cashing of interest coupons from corporate and Government bonds.

The decision renders unnecessary hereafter the execution and filing each year of more than 8,000,000 "ownership certificates" previously required as income tax records.

"In these times when business men are being subjected to additional record-keeping made imperative by the war," the Secretary said, "we have been examining all of our activities with a view to reducing this burden of paper-work. ~~We have had~~ The Treasury is checking ~~to consider~~ each type of record with a view to its over-all value. By eliminating this form, I believe we will provide a saving in time and effort to taxpayers, banks and industry in general that will be very substantial." Leaving them more time to concentrate ~~their efforts~~ on winning the

Today's Treasury Decision eliminates outright the requirement for filing of an ownership certificate, Form 1000, by citizens of the United States presenting interest coupons from obligations of the United States. About 4,000,000 such certificates have been filed annually in recent years, and the number would have increased heavily with the issuance of additional securities to finance the war.

because this requirement could be changed only by Congress. However, handling of these certificates is being considerably simplified.

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The completed certificate was presented at the bank window with the coupon, and they remained together through banking channels to the office of the company issuing the bond. The company then forwarded the certificate to the Commissioner of Internal Revenue at Washington. The Revenue Bureau used the certificates as a check on the accuracy of income tax returns.

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Not only the preparation of the certificates by the bond owners, but also the subsequent handling of them by private banks, Federal Reserve banks, corporations, and the Revenue Bureau required the expenditure of much effort.

In the Revenue Bureau, the certificates had to be sorted and arranged for association with the individual income tax returns of the bond owners.

The new Decision continues in effect the requirement for filing of ownership certificates in the case of citizens of the United States cashing interest coupons of domestic corporations where such bonds contain a tax-free covenant

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The original ownership certificate regulations required that bond owners presenting coupons for collection, either through their banks, at Federal Reserve banks, at the Treasury, or at the home offices of domestic corporations, prepare and submit ownership certificates on Form 1000 with the coupons.

A form was required for each coupon submitted, except that one certificate could be submitted for groups of coupons from the same issue of bonds. The owner of domestic corporation bonds was required to show his name and address, the name and address of the obligor of the bonds, name of bond, date of bond issue, due dates and payment dates for

Treasury Department

For Immediate Release
Monday Dec 28, 1942

Press Service
No. 34-75

Secretary Morgenthau today made public a Treasury Decision which relieves individuals, business concerns and the Government of much paper work connected with the cashing of interest coupons from corporate and Government bonds.

The decision renders unnecessary hereafter the execution and filing each year of more than 8,000,000 "ownership certificates" previously required as income tax records.

"In these times when business men are being subjected to additional record-keeping made imperative by the war," the Secretary said, "we have been examining all of our activities with a view to reducing this burden of paper work to a minimum. ~~We have had to consider~~ The Treasury is checking each type of record with a view to its over-all value. By eliminating this form, I believe we will provide a saving in time and effort to taxpayers, banks and industry in general that will be very substantial, leaving them more time to concentrate on winning the war."

Today's Treasury Decision eliminates outright the requirement for filing of an ownership certificate, Form 1000, by citizens of the United States presenting interest coupons from obligations of the United States. About 4,000,000 such certificates have been filed annually in recent years, and the number would have increased heavily with the issuance of additional securities to finance the war.

The company then forwarded the certificate to the Commissioner of Internal Revenue at Washington. The Revenue Bureau used the certificates as a check on the accuracy of income tax returns.

~~In the case of registered bonds of domestic corporations, the certificates as a rule were prepared by the obligor.~~

Owners of obligations of the United States were required to prepare ownership certificates in substantially the same way when presenting coupons for payment. In the case of registered Government bonds, the certificates were prepared by the Treasury when interest checks were mailed.

Not only the preparation of the certificates by the bond owners, but also the subsequent handling of them by private banks, Federal Reserve banks, corporations, and the Revenue Bureau required the expenditure of much effort.

In the Revenue Bureau, the certificates had to be sorted and arranged for association with the individual income tax returns of the bond owners.

The new Decision continues in effect the requirement for filing of ownership certificates in the case of citizens of the United States cashing interest coupons of domestic corporations where such bonds contain a tax-free covenant because this requirement could be changed only by Congress. However, handling of these certificates is being considerably simplified ~~and two considerable savings in clerical work~~.

The text of the Decision is as follows:

The certificates are eliminated also in the case of citizens of the United States presenting interest coupons from bonds of domestic corporations, ~~also~~, except in the case of bonds ~~such~~ containing ~~a~~ tax-free covenant. About 4,500,000 certificates ~~annually are affected.~~ accompanying corporation bond coupons have been filed each year.

While the certificates in the past have provided the Bureau of Internal Revenue with information which produced a certain amount of additi nal taxes, the aggregate amount is not regarded by the Bureau as sufficient , in comparison with the results of other collection efforts, to justify full continuance of the certificate plan.

The original ownership certificate regulations required that bond owners presenting coupons for collection, either through their banks, at Federal Reserve banks, at the Treasury, or at the home offices of domestic corporations, prepare and submit ownership certificates on Form 1000 with the coupons.

A form was required for each coupon submitted, except that one certificate could be submitted for groups of coupons from the same issue of bonds. The owner of domestic corporation bonds was required to show his name and address, the name and address of the obligor of the bonds, name of bond, date of bond issue, due dates and payment dates for interest, and the bondholder's signature.

The completed certificate was presented at the bank window with the coupon, and they remained together through banking channels to the office of the company issuing the bond.

Secretary Morgenthau today made public a Treasury Decision which relieves individuals, business concerns, and the Government of much paper work connected with the cashing of interest coupons from corporate and Government bonds.

The decision renders unnecessary hereafter the execution and filing each year of more than 8,000,000 "ownership certificates" previously required as income tax records. The Secretary said the saving in time and effort to taxpayers, banks and industry in general would be "tremendous." He pointed out that this saving is being accomplished at a time when such relief is of special value because of other additional record-keeping resulting from the war.

Today's Treasury Decision eliminates outright the requirement for filing of an ownership certificate, Form 1000, by citizens of the United States presenting interest coupons from obligations of the United States. About 4,000,000 such certificates have been filed annually in recent years, and the number would have increased heavily with the issuance of additional securities to finance the war.

Dec. 28, 42

34-75

Secretary Morgenthau today made public a Treasury Decision which relieves individuals, business concerns and the Government of much paper work connected with the cashing of interest coupons from corporate and Government bonds.

The decision renders unnecessary hereafter the execution and filing each year of more than 8,000,000 "ownership certificates" previously required as income tax records.

"In these times when business men are being subjected to additional record-keeping made imperative by the war," the Secretary said, "we have been examining all of our activities with a view to reducing this burden. We have had to consider each type of record with a view to its over-all value. By eliminating this form, I believe we will provide a saving in time and effort to taxpayers, banks and industry ~~[illegible]~~ in general that will be very substantial."

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, December 28, 1942.

Press Service
No. 34-75

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The decision renders unnecessary hereafter the execution and filing each year of more than 8,000,000 "ownership certificates" previously required as income tax records.

"In these times when business men are being subjected to additional record-keeping made imperative by the war," the Secretary said, "we have been examining all of our activities with a view to reducing this burden of paper work to a minimum. The Treasury is checking each type of record with a view to its over-all value. By eliminating this form, I believe we will provide a saving in time and effort to taxpayers, banks and industry in general that will be very substantial, leaving them more time to concentrate on winning the war."

Today's Treasury Decision eliminates outright the requirement for filing of an ownership certificate, Form 1000, by citizens of the United States presenting interest coupons from obligations of the United States. About 4,000,000 such certificates have been filed annually in recent years, and the number would have increased heavily with the issuance of additional securities to finance the war.

The certificates are eliminated also in the case of citizens of the United States presenting interest coupons from bonds of domestic corporations, except in the case of bonds containing a tax-free covenant. About 4,500,000 certificates accompanying corporation bond coupons have been filed each year.

The original ownership certificate regulations required that bond owners presenting coupons for collection, either through their banks, at Federal Reserve banks, at the Treasury, or at the home offices of domestic corporations, prepare and submit ownership certificates on Form 1000 with the coupons.

A form was required for each coupon submitted, except that one certificate could be submitted for groups of coupons from the same issue of bonds. The owner of domestic corporation bonds was required to show his name and address, the name and address of the obligor of the bonds, name of bond, date of bond issue, due dates and payment dates for interest, and the bondholder's signature.

The completed certificate was presented at the bank window with the coupon, and they remained together through banking channels to the office of the company issuing the bond. The company then forwarded the certificate to the Commissioner of Internal Revenue at Washington. The Revenue Bureau used the certificates as a check on the accuracy of income tax returns.

Owners of obligations of the United States were required to prepare ownership certificates in substantially the same way when presenting coupons for payment. In the case of registered Government bonds, the certificates were prepared by the Treasury when interest checks were mailed.

Not only the preparation of the certificates by the bond owners, but also the subsequent handling of them by private banks, Federal Reserve banks, corporations, and the Revenue Bureau required the expenditure of much effort.

In the Revenue Bureau, the certificates had to be sorted and arranged for association with the individual income tax returns of the bond owners.

The new Decision continues in effect the requirement for filing of ownership certificates in the case of citizens of the United States cashing interest coupons of domestic corporations where such bonds contain a tax-free covenant because this requirement could be changed only by Congress. However, handling of these certificates is being considerably simplified.

The text of the Decision is as follows:

(T. D. 5204)

TITLE 26 — INTERNAL REVENUE

CHAPTER I

SUBCHAPTER A, PART 19

INCOME TAX

Ownership certificates required in connection with interest on bonds of corporations and obligations of the United States and its instrumentalities - Regulations 103 amended.

TREASURY DEPARTMENT,
Office of Commissioner of Internal Revenue,
Washington, D. C.

TO COLLECTORS OF INTERNAL REVENUE
AND OTHERS CONCERNED:

Regulations 103 /Part 19, Title 26, Code of Federal Regulations, 1940 Sup./ are amended as follows:

Paragraph 1. Section 19.143-3, as amended by Treasury Decision 5174, approved October 28, 1942, is further amended by adding before the period at the end of the first sentence the following: "and (in the case of taxable years beginning after December 31, 1942) that his victory tax net income does not exceed the specific exemption of $624".

Par. 2. Section 19.143-4, as amended by Treasury Decision 5103, approved December 13, 1941, is further amended as follows:

(A) By striking out the last sentence of the first paragraph and inserting in lieu thereof the following:

However, in the case of interest coupons presented on or after January 1, 1943, such ownership certificates are required to be filed by such citizens, residents, fiduciaries and partnerships only with respect to interest coupons on bonds, mortgages or deeds of trust, or other similar obligations issued prior to January 1, 1934, and containing a tax-free covenant. In the case of interest on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance thereof, ownership certificates shall be filed by such citizens, residents, fiduciaries and partnerships only in the case of interest paid on or after January 1, 1942 and prior to January 1, 1943.

(B) By striking out the second sentence of the third paragraph and inserting in lieu thereof the following:

The ownership certificate is required in such cases whether or not the obligation contains a tax-free covenant.

(C) By amending the last sentence of the third paragraph to read as follows:

Ownership certificates (Form 1001) shall also be filed in the case of interest paid on or after January 1, 1942, on obligations of the United States or any agency or instrumentality thereof, regardless of the date of issuance of such obligations, if such obligations are owned by the persons described in the first sentence of this paragraph.

(D) By inserting in the sixth paragraph immediately after the word "monthly" the following: "(quarterly, for the calendar year 1943 and subsequent calendar years)".

Par. 3. Section 19.143-7, as amended by Treasury Decision 5174, is further amended as follows:

(A) By inserting immediately after the sixth sentence the following:

However, for the calendar year 1943 and subsequent calendar years the withholding agent shall make a quarterly return on Form 1012 on or before the last day of the month following the termination of the quarter for which the return is made. The ownership certificates, Forms 1000 and 1001, must be forwarded to the Commissioner with the quarterly return. Forms 1001 should be listed on the quarterly return. While Forms 1000 need not be listed on the return, the number of such forms submitted and the total amount of interest paid and of the tax withheld on such of the forms as report interest from which the tax is to be withheld should be entered in the spaces provided.

(B) By inserting in the fourth sentence of the second paragraph immediately after the word "monthly" the following: "(quarterly, for the calendar year 1943 and subsequent calendar years)".

Par. 4. Section 19.143-9 is amended by adding after "14" the following: "(and, for a taxable year beginning after December 31, 1942, the Victory tax imposed by section 450)".

Par. 5. Section 19.147-4, as amended by Treasury Decision 5103, is further amended by inserting at the end thereof the following:

> (As to the requirements of filing ownership certificates for bond interest generally in the case of a nonresident alien, a nonresident partnership composed in whole or in part of nonresident aliens, a nonresident foreign corporation or where the owner is unknown, and with respect only to interest on obligations containing a tax-free covenant and issued prior to January 1, 1934 in the case of a citizen or resident of the United States, a resident partnership and nonresident partnership all of the members of which are citizens or residents of the United States, see section 19.143-4).

(This Treasury decision is issued under the authority contained in sections 62 and 147 of the Internal Revenue Code (53 Stat. 32, 64.)

/s/ Guy T. Helvering
Commissioner of Internal Revenue

Approved: December 28, 1942.

/s/ John L. Sullivan
Acting Secretary of the Treasury.

Miss Simpson

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 29, 1942.
12/28/42

Press Service
34-76

The Secretary of the Treasury announced last evening that the tenders for $600,000,000, or thereabouts, of 91-day Treasury bills to be dated December 30, 1942, and to mature March 31, 1943, which were offered on December 24, were opened at the Federal Reserve Banks on December 28.

The details of this issue are as follows:

Total applied for - $930,278,000
Total accepted - 602,950,000

Range of accepted bids: (Excepting two tenders totaling $157,000)

High	- 99.931	Equivalent rate of discount approx. 0.273% per annum
Low	- 99.905	" " " " " 0.376% " "
Average price	- 99.908	" " " " " 0.365% " "

(12 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 20,042,000	$ 18,282,000
New York	628,932,000	313,296,000
Philadelphia	27,264,000	19,762,000
Cleveland	20,691,000	18,831,000
Richmond	15,544,000	15,544,000
Atlanta	17,740,000	17,390,000
Chicago	93,968,000	93,848,000
St. Louis	14,521,000	14,521,000
Minneapolis	19,489,000	19,489,000
Kansas City	9,355,000	9,255,000
Dallas	12,522,000	12,522,000
San Francisco	50,210,000	50,210,000
TOTAL	$930,278,000	$602,950,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 29, 1942.
12/28/42

Press Service
No. 34-76

The Secretary of the Treasury announced last evening that the tenders for $600,000,000, or thereabouts, of 91-day Treasury bills to be dated December 30, 1942, and to mature March 31, 1943, which were offered on December 24, were opened at the Federal Reserve Banks on December 28.

The details of this issue are as follows:

Total applied for - $930,278,000
Total accepted - 602,950,000

Range of accepted bids: (Excepting two tenders totaling $157,000)

High	- 99.931	Equivalent rate of discount approx.	0.273% per annum
Low	- 99.905	" " " " "	0.376% per annum
Average price	- 99.908	" " " " "	0.365% per annum

(12 percent of the amount bid for at the low price was accepted)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 20,042,000	$ 18,282,000
New York	628,932,000	313,296,000
Philadelphia	27,264,000	19,762,000
Cleveland	20,691,000	18,831,000
Richmond	15,544,000	15,544,000
Atlanta	17,740,000	17,390,000
Chicago	93,968,000	93,848,000
St. Louis	14,521,000	14,521,000
Minneapolis	19,489,000	19,489,000
Kansas City	9,355,000	9,255,000
Dallas	12,522,000	12,522,000
San Francisco	50,210,000	50,210,000
TOTAL	$930,278,000	$602,950,000

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issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

o0o

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on January 6, 1943 .
(7)

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

~~ALPHA~~

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, December 31, 1942.
(1)

34-77

The Secretary of the Treasury, by this public notice, invites tenders for $600,000,000 (2), or thereabouts, of 91 (3) -day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated January 6, 1943 (4), and will mature April 7, 1943 (5), when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War ~~Standard~~ time, Monday, January 4, 1943 (6). Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal

34-77

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, December 31, 1942
12/30/42

The Secretary of the Treasury, by this public notice, invites tenders for $600,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated January 6, 1943, and will mature April 7, 1943, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on January 6, 1943.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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34-78

FOR IMMEDIATE RELEASE,
December 29, 1942.

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption As of (Date)	Authorized for entry for consumption (Pounds)
Signatory Countries:			
Brazil	1,535,367,083	Dec. 19, 1942	111,920,906
Colombia	520,084,629	"	106,155,243
Costa Rica	33,019,264	"	1,899,370
Cuba	13,212,917	"	5,742,826
Dominican Republic	17,533,713	"	4,343,954
Ecuador	24,767,094	"	5,553,020
El Salvador	99,680,284	"	7,659,343
Guatemala	88,334,442	"	8,100,568
Haiti	45,400,298	"	17,886,731
Honduras	2,908,617	"	991,321
Mexico	78,758,056	"	4,200,264
Nicaragua	32,462,515	"	67,386
Peru	4,127,276	"	2
Venezuela	61,254,106	"	11,347,803
Non-signatory Countries: British Empire, except Aden and Canada Kingdom of the Netherlands and its possessions Aden, Yemen, and Saudi Arabia Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	16,169,353

1/ Quotas revised.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, December 30, 1942.

Press Service
No. 34-78

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

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Peru	4,127,276	"	2
Venezuela	61,254,106	"	11,347,803
Non-signatory Countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen, and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	16,169,353

1/ Quotas revised.

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~~Secretary~~ State? - Treasury Department
Wash

For Immediate Release

34-79

Secretary Morgenthau announced today that the stabilization arrangement of July 14, 1937, under which the Central Bank of China has been enabled to obtain up to $50,000,000 ~~50 million~~ in U. S. dollar exchange has been extended for a period of six months beyond December 31, 1942.

¶ The Secretary ~~Morgenthau~~ also announced that the Government of China had completely liquidated all obligations which it had incurred in the past under the 1937 arrangement. China's favorable record under this arrangement, the Secretary declared, was another example of China's creditable dealings with the United States.

This arrangement was extended at the request of the Government of China. The Treasury, in accordance with its traditional policy of giving full financial cooperation to the Chinese Government, was pleased to agree to this request, the Secretary ~~stated~~. said.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, December 31, 1942.

Press Service
No. 34-79

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in excess of the withholding deduction, is required on the entire amount of wages paid in January 1943 for the payroll period December 27, 1942 to January 2, 1943, inclusive.

Miss Simpson

97H

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington,

FOR IMMEDIATE RELEASE
Thursday, December 31, 1942

Press ~~Release No.~~ Service No. 34-80

Commissioner of Internal Revenue Guy T. Helvering today said ~~stated~~ that inquiries received by the Bureau indicate that some confusion exists concerning the understanding of employers with respect to their liability for the withholding of the victory tax.

Mr. Helvering ~~stated~~ said that withholding is required if the established payroll period ends on or after January 1, 1943. In such a case the tax is required to be withheld from the full amount of the wages paid in excess of the withholding deduction allowable. However, if the established payroll period ends on or before December 31, 1942, no withholding is required.

EXAMPLES:

(1) In the case of an established semimonthly payroll period ending on the 10th and 25th day of the month, withholding, in excess of the withholding deduction, is required on the entire amount of the wages paid in January, 1943, for the payroll period commencing December 26, 1942, and ending on January 10, 1943.

(2) If the payroll period ends on December 31, 1942, the established monthly payroll period ending on the last day of the month, no withholding will be required.

(3) In the case of an established weekly payroll period ending on the 2nd day of January 1943, withholding,

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Thursday, December 31, 1942.

Press Service
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(3) In the case of an established weekly payroll period ending on the 2nd day of January, 1943, withholding, in excess of the withholding deduction, is required on the entire amount of wages paid in January, 1943 for the payroll period December 27, 1942 to January 2, 1943, inclusive.

-oOo-

"Victory tax." This tax did not go into effect until January 1, 1943, and the first "Victory tax" returns will not be made until 1944.

-o-the amount of income subject to tax, the taxpayer ascertains at a glance, from tables on the back of the form, the amount of tax he owes.

The tables make allowance for personal exemption, earned income credit, and deductions aggregating six percent of gross income. This percentage is used as an average of the deductions which would be claimed if the simplified form were not available.

The Internal Revenue Service officials expect the simplified form to be especially popular among the several million Americans who in 1943 will pay income taxes for the first time.

If the taxpayer's 1942 gross income exceeded $3,000, or came in whole or in part from sources other than salary, wages, dividends, interest and annuities, it is necessary to use Form 1040 in making a return. This form calls for detailed statements on income and also on all expenditures which are claimed as deductions.

Form 1040 A may be easily recognized because it is a single sheet printed on buff paper. Form 1040 is a two-sheet fold, on white paper.

A four-page instruction circular accompanies Form 1040. It gives a digest of the principal income tax requirements applying to individuals.

~~The forms for returns on 1942 incomes contain no reference to the new five percent tax on gross incomes, called the~~

to shore stations throughout the United States, for allotment to its ships.

In two instances, Army commanders in foreign war zones asked for and received authority to use their own resources to reproduce the forms in sufficient numbers to meet the needs of their troops. Cargo space thus was saved.

Congress has authorized deferment of income tax returns and payments for members of the military and naval forces who are on sea duty or are outside the continental United States at the time the returns and payments fall due, but the Internal Revenue Service was informed that many such fighters probably would prefer to file their returns at the usual time.

Forecasts have come from Internal Revenue collectors that the simplified individual income tax return, officially designated as Form 1040 A, will find wide favor among those reporting on 1942 incomes. This form may be used when the income of the taxpayer -- including the total incomes of a man and wife making a joint return -- does not exceed $3,000, and when there are no sources of income other than salary, wages, dividends, interest and annuities. Its use also is limited to "cash basis" returns, which means, generally speaking, that the taxpayer does not keep a set of books.

Use of the simplified form eliminates all but a very few calculations for the income tax payer, and the form is self-explanatory as to these few. After determining from them

Siler-draft of release on income tax forms

Treasury Department
Bureau of Internal Revenue
Washington

34-81

For Immediate release Saturday, Jan. 2, 1943

Printing of 180,000,000 forms for individual income tax returns on 1942 incomes has been substantially completed and distribution of the forms to offices of the nation's sixty-four Internal Revenue collection districts is well under way, it was announced today by Commissioner Guy T. Helvering of the Bureau of Internal Revenue.

Where wartime difficulties of paper supply and transportation have delayed either production or shipment of the forms, every effort is being made to finish supplying the collection offices within the near future, Mr. Helvering said. Collectors in turn are hastening the distribution of forms to the public, by mailing copies to all income tax payers of record and by supplying the forms in quantities to postoffices, banks, public offices and employers generally.

Because of the war, the forms are being sent literally around the world. Supplies of them have been requisitioned by both the Army and the Navy for use of men and women in the services. The Army requested a sufficient number to supply the personnel of ~~sixty-nine~~ scores of military posts outside the continental United States. The Navy requested shipment of forms

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

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Saturday, January 2, 1943.

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Use of the simplified form eliminates all but a very few calculations for the income tax payer, and the form is self-explanatory as to these few. After determining from them the amount of income subject to tax, the taxpayer ascertains at a glance, from tables on the back of the form, the amount of tax he owes.

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The Internal Revenue Service officials expect the simplified form to be especially popular among the several million Americans who in 1943 will pay income taxes for the first time.

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Form 1040 A may be easily recognized because it is a single sheet printed on buff paper. Form 1040 is a two-sheet fold, on white paper.

A four-page instruction circular accompanies Form 1040. It gives a digest of the principal income tax requirements applying to individuals.

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"I am especially pleased that almost all of the $3,906,000,000 increase over our goal of $9,000,000,000 came from non-banking sources."

Treasury officials revealed that in addition to the borrowing, the Treasury received during December approximately $2,700,000,000 in taxes and other collections. When added to the public debt receipts of $12,906,000,000, this makes a total of $15,600,000,000 of funds received last month.

(3)

¶ The following table shows

~~FUNDS~~ FUNDS RAISED DURING THE MONTH OF DECEMBER THROUGH THE SALE OF ~~PUBLIC DEBT SECURITIES~~ ~~U.S. Govt. Securities~~ United States Government securities

(In millions of dollars)

	From Banking Sources		From Non-Banking Sources	Total
Treasury bills	$ 897		-	$ 897
7/8% Certificates	2,117		$1,678	3,795
1-3/4% Treasury bonds ...	2,058		1,003	3,061
2-1/2% Treasury bonds ...	-		2,827	2,827
Tax notes -				
Series A	-	$ 86		
Series C	-	1,226	1,312	1,312
Savings bonds -				
~~Series E~~	-	~~$726~~		
~~Series F~~	-	~~66~~		
~~Series G~~	-	~~222~~	1,014	1,014
	$5,072		$7,834	$12,906

~~January 2, 1943~~

Miss Simpson

34-82

Copy For immediate release,
Saturday, January 2, 1943

Secretary Morgenthau today announced final figures--a history-making total of $12,906,000,000--in the Treasury's December Victory Fund Drive to enlist fighting American dollars against the Axis. Together with tax revenue and the usual Treasury bill and certificate of indebtedness financing to be done in the meanwhile, this unexpectedly large subscription to the Treasury offerings by the investing public gives assurance, he said, that no further drive will be necessary until early April.

"The $12,906,000,000 of borrowing is a reflection of the scale on which the war is being carried to the enemy in our growing offensives," the Secretary said. "It is a measure of the productive and military might of America.

"There is comfort for all of us in this grand response by the people to the war needs of the Treasury. The banks of the country promptly and willingly did their allotted share of the lending for their own account, and they are especially to be commended for the manner in which they urged their own depositors to withdraw funds and invest them in Treasury securities. Insurance companies and other institutional investors also purchased large amounts. Some hundreds of thousands of individual investors were able to purchase the securities, and thus rolled up the total to the largest figure in history for any single borrowing operation.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, January 2, 1943.

Press Service
No. 34-82

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"There is comfort for all of us in this grand response by the people to the war needs of the Treasury. The banks of the country promptly and willingly did their allotted share of the lending for their own account, and they are especially to be commended for the manner in which they urged their own depositors to withdraw funds and invest them in Treasury securities. Insurance companies and other institutional investors also purchased large amounts. Some hundreds of thousands of individual investors were able to purchase the securities, and thus rolled up the total to the largest figure in history for any single borrowing operation.

"I am especially pleased that almost all of the $3,906,000,000 increase over our goal of $9,000,000,000 came from non-banking sources."

Treasury officials revealed that in addition to the borrowing, the Treasury received during December approximately $2,700,000,000 in taxes and other collections. When added to the public debt receipts of $12,906,000,000, this makes a total of $15,600,000,000 of funds received last month.

The following table shows funds raised during the month of December through the sale of United States Government securities:

(In millions of dollars)

	From Banking Sources		From Non-Banking Sources	Total
Treasury bills	$ 897		-	$ 897
7/8% Certificates	2,117		$1,678	3,795
1-3/4% Treasury bonds.	2,058		1,003	3,061
2-1/2% Treasury bonds.	-		2,827	2,827
Tax notes -				
Series A	-	$ 86		
Series C	-	1,226	1,312	1,312
Savings bonds -				
			1,014	1,014
	$5,072		$7,834	$12,906

-oOo-

It applies to all civil employees of the United States, including the President, and to all employees of states, counties and cities.

We believe that the additional work which withholding will impose upon employers, and upon the Government, will be more than offset by the convenience to the taxpayer and by the fact that at least to this extent the taxpayer has been placed upon a pay-as-you-go basis.

We hope that this is the beginning of a system which will enable people to pay a substantial part of all their taxes out of their current income — an arrangement which will be far more satisfactory to the taxpayers and to the Treasury, and which should constitute a formidable weapon with which to combat inflation.

Remember that ~~all~~ income from sources other than wages and salary ~~are~~ is also ~~is~~ subject to the Victory tax, ~~which~~ ~~and is~~ payable in 4 quarterly installments starting March 15, 1944, or in one lump sum — like the regular income tax.

We are well aware that every new tax presents new questions and you may have questions that I have not answered. The Bureau of Internal Revenue is anxious to help every taxpayer and every employer to a complete understanding of the Victory tax, and will welcome inquiries addressed to the Collector of Internal Revenue in your district, or to the Commissioner of Internal Revenue at Washington, D. C.

dependent. This credit constitutes a refund of part of your Victory tax and will be paid back to you after the war. However, if you have purchased certain Government bonds or made payment on your life insurance policies or have reduced old debts in an amount equal to your credit, you are entitled to immediate Victory tax credits, which may be used to help pay your income tax in March, 1944. If you don't owe any income tax, you may get a cash refund immediately after March 15, 1944.

The Victory tax applies to 1943 income, and you will be required to file a Victory tax return on or before March 15, 1944.

Thanks to a new withholding device, the payment of the Victory tax will present for wage and salary earners no sudden problem or great burden, because the money to pay that tax will already have been collected and will be standing to your credit at the United States Treasury. Your employer will deduct from every wage envelope and pay check during the year 5 percent of the amount in excess of $12 per week, and turn that money over quarterly to the Collector of Internal Revenue as prepayment of your Victory tax. Your employer is required to give you a written statement showing how much he has withheld from your wages or salary in 1943. Save that statement. It is your Victory tax receipt.

This special withholding feature applies to practically all wage and salaried people with certain exceptions, such as members of the armed forces, agricultural labor, domestic help, and casual labor.

1-13-43

Final

34-83

Last October Congress enacted our first wartime tax measure. The Revenue Act of 1942 established higher rates for income and other taxes. It also introduced an entirely new tax, the Victory tax. Because it is a new tax and because we have received many questions about it, a few words of explanation would seem appropriate.

For millions of Americans who are already buying War Bonds, the Victory tax and the income tax to be paid this year supply the first opportunity to contribute by direct taxation to meeting the rising costs of war.

The Victory tax became effective January 1st. Everyone who has income over $624 a year other than interest from tax free securities or capital gains must pay the Victory tax. The tax is at the rate of 5 percent on income over this amount.

The Victory tax is an additional tax on personal income, entirely separate from the individual income tax. You cannot deduct personal expenses such as interest payments, other taxes and charitable contributions. However, if you are a farmer or in a profession or business you are permitted to deduct ordinary business expenses.

You will be glad to know that there are certain credits which reduce this Victory tax below 5 percent. The amount of this credit depends upon your personal status. If you are single, you are entitled to a credit of 25 percent of the Victory tax. If you are married you are entitled to a 40 percent credit with 2 percent for each additional

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, January 3, 1943.
1-2-43

Press Service
No. 34-83

(The following address by Assistant Secretary of the Treasury John L. Sullivan over the Mutual Network is scheduled to be broadcast at 10:15 p.m., Eastern War Time, Saturday, January 2, 1943.

Last October Congress enacted our first wartime tax measure. The Revenue Act of 1942 established higher rates for income and other taxes. It also introduced an entirely new tax, the Victory tax. Because it is a new tax and because we have received many questions about it, a few words of explanation would seem appropriate.

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You will be glad to know that there are certain credits which reduce this Victory tax below 5 percent. The amount of this credit depends upon your personal status. If you are single, you are entitled to a credit of 25 percent of the Victory tax. If you are married you are entitled to a 40 percent credit with 2 percent for each additional dependent. This credit constitutes a refund of part of your Victory tax and will be paid back to you after the war. However, if you have purchased certain Government bonds or made payment on your life insurance policies or have reduced old debts in an amount equal to your credit, you are entitled to immediate Victory tax credits, which may be used to help pay your income tax in March 1944. If you don't owe any income tax, you may get a cash refund immediately after March 15, 1944.

The Victory tax applies to 1943 income, and you will be required to file a Victory tax return on or before March 15, 1944.

Thanks to a new withholding device, the payment of the Victory tax will present for wage and salary earners no sudden problem or great burden, because the money to pay that tax will already have been collected and will be standing to your credit at the United States Treasury. Your employer will deduct from every wage envelope and pay check during the year 5 percent of the amount in excess of $12 per week, and turn that money over quarterly to the Collector of Internal Revenue as prepayment of your Victory tax. Your employer is required to give you a written statement showing how much he has withheld from your wages or salary in 1943. Save that statement. It is your Victory tax receipt.

This special withholding feature applies to practically all wage and salaried people with certain exceptions, such as members of the armed forces, argicultural labor, domestic help, and casual labor. It applies to all civil employees of the United States, including the President, and to all employees of states, counties and cities.

We believe that the additional work which withholding will impose upon employers, and upon the Government, will be more than offset by the convenience to the taxpayer and by the fact that at least to this extent the taxpayer has been placed upon a pay-as-you-go basis.

We hope that this is the beginning of a system which will enable people to pay a substantial part of all their taxes out of their current income -- an arrangement which will be far more satisfactory to the taxpayers and to the Treasury, and which should constitute a formidable weapon with which to combat inflation.

Remember that all income from sources other than wages and salary is also subject to the Victory tax, payable in 4 quarterly installments starting March 15, 1944, or in one lump sum -- like the regular income tax.

We are well aware that every new tax presents new questions and you may have questions that I have not answered. The Bureau of Internal Revenue is anxious to help every taxpayer and every employer to a complete understanding of the Victory tax, and will welcome inquiries addressed to the Collector of Internal Revenue in your district, or to the Commissioner of Internal Revenue at Washington, D. C.

-oOo-

January ~~2~~ 4, 1943.

34-84

STATUTORY DEBT LIMITATION
AS OF DECEMBER 31, 1942.

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, "shall not exceed in the aggregate $125,000,000,000 outstanding at any one time."

The following table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$125,000,000,000
Outstanding as of December 31, 1942:			
Interest-bearing:			
Bonds -			
Treasury	$49,268,120,650		
Savings (maturity value)*	18,485,093,400		
Depositary	129,603,000		
Adjusted Service	724,592,657	$68,607,409,707	
Treasury notes	21,163,747,300		
Certificates of indebtedness	14,148,967,500		
Treasury bills (maturity value)	6,626,982,000	41,939,696,800	
		110,547,106,507	
Matured obligations, on which interest has ceased		64,918,100	
Bearing no interest (U.S. War Savings stamps)		221,340,388	110,833,364,995
Face amount of obligations issuable under above authority			$ 14,166,635,005

Reconcilement with Statement of the Public Debt
(On the basis of daily Treasury Statements)
December 31, 1942

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act, as amended		$110,833,364,995
Deduct unearned discount on Savings bonds (difference between maturity value and current redemption value)		3,435,289,484
		107,398,075,511
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Pre-War, etc.)	195,969,620	
Matured obligations on which interest has ceased	10,324,200	
Bearing no interest	565,529,102	771,822,922
Total gross public debt outstanding December 31, 1942		$108,169,898,433

* Approximate maturity value. Principal amount (current redemption value) according to statement of the public debt on the basis of daily Treasury Statements $15,049,803,916.

34-84

January 4, 1943.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, January 5, 1943.

Press Service
34-85

The Secretary of the Treasury announced last evening that the tenders for $600,000,000, or thereabouts, of 91-day Treasury bills to be dated January 6 and to mature April 7, 1943, which were offered on December 31, 1942, were opened at the Federal Reserve Banks on January 4.

The details of this issue are as follows:

Total applied for - $1,242,588,000
Total accepted - 600,104,000

Range of accepted bids: (Excepting one tender of $4,000)

High	- 99.925	Equivalent rate of discount approx. 0.297% per annum
Low	- 99.907	" " " " " 0.368% " "
Average price	- 99.910	" " " " " 0.357% " "

(13 percent of the amount bid for at the low price was accepted.)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 30,835,000	$ 14,894,000
New York	674,072,000	160,729,000
Philadelphia	24,650,000	5,145,000
Cleveland	16,530,000	5,184,000
Richmond	14,362,000	7,041,000
Atlanta	10,144,000	4,235,000
Chicago	356,435,000	352,817,000
St. Louis	10,198,000	7,650,000
Minneapolis	6,176,000	4,902,000
Kansas City	19,640,000	11,053,000
Dallas	8,750,000	4,137,000
San Francisco	70,796,000	22,317,000
TOTAL	$1,242,588,000	$600,104,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 5, 1943
1/4/43

Press Service
No. 34-85

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St. Louis	10,198,000	7,650,000
Minneapolis	6,176,000	4,902,000
Kansas City	19,640,000	11,053,000
Dallas	8,750,000	4,137,000
San Francisco	70,796,000	22,317,000
TOTAL	$1,242,588,000	$600,104,000

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34-86

FOR IMMEDIATE RELEASE,
January ~~6~~, 1943.
7

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption As of (Date)	Authorized for entry for consumption (Pounds)
Signatory Countries:			
Brazil	1,535,367,083	Dec. 26, 1942	121,411,733
Colombia	520,084,629	"	117,140,335
Costa Rica	33,019,264	"	2,352,479
Cuba	13,212,917	"	6,064,741
Dominican Republic	17,533,713	"	4,444,889
Ecuador	24,767,094	"	5,964,294
El Salvador	99,680,284	"	7,659,343
Guatemala	88,334,442	"	8,167,144
Haiti	45,400,298	"	19,398,249
Honduras	2,908,617	"	991,321
Mexico	78,758,056	"	4,372,786
Nicaragua	32,462,515	"	67,386
Peru	4,127,276	"	2
Venezuela	61,254,106	"	11,347,803
Non-signatory Countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen, and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	16,165,992

1/ Quotas revised.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, January 7, 1943.

Press Service
No. 34-86

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

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		As of (Date)	(Pounds)
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Non-signatory Countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen, and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	16,165,992

1/ Quotas revised.

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ALPHA

issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on January 13, 1943 .

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original

Miss Simpson

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34-87

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 8, 1943.

The Secretary of the Treasury, by this public notice, invites tenders for $600,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated January 13, 1943, and will mature April 14, 1943, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern War time, Monday, January 11, 1943. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal

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34-87

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 8, 1943.
1/7/43

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on January 13, 1943.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, January 12, 1943.

Press Service

34-88

The Secretary of the Treasury announced last evening that the tenders for $600,000,000, or thereabouts, of 91-day Treasury bills to be dated January 13 and to mature April 14, 1943, which were offered on January 8, 1943, were opened at the Federal Reserve Banks on January 11.

The details of this issue are as follows:

Total applied for - $1,228,004,000
Total accepted - 601,142,000

Range of accepted bids:

High	- 99.930	Equivalent rate of discount approx. 0.277% per annum
Low	- 99.907	" " " " " 0.368% " "
Average price	- 99.908	" " " " " 0.363% " "

(39 percent of the amount bid for at the low price was accepted.)

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 29,560,000	$ 18,460,000
New York	785,684,000	259,708,000
Philadelphia	37,825,000	28,752,000
Cleveland	29,013,000	25,710,000
Richmond	19,630,000	15,919,000
Atlanta	15,290,000	14,723,000
Chicago	122,342,000	67,807,000
St. Louis	34,010,000	27,398,000
Minneapolis	21,837,000	21,767,000
Kansas City	28,765,000	27,340,000
Dallas	18,988,000	18,076,000
San Francisco	85,060,000	75,482,000
TOTAL	$1,228,004,000	$601,142,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 12, 1943.
1-11-43

Press Service
No. 34-88

The Secretary of the Treasury announced last evening that the tenders for $600,000,000, or thereabouts, of 91-day Treasury bills to be dated January 13 and to mature April 14, 1943, which were offered on January 8, 1943, were opened at the Federal Reserve Banks on January 11.

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Chicago	122,342,000	67,807,000
St. Louis	34,010,000	27,398,000
Minneapolis	21,837,000	21,767,000
Kansas City	28,765,000	27,340,000
Dallas	18,988,000	18,076,000
San Francisco	85,060,000	75,482,000
TOTAL	$1,228,004,000	$601,142,000

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is made light by the realization that it is a small price to pay if it will help us obtain the things that are at stake in the world today," he said.

-oOo-

~~5~~ (3)

¶ Comparing the sales tax and spendings tax, Mr. Surrey said:

~~longer and harder."~~

~~The Treasury official compared "Miss Sales Tax" and "Miss Spendings Tax" as current competitors for popular favor.~~

~~Miss Sales Tax, he said, "isn't really as attractive as she looks at first glance."~~ ¶ "A manufacturer's or a wholesaler's tax would play havoc with price controls, ~~he pointed out,~~ and a retail sales tax would yield little revenue except at very high rates.

~~Miss Spendings Tax, he went on, "wears horn-rimmed glasses and has a highbrow look", but is really quite personable "if we take off the glasses and forget the intellectual pose."~~

The retail sales tax operates on a piecemeal basis and hence it cannot satisfactorily provide the necessary exemption for the lowest income brackets, nor take into account family size and dependency status. ~~" Mr. Surrey said.~~ "Neither can it differentiate between luxury spending and essential expenditures except on the crude and wholly unsatisfactory basis of a classification of articles to be taxed at different rates.

"The spendings tax, however, operates on an overall basis and thus, through exemptions and progressive rates, can accomplish these ends quite readily."

In contemplating the weight of the tax burden, it must be remembered that back of the burden is a record flow of income, Mr. Surrey summed up. "And even the heaviest of burdens the nation's stabilization program.

~~"Another piece in the puzzle is the clamor for a pay-as-you-go plan," the speaker said.~~ "The Treasury Department has said for some time that the best method of placing the income tax on a current basis is through collection at the source," Mr. Surrey declared, "If such collection were made applicable at the normal plus first bracket surtax rate, the vast majority of our taxpayers would be placed on a current basis -- about 25,000,000 ~~million~~ of the estimated 35,000,000 income tax payers. In addition, they would have their income taxes automatically budgeted for them."

The foundations of a collection at the source system have been laid in the 5 percent withholding tax on wages and salaries which is a feature of the Victory tax, according to Mr. Surrey.

With 50,000,000 persons subject to the Victory tax and about 35,000,000 to the regular income tax, "income taxation is now on a shirt sleeves rather than a silk stocking basis," he pointed out, adding that "the case for collection at the source can be rested upon this inescapable fact alone." ~~he said.~~

~~Mr. Surrey suggested that to extend current collection from wage and salary earners, and perhaps the recipients of dividends and interest, to the professional man, the independent contractor, the individual proprietor, the best device~~ ~~suggested~~ ~~proposed so far is the quarterly payment, under which payments would be made on a tentative tax for the~~

~~First draft of Surrey speech abstract~~ ~~10 AM Jan 13~~

Treasury Department
Washington

For Release, Afternoon Newspapers,
Wednesday, January 13, 1943

Press Service
No. 34-89

New York, Jan. 13 -- The simplest, most effective method of placing individual income tax payments on a current basis is collection of the taxes at the source of the income, the National Retail Dry Goods Association was told here today by Stanley S. Surrey, tax legislative counsel of the Treasury Department.

Mr. Surrey addressed the association on the subject, "Some Aspects of the 1943 Tax Picture."

~~He said that "tax jigsaw puzzle" is a more apt description than tax picture, "for this year or any other year". "We have not yet obtained enough of the pieces to start trying to put the puzzle together," he added. "It might be worth while, however, to see just what we have to play with so far."~~

The President's budget message to Congress, forecasting Federal expenditures of more than $100,000,000,000 in the fiscal year 1944 and calling for $16,000,000,000 in new collections "by taxation, savings or both", presented two fiscal problems which serve as a background for all 1943 tax studies, Mr. Surrey said.

The first of these problems, he explained, is how best to supply the funds the Federal Government needs; the second is how to absorb excess purchasing power and thus protect

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS,
Wednesday, January 13, 1943.
1-12-43

Press Service
No. 34-89

New York, Jan. 13 -- The simplest, most effective method of placing individual income tax payments on a current basis is collection of the taxes at the source of the income, the National Retail Dry Goods Association was told here today by Stanley S. Surrey, tax legislative counsel of the Treasury Department.

Mr. Surrey addressed the association on the subject, "Some Aspects of the 1943 Tax Picture."

The President's Budget message to Congress, forecasting Federal expenditures of more than $100,000,000,000 in the fiscal year 1944 and calling for $16,000,000,000 in new collections "by taxation, savings or both", presented two fiscal problems which serve as a background for all 1943 tax studies, Mr. Surrey said.

The first of these problems, he explained, is how best to supply the funds the Federal Government needs; the second is how to absorb excess purchasing power and thus protect the nation's stabilization program.

"The Treasury Department has said for some time that the best method of placing the income tax on a current basis is through collection at the source," Mr. Surrey declared. "If such collection were made applicable at the normal plus first bracket surtax rate, the vast majority of our taxpayers would be placed on a current basis -- about 25,000,000 of the estimated 35,000,000 income taxpayers. In addition, they would have their income taxes automatically budgeted for them."

The foundations of a collection at the source system have been laid in the 5 percent withholding tax on wages and salaries which is a feature of the Victory tax, according to Mr. Surrey.

With 50,000,000 persons subject to the Victory tax and about 35,000,000 to the regular income tax, "income taxation is now on a shirt sleeves rather than a silk stocking basis," he pointed out, adding that "the case for collection at the source can be rested upon this inescapable fact alone."

Comparing the sales tax and spendings tax, Mr. Surrey said:

"A manufacturer's or a wholesaler's tax would play havoc with price controls, and a retail sales tax would yield little revenue except at very high rates. The retail sales tax operates on a piecemeal basis and hence it cannot satisfactorily provide the necessary exemption for the lowest income brackets, nor take into account family size and dependency status. Neither can it differentiate between luxury spending and essential expenditures except on the crude and wholly unsatisfactory basis of a classification of articles to be taxed at different rates.

"The spendings tax, however, operates on an overall basis and thus, through exemptions and progressive rates, can accomplish these ends quite readily."

In contemplating the weight of the tax burden, it must be remembered that back of the burden is a record flow of income, Mr. Surrey summed up. "And even the heaviest of burdens is made light by the realization that it is a small price to pay if it will help us obtain the things that are at stake in the world today," he said.

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or after such date." Thus, the directive supplied by Congress refers not to the period during which the wages were earned but to the time when they were paid.

3. The Commissioner of Internal Revenue has interpreted "paid" liberally to give employees the fairest possible treatment. He ruled that all wages "constructively paid" before January 1, 1943, would be exempt from withholding. That is, wages for payroll periods ending on or before December 31, 1942, even if actually delivered in 1943, were held to be available in 1942 and therefore not subject to Victory tax withholding.

4. Where payroll periods overlapped 1942 and 1943 so that the first wage payment in 1943 covered some income earned at the end of 1942, withholding was required on the whole amount, under the terms of the Revenue Act of 1942. ~~This eased the problem of employers who would otherwise have had to make a complicated allocation of wages between 1942 and 1943 earnings.~~

~~5. Withholding as required under the Act and the Commissioner's ruling is based upon the same income that is reportable and taxable under the income and Victory taxes for everyone who is on a cash basis.~~

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For Release Morning Newspapers Wed, Jan 13, 1943

Treas Dept Wash, D.C.

Press Service No. 34-

For ~~Tuesday pm's~~

Treasury officials said today that the methods developed for administering the withholding provisions of the new Victory Tax were determined upon as the most equitable for all taxpayers affected, under the terms of the statute imposing the tax. The Bureau of Internal Revenue has ruled that withholding from wages for the tax is required if the established payroll period ended on or after January 1, 1943.

Inaccurate and misleading statements as to the Bureau's procedure have been given circulation by ~~several~~ a few writers who have asserted that the law does not cover any money earned late in 1942.

The Internal Revenue ruling was based upon the following considerations:

1. Withholding under the Victory Tax is a collection device rather than a tax in itself. It is merely an advance collection for which the taxpayer gets full credit in March, 1944, when he files his income and Victory Tax return. If the amounts withheld by employers exceed the combined income and Victory Tax liability, the employee will receive a refund from the Collector of Internal Revenue. The withholding feature was designed to help the taxpayer pay his 1943 Victory Tax when it falls due in March, 1944.

2. The Revenue Act of 1942 specifically directs that withholding shall be effective on January 1, 1943, ~~and that withholding~~ and shall apply "to all wages . . . paid on

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, January 13, 1943.
1-12-43

Press Service
No. 34-90

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Corporation returns: 1940 and 1939, number of returns, net income, deficit, and tax

(Money figures in thousands of dollars)

	1940	1939	Increase or decrease (-)	
			Number or amount	Per cent
Number of returns	516,783	515,960	823	.16
Returns with net income 1/:				
Number of returns	220,977	199,479	21,498	10.78
Net income 1/	11,203,224	8,826,713	2,376,511	26.92
Tax liability:				
Income tax	2/ 2,144,292	1,216,450	927,841	76.27
Declared value excess-profits tax	3/ 30,744	15,806	14,938	94.51
Returns with no net income 1/:				
Number of returns	252,065	270,138	- 18,073	- 6.69
Deficit 1/	2,283,795	2,092,148	191,648	9.16
Returns of inactive corporations	43,741	46,343	- 2,602	- 5.61

1/ "Net income" or "Deficit," for 1940, is the amount reported for declared value excess-profits tax computation adjusted by excluding net operating loss deduction; for 1939, is the amount reported for declared value excess-profits tax computation and is the difference between "Total income" and "Total deductions."

2/ Includes income defense tax.

3/ Includes declared value excess-profits defense tax.

TREASURY DEPARTMENT

Washington

FOR RELEASE Morning Newspapers Tuesday, January 19, 1943

Press Service 34-91

Secretary of the Treasury Morgenthau today made public the first of a series of tabulations in advance of the report "Statistics of Income for 1940, Part 2, Compiled from Corporation Income, Declared Value Excess-profits, and Defense Tax Returns and Personal Holding Company Returns," prepared under the direction of Commissioner of Internal Revenue Guy T. Helvering.

SUMMARY DATA

The number of corporation income, declared value excess-profits, and defense tax returns for 1940 is 516,783, of which 220,977 show net income of $11,203,223,957, while 252,065 show a deficit of $2,283,795,190, and 43,741 have no income data (inactive corporations). The income tax is $2,144,291,692, and the declared value excess-profits tax is $30,743,550.

The increase or decrease, 1940 over 1939, in the number of returns, net income, deficit, and tax, follows:

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RETURNS INCLUDED

The data presented in these tabulations are, in general, from returns for the calendar year ending December 31, 1940. However, data from a considerable number of returns for a fiscal year, ending within the period July 1940 through June 1941, are tabulated with the calendar year returns. There are also included part year returns with the greater part of the accounting period in 1940.

Data are tabulated from returns, (1) Form 1120 filed by domestic corporations and resident foreign corporations other than those which are exempt from tax under section 101, Internal Revenue Code as amended, and (2) Form 1120L filed by domestic life insurance companies and by foreign life insurance companies carrying on insurance business within the United States or holding reserve funds upon business transacted within the United States. The data are tabulated from the returns as filed by the taxpayer, and prior to revisions that may be made as a result of audit by the Bureau of Internal Revenue. Data from amended returns or tentative returns are not included in the tabulations.

CHANGES IN LAW AFFECTING CORPORATION RETURNS

The Internal Revenue Code, as amended by the Revenue Act of 1939 and the two Revenue Acts of 1940, introduces certain changes which affect the computation of the taxable net income and the income tax of corporations having taxable years beginning after December 31, 1939. The most significant changes are: (1) Increase in the rates of income tax (including income defense tax) for domestic corporations (other than mutual investment companies).

The rates are as follows:

Normal-tax net income of \$25,000 or less	14.85 per cent of the first \$ 5,000 16.5 per cent of the next 15,000 18.7 per cent of the next 5,000
Normal-tax net income over \$25,000 and not over \$31,964.30	38.3 per cent of amount over \$25,000, plus \$4,152.50
Normal-tax net income over \$31,964.30 and not over \$38,565.89	36.9 per cent of amount over \$25,000, plus \$4,250
Normal-tax net income over \$38,565.89	24 per cent of the entire amount of normal-tax net income

Resident foreign corporations regardless of amount of normal-tax net income, and mutual investment companies regardless of amount of adjusted net income less the basic surtax credit are taxed at the 24 per cent rate.

(2) "Net operating loss deduction" is allowed (except to mutual investment companies) for taxable years beginning after December 31, 1939, and for the first such year represents the excess of statutory deductions over statutory gross income of the preceding taxable year, subject to certain exceptions and limitations.

(3) Gains and losses from sales or exchanges of capital assets are classified as "short-term" or "long-term." A short-term capital gain or loss results from the sale or exchange of a capital asset held for 18 months or less; a long-term capital gain or loss, from the sale or exchange of a capital asset held for more than 18 months.

A net short-term capital gain and a net long-term capital gain or loss are included in computing net income for the current year; but a net short-term capital loss is not deductible in computing net income for the current year. Such loss may be carried over and treated as a short-term capital loss in the succeeding taxable year, in an amount not in excess of the net income for the year in which the loss was sustained.

For the previous taxable year a net capital gain was included in net income, and the deduction for capital loss in excess of gain was limited to $2,000.

(4) Amortization of the cost of emergency facilities necessary for national defense may be deducted. In general, the cost of such facilities completed or acquired after June 10, 1940 may, at the election of the corporation, be written off over a five-year period instead of through the ordinary allowance for depreciation based on estimated useful life.

DEFINITIONS

"Net income" or "Deficit" for 1940 is the amount reported for declared value excess-profits tax computation adjusted by excluding the net operating loss deduction.

"Income tax" for 1940 includes the income defense tax and does not take into account any credit claimed for income tax paid to a foreign country or United States possession.

The "Declared value excess-profits tax" for 1940 is the amount reported as tax liability and includes the declared value excess-profits defense tax. This amount is taken as a deduction in the computation of net income for income tax purposes unless the return is rendered on a cash basis. If the cash basis of accounting is used, the deduction is the amount of declared value excess-profits tax actually paid within the taxable year covered by the return.

"Total compiled receipts" as tabulated consists of gross sales (less returns and allowances), gross receipts from operations (where inventories are not an income-determining factor), taxable interest, rents and royalties, net short-term capital gain, net long-term capital gain, net gain from sale or exchange of property other than capital assets, dividends, other receipts required to be included in gross income, and tax-exempt interest received on Government obligations. "Total compiled receipts" excludes nontaxable income other than tax-exempt interest received on certain Government obligations.

DATA AND CLASSIFICATIONS

In the first of the two attached tables, there are shown, by States and Territories and by returns with net income and with no net income, the number of returns, total compiled receipts, net income, deficit, tax, and dividends paid in cash and assets other than own stock.

The second table shows: Number of returns, net income, and tax for taxable returns by net income classes and by type of tax liability; number of returns and net income for nontaxable returns with net income by net income classes; and number of returns and deficit for returns with no net income by deficit classes.

In analyzing the data, consideration should be given the special provisions of the Internal Revenue Code affecting the computation of gross income, deductions, and net income of insurance companies. Of particular importance are the provisions permitting life insurance companies to include only interest, dividends, and rents in gross income and allowing as deductions the earnings needed to maintain reserve funds required by law and reserve for dividends. For 1940, the deductions for these reserves are $29,804,967 for returns with net income and $933,215,101 for returns with no net income.

Table 1. - Corporation returns, 1940, by States and Territories for returns with net income and with no net income: Number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock

(Money figures in thousands of dollars)

	States and Territories 1/	Total number of returns 2/	Returns with net income 3/						Returns with no net income 3/				
			Number of returns	Total compiled receipts 4/	Net income 3/	Income tax 5/	Declared value excess-profits tax 6/	Dividends paid in cash and assets other than own stock	Number of returns	Total compiled receipts 4/	Deficit 3/	Dividends paid in cash and assets other than own stock	
1	Alabama	3,391	1,761	573,655	43,682	8,908	371	14,165	1,435	89,871	6,386	873	1
2	Alaska	282	109	10,695	1,325	238	4	561	125	4,151	443	31	2
3	Arizona	1,386	564	128,235	8,226	1,611	14	3,347	625	41,203	3,326	447	3
4	Arkansas	2,554	1,382	295,576	19,309	3,871	70	7,127	908	42,175	2,933	155	4
5	California	24,261	10,111	5,615,836	499,053	96,611	1,120	304,849	11,103	1,259,352	135,229	20,641	5
6	Colorado	5,126	1,873	574,166	51,056	10,056	103	31,886	2,556	155,356	14,420	454	6
7	Connecticut	9,348	4,220	2,237,319	224,109	46,996	1,027	94,934	4,565	473,333	44,185	7,466	7
8	Delaware	3,175	1,617	1,733,006	488,952	69,504	290	335,715	1,216	104,005	39,280	5,129	8
9	Dist. of Columbia	2,679	1,442	610,396	51,559	9,244	102	31,102	1,056	198,970	7,897	507	9
10	Florida	9,487	3,955	744,813	54,776	10,136	207	21,990	4,581	188,011	19,194	1,275	10
11	Georgia	5,473	2,994	1,078,683	85,692	17,821	310	38,408	2,258	156,057	8,790	706	11
12	Hawaii	824	571	336,626	35,522	6,510	58	19,554	230	23,908	1,541	535	12
13	Idaho	1,944	698	142,943	13,565	2,600	46	7,783	638	19,007	1,902	277	13
14	Illinois	34,905	16,241	13,711,900	921,383	187,529	2,390	431,962	15,579	1,933,557	239,280	8,953	14
15	Indiana	12,474	5,851	1,933,174	158,165	32,004	675	62,342	4,902	357,577	27,020	948	15
16	Iowa	7,228	3,658	1,055,349	57,593	10,735	170	26,550	2,667	189,475	22,877	1,507	16
17	Kansas	4,247	2,214	603,960	39,291	7,800	41	21,403	1,796	217,514	9,703	2,646	17
18	Kentucky	4,778	2,466	1,006,436	73,280	15,482	185	38,795	1,994	173,488	9,661	2,679	18
19	Louisiana	6,092	2,796	854,898	63,400	12,294	255	37,284	2,748	204,487	12,927	1,420	19
20	Maine	3,568	1,426	400,311	30,054	5,857	282	15,721	1,806	135,877	7,672	635	20
21	Maryland	6,095	2,957	1,224,392	126,154	22,486	404	71,513	2,544	467,848	28,814	4,875	21
22	Massachusetts	23,652	10,284	4,936,909	367,955	71,220	1,635	198,578	12,250	1,287,045	152,720	6,673	22
23	Michigan	15,667	7,728	9,026,052	871,227	188,896	1,780	393,222	6,390	626,931	60,488	2,881	23
24	Minnesota	9,937	4,503	2,095,039	133,041	25,730	217	61,545	4,069	456,029	36,867	2,167	24
25	Mississippi	2,518	1,215	251,673	13,801	2,556	64	6,245	1,105	65,719	4,496	431	25
26	Missouri	14,300	6,645	3,321,044	263,294	55,292	468	139,841	6,359	714,829	62,768	4,674	26
27	Montana	2,502	1,117	191,688	14,601	2,898	38	8,625	1,053	37,216	3,103	351	27
28	Nebraska	4,162	1,905	490,250	36,503	7,381	58	19,696	1,792	109,051	14,392	729	28
29	Nevada	909	302	272,115	14,543	2,387	11	8,030	399	14,700	1,895	178	29
30	New Hampshire	1,479	706	201,076	13,646	2,776	36	8,485	722	53,710	3,132	305	30
31	New Jersey	28,430	9,355	3,623,179	411,971	70,192	795	221,391	17,036	1,165,514	183,071	16,511	31
32	New Mexico	962	455	71,615	4,265	733	21	1,686	401	16,657	1,133	101	32
33	New York	123,835	42,048	32,827,987	3,217,376	567,095	6,379	1,899,785	74,367	6,614,769	636,415	52,128	33
34	North Carolina	6,241	3,626	1,571,579	131,229	27,799	311	59,135	2,348	167,696	9,438	2,327	34
35	North Dakota	2,193	932	86,561	3,447	574	16	1,409	896	26,832	1,711	223	35
36	Ohio	24,758	12,939	8,405,811	750,664	159,548	3,500	333,201	10,489	1,196,031	80,636	11,742	36
37	Oklahoma	5,308	2,203	942,768	74,716	15,214	105	49,203	2,614	371,160	24,221	6,690	37
38	Oregon	4,725	1,954	529,060	34,982	7,052	145	12,452	2,154	141,578	12,384	1,646	38
39	Pennsylvania	24,522	10,853	10,414,579	924,601	180,664	3,299	420,788	11,499	1,467,143	150,812	9,720	39
40	Rhode Island	3,505	1,464	703,253	59,709	11,994	316	28,924	1,768	162,705	9,401	1,021	40
41	South Carolina	3,434	1,800	529,699	33,524	6,780	157	9,161	1,404	71,257	5,509	131	41
42	South Dakota	2,134	918	100,816	4,447	782	12	2,366	974	26,982	1,103	40	42
43	Tennessee	4,731	2,625	972,702	63,856	13,320	316	27,032	1,874	145,794	10,942	2,132	43
44	Texas	15,711	7,366	3,123,356	213,437	42,839	456	142,938	6,887	566,863	58,335	7,127	44
45	Utah	2,555	1,108	265,358	22,070	4,097	36	12,398	1,058	65,987	3,623	159	45
46	Vermont	1,220	521	136,387	15,064	3,109	70	5,677	632	52,756	3,552	173	46
47	Virginia	7,085	3,963	1,278,754	145,858	31,197	884	62,413	2,718	203,987	25,922	1,936	47
48	Washington	10,324	3,986	1,069,337	93,976	17,781	389	47,256	4,402	210,371	24,571	1,689	48
49	West Virginia	4,748	2,395	639,082	49,241	9,754	149	23,363	2,034	142,009	10,501	1,024	49
50	Wisconsin	14,767	6,564	2,178,269	169,354	35,628	935	64,162	6,596	423,853	46,270	3,232	50
51	Wyoming	1,152	591	52,101	4,680	711	23	2,325	443	15,923	902	157	51
	Total	516,783	220,977	125,180,472	11,203,224	2,144,292	30,744	5,888,325	252,065	23,056,316	2,283,795	200,457	

For footnotes, see page 8

Table 2. - Corporation returns, 1940, with net income by net income classes: Taxable, by type of tax liability, showing number of returns, net income, and tax; Nontaxable, showing number of returns and net income; and corporation returns with no net income by deficit classes, showing number of returns and deficit

(Net income and deficit classes and money figures in thousands of dollars)

Net income classes 3/	Returns with net income 3/									
	Total				Taxable					
					Income tax only 7/			Declared value excess-profits tax only 8/		
	Number of returns	Net income 3/	Income tax 5/	Declared value excess-profits tax 6/	Number of returns	Net income 3/	Income tax 5/	Number of returns	Net income 3/	Declared value excess-profits tax 6/
Under 1	77,282	27,791	3,412	116	62,892	22,538	3,099	12	3	(10)
1 under 2	27,056	39,206	4,880	190	21,406	31,028	4,203	6	9	2
2 under 3	16,615	40,944	5,141	207	12,927	31,833	4,289	4	10	(10)
3 under 4	11,955	41,521	5,300	219	9,256	32,168	4,320	1	4	(10)
4 under 5	9,803	44,047	5,757	248	7,700	34,603	4,710	1	5	(10)
5 under 10	24,508	174,912	23,447	928	18,836	134,673	18,712	5	36	1
10 under 15	11,950	146,761	20,526	764	9,151	112,593	16,133	3	38	1
15 under 20	7,245	125,475	17,795	614	5,622	97,533	14,121	-	-	-
20 under 25	5,703	128,152	18,766	578	4,465	100,466	14,942	1	21	(10)
25 under 50	11,058	388,485	73,520	1,788	8,469	297,544	56,706	2	61	(10)
50 under 100	7,355	515,462	106,165	2,420	5,435	380,559	78,177	3	222	5
100 under 250	5,539	858,466	175,482	3,876	4,039	627,226	127,264	-	-	-
250 under 500	2,220	782,570	158,937	2,960	1,634	574,933	115,598	-	-	-
500 under 1,000	1,237	871,395	177,079	2,918	889	624,687	125,485	-	-	-
1,000 under 5,000	1,166	2,424,760	481,611	8,034	857	1,798,070	351,855	-	-	-
5,000 under 10,000	158	1,137,565	219,215	1,480	119	844,675	156,278	-	-	-
10,000 and over	127	3,455,712	647,259	3,401	102	2,853,609	513,130	-	-	-
Total	220,977	11,203,224	2,144,292	30,744	173,799	8,598,738	1,609,023	38	409	9

Net income and deficit classes 3/	Returns with net income 3/ - Continued						Returns with no net income 3/	
	Taxable - Continued				Nontaxable 9/			
	Both income and declared value excess-profits tax							
	Number of returns	Net income 3/	Income tax 5/	Declared value excess-profits tax 6/	Number of returns	Net income 3/	Number of returns	Deficit 3/
Under 1	5,465	2,279	313	115	8,913	2,970	146,742	43,090
1 under 2	3,368	4,914	677	188	2,276	3,256	32,993	47,283
2 under 3	2,494	6,187	852	207	1,190	2,913	17,150	42,074
3 under 4	2,059	7,142	980	219	639	2,208	10,475	36,298
4 under 5	1,685	7,578	1,047	248	417	1,862	7,039	31,484
5 under 10	4,668	33,214	4,735	928	999	6,988	16,443	115,442
10 under 15	2,430	29,685	4,393	763	366	4,446	6,601	80,490
15 under 20	1,411	24,312	3,674	614	212	3,630	3,503	60,633
20 under 25	1,111	24,868	3,823	578	126	2,798	2,153	48,203
25 under 50	2,329	82,111	16,814	1,788	258	8,769	4,448	155,092
50 under 100	1,761	123,982	27,989	2,415	156	10,699	2,287	157,125
100 under 250	1,390	214,168	48,218	3,876	110	17,072	1,354	206,130
250 under 500	544	192,580	43,339	2,960	42	15,057	454	154,145
500 under 1,000	325	230,170	51,595	2,918	23	16,538	201	138,088
1,000 under 5,000	289	575,659	129,756	8,034	20	51,031	179	367,625
5,000 under 10,000	37	276,921	62,937	1,480	2	15,969	22	160,337
10,000 and over	25	602,102	134,129	3,401	-	-	21	440,256
Total	31,391	2,437,872	535,269	30,734	15,749	166,205	11/ 295,806	2,283,795

For footnotes, see page 8

Footnotes for tables 1 and 2.

1/ Returns filed in a State may not be a complete coverage of all corporations whose principal place of business is located therein, as a corporation may file an income tax return either in the collection district in which it has its principal place of business or in the collection district in which it has its principal office or agency, and, conversely, a tabulation for a given State may include data from returns of corporations having their principal place of business in another State.

2/ Includes returns of inactive corporations.

3/ "Net income" or "Deficit" is the amount reported for declared value excess-profits tax computation (item 30, page 1, Form 1120) adjusted by excluding net operating loss deduction (item 26, page 1, Form 1120).

4/ "Total compiled receipts," as tabulated, consists of gross sales (less returns and allowances), gross receipts from operations (where inventories are not an income-determining factor), taxable interest, rents and royalties, net short-term capital gain, net long-term capital gain, net gain from sale or exchange of property other than capital assets, dividends, other receipts required to be included in gross income, and tax-exempt interest received on Government obligations. "Total compiled receipts" excludes nontaxable income other than tax-exempt interest received on certain Government obligations.

5/ Includes income defense tax.

6/ Includes declared value excess-profits defense tax.

7/ Returns with income tax liability but with no declared value excess-profits tax liability are those on which the "Dividends received credit" and the allowance of 10 percent of the declared value of capital stock are in excess of "Net income for declared value excess-profits tax computation" (item 30, page 1, Form 1120).

8/ Returns with declared value excess-profits tax liability but with no income tax liability are those on which "Declared value excess-profits tax" and/or "Interest on obligations of the United States subject to declared value excess-profits tax" are in excess of "Net income for declared value excess-profits tax computation" (item 30, page 1, Form 1120).

9/ Returns with (1) "Net operating loss deduction" equal to or in excess of "Net income" or (2) net income for declared value excess-profits tax computation not in excess of either (a) "Interest on obligations of the United States subject to declared value excess-profits tax" and (b) the sum of "Dividends received credit" and 10 percent of the declared value of capital stock.

10/ Less than $500.

11/ Includes 43,741 returns of inactive corporations.

tax-exempt interest received on Government obligations. "Total compiled receipts" excludes nontaxable income other than tax-exempt interest received on certain Government obligations.

"Net income" or "Deficit" is the amount reported for declared value excess-profits tax computation adjusted by excluding net operating loss deduction.

"Income tax" includes the income defense tax, and does not take into allowance any credit claimed for income tax paid to a foreign country or United States possession.

The "Declared value excess-profits tax" is the amount reported as a tax liability and includes the declared value excess-profits defense tax. This amount is taken as a deduction in the computation of net income for income tax purposes unless the return is rendered on a cash basis. If the cash basis of accounting is used, the deduction is the amount of declared value excess-profits tax actually paid within the taxable year covered by the return.

In analyzing the data, consideration should be given the special provisions of the Internal Revenue Code affecting the computation of gross income, deductions, and net income of insurance companies. Of particular importance are the provisions permitting life insurance companies to include only interest, dividends, and rents in gross income and allowing as deductions the earnings needed to maintain reserve funds required by law and reserve for dividends. For 1940, the deductions for these reserves are $29,804,967 for returns with net income and $933,215,101 for returns with no net income.

TREASURY DEPARTMENT

Washington

FOR RELEASE

Thurs. P.M. 1/21/43

Press Service 34-92

Secretary of the Treasury Morgenthau today made public the second in the series of tabulations in advance of the report "Statistics of Income for 1940, Part 2, Compiled from Corporation Income, Declared Value Excess-profits, and Defense Tax Returns and Personal Holding Company Returns," prepared under the direction of Commissioner of Internal Revenue Guy T. Helvering.

The attached table shows by major industrial groups and minor industrial groups for returns with net income and with no net income, the number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock.

Corporations are classified industrially on the one business activity which accounts for the largest percentage of receipts. Therefore, the industrial groups contain corporations not engaged exclusively in the industries in which they are classified.

"Total compiled receipts" as tabulated consists of gross sales (less returns and allowances), gross receipts from operations (where inventories are not an income-determining factor), taxable interest, rents and royalties, net short-term capital gain, net long-term capital gain, net gain from sale or exchange of property other than capital assets, dividends, other receipts required to be included in gross income, and

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON PAPERS
Thursday, January 21, 1943

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Corporation returns, 1940, by major industrial groups and minor industrial groups for returns with net income and with no net income: Number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock

(Money figures in thousands of dollars)

	Major industrial groups and minor industrial groups 1/	Total number of returns 2/	Returns with net income 3/						Returns with no net income 3/				
			Number of returns	Total compiled receipts 4/	Net income 3/	Income tax 5/	Declared value excess-profits tax 6/	Dividends paid in cash and assets other than own stock	Number of returns	Total compiled receipts 4/	Deficit 3/	Dividends paid in cash and assets other than own stock	
	All industrial groups	516,783	220,977	125,180,472	11,203,224	2,144,292	30,744	5,888,325	252,065	23,056,316	2,283,795	200,457	
	Mining and quarrying	13,335	3,956	2,416,369	314,948	63,692	436	267,964	6,427	848,003	109,442	14,628	
	Metal mining	2,680	380	922,946	175,575	35,269	113	140,111	1,064	94,635	20,188	1,048	
1	Iron	115	26	202,433	9,423	1,788	12	4,683	57	55,505	910	4	1
2	Copper	111	24	397,924	103,575	19,409	6	80,962	38	5,524	7,905	215	2
3	Lead and zinc	234	61	128,769	17,341	3,813	64	14,916	82	6,113	2,553	280	3
4	Gold and silver	1,510	185	112,618	24,570	5,580	16	21,436	621	17,197	6,535	158	4
5	Other metal mining	207	42	43,280	13,279	3,087	9	10,556	90	2,303	1,160	-	5
6	Metal mining not allocable	503	42	37,921	7,386	1,593	7	7,558	176	7,993	1,125	391	6
7	Anthracite mining	145	59	122,793	4,962	790	4	2,755	77	108,679	5,492	-	7
8	Bituminous coal, lignite, peat, etc.	1,965	676	658,961	30,013	5,963	89	16,300	1,080	296,182	15,617	2,296	8
	Crude petroleum and natural gas production	5,649	1,992	475,836	71,140	14,649	75	88,330	3,102	293,862	61,775	11,062	
9	Crude petroleum, natural gas and natural gasoline production	4,945	1,720	378,162	59,923	12,291	41	84,794	2,747	260,162	58,752	10,806	9
10	Field service operations	704	272	97,674	11,217	2,358	34	3,536	355	33,699	3,023	256	10
	Nonmetallic mining and quarrying	1,817	818	229,213	32,612	6,883	151	20,269	860	48,271	5,472	214	
11	Stone, sand, and gravel	1,438	673	145,426	16,964	3,523	135	5,831	678	43,570	3,988	199	11
12	Other nonmetallic mining and quarrying	359	138	82,187	15,615	3,355	16	14,438	169	4,073	1,450	13	12
13	Nonmetallic mining and quarrying not allocable	20	7	1,600	33	5	-	-	13	627	34	2	13
14	Mining and quarrying not allocable	1,079	31	6,620	646	137	4	198	244	6,374	897	7	14
	Manufacturing	88,651	47,168	60,660,270	5,631,949	1,215,160	21,366	2,376,783	38,420	6,330,512	325,409	22,844	
	Food and kindred products	10,645	5,315	9,493,808	444,317	93,794	598	243,634	4,934	1,115,677	36,523	2,071	
15	Bakery products	1,852	820	803,768	48,932	10,957	18	29,582	965	148,016	4,932	55	15
16	Confectionery	632	292	385,856	37,759	8,664	24	22,987	324	55,691	1,867	48	16
17	Canning fruits, vegetables, and sea foods	1,521	788	818,096	66,822	13,535	155	26,957	643	101,033	4,503	118	17
18	Meat products	1,001	586	3,908,377	59,819	11,279	95	23,191	381	305,141	4,071	188	18
19	Grain mill products, except cereal preparations	1,159	632	905,373	33,325	7,277	158	14,736	485	155,856	5,250	250	19
20	Cereal preparations	82	30	138,808	14,760	3,310	2	10,851	47	3,101	264	3	20
21	Dairy products	1,971	1,058	1,139,785	37,210	7,851	73	22,926	851	116,976	2,805	81	21
22	Sugar	169	100	550,080	33,968	7,080	36	20,903	63	115,468	3,827	753	22
23	Other food, including ice, and flavoring syrups	1,907	856	600,801	85,278	18,610	31	55,139	1,020	95,510	8,269	551	23
24	Food and kindred products not allocable	351	175	242,916	26,445	5,251	5	16,401	155	18,884	735	25	24
	Beverages	3,142	1,641	1,545,825	151,993	33,188	142	66,699	1,320	287,880	20,159	344	
25	Malt liquors and malt	621	262	743,180	62,703	14,151	17	30,408	500	153,552	10,966	218	25
26	Distilled, rectified, and blended liquors	321	123	421,580	30,226	6,211	16	12,080	116	74,966	4,025	88	26
27	Wine	168	89	38,125	2,908	609	60	372	71	4,736	385	10	27
28	Nonalcoholic beverages	1,975	1,143	330,381	55,602	12,094	48	23,730	805	47,362	4,636	22	28
29	Beverages not allocable	57	24	12,559	554	123	2	108	28	7,263	146	7	29
30	Tobacco manufactures	296	124	1,394,545	145,279	33,667	29	89,296	162	25,714	5,230	864	30
	Textile-mill products	4,905	2,690	3,486,113	229,746	49,109	988	77,485	2,109	743,443	37,202	1,458	
31	Cotton manufactures	816	582	1,087,181	78,599	16,357	344	27,287	221	180,843	7,321	157	31
32	Woolen and worsted manufactures, including dyeing and finishing	496	297	620,350	38,140	8,457	228	11,286	190	70,609	3,775	280	32
33	Silk manufactures	241	71	32,035	1,206	208	7	187	161	69,418	3,326	291	33
34	Rayon and other synthetic textile-mill manufactures	98	60	206,301	18,962	4,448	36	6,448	37	28,334	866	34	34
35	Knit goods	1,297	610	530,525	23,235	4,902	59	7,278	663	200,428	10,768	433	35
36	Hats, except cloth and millinery	324	144	87,097	3,875	723	11	1,592	173	24,175	519	-	36
37	Carpets and other floor coverings	121	74	209,691	19,295	4,370	98	6,604	42	6,465	472	19	37
38	Dyeing and finishing textiles, except woolen and worsted	527	281	208,265	13,288	2,797	115	3,815	239	49,635	5,140	87	38
39	Other textile-mill products	526	348	239,538	20,652	4,241	53	7,649	163	36,529	1,707	87	39
40	Textile-mill products not allocable	459	223	265,129	12,495	2,606	37	5,339	220	77,006	3,308	69	40

For footnotes, see p. 9

Corporation returns, 1940, by major industrial groups and minor industrial groups for returns with net income and with no net income: Number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock - Continued

(Money figures in thousands of dollars)

	Major industrial groups and minor industrial groups 1/ - Continued	Total number of returns 2/	Returns with net income 3/: Number of returns	Returns with net income 3/: Total compiled receipts 4/	Returns with net income 3/: Net income 3/	Returns with net income 3/: Income tax 5/	Returns with net income 3/: Declared value excess-profits tax 6/	Returns with net income 3/: Dividends paid in cash and assets other than own stock	Returns with no net income 3/: Number of returns	Returns with no net income 3/: Total compiled receipts 4/	Returns with no net income 3/: Deficit 3/	Returns with no net income 3/: Dividends paid in cash and assets other than own stock	
	Manufacturing - Continued												
	Apparel and products made from fabrics	8,540	4,198	1,953,655	59,092	11,520	241	19,736	4,239	555,638	15,795	600	
41	Men's clothing	1,769	943	719,083	27,561	5,519	68	10,031	799	151,436	5,134	174	41
42	Women's clothing	3,604	1,726	771,873	15,946	3,029	66	4,452	1,839	267,617	6,812	87	42
43	Fur garments and accessories	766	415	79,068	1,237	190	15	225	349	25,651	533	7	43
44	Millinery	448	156	31,143	412	56	2	55	291	25,236	656	(10)	44
45	Other apparel and products made from fabrics	1,522	772	294,446	12,360	2,458	77	4,629	727	60,827	1,594	12	45
46	Apparel and products made from fabrics not allocable	451	186	58,041	1,575	267	13	345	234	24,871	1,067	320	46
	Leather and products	2,145	1,139	1,039,203	48,074	9,110	209	22,366	979	251,199	10,330	234	
47	Leather, tanned, curried, and finished	324	202	270,209	13,182	2,778	120	4,537	117	58,661	2,515	27	47
48	Footwear, except rubber	981	492	621,507	29,108	5,180	41	15,749	480	148,004	6,292	142	48
49	Other leather products	803	434	135,637	5,016	974	44	1,798	360	41,949	1,445	65	49
50	Leather and products not allocable	37	11	11,849	768	178	4	282	22	2,585	78	-	50
	Rubber products	602	339	1,113,391	72,712	14,783	280	27,021	247	52,163	1,997	155	
51	Tires and inner tubes	53	30	883,386	54,416	10,853	196	21,733	23	27,296	815	153	51
52	Other rubber products, including rubberized fabrics and clothing	549	309	230,005	18,296	3,929	84	5,288	224	24,867	1,182	2	52
	Lumber and timber basic products	2,752	1,608	928,822	75,772	15,805	563	36,329	1,036	162,910	17,009	1,638	
53	Logging camps and sawmills	1,899	1,112	711,884	60,216	12,496	446	32,360	696	127,098	15,304	1,183	53
54	Planing mills	853	496	216,937	15,555	3,310	117	3,970	340	35,812	1,705	455	54
	Furniture and finished lumber products	4,587	2,398	1,173,732	75,272	15,657	426	27,697	2,099	222,677	12,357	891	
55	Furniture (wood and metal)	2,069	1,156	593,481	39,955	8,306	304	12,213	876	108,548	5,789	113	55
56	Partitions and fixtures	442	187	43,012	2,533	475	10	739	246	16,341	714	22	56
57	Wooden containers	563	306	139,344	7,559	1,517	46	2,702	249	33,964	1,785	309	57
58	Matches	29	12	45,578	2,861	632	(10)	2,101	16	5,511	291	39	58
59	Other finished lumber products, including cork products	1,361	672	304,684	19,666	4,118	53	9,224	655	43,181	3,288	356	59
60	Furniture and finished lumber products not allocable	123	65	47,633	2,698	609	13	717	57	15,131	489	53	60
	Paper and allied products	2,220	1,469	1,811,922	190,143	42,546	300	64,738	713	235,510	8,872	328	
61	Pulp, paper, and paperboard	450	312	848,865	115,592	26,258	176	35,540	129	152,696	4,233	21	61
62	Pulp goods and converted paper products	1,750	1,146	911,462	71,270	15,602	124	28,096	578	80,131	4,444	308	62
63	Paper and allied products not allocable	20	11	51,595	3,281	687	-	1,102	6	2,684	195	-	63
	Printing and publishing industries	11,793	5,612	1,940,992	178,515	36,993	226	88,342	5,819	470,773	30,325	1,097	
64	Newspapers	2,635	1,434	728,681	87,777	18,472	50	48,387	1,148	162,304	13,428	354	64
65	Periodicals	920	420	278,463	25,947	5,573	13	12,871	475	65,623	5,061	43	65
66	Books and music	605	242	125,944	9,069	1,736	10	5,522	330	31,323	2,039	202	66
67	Commercial printing	3,491	1,704	457,640	30,110	6,119	65	11,536	1,749	103,018	4,650	403	67
68	Other printing and publishing	2,165	1,077	210,924	15,280	2,932	37	6,364	1,038	51,069	2,217	51	68
69	Printing and publishing industries not allocable	1,977	735	139,341	10,332	2,162	50	3,663	1,079	57,435	2,930	45	69
	Chemicals and allied products	7,136	3,484	4,640,910	683,168	145,106	734	335,405	3,350	228,344	17,046	595	
70	Paints, varnishes, and colors	957	569	584,252	38,359	7,561	60	19,840	361	36,678	2,339	142	70
71	Soap and glycerin	229	107	484,835	58,349	13,344	23	25,468	118	12,561	415	20	71
72	Drugs, toilet preparations, etc.	2,532	978	623,946	108,651	24,107	109	60,871	1,418	45,676	5,585	95	72
73	Rayon (raw material) and allied products	10	9	115,629	19,927	4,700	(10)	9,529	1	534	206	-	73
74	Fertilizers	330	189	171,266	9,513	1,869	40	4,245	130	16,329	659	83	74
75	Oils, animal and vegetable, except lubricants and cooking oils	286	194	351,312	17,416	3,664	25	5,898	86	31,559	894	47	75
76	Plastic materials	109	50	59,469	8,066	1,881	18	1,919	52	2,953	496	-	76
77	Industrial chemicals	75[illegible]	483	1,639,916	347,148	71,113	311	179,383	239	29,048	2,930	40	77
78	Other chemical products	1,257	617	306,271	35,112	7,690	55	11,841	601	36,851	2,094	120	78
79	Chemicals and allied products not allocable	672	288	304,014	40,627	9,176	94	16,411	344	16,155	1,429	48	79

Corporation returns, 1940, by major industrial groups and minor industrial groups for returns with net income and with no net income: Number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock - Continued

(Money figures in thousands of dollars)

	Major industrial groups and minor industrial groups 1/ - Continued	Total number of returns 2/	Returns with net income 3/						Returns with no net income 3/				
			Number of returns	Total compiled receipts 4/	Net income 3/	Income tax 5/	Declared value excess-profits tax 6/	Dividends paid in cash and assets other than own stock	Number of returns	Total compiled receipts 4/	Deficit 3/	Dividends paid in cash and assets other than own stock	
	Manufacturing - Continued												
	Petroleum and coal products	715	334	5,045,667	267,700	44,751	119	175,246	321	639,284	19,885	10,603	
80	Petroleum refining	509	231	4,801,472	246,429	40,725	45	167,006	231	615,502	17,880	10,563	80
81	Other petroleum and coal products	198	101	243,217	21,255	4,023	74	8,240	84	23,582	1,998	40	81
82	Petroleum and coal products not allocable	8	2	978	16	2	-	-	6	201	7	-	82
	Stone, clay, and glass products	3,601	1,940	1,577,687	213,456	47,294	932	102,537	1,550	136,444	12,244	277	
83	Cut-stone products	553	182	26,297	1,294	224	4	743	358	18,392	2,517	13	83
84	Structural clay products	830	470	168,620	17,295	3,673	91	7,148	336	39,716	4,019	131	84
85	Pottery and porcelain products	222	147	101,254	7,917	1,712	59	3,026	72	10,216	715	43	85
86	Glass and glass products	480	267	536,804	69,185	15,503	227	37,881	200	19,670	1,030	31	86
87	Cement	114	87	206,204	36,421	8,315	52	23,863	24	14,002	883	-	87
88	Concrete and gypsum products, wall-board	988	542	238,055	27,559	6,034	105	10,755	407	25,674	2,128	20	88
89	Abrasives and asbestos products	339	209	287,110	52,951	11,662	391	18,743	121	7,122	811	39	89
90	Stone, clay, and glass products not allocable	75	36	13,342	834	171	3	379	32	1,653	140	-	90
	Iron, steel, and products	6,782	4,552	7,125,364	616,352	137,191	4,798	191,262	2,069	454,623	21,283	486	
91	Blast furnaces and rolling mills	178	138	3,421,881	229,370	51,103	1,722	61,934	34	37,957	1,376	9	91
92	Structural steel, fabricated; ornamental metal work	917	583	311,135	20,686	4,390	113	4,530	324	31,216	1,724	43	92
93	Tin cans and other tinware	89	59	386,853	40,411	9,505	5	20,556	28	14,099	483	(10)	93
94	Hand tools, cutlery, and hardware	888	559	358,497	44,847	9,813	394	17,593	297	20,466	1,389	30	94
95	Heating apparatus, except electrical, and plumbers' supplies	1,233	721	811,557	76,643	17,138	335	26,716	464	66,218	9,959	168	95
96	Other iron, steel, and products (not classified below)	3,258	2,334	1,737,814	196,486	43,574	2,143	58,123	870	263,761	5,789	235	96
97	Iron, steel, and products not allocable	219	158	97,627	7,910	1,668	86	1,812	52	20,906	564	1	97
	Nonferrous metals and their products	2,593	1,596	1,928,199	219,064	48,749	631	68,367	938	83,419	4,776	59	
98	Nonferrous metal basic products	329	232	888,704	80,526	18,397	251	33,164	81	35,535	2,263	8	98
99	Clocks and watches	105	72	117,241	13,863	3,167	75	4,629	30	1,795	166	-	99
100	Jewelry (except costume), silverware, plated ware	612	363	148,798	10,889	2,431	97	3,716	242	14,957	828	15	100
101	Other manufactures of nonferrous metals and their alloys	1,527	918	670,848	106.983	23,138	184	26,817	578	29,974	1,509	36	101
102	Nonferrous metals and products not allocable	20	11	102,607	6,803	1,616	23	40	7	1,158	10	-	102
	Electrical machinery and equipment	1,863	1,059	2,380,418	325,740	74,139	1,245	147,142	728	110,653	7,286	79	
103	Electrical equipment for public utility, manufacturing, mining, transportation (except automotive), and construction use	586	424	1,083,544	173,427	39,269	673	73,314	148	22,172	1,144	58	103
104	Automotive electrical equipment	106	57	108,766	15,166	3,432	130	8,006	41	4,876	392	2	104
105	Communication equipment and phonographs	388	190	537,891	64,838	15,006	119	30,435	174	54,790	3,070	6	105
106	Electrical appliances	179	86	138,990	18,050	4,235	39	7,298	89	9,452	1,289	9	106
107	Other electrical machinery and equipment	476	230	175,398	14,725	3,257	56	5,639	227	14,700	1,079	3	107
108	Electrical machinery and equipment not allocable	128	72	335,829	39,533	8,940	228	22,452	49	4,662	312	-	108
	Machinery, except transportation equipment and electrical	6,042	3,833	4,458,849	651,485	143,896	5,299	217,668	2,006	185,716	13,628	470	
109	Special industry machinery	1,285	774	528,695	67,850	14,425	271	32,319	479	39,701	2,888	254	109
110	General industry machinery	1,930	1,209	996,117	139,275	31,355	1,158	48,309	663	41,890	3,351	32	110
111	Metal-working machinery, including machine tools	902	724	738,609	175,674	40,650	2,529	36,159	158	7,503	1,016	19	111
112	Engines and turbines	107	63	174,741	25,713	5,800	386	5,307	34	3,725	578	-	112

For footnotes, see p. 9

Corporation returns, 1940, by major industrial groups and minor industrial groups for returns with net income and with no net income: Number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock - Continued

(Money figures in thousands of dollars)

No.	Major industrial groups and minor industrial groups 1/ - Continued	Total number of returns 2/	Returns with net income 3/: Number of returns	Returns with net income 3/: Total compiled receipts 4/	Returns with net income 3/: Net income 3/	Returns with net income 3/: Income tax 5/	Returns with net income 3/: Declared value excess-profits tax 6/	Returns with net income 3/: Dividends paid in cash and assets other than own stock	Returns with no net income 3/: Number of returns	Returns with no net income 3/: Total compiled receipts 4/	Returns with no net income 3/: Deficit 3/	Returns with no net income 3/: Dividends paid in cash and assets other than own stock	No.
	Manufacturing - Continued												
	Machinery, except transportation equipment and electrical - Continued												
113	Construction and mining machinery	478	326	460,548	55,528	12,461	409	18,336	142	29,515	1,174	88	113
114	Agricultural machinery	396	204	728,207	79,005	15,267	46	35,753	166	20,837	872	62	114
115	Office and store machines	331	169	346,460	47,824	10,894	34	22,029	141	11,198	1,481	11	115
116	Household and service-industry machines	233	114	239,178	32,930	7,001	71	13,055	101	7,468	508	2	116
117	Machinery, except transportation equipment and electrical, not allocable	380	250	246,294	27,685	6,041	396	6,401	122	23,881	1,759	3	117
	Automobiles and equipment, except electrical	851	498	4,678,608	576,796	127,709	743	249,282	310	118,190	9,411	57	
118	Automobiles, trucks, bodies, and industrial trailers	354	201	3,995,132	490,910	108,447	343	221,897	134	102,539	7,176	56	118
119	Automobile accessories, parts (except electrical), and passenger trailers	482	293	679,239	85,623	19,200	400	27,341	169	15,471	2,205	(10)	119
120	Automobiles and equipment, except electrical, not allocable	15	4	4,236	263	62	(10)	44	7	180	30	-	120
	Transportation equipment, except automobiles	850	426	1,545,560	256,431	57,402	1,856	71,181	361	49,253	7,776	53	
121	Railroad and railway equipment	123	79	485,967	55,798	11,929	88	25,041	35	3,752	202	1	121
122	Aircraft and parts	234	101	645,283	152,055	34,500	630	36,166	100	31,477	6,097	-	122
123	Ship and boat building	444	214	376,733	45,170	10,308	1,128	8,840	211	12,482	1,353	2	123
124	Motorcycles and bicycles	21	16	33,526	3,132	610	10	1,029	5	663	36	-	124
125	Other transportation equipment, except automobiles	23	15	3,596	251	52	1	104	6	324	66	51	125
126	Transportation equipment, except automobiles, not allocable	5	1	455	24	4	-	-	4	554	21	-	126
127	Other manufacturing	4,210	2,030	1,028,994	122,433	26,740	740	45,347	2,045	140,573	9,690	406	127
128	Manufacturing not allocable	2,381	883	368,008	28,407	6,011	266	10,002	1,085	60,428	6,588	78	128
	Public utilities	23,670	11,479	10,441,901	1,592,069	347,346	1,195	1,053,670	10,574	3,268,471	279,029	21,658	
	Transportation	15,631	7,317	5,195,366	583,306	124,052	865	320,023	7,332	2,993,458	253,143	11,491	
129	Railroad, switching, terminal, and passenger car service companies	798	376	2,736,695	269,052	54,612	85	169,571	345	2,156,042	168,047	6,480	129
130	Railway express companies	11	4	120,572	70	9	-	5	5	409	7	-	130
131	Railways, street, suburban, and interurban, including bus lines operated in conjunction therewith	229	69	124,531	5,183	958	4	2,952	128	330,350	53,149	1,788	131
132	Taxicab companies	653	260	49,276	2,948	532	7	843	348	24,053	805	(10)	132
133	Other highway passenger transportation	1,702	837	231,646	33,223	7,183	40	15,556	820	45,939	3,827	65	133
134	Highway freight transportation, warehousing, and storage	7,899	3,705	603,748	37,363	7,366	144	12,927	3,854	204,376	9,486	262	134
135	Air transportation and allied services	687	230	118,135	13,230	3,036	39	1,119	354	15,326	1,620	12	135
136	Pipe line transportation	241	147	253,986	81,579	19,450	10	49,691	71	41,549	4,863	704	136
137	Water transportation	1,751	955	731,581	108,610	23,712	428	46,960	651	141,639	8,608	1,663	137
138	Services incidental to transportation	1,435	659	208,586	31,002	6,979	100	19,877	673	29,917	2,341	491	138
139	Transportation not allocable	225	75	16,608	1,046	215	8	523	83	3,858	390	27	139
	Communication	3,906	1,784	1,508,654	286,242	65,055	100	200,957	1,890	55,073	7,126	805	
140	Telephone (wire and radio)	3,172	1,373	1,226,118	254,077	57,876	15	185,177	1,638	24,107	2,586	799	140
141	Telegraph (wire and radio) and cable	75	21	129,245	5,418	1,103	39	2,835	47	21,967	3,186	-	141
142	Radio broadcasting and television	650	389	153,273	26,746	6,075	45	12,944	197	7,862	1,022	6	142
143	Other communication	9	1	18	(10)	(10)	-	1	8	1,137	332	-	143
	Other public utilities	4,133	2,378	3,737,881	722,521	158,238	231	532,690	1,352	219,939	18,760	9,362	
144	Electric light and power	1,207	761	2,829,974	574,760	124,757	95	430,745	323	144,186	8,231	7,744	144
145	Gas, distribution and manufacture	769	460	786,482	124,713	28,609	44	86,294	273	54,837	6,760	506	145
146	Water	1,775	977	82,113	18,883	3,986	85	13,419	605	14,081	2,921	832	146
147	Utilities not elsewhere classified	241	112	22,687	1,816	355	5	615	109	4,565	270	204	147
148	Other utilities not allocable	141	68	16,626	2,349	531	1	1,617	42	2,270	578	76	148

For footnotes, see p. 9

Corporation returns, 1940, by major industrial groups and minor industrial groups for returns with net income and with no net income: Number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock - Continued

(Money figures in thousands of dollars)

	Major industrial groups and minor industrial groups 1/ - Continued	Total number of returns 2/	Returns with net income 3/						Returns with no net income 3/				
			Number of returns	Total compiled receipts 4/	Net income 3/	Income tax 5/	Declared value excess-profits tax 6/	Dividends paid in cash and assets other than own stock	Number of returns	Total compiled receipts 4/	Deficit 3/	Dividends paid in cash and assets other than own stock	
	Trade	143,022	71,766	40,022,103	1,270,122	262,928	4,913	504,738	68,083	7,193,940	187,899	7,727	
	Wholesale	38,323	22,296	19,088,709	496,601	100,142	2,357	170,054	15,206	2,800,950	60,229	2,946	
149	Commission merchants	4,778	2,406	516,858	39,026	7,076	185	17,362	2,233	121,604	5,258	620	149
	Other wholesalers	33,545	19,890	18,571,851	457,575	93,066	2,172	152,692	12,973	2,679,347	54,972	2,326	
150	Food, including market milk dealers	7,031	3,673	3,871,375	57,607	11,602	213	24,024	3,204	934,725	13,757	647	150
151	Alcoholic beverages	1,391	794	796,149	17,420	3,447	65	3,634	547	106,275	2,990	13	151
152	Apparel and dry goods	3,026	1,699	1,058,177	25,334	4,902	179	7,380	1,286	230,010	5,984	280	152
153	Chemicals, paints, and drugs	1,604	862	1,039,399	35,568	7,832	102	12,090	705	60,855	2,000	61	153
154	Hardware, electrical goods, plumbing and heating equipment	2,821	1,955	1,534,665	54,961	11,912	233	18,609	829	111,095	3,227	41	154
155	Lumber and millwork	1,265	869	457,718	13,826	2,643	155	3,604	373	52,025	1,515	25	155
156	Wholesalers, not elsewhere classified	14,065	8,728	8,769,619	224,483	45,608	1,088	71,419	5,072	1,007,446	22,434	1,030	156
157	Wholesalers, not allocable	2,342	1,310	1,044,749	28,376	5,121	137	11,932	957	176,915	3,065	227	157
	Retail	87,604	40,619	17,964,312	639,635	134,937	1,451	273,096	45,179	3,614,014	105,053	3,263	
	General merchandise	6,623	3,575	5,596,299	320,842	73,378	282	153,539	2,927	293,921	11,163	325	
158	Department, dry goods, other general merchandise	5,953	3,295	4,486,699	244,720	55,446	270	105,478	2,554	272,903	10,205	311	158
159	Limited-price variety stores	405	180	984,255	70,941	16,753	5	45,539	217	8,788	401	7	159
160	Mail-order houses	265	100	125,346	5,182	1,179	7	2,522	156	12,230	558	8	160
161	Food stores, including market milk dealers	7,064	2,492	3,543,027	68,802	15,218	73	37,838	4,368	592,283	12,366	241	161
162	Package liquor stores	1,723	733	56,289	957	135	8	46	970	41,073	882	7	162
163	Drug stores	5,571	1,960	459,543	17,067	3,049	68	7,393	3,476	171,706	4,046	27	163
164	Apparel and accessories	11,616	5,174	1,570,335	56,448	11,228	153	18,709	6,227	388,049	14,823	382	164
165	Furniture and house furnishings	5,771	2,992	727,991	28,513	5,540	83	7,205	2,699	167,111	7,330	129	165
166	Eating and drinking places	9,839	2,678	438,876	16,619	3,045	59	7,452	6,945	352,874	13,134	70	166
	Automotive dealers	10,983	6,266	3,092,268	45,201	8,138	225	13,054	4,456	794,922	11,104	535	
167	Automobiles and trucks	9,821	5,715	2,882,002	35,566	5,994	211	10,142	3,862	763,651	9,881	529	167
168	Accessories, parts, etc.	1,162	551	210,266	9,635	2,144	14	2,912	594	31,271	1,223	6	168
169	Filling stations	2,751	1,079	235,006	9,246	1,901	22	4,897	1,596	82,984	2,127	19	169
170	Hardware	2,876	1,365	137,293	4,348	726	37	1,082	1,485	51,795	2,157	23	170
171	Building materials, fuel and ice	8,969	5,091	976,127	34,069	5,856	184	12,097	3,721	296,792	10,206	532	171
172	Other retail trade	8,595	4,338	680,595	25,444	4,652	171	6,219	4,065	239,012	10,957	650	172
173	Retail trade not allocable	5,223	2,876	450,663	12,079	2,071	85	3,566	2,244	141,492	4,759	323	173
174	Trade not allocable	17,095	8,851	2,969,082	133,887	27,849	1,106	61,588	7,698	778,977	22,617	1,518	174
	Service	45,368	16,091	2,617,761	203,365	36,558	408	89,989	25,294	1,228,371	95,351	1,419	
175	Hotels and other lodging places	5,025	1,718	305,252	17,762	3,155	42	5,916	3,134	337,876	31,753	232	175
	Personal service	9,587	3,763	429,799	22,033	3,871	74	7,725	5,493	229,983	9,876	290	
176	Laundries, cleaners, and dyers	5,081	2,263	336,991	16,703	2,995	51	5,534	2,614	166,550	6,347	218	176
177	Photographic studios	600	177	17,616	730	130	1	264	405	12,378	783	11	177
178	Other personal service	3,882	1,309	74,699	4,482	732	22	1,832	2,465	50,968	2,744	62	178
179	Personal service not allocable	24	14	494	119	13	(10)	94	9	86	2	-	179
	Business service	8,180	3,247	631,376	45,872	9,382	72	25,213	4,315	164,229	16,863	205	
180	Advertising	2,197	1,011	360,069	19,467	4,091	16	11,282	1,039	62,781	7,804	114	180
181	Other business service	5,953	2,223	268,171	25,660	5,179	56	13,609	3,259	101,243	8,092	91	181
182	Business service not allocable	30	13	3,136	745	112	(10)	322	17	205	967	-	182
183	Automotive repair services and garages	3,922	1,273	88,666	3,994	696	17	1,248	2,530	79,066	3,779	40	183
184	Miscellaneous repair services, hand trades	1,443	591	44,425	2,246	416	18	902	825	17,046	749	24	184
	Motion pictures	4,682	2,353	810,515	78,983	12,525	74	37,336	2,118	196,338	10,522	329	
185	Motion-picture production	633	189	346,668	33,354	4,179	31	12,390	368	72,242	4,867	201	185
186	Motion-picture theatres	4,049	2,164	463,848	45,629	8,346	43	24,945	1,750	124,096	5,654	129	186
187	Amusement, except motion pictures	5,492	1,528	157,155	19,467	4,025	50	6,935	3,330	86,242	11,919	206	187
188	Other service, including schools	6,809	1,550	146,947	12,755	2,443	52	4,642	3,438	115,511	9,674	86	188
189	Service not allocable	228	68	3,627	252	45	10	73	111	2,081	217	6	189

For footnotes, see p.9

Corporation returns, 1940, by major industrial groups and minor industrial groups for returns with net income and with no net income: Number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock - Continued

(Money figures in thousands of dollars)

	Major industrial groups and minor industrial groups 1/ - Continued	Total number of returns 2/	Returns with net income 3/						Returns with no net income 3/				
			Number of returns	Total compiled receipts 4/	Net income 3/	Income tax 5/	Declared value excess-profits tax 6/	Dividends paid in cash and assets other than own stock	Number of returns	Total compiled receipts 4/	Deficit 3/	Dividends paid in cash and assets other than own stock	
	Finance, insurance, real estate, and lessors of real property	154,490	58,988	6,558,215	2,030,903	189,137	1,164	1,535,969	83,614	3,355,013	1,162,538	119,161	
	Finance	41,022	22,398	3,811,800	1,650,210	120,397	545	1,283,257	15,064	577,755	458,552	75,993	
190	Banks and trust companies	17,376	11,422	1,621,276	319,297	21,724	307	215,922	4,451	312,267	80,306	20,536	190
191	Long-term credit agencies, mortgage companies, except banks	3,283	1,109	26,992	5,495	973	7	3,536	1,878	30,248	22,982	1,059	191
	Short-term credit agencies, except banks	5,860	3,558	379,604	118,996	24,718	95	68,406	1,924	28,926	5,989	1,513	
192	Sales finance and industrial credit	2,489	1,453	230,954	75,119	15,654	50	43,323	881	15,698	3,111	962	192
193	Personal credit	2,301	1,507	129,930	39,414	8,281	35	22,559	668	10,501	2,195	335	193
194	Other short-term credit agencies	344	168	3,096	691	108	5	362	136	877	257	68	194
195	Short-term credit agencies, except banks, not allocable	726	430	15,625	3,772	675	4	2,162	239	1,850	426	148	195
	Investment trusts and investment companies 7/	4,198	2,411	240,218	166,610	6,512	27	157,168	1,654	46,719	116,266	17,148	
196	Management type	657	362	88,543	55,453	1,808	9	60,365	279	32,856	69,779	14,448	196
197	Fixed or semifixed type	209	132	33,598	31,796	1,089	(10)	25,923	71	1,543	1,066	192	197
198	Installment investment plans and guaranteed face-amount certificates	70	24	16,273	602	20	(10)	209	43	2,026	378	6	198
199	Mineral, oil, and gas royalty companies	190	85	1,048	429	77	(10)	465	75	442	377	23	199
200	Investment trusts and investment companies not allocable	3,072	1,808	100,756	78,329	3,519	18	70,206	1,186	9,851	44,666	2,479	200
	Other investment companies, including holding companies	2,327	1,441	1,362,837	973,624	58,773	46	801,653	809	95,722	171,589	26,715	
201	Holding companies 8/	1,321	798	894,587	691,468	39,467	36	558,059	458	78,173	160,076	24,834	201
202	Operating-holding companies 9/	1,006	643	468,250	282,156	19,306	10	243,594	351	17,549	11,513	1,881	202
203	Security and commodity-exchange brokers and dealers	2,128	886	99,565	16,900	2,764	22	11,209	1,125	37,904	12,193	6,845	203
204	Other finance companies	2,277	618	53,738	22,054	4,157	28	19,060	1,219	13,562	23,404	388	204
205	Finance not allocable	3,573	953	27,569	7,235	975	13	6,323	2,004	12,407	25,823	1,791	205
	Insurance carriers, agents, etc.	8,536	4,007	1,669,442	163,639	23,217	190	100,254	4,131	1,724,133	395,906	28,448	
	Insurance carriers	2,058	780	1,505,024	134,555	17,744	3	83,147	1,101	1,683,910	393,089	28,313	
206	Life insurance companies	785	155	46,349	4,702	738	-	3,109	544	1,182,074	198,364	18,531	206
207	Mutual insurance, except life	347	57	28,952	1,482	107	(10)	471	251	196,921	132,422	204	207
208	Other insurance carriers	926	568	1,429,722	128,370	16,898	3	79,568	306	304,915	62,302	9,578	208
209	Insurance agents, brokers, etc.	6,478	3,227	164,418	29,084	5,473	186	17,107	3,030	40,224	2,817	135	209
	Real estate, including lessors of buildings	96,618	29,825	890,225	142,018	24,148	377	75,214	59,909	1,011,070	286,084	12,429	
210	Owner operators and lessors of buildings	71,013	23,187	669,800	114,237	19,881	213	61,008	46,462	824,328	200,094	8,713	210
211	Lessee operators of buildings	2,816	907	46,706	4,691	790	7	1,597	1,845	68,322	12,395	630	211
212	Owners for improvement	5,094	1,203	49,799	5,305	834	46	1,468	3,219	44,096	23,424	722	212
213	Trading for own account	3,054	756	10,284	2,492	337	19	964	1,997	11,055	14,683	748	213
214	Real estate agents, brokers, etc.	3,258	1,227	42,676	3,510	562	17	1,805	1,817	22,681	3,019	75	214
215	Title abstract companies	1,411	666	21,462	2,753	443	12	2,361	663	4,003	358	9	215
216	Real estate, including lessors of buildings, not allocable	9,972	1,879	49,498	9,030	1,301	64	6,011	3,906	36,586	32,112	1,531	216
	Lessors of real property, except buildings	8,314	2,758	186,749	95,036	21,375	53	77,244	4,510	42,054	21,996	2,291	
217	Agricultural, forest, etc. properties	1,454	429	5,196	1,895	317	2	1,248	916	3,804	3,725	371	217
218	Mining, oil, etc. properties	3,255	1,392	69,879	31,495	6,868	43	29,541	1,630	12,509	9,867	901	218
219	Railroad properties	294	174	77,542	47,707	11,178	(10)	36,506	87	20,687	2,210	772	219
220	Public-utility properties	288	146	28,177	11,049	2,542	2	7,995	116	1,732	2,124	28	220
221	Other real property, except buildings	2,734	511	3,556	1,716	301	3	956	1,615	1,593	2,667	140	221
222	Lessors of real property, except buildings, not allocable	289	106	2,399	1,174	169	4	999	146	1,730	1,403	79	222

For footnotes, see p. 9

Corporation returns, 1940, by major industrial groups and minor industrial groups for returns with net income and with no net income: Number of returns, total compiled receipts, net income, deficit, income tax, declared value excess-profits tax, and dividends paid in cash and assets other than own stock - Continued

(Money figures in thousands of dollars)

	Major industrial groups and minor industrial groups 1/ - Continued	Total number of returns 2/	Returns with net income 3/						Returns with no net income 3/				
			Number of returns	Total compiled receipts 4/	Net income 3/	Income tax 5/	Declared value excess-profits tax 6/	Dividends paid in cash and assets other than own stock	Number of returns	Total compiled receipts 4/	Deficit 3/	Dividends paid in cash and assets other than own stock	
	Construction	16,830	6,716	1,903,570	101,702	18,858	934	29,850	9,033	624,415	33,861	1,055	
223	General contractors	7,760	3,042	1,339,069	80,821	15,166	625	25,041	4,009	399,650	24,421	935	223
224	Special trade contractors	8,812	3,636	557,049	20,524	3,631	303	4,699	4,919	221,412	9,151	121	224
225	Construction not allocable	258	38	7,452	357	61	6	109	105	3,353	289	-	225
	Agriculture, forestry, and fishery	8,943	3,213	484,176	49,269	9,190	282	24,421	5,187	159,243	32,307	1,486	
226	Agriculture and services	8,005	2,963	450,072	45,887	8,542	200	23,090	4,577	145,979	23,061	591	226
227	Forestry	573	118	10,319	1,436	276	17	932	400	6,974	8,061	885	227
228	Fishery	365	132	23,785	1,947	372	66	399	210	6,290	1,185	10	228
229	Nature of business not allocable, except trade	22,474	1,600	76,105	8,897	1,423	43	4,941	5,433	48,348	57,959	10,479	229

1/ Corporations are classified industrially on the one business activity which accounts for the largest percentage of receipts. Therefore, the industrial groups contain corporations not engaged exclusively in the industries in which they are classified. The industrial groups are based on the Standard Industrial Classification, issued by the Division of Statistical Standards, Bureau of the Budget, Executive Office of the President. Charts showing the changes that occur between the industrial classifications in this table and those for 1939 will be published in "Statistics of Income for 1940, Part 2."

2/ Includes returns of inactive corporations.

3/ "Net income" or "Deficit" is the amount reported for declared value excess-profits tax computation adjusted by excluding net operating loss deduction (items 30 and 26, respectively, page 1, Form 1120).

4/ "Total compiled receipts," as tabulated, consists of gross sales (less returns and allowances), gross receipts from operations (where inventories are not an income-determining factor), taxable interest, rents and royalties, net short-term capital gain, net long-term capital gain, net gain from sale or exchange of property other than capital assets, dividends, other receipts required to be included in gross income, and tax-exempt interest received on Government obligations. "Total compiled receipts" excludes nontaxable income other than tax-exempt interest received on certain Government obligations.

5/ Includes income defense tax.

6/ Includes declared value excess-profits defense tax.

7/ Consists of corporations which derived 90 percent or more of receipts from investments and which at no time during the taxable year had investments in corporations in which they owned 50 percent or more of the voting stock.

8/ Consists of corporations which derived 90 percent or more of receipts from investments and which at some time during the taxable year had investments in corporations in which they owned 50 percent or more of the voting stock.

9/ Consists of corporations which derived less than 90 percent but more than 50 percent of receipts from investments.

10/ Less than $500.

companies to include only interest, dividends, and rents in gross income and allowing as deductions the earnings needed to maintain reserve funds required by law and reserve for dividends. For 1940, the deductions for these reserves are $29,804,967 for returns with net income and $933,215,101 for returns with no net income.

TREASURY DEPARTMENT

Washington

FOR RELEASE, Morning Newspapers
Monday, January 20, 1943

Press Service
34-93

Secretary of the Treasury Morgenthau today made public the third in the series of tabulations in advance of the report "Statistics of Income for 1940, Part 2, Compiled from Corporation Income, Declared Value Excess-profits, and Defense Tax Returns and Personal Holding Company Returns," prepared under the direction of Commissioner of Internal Revenue Guy T. Helvering.

The following table shows by major industrial groups the number of returns for corporations reporting income data, items of compiled receipts and compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, compiled net profit less total tax, and dividends paid.

Corporations are classified industrially on the one business activity which accounts for the largest percentage of receipts. Therefore, the industrial groups contain corporations not engaged exclusively in the industries in which they are classified.

In analyzing the data, consideration should be given the special provisions of the Internal Revenue Code affecting the computation of gross income, deductions, and net income of insurance companies. Of particular importance are the provisions permitting life insurance

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Monday, January 25, 1943

Press Service
34-93

Secretary of the Treasury Morgenthau today made public the third in the series of tabulations in advance of the report "Statistics of Income for 1940, Part 2, Compiled from Corporation Income, Declared Value Excess-profits, and Defense Tax Returns and Personal Holding Company Returns," prepared under the direction of Commissioner of Internal Revenue Guy T. Helvering.

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In analyzing the data, consideration should be given the special provisions of the Internal Revenue Code affecting the computation of gross income, deductions, and net income of insurance companies. Of particular importance are the provisions permitting life insurance companies to include only interest, dividends, and rents in gross income and allowing as deductions the earnings needed to maintain reserve funds required by law and reserve for dividends. For 1940, the deductions for these reserves are $29,804,967 for returns with net income and $933,215,101 for returns with no net income.

Corporation returns, 1940, by major industrial groups: Number of returns, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid

(Money figures in thousands of dollars)

		Major industrial groups 1/												
			Mining and quarrying							Manufacturing				
		All industrial groups	Total mining and quarrying	Metal mining	Anthracite mining	Bituminous coal, lignite, peat, etc.	Crude petroleum and natural gas production	Non-metallic mining and quarrying	Mining and quarrying not allocable	Total manufacturing	Food and kindred products	Beverages	Tobacco manufacturers	
1	Number of returns 4/	473,042	10,383	1,444	136	1,756	5,094	1,678	275	85,588	10,249	2,961	286	1
	Receipts:													
2	Gross sales 5/	114,641,817	2,896,822	956,954	216,247	878,103	577,493	256,774	11,252	64,549,386	10,422,326	1,806,302	1,404,342	2
3	Gross receipts from operations 6/	24,482,535	217,077	12,542	4,865	38,032	146,779	13,409	1,449	1,205,511	58,598	6,294	1,502	3
4	Interest, not on Government obligations	2,495,828	9,270	2,542	403	2,044	3,833	409	40	103,534	9,832	1,740	1,158	4
5	Rents and royalties 7/	2,023,567	48,573	5,340	4,806	22,232	14,181	1,945	69	216,317	18,029	3,895	2,491	5
6	Net capital gain 8/	188,347	8,411	882	25	1,167	5,650	686	1	28,834	1,044	285	453	6
7	Net gain, sales other than capital assets 9/	178,273	4,969	333	222	773	3,347	213	82	22,557	2,389	498	59	7
8	Dividends, domestic corporations 10/	2,020,731	43,106	30,443	101	3,845	7,206	1,510	1	372,957	29,282	2,564	5,027	8
9	Dividends, foreign corporations 11/	244,874	1,782	1,695	1	38	46	1	1	121,460	16,535	577	595	9
10	Other receipts, not interest on Government obligations	1,177,423	31,632	5,676	4,595	8,407	10,464	2,395	95	347,568	49,599	11,078	4,097	10
	Interest on Government obligations:													
11	Subject to excess-profits tax 12/	354,600	1,701	667	198	369	370	92	5	12,192	903	228	335	11
12	Wholly tax-exempt 13/	428,792	1,030	506	10	133	331	51	(30)	10,466	950	244	199	12
13	Total compiled receipts 14/	148,236,787	3,264,372	1,017,581	231,472	955,143	769,698	277,484	12,995	66,990,782	10,609,486	1,833,704	1,420,259	13
	Deductions:													
14	Cost of goods sold 15/	86,739,133	1,864,826	571,340	174,399	695,368	266,329	148,653	8,736	47,037,642	8,398,792	974,521	1,025,102	14
15	Cost of operations 16/	12,297,318	128,886	6,563	3,231	23,478	87,674	7,044	896	672,400	12,930	1,313	680	15
16	Compensation of officers	25/ 2,949,533	50,052	6,058	1,827	10,301	20,786	10,779	301	1,076,801	99,101	31,390	6,721	16
17	Rent paid on business property	1,966,120	16,304	910	765	4,777	7,766	2,051	35	309,569	34,212	5,983	1,613	17
18	Repairs 17/	1,236,945	59,289	14,134	5,289	21,631	8,666	9,325	244	859,909	85,581	12,555	2,236	18
19	Bad debts	617,281	11,293	2,754	3,045	2,152	2,263	1,063	15	141,327	14,948	6,324	674	19
20	Interest paid	2,700,558	55,571	9,391	7,307	11,443	23,482	3,822	125	358,058	36,715	12,235	5,933	20
21	Taxes paid 18/	4,316,756	139,158	51,971	10,216	37,461	30,367	8,664	480	1,831,396	174,561	295,944	101,003	21
22	Contributions or gifts 19/	38,124	577	253	30	79	117	96	2	18,530	2,038	755	181	22
23	Depreciation	3,520,195	167,096	35,752	6,107	38,410	71,620	14,499	708	1,530,482	146,552	38,809	7,788	23
24	Depletion	474,866	237,014	89,930	6,758	20,012	111,035	8,752	526	196,253	223	1	-	24
25	Amortization 20/	7,593	63	7	-	2	54	1	-	5,980	92	9	-	25
26	Net long-term capital loss 8/	702,738	18,006	3,984	363	4,154	8,285	1,206	13	111,068	15,414	2,543	4,330	26
27	Net loss, sales other than capital assets 9/	335,960	17,983	8,569	418	1,652	6,584	670	89	59,934	7,267	3,767	2,338	27
28	Other deductions	26/ 20,985,446	291,719	60,072	12,237	69,694	114,973	33,669	1,074	7,414,430	1,172,317	315,476	121,412	28
29	Total compiled deductions	27/138,888,566	3,057,835	861,688	231,992	940,615	760,002	250,293	13,245	61,673,777	10,200,742	1,701,625	1,280,011	29
30	Compiled net profit or net loss (13 less 29)	9,348,221	206,537	155,892	28/ 520	14,529	9,695	27,191	28/ 250	5,317,005	408,744	132,079	140,248	30
31	Net income or deficit 21/ (30 less 12)	8,919,429	205,507	155,387	28/ 530	14,396	9,365	27,140	28/ 250	5,306,540	407,794	131,834	140,049	31
32	Net operating loss deduction 22/	122,898	6,847	1,345	1,381	1,644	1,638	824	14	42,122	3,678	494	156	32
33	Income tax 23/	2,144,292	63,692	35,269	790	5,963	14,649	6,883	137	1,215,160	93,794	33,188	33,667	33
34	Declared value excess-profits tax 24/	30,744	436	113	4	89	75	151	4	21,366	598	142	29	34
35	Total tax	2,175,035	64,128	35,382	794	6,052	14,724	7,035	140	1,236,526	94,392	33,331	33,696	35
36	Compiled net profit less total tax (30 less 35)	7,173,186	142,409	120,510	29/1,315	8,476	29/5,029	20,157	29/ 391	4,080,479	314,352	98,748	106,552	36
	Dividends paid:													
37	Cash and assets other than own stock	6,088,761	282,591	141,159	2,755	18,596	99,391	20,484	205	2,399,627	245,706	67,043	90,160	37
38	Corporation's own stock	139,989	3,710	-	-	278	2,561	870	-	47,985	5,201	817	100	38

For footnotes, see page 9

Corporation returns, 1940, by major industrial groups: Number of returns, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued
(Money figures in thousands of dollars)

		Major industrial groups 1/ - Continued												
		Manufacturing - Continued												
		Textile-mill products	Apparel and products made from fabrics	Leather and products	Rubber products	Lumber and timber basic products	Furniture and finished lumber products	Paper and allied products	Printing and publishing industries	Chemicals and allied products	Petroleum and coal products	Stone, clay, and glass products	Iron, steel, and products	
1	Number of returns 4/	4,799	8,437	2,118	586	2,644	4,497	2,182	11,431	6,834	655	3,490	6,621	1
	Receipts:													
2	Gross sales 5/	4,112,537	2,459,666	1,275,556	1,142,983	1,044,443	1,370,708	2,005,728	2,238,654	4,700,640	5,208,535	1,663,251	7,481,439	2
3	Gross receipts from operations 6/	67,132	33,238	3,868	2,334	19,560	8,791	4,248	115,146	32,352	279,520	7,425	19,156	3
4	Interest, not on Government obligations	3,808	962	1,149	1,578	1,765	1,522	8,711	4,426	8,293	13,016	2,336	11,129	4
5	Rents and royalties 7/	12,343	4,290	1,559	2,331	5,994	2,347	5,914	12,634	15,079	44,078	6,087	13,836	5
6	Net capital gain 8/	613	120	172	48	2,687	447	1,576	1,064	2,194	2,543	858	1,740	6
7	Net gain, sales other than capital assets 9/	1,335	203	408	136	1,599	573	807	789	738	1,976	1,289	1,690	7
8	Dividends, domestic corporations 10/	5,106	1,345	1,507	5,950	2,737	1,777	6,161	15,224	70,370	101,749	9,514	17,443	8
9	Dividends, foreign corporations 11/	1,076	57	19	7,572	15	613	1,377	1,476	16,216	5,599	11,736	5,412	9
10	Other receipts, not interest on Government obligations	24,580	9,103	6,025	2,513	12,657	9,043	12,046	20,174	20,141	26,820	10,650	26,296	10
	Interest on Government obligations:													
11	Subject to excess-profits tax 12/	554	178	90	67	197	377	615	1,145	1,551	526	630	1,189	11
12	Wholly tax-exempt 13/	473	131	48	44	77	209	249	1,034	1,680	590	354	657	12
13	Total compiled receipts 14/	4,229,556	2,509,293	1,290,402	1,165,553	1,091,731	1,396,408	2,047,433	2,411,766	4,869,254	5,684,951	1,714,131	7,579,987	13
	Deductions:													
14	Cost of goods sold 15/	3,340,922	1,994,988	1,060,258	811,211	763,235	1,017,383	1,426,506	1,465,244	2,949,305	3,746,715	1,083,693	5,560,634	14
15	Cost of operations 16/	43,784	24,393	1,942	99	12,279	3,374	1,203	56,465	5,690	156,664	4,386	5,997	15
16	Compensation of officers	71,476	86,894	27,748	9,690	23,164	44,516	41,710	107,803	81,180	14,286	38,550	116,140	16
17	Rent paid on business property	13,143	25,300	7,623	5,033	3,162	9,694	9,820	31,260	15,367	56,646	5,983	30,247	17
18	Repairs 17/	43,984	4,055	7,959	17,483	8,464	12,262	43,598	9,775	59,564	78,678	38,668	199,678	18
19	Bad debts	5,537	6,667	2,781	6,266	5,054	5,078	6,094	11,385	12,129	11,568	4,580	10,338	19
20	Interest paid	21,995	7,863	4,355	7,543	9,858	6,518	21,884	15,243	20,354	37,965	9,546	93,133	20
21	Taxes paid 18/	80,881	30,264	19,269	51,442	25,006	27,077	43,586	52,265	106,170	202,681	39,164	161,354	21
22	Contributions or gifts 19/	941	570	288	176	201	306	745	1,282	1,501	840	633	1,780	22
23	Depreciation	88,585	11,008	11,662	27,630	27,796	22,241	67,003	46,007	131,608	271,062	62,178	228,115	23
24	Depletion	10	2	57	8	26,461	1,494	3,013	9	5,531	149,056	1,713	4,110	24
25	Amortization 20/	52	10	2	3	59	8	100	8	573	4	149	437	25
26	Net long-term capital loss 8/	6,372	648	528	273	8,232	2,221	3,595	5,775	6,067	16,277	4,282	10,482	26
27	Net loss, sales other than capital assets 9/	6,378	824	682	542	1,871	1,820	2,372	5,479	2,988	2,347	2,215	5,411	27
28	Other deductions	312,479	272,378	107,455	157,396	118,049	179,291	194,684	454,543	803,427	691,757	216,826	556,405	28
29	Total compiled deductions	4,036,539	2,465,865	1,252,609	1,094,795	1,032,891	1,333,283	1,865,912	2,262,542	4,201,452	5,436,546	1,512,565	6,984,261	29
30	Compiled net profit or net loss (13 less 29)	193,017	43,428	37,793	70,758	58,840	63,125	181,520	149,224	667,802	248,405	201,566	595,726	30
31	Net income or deficit 21/ (30 less 12)	192,545	43,297	37,745	70,715	58,763	62,916	181,271	148,190	666,122	247,815	201,212	595,069	31
32	Net operating loss deduction 22/	2,686	1,043	632	199	3,049	1,094	1,303	1,870	2,056	805	1,062	9,349	32
33	Income tax 23/	49,109	11,520	9,110	14,783	15,805	15,657	42,546	36,993	145,106	44,751	47,294	137,191	33
34	Declared value excess-profits tax 24/	988	241	209	280	563	426	300	226	734	119	932	4,798	34
35	Total tax	50,097	11,762	9,319	15,063	16,368	16,083	42,847	37,219	145,841	44,870	48,226	141,989	35
36	Compiled net profit less total tax (30 less 35)	142,921	31,666	28,474	55,695	42,472	47,041	138,673	112,005	521,961	203,536	153,341	453,737	36
	Dividends paid:													
37	Cash and assets other than own stock	78,943	20,336	22,600	27,176	37,967	28,588	65,067	89,439	336,000	185,849	102,814	191,749	37
38	Corporation's own stock	3,595	4,820	1,199	249	418	876	1,681	2,117	6,198	793	1,480	5,119	38

For footnotes, see page 9

Corporation returns, 1940, by major industrial groups: Number of returns, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued
(Money figures in thousands of dollars)

		Major industrial groups 1/ - Continued											
		Manufacturing - Continued							Public utilities				
		Nonferrous metals and their products	Electrical machinery and equipment	Machinery, except transportation equipment and electrical	Automobiles and equipment, except electrical	Transportation equipment, except automobiles	Other manufacturing	Manufacturing not allocable	Total public utilities	Transportation	Communication	Other public utilities	
1	Number of returns 4/	2,534	1,787	5,839	808	787	4,075	1,968	22,053	14,649	3,674	3,730	1
	Receipts:												
2	Gross sales 5/	1,913,505	2,440,339	4,468,527	4,669,548	1,162,987	1,138,511	418,861	154,183	112,756	2,757	38,670	2
3	Gross receipts from operations 6/	61,185	5,813	70,295	1,724	395,517	9,233	2,578	12,967,200	7,656,403	1,516,272	3,794,525	3
4	Interest, not on Government obligations	3,555	3,937	13,732	5,584	2,204	2,382	716	83,093	50,161	2,939	29,993	4
5	Rents and royalties 7/	2,592	6,448	33,600	10,638	7,604	3,424	1,104	248,971	199,982	22,732	26,256	5
6	Net capital gain 8/	144	268	3,476	7,698	961	260	182	5,157	2,490	521	2,145	6
7	Net gain, sales other than capital assets 9/	131	377	3,536	1,771	1,884	174	196	29,960	27,935	53	1,972	7
8	Dividends, domestic corporations 10/	12,887	13,511	10,763	46,182	6,984	6,077	798	130,474	72,153	14,620	43,700	8
9	Dividends, foreign corporations 11/	4,765	3,542	10,146	31,075	270	2,402	384	1,410	656	30	724	9
10	Other receipts, not interest on Government obligations	12,374	15,321	27,000	21,761	16,039	6,830	3,420	83,419	61,950	3,519	17,950	10
	Interest on Government obligations.												
11	Subject to excess-profits tax 12/	308	570	1,887	365	180	148	149	4,136	2,982	48	1,106	11
12	Wholly tax-exempt 13/	171	945	1,603	451	182	125	50	2,369	1,355	234	779	12
13	Total compiled receipts 14/	2,011,619	2,491,071	4,644,565	4,796,798	1,594,812	1,169,567	428,436	13,710,372	8,188,824	1,563,727	3,957,821	13
	Deductions:												
14	Cost of goods sold 15/	1,467,715	1,655,238	2,866,719	3,626,176	820,935	731,629	300,722	111,334	78,899	1,531	30,905	14
15	Cost of operations 16/	30,964	2,707	5,549	413	295,193	4,825	1,550	7,365,107	5,127,948	705,120	1,532,040	15
16	Compensation of officers	36,698	32,597	107,944	22,926	16,285	43,912	16,071	123,404	90,914	9,156	23,334	16
17	Rent paid on business property	6,984	9,055	14,690	5,504	6,072	9,645	2,534	500,368	425,621	33,258	41,489	17
18	Repairs 17/	24,806	28,791	73,089	66,237	30,813	8,241	3,391	37,679	30,025	2,091	5,562	18
19	Bad debts	2,680	4,437	13,407	3,838	1,500	4,404	1,641	22,032	6,939	5,449	9,643	19
20	Interest paid	7,084	5,036	16,066	6,112	5,342	4,601	2,678	1,075,254	647,636	48,684	378,934	20
21	Taxes paid 18/	38,238	59,856	106,374	145,267	38,301	25,260	7,433	1,057,965	523,757	138,926	395,282	21
22	Contributions or gifts 19/	450	889	2,131	2,040	270	418	94	3,693	603	885	2,205	22
23	Depreciation	33,616	50,594	102,666	91,618	35,429	20,895	7,619	900,397	271,809	188,053	440,536	23
24	Depletion	2,995	73	248	659	29	30	533	12,888	2,702	(30)	10,186	24
25	Amortization 20/	188	373	1,543	407	1,852	87	23	107	94	6	7	25
26	Net long-term capital loss 8/	2,772	5,899	7,402	1,637	3,085	1,518	1,717	47,728	39,770	1,409	6,548	26
27	Net loss, sales other than capital assets 9/	2,604	967	3,392	1,979	3,004	1,009	678	26,425	21,764	1,251	3,411	27
28	Other deductions	139,366	315,163	683,886	254,148	87,865	200,224	59,884	1,110,582	588,827	148,557	373,198	28
29	Total compiled deductions	1,797,159	2,171,672	4,005,105	4,228,963	1,345,975	1,056,698	406,567	12,394,963	7,857,306	1,284,377	3,253,280	29
30	Compiled net profit or net loss (13 less 29)	214,460	319,399	639,460	567,836	248,838	112,868	21,869	1,315,409	331,517	279,350	704,541	30
31	Net income or deficit 21/ (30 less 12)	214,289	318,454	637,858	567,385	248,656	112,743	21,819	1,313,040	330,163	279,116	703,761	31
32	Net operating loss deduction 22/	744	927	4,486	1,104	4,117	933	334	33,001	10,225	1,596	21,180	32
33	Income tax 23/	48,749	74,139	143,896	127,709	57,402	26,740	6,011	347,346	124,052	65,055	158,238	33
34	Declared value excess-profits tax 24/	631	1,245	5,299	743	1,856	740	266	1,195	865	100	231	34
35	Total tax	49,380	75,383	149,195	128,452	59,258	27,480	6,277	348,541	124,917	65,155	158,469	35
36	Compiled net profit less total tax (30 less 35)	165,079	244,016	490,265	439,384	189,579	85,388	15,592	966,868	206,600	214,196	546,072	36
	Dividends paid:												
37	Cash and assets other than own stock	68,427	147,221	218,139	249,339	71,234	45,753	10,080	1,075,328	331,514	201,762	542,052	37
38	Corporation's own stock	822	2,248	7,210	473	208	2,025	337	11,316	1,272	605	9,439	38

For footnotes, see page 9

Corporation returns, 1940, by major industrial groups: Number of returns, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 1/ - Continued													
		Trade													
		Total trade	Wholesale			Retail									
			Total wholesale	Commission merchants	Other wholesalers	Total retail	General merchandise	Food stores, including market milk dealers	Package liquor stores	Drug stores	Apparel and accessories	Furniture and house furnishings	Eating and drinking places	
1	Number of returns 4/	139,849	37,502	4,639	32,863	85,798	6,502	6,860	1,703	5,436	11,401	5,691	9,623	1
	Receipts:													
2	Gross sales 5/	45,783,711	21,245,576	390,072	20,855,504	20,926,350	5,717,487	4,094,961	96,256	618,813	1,892,685	790,921	752,263	2
3	Gross receipts from operations 6/	693,684	426,497	224,673	201,824	205,664	29,376	18,173	777	2,653	13,803	10,061	29,130	3
4	Interest, not on Government obligations	74,654	27,653	5,703	21,949	40,828	20,392	1,015	10	462	1,348	2,728	443	4
5	Rents and royalties 7/	97,910	23,560	1,645	21,915	62,627	25,982	4,398	107	1,535	7,954	2,309	4,279	5
6	Net capital gain 8/	7,439	3,164	229	2,935	3,609	1,553	301	12	453	185	89	62	6
7	Net gain, sales other than capital assets 9/	7,073	2,278	177	2,101	3,562	368	870	32	122	205	179	313	7
8	Dividends, domestic corporations 10/	48,893	27,569	6,649	20,920	19,030	8,898	1,755	1	1,497	2,228	479	1,133	8
9	Dividends, foreign corporations 11/	40,071	11,055	117	10,938	8,514	8,481	8	-	(30)	(30)	(30)	(30)	9
10	Other receipts, not interest on Government obligations	457,942	120,365	8,983	111,382	305,826	77,020	13,214	168	5,699	39,775	88,259	4,070	10
	Interest on Government obligations:													
11	Subject to excess-profits tax 12/	2,819	1,116	81	1,035	1,479	379	489	-	7	145	42	37	11
12	Wholly tax-exempt 13/	1,849	827	133	694	837	286	125	-	7	55	34	20	12
13	Total compiled receipts 14/	47,216,043	21,889,660	638,462	21,251,198	21,578,326	5,890,220	4,135,310	97,362	631,249	1,958,384	895,102	791,751	13
	Deductions:													
14	Cost of goods sold 15/	36,788,085	18,545,444	359,473	18,185,971	15,383,965	3,827,717	3,255,231	75,734	432,796	1,246,841	452,115	441,721	14
15	Cost of operations 16/	231,423	109,258	22,944	86,314	100,193	7,860	11,106	559	1,214	4,822	2,317	16,424	15
16	Compensation of officers	901,592	366,161	40,470	325,691	436,090	54,327	35,576	5,536	17,097	64,401	37,288	30,242	16
17	Rent paid on business property	704,239	98,948	9,405	89,543	563,374	164,468	62,412	2,905	31,880	125,195	28,210	52,428	17
18	Repairs 17/	97,694	19,905	550	19,355	68,606	22,088	14,547	131	1,931	4,569	2,060	6,833	18
19	Bad debts	159,136	62,793	4,369	58,424	78,752	22,421	3,914	67	457	8,123	9,497	522	19
20	Interest paid	134,357	51,529	3,706	47,823	68,957	20,892	6,907	167	1,118	4,483	5,103	2,815	20
21	Taxes paid 18/	467,894	130,203	6,777	123,426	293,540	106,953	43,622	1,875	8,991	24,877	14,840	20,237	21
22	Contributions or gifts 19/	8,523	2,813	281	2,532	5,061	2,221	775	9	116	647	252	162	22
23	Depreciation	292,145	68,576	3,312	65,264	192,613	59,471	40,960	546	6,708	16,002	5,610	18,843	23
24	Depletion	1,023	431	33	398	405	63	3	(30)	3	31	2	18	24
25	Amortization 20/	858	369	229	140	280	4	11	5	11	98	3	40	25
26	Net long-term capital loss 8/	34,139	16,397	2,285	14,112	15,407	6,849	2,587	1	43	983	262	478	26
27	Net loss, sales other than capital assets 9/	13,393	4,055	327	3,728	7,325	1,007	1,338	22	114	628	204	403	27
28	Other deductions	6,297,470	1,975,579	150,400	1,825,179	3,828,339	1,283,914	599,760	9,727	115,742	415,006	316,123	197,082	28
29	Total compiled deductions	46,131,971	21,452,461	604,561	20,847,900	21,042,907	5,580,256	4,078,748	97,286	618,221	1,916,704	873,885	788,246	29
30	Compiled net profit or net loss (13 less 29)	1,084,072	437,198	33,901	403,297	535,419	309,965	56,562	75	13,028	41,680	21,218	3,505	30
31	Net income or deficit 21/ (30 less 12)	1,082,223	436,371	33,768	402,603	534,582	309,679	56,436	75	13,021	41,625	21,184	3,485	31
32	Net operating loss deduction 22/	16,569	6,948	496	6,452	7,770	1,148	677	49	168	1,205	857	511	32
33	Income tax 23/	262,928	100,142	7,076	93,066	134,937	73,378	15,218	135	3,049	11,228	5,540	3,045	33
34	Declared value excess-profits tax 24/	4,913	2,357	185	2,172	1,451	282	73	8	68	153	83	59	34
35	Total tax	267,842	102,499	7,261	95,238	136,388	73,660	15,292	143	3,118	11,381	5,623	3,104	35
36	Compiled net profit less total tax (30 less 35)	816,230	334,699	26,640	308,059	399,031	236,305	41,270	29/ 67	9,911	30,299	15,595	401	36
	Dividends paid:													
37	Cash and assets other than own stock	512,465	173,001	17,983	155,018	276,358	153,864	38,079	53	7,419	19,091	7,333	7,522	37
38	Corporation's own stock	19,118	9,989	279	9,711	6,467	2,340	899	34	57	473	197	59	38

For footnotes, see page 9

Corporation returns, 1940, by major industrial groups: Number of returns, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued
(Money figures in thousands of dollars)

		Major industrial groups 1/ - Continued													
		Trade - Continued							Service						
		Retail - Continued						Trade not allocable	Total service	Hotels and other lodging places	Personal service	Business service	Automotive repair services and garages	
		Automotive dealers	Filling stations	Hardware	Building materials, fuel and ice	Other retail trade	Retail trade not allocable							
1	Number of returns 4/	10,722	2,675	2,850	8,812	8,403	5,120	16,549	41,385	4,852	9,256	7,562	3,803	1
	Receipts:													
2	Gross sales 5/	3,788,336	307,813	184,699	1,237,018	875,391	569,708	3,611,785	409,854	178,118	72,109	36,253	43,261	2
3	Gross receipts from operations 6/	61,126	4,330	875	12,200	16,525	6,634	61,523	3,265,240	423,535	580,312	728,488	116,881	3
4	Interest, not on Government obligations	6,404	134	688	2,745	3,070	1,388	6,173	7,985	813	452	2,717	173	4
5	Rents and royalties 7/	2,098	3,014	457	4,864	4,233	1,397	11,724	78,270	30,490	1,805	14,093	4,920	5
6	Net capital gain 8/	169	109	20	438	134	85	666	2,460	498	144	390	28	6
7	Net gain, sales other than capital assets 9/	227	135	37	646	246	183	1,232	2,935	364	376	421	283	7
8	Dividends, domestic corporations 10/	634	211	34	1,302	574	283	2,294	23,033	1,450	552	2,822	128	8
9	Dividends, foreign corporations 11/	9	2	(30)	4	6	2	20,502	4,540	27	85	490	-	9
10	Other receipts, not interest on Government obligations	28,060	2,056	2,232	13,553	19,299	12,421	31,751	50,882	7,783	3,824	9,701	2,048	10
	Interest on Government obligations:													
11	Subject to excess-profits tax 12/	105	92	6	86	68	22	224	352	28	49	150	3	11
12	Wholly tax-exempt 13/	23	93	41	63	60	31	184	582	21	74	80	7	12
13	Total compiled receipts 14/	3,887,190	317,990	189,088	1,272,919	919,607	592,155	3,748,058	3,846,133	643,128	659,782	795,605	167,732	13
	Deductions:													
14	Cost of goods sold 15/	3,268,316	234,861	141,012	950,295	607,352	449,973	2,858,675	251,660	102,451	36,365	26,674	30,450	14
15	Cost of operations 16/	36,918	2,354	418	6,993	6,116	3,092	21,972	1,754,432	181,357	326,594	412,408	60,974	15
16	Compensation of officers	71,227	7,212	9,765	46,725	39,617	17,078	99,341	198,790	15,010	49,281	62,069	10,804	16
17	Rent paid on business property	36,613	6,794	3,995	8,181	31,268	9,026	41,918	201,291	39,663	20,193	18,397	20,256	17
18	Repairs 17/	5,189	2,023	262	5,522	2,064	1,387	9,184	47,358	21,654	8,889	3,354	1,035	18
19	Bad debts	9,396	939	1,389	10,990	6,900	4,137	17,590	20,899	2,709	5,021	7,859	878	19
20	Interest paid	12,563	894	988	6,762	3,710	2,556	13,872	59,196	29,405	4,732	3,080	1,987	20
21	Taxes paid 18/	24,095	6,575	2,720	18,924	13,117	6,715	44,150	121,700	41,419	18,539	13,204	4,783	21
22	Contributions or gifts 19/	282	32	37	251	184	95	649	1,415	97	267	280	20	22
23	Depreciation	10,289	5,206	1,240	14,931	7,742	5,064	30,957	142,677	47,023	25,634	14,874	6,122	23
24	Depletion	17	10	(30)	123	110	25	186	98	15	9	4	1	24
25	Amortization 20/	81	2	(30)	12	8	6	209	86	11	14	9	7	25
26	Net long-term capital loss 8/	1,354	182	51	1,976	518	124	2,335	8,428	3,853	499	1,384	179	26
27	Net loss, sales other than capital assets 9/	648	86	81	1,081	1,517	196	2,013	6,010	1,902	527	404	503	27
28	Other deductions	376,084	43,608	24,898	176,227	184,837	85,330	493,552	923,499	170,528	150,987	202,517	29,511	28
29	Total compiled deductions	3,853,070	310,778	186,856	1,248,993	905,060	584,804	3,636,604	3,737,537	657,098	647,551	766,516	167,511	29
30	Compiled net profit or net loss (13 less 29)	34,120	7,212	2,232	23,926	14,547	7,351	111,455	108,595	28/13,969	12,231	29,089	221	30
31	Net income or deficit 21/ (30 less 12)	34,097	7,119	2,191	23,864	14,487	7,319	111,270	108,013	28/13,990	12,157	29,009	214	31
32	Net operating loss deduction 22/	1,178	213	76	800	691	196	1,851	5,572	921	612	648	137	32
33	Income tax 23/	8,138	1,901	726	5,856	4,652	2,071	27,849	36,558	3,155	3,871	9,382	696	33
34	Declared value excess-profits tax 24/	225	22	37	184	171	85	1,106	408	42	74	72	17	34
35	Total tax	8,363	1,923	762	6,040	4,824	2,156	28,954	36,966	3,196	3,945	9,455	712	35
36	Compiled net profit less total tax (30 less 35)	25,757	5,289	1,469	17,886	9,723	5,195	82,500	71,629	29/17,166	8,286	19,634	29/491	36
	Dividends paid:													
37	Cash and assets other than own stock	13,589	4,916	1,105	12,629	6,869	3,890	63,106	91,408	6,147	8,015	25,419	1,287	37
38	Corporation's own stock	778	125	92	693	582	140	2,662	2,411	191	555	264	31	38

For footnotes, see page 9

Corporation returns, 1940, by major industrial groups: Number of returns, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 1/ - Continued												
		Service - Continued					Finance, insurance, real estate, and lessors of real property							
								Finance						
		Miscellaneous repair services, hand trades	Motion pictures	Amusement, except motion pictures	Other service including schools	Service not allocable	Total finance, insurance, real estate, and lessors of real property	Total finance	Banks and trust companies	Long-term credit agencies, mortgage companies, except banks	Short-term credit agencies, except banks	Investment trusts and investment companies 2/	Other investment companies, including holding companies 3/	Security and commodity-exchange brokers and dealers
1	Number of returns 4/	1,416	4,471	4,858	4,988	179	142,602	37,462	15,873	2,987	5,482	4,065	2,250	2,011
	Receipts:													
2	Gross sales 5/	14,652	27,258	15,314	21,937	950	67,552	22,910	-	-	3,353	-	14,854	-
3	Gross receipts from operations 6/	46,102	920,286	216,277	228,726	4,633	3,729,120	767,256	293,029	15,752	222,122	10,573	137,432	66,696
4	Interest, not on Government obligations	38	2,339	340	1,109	6	2,209,472	1,345,158	917,014	20,776	157,551	30,936	199,798	3,956
5	Rents and royalties 7/	120	19,186	4,221	3,403	31	1,304,966	176,425	92,824	12,666	1,814	2,806	19,761	623
6	Net capital gain 8/	6	722	255	417	(30)	131,145	113,616	88,783	1,459	1,213	10,530	6,400	2,525
7	Net gain, sales other than capital assets 9/	105	399	848	139	(30)	103,239	60,257	3,454	639	589	1,778	1,284	50,550
8	Dividends, domestic corporations 10/	5	16,782	784	505	4	1,385,182	1,263,753	26,967	479	9,597	217,634	995,593	4,854
9	Dividends, foreign corporations 11/	7	3,875	5	51	-	74,357	72,833	702	(30)	116	7,147	64,682	45
10	Other receipts, not interest on Government obligations	432	15,821	5,263	5,936	75	164,300	90,334	47,678	4,034	11,975	2,546	15,006	4,890
	Interest on Government obligations:													
11	Subject to excess-profits tax 12/	2	34	13	73	-	332,129	267,907	262,816	329	78	1,341	1,638	1,208
12	Wholly tax-exempt 13/	1	150	78	163	8	411,767	209,107	200,276	1,106	123	1,648	2,111	2,123
13	Total compiled receipts 14/	61,471	1,006,853	243,397	262,458	5,707	9,913,228	4,389,556	1,953,543	57,241	108,530	286,937	1,458,559	157,469
	Deductions:													
14	Cost of goods sold 15/	9,574	20,655	9,253	15,595	643	50,168	18,735	-	-	2,755	-	12,542	-
15	Cost of operations 16/	29,621	532,233	107,989	101,172	2,084	219,938	84,077	222	963	2,893	1,160	56,499	16,633
16	Compensation of officers	5,244	20,934	11,922	22,551	976	25/451,572	287,186	192,255	6,144	25,558	8,506	17,598	28,173
17	Rent paid on business property	1,412	78,125	12,510	10,492	243	204,849	82,183	44,753	1,200	9,617	916	16,757	6,958
18	Repairs 17/	306	6,086	3,970	2,037	27	107,887	16,388	12,532	1,066	642	297	898	145
19	Bad debts	316	1,553	541	1,999	23	244,619	217,847	126,692	7,557	25,786	24,472	15,175	1,764
20	Interest paid	315	14,285	3,305	2,031	57	991,993	558,325	228,973	14,057	50,690	31,929	218,500	4,105
21	Taxes paid 18/	1,247	24,229	11,696	6,446	137	644,256	168,256	108,140	4,417	11,467	7,549	27,088	4,725
22	Contributions or gifts 19/	11	144	527	66	2	4,856	3,627	2,059	25	270	329	774	108
23	Depreciation	1,279	28,486	12,641	6,486	132	417,285	88,191	52,129	2,584	3,366	768	22,803	824
24	Depletion	7	19	11	31	-	24,456	1,392	89	37	4	424	718	57
25	Amortization 20/	-	17	13	16	-	425	177	8	10	13	6	(30)	2
26	Net long-term capital loss 8/	17	1,038	686	740	32	439,200	336,325	78,409	2,171	3,456	118,841	114,471	1,478
27	Net loss, sales other than capital assets 9/	31	358	1,235	1,051	(30)	193,929	102,715	19,216	5,242	914	3,534	61,755	3,696
28	Other deductions	10,593	210,080	59,472	88,501	1,309	26/4,637,664	1,043,366	628,801	28,148	157,969	36,214	89,055	61,994
29	Total compiled deductions	59,972	938,241	235,771	259,214	5,665	27/8,633,096	3,008,790	1,494,277	73,621	295,400	234,946	654,413	130,639
30	Compiled net profit or net loss (13 less 29)	1,499	68,612	7,626	3,244	43	1,280,132	1,380,766	439,267	28/16,381	113,130	51,991	804,146	6,830
31	Net income or deficit 21/ (30 less 12)	1,498	68,462	7,548	3,081	35	868,365	1,171,658	238,990	28/17,487	113,007	50,344	802,035	4,708
32	Net operating loss deduction 22/	63	2,481	376	327	5	11,595	4,286	1,230	177	511	833	757	282
33	Income tax 23/	416	12,525	4,025	2,443	45	189,137	120,397	21,724	973	24,718	6,312	58,773	2,764
34	Declared value excess-profits tax 24/	18	74	50	52	10	1,164	545	307	7	95	27	46	22
35	Total tax	434	12,599	4,075	2,495	55	190,301	120,942	22,031	980	24,813	6,339	58,819	2,786
36	Compiled net profit less total tax (30 less 35)	1,064	56,014	3,551	749	29/12	1,089,831	1,259,824	417,235	29/17,361	88,317	45,652	745,327	4,044
	Dividends paid:													
37	Cash and assets other than own stock	926	37,665	7,141	4,728	79	1,655,130	1,359,251	236,458	4,595	69,918	174,316	828,348	18,054
38	Corporation's own stock	9	294	952	115	-	53,086	50,193	12,676	2,651	320	5,586	28,702	215

For footnotes, see page 9

Corporation returns, 1940, by major industrial groups: Number of returns, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued
(Money figures in thousands of dollars)

		Major industrial groups 1/ - Continued												
		Finance, insurance, real estate, and lessors of real property - Continued							Construction	Agriculture, forestry, and fishery				Nature of business not allocable, except trade
		Finance - Continued		Insurance carriers, agents, etc.			Real estate, including lessors of buildings	Lessors of real property, except buildings		Total agriculture, forestry, and fishery	Agriculture and services	Forestry	Fishery	
		Other finance companies	Finance not allocable	Total insurance carriers, agents, etc.	Insurance carriers	Insurance agents, brokers, etc.								
1	Number of returns 4/	1,837	2,957	8,138	1,881	6,257	89,734	7,268	15,749	8,400	7,540	518	342	7,033
	Receipts:													
2	Gross sales 5/	4,704	-	-	-	-	40,133	4,509	199,502	518,426	484,357	10,093	23,976	62,380
3	Gross receipts from operations 6/	6,459	15,192	1,985,549	1,792,810	192,739	968,926	7,390	2,273,345	89,868	81,769	4,239	3,860	41,491
4	Interest, not on Government obligations	3,996	11,131	833,675	832,680	994	28,536	2,103	2,580	2,433	2,037	329	67	2,807
5	Rents and royalties 7/	43,325	2,607	191,018	189,503	1,515	754,911	182,612	11,741	10,766	10,407	229	131	6,053
6	Net capital gain 8/	897	1,809	4,341	4,021	320	11,460	1,728	989	2,303	1,056	1,225	21	1,610
7	Net gain, sales other than capital assets 9/	780	1,183	263	158	105	41,770	948	3,078	2,904	1,022	457	1,424	1,559
8	Dividends, domestic corporations 10/	5,341	3,288	102,038	98,358	3,681	16,302	3,089	7,749	6,697	6,467	99	131	2,641
9	Dividends, foreign corporations 11/	83	57	1,323	1,067	257	167	34	771	314	308	7	-	169
10	Other receipts, not interest on Government obligations	1,588	2,617	11,520	6,578	4,942	36,605	25,841	27,460	8,858	7,802	598	458	5,363
	Interest on Government obligations:													
11	Subject to excess-profits tax 12/	46	452	62,691	62,644	47	1,201	331	346	743	728	11	4	182
12	Wholly tax-exempt 13/	81	1,640	201,156	201,113	42	1,284	220	424	108	99	6	3	197
13	Total compiled receipts 14/	67,300	39,976	3,393,575	3,188,933	204,642	1,901,294	228,803	2,527,985	643,420	596,051	17,293	30,076	124,452
	Deductions:													
14	Cost of goods sold 15/	3,638	-	-	-	-	27,713	3,721	156,163	381,217	352,926	8,506	19,785	48,038
15	Cost of operations 16/	3,694	2,013	21,022	854	20,168	114,211	629	1,888,391	25,432	21,781	1,444	2,207	11,310
16	Compensation of officers	4,175	4,778	25/56,921	25/12,910	44,011	102,287	5,178	111,961	20,788	19,173	679	936	14,574
17	Rent paid on business property	781	1,221	22,414	15,015	7,399	96,498	3,754	12,221	14,751	14,401	106	244	2,529
18	Repairs 17/	619	189	2,121	1,844	277	87,718	1,660	13,943	12,078	11,444	42	592	1,109
19	Bad debts	8,309	8,092	5,139	3,498	1,640	19,434	2,199	7,560	3,746	3,297	275	174	6,670
20	Interest paid	3,515	6,557	50,979	49,651	1,328	331,333	51,356	8,373	13,166	11,633	1,228	306	4,589
21	Taxes paid 18/	2,538	2,332	111,251	106,681	4,570	342,609	22,140	32,657	16,590	14,830	1,328	432	5,141
22	Contributions or gifts 19/	46	15	413	264	149	773	43	396	85	76	9	1	50
23	Depreciation	4,940	777	43,830	42,153	1,677	275,098	10,165	38,299	27,504	25,933	569	1,001	4,310
24	Depletion	22	61	10	7	4	661	22,393	183	2,604	717	1,884	3	346
25	Amortization 20/	139	-	10	-	10	230	7	57	7	7	(30)	-	11
26	Net long-term capital loss 8/	4,861	12,637	61,696	60,703	993	36,738	4,441	4,974	8,188	6,595	1,431	162	31,009
27	Net loss, sales other than capital assets 9/	5,856	2,502	4,732	4,603	129	82,240	4,241	1,747	5,183	2,334	2,831	18	11,357
28	Other deductions	25,435	15,751	26/3,044,146	26/2,948,171	95,975	526,532	23,619	182,795	95,010	87,979	3,582	3,449	32,277
29	Total compiled deductions	68,569	56,925	27/3,424,686	27/3,246,354	178,332	2,044,076	155,544	2,459,720	626,349	573,126	23,913	29,310	173,318
30	Compiled net profit or net loss (13 less 29)	28/1,269	28/16,949	28/31,111	28/57,421	26,310	28/142,782	73,260	68,265	17,070	22,925	28/6,620	765	28/48,865
31	Net income or deficit 21/ (30 less 12)	28/1,350	28/18,588	28/232,267	28/258,534	26,267	28/144,066	73,040	67,841	16,963	22,826	28/6,626	762	28/49,063
32	Net operating loss deduction 22/	356	140	922	579	343	5,177	1,209	5,308	1,564	1,328	69	167	321
33	Income tax 23/	4,157	975	23,217	17,744	5,473	24,148	21,375	18,858	9,190	8,542	276	372	1,423
34	Declared value excess-profits tax 24/	28	13	190	3	186	377	53	934	282	200	17	66	43
35	Total tax	4,185	988	23,406	17,747	5,659	24,525	21,428	19,792	9,472	8,742	293	437	1,467
36	Compiled net profit less total tax (30 less 35)	29/5,455	29/17,937	29/54,517	29/75,168	20,650	29/167,307	51,831	48,473	7,598	14,183	29/6,913	328	29/50,332
	Dividends paid:													
37	Cash and assets other than own stock	19,447	8,114	128,702	111,460	17,242	87,643	79,535	30,905	25,907	23,681	1,817	409	15,419
38	Corporation's own stock	10	32	1,314	534	780	1,465	114	2,009	113	113	(30)	-	241

For footnotes, see page 9

Footnotes

1/ Corporations are classified industrially on the one business activity which accounts for the largest percentage of receipts. Therefore, the industrial groups contain corporations not engaged exclusively in the industries in which they are classified. The industrial groups are based on the Standard Industrial Classification, issued by the Division of Statistical Standards, Bureau of the Budget, Executive Office of the President. A chart showing the industrial groups in which changes occur, between 1940 and 1939, appears in the preliminary report, "Statistics of Income for 1940, Part 2."

2/ Consists of corporations which derived 90 percent or more of receipts from investments and which at no time during the taxable year had investments in corporations in which they owned 50 percent or more of the voting stock.

3/ Consists of (a) corporations which derived 90 percent or more of receipts from investments and which at some time during the taxable year had investments in corporations in which they owned 50 percent or more of the voting stock and (b) corporations which derived less than 90 percent but more than 50 percent of receipts from investments.

4/ Excludes returns of inactive corporations.

5/ Gross sales less returns and allowances where inventories are an income-determining factor. For "Cost of goods sold," see "Deductions."

6/ Gross receipts from operations where inventories are not an income-determining factor. For "Cost of operations," see "Deductions."

7/ Consists of gross amounts received. The amounts of depreciation, repairs, interest, taxes, and other expenses which are deductible from the gross amount received for rents, and the amount of depletion which is deductible from the gross amount of royalties received, are included in the proper deduction items.

8/ Net capital gain or loss is the amount from the sale or exchange of capital assets. The term "Capital assets" means property held by the taxpayer (whether or not connected with the trade or business), but excludes (1) stock in trade or other property which would properly be included in inventory if on hand at the close of the taxable year, (2) property held primarily for sale to customers in the ordinary course of trade or business, and (3) property, used in trade or business, of a character which is subject to the allowance for depreciation. For taxable years beginning after December 31, 1939, sales or exchanges of capital assets are divided as between short and long-term. "Short-term" applies to capital assets held 18 months or less. Unlike a net short-term capital gain, which is taken into account in computing net income, a net short-term capital loss is not taken into account in computing net income but is carried over as a short-term capital loss in the succeeding taxable year (in an amount not in excess of the net income for the year in which such loss was incurred). This carry-over is restricted to one year. "Long-term" gain or loss applies to capital assets held over 18 months.

9/ Consists of net gain or loss from property used in trade or business of a character which is subject to the allowance for depreciation.

10/ Dividends from domestic corporations subject to income taxation (column 2, schedule E, page 3, Form 1120) which is the amount used for the computation of dividends received credit. Dividends from corporations organized under the China Trade Act, 1922, and corporations entitled to the benefits of section 251 of the Internal Revenue Code (corporations receiving a large portion of their gross income from sources within a possession of the United States) are included in "Other receipts."

11/ Consists of amount reported in column 3, schedule E, page 3, Form 1120, and not used for the computation of dividends received credit.

12/ Consists of interest on United States savings bonds and Treasury bonds owned in principal amount over $5,000, reported as item 8, page 1, Form 1120.

13/ Consists of interest on obligations of States, Territories, and political subdivisions thereof, the District of Columbia, and United States possessions; obligations of the United States issued on or before September 1, 1917, Treasury notes, Treasury bills, and Treasury certificates of indebtedness; United States savings bonds and Treasury bonds owned in principal amount of $5,000 or less; and obligations of instrumentalities of the United States.

14/ Excludes nontaxable income other than interest on wholly tax-exempt obligations reported in schedule M, page 4, Form 1120.

15/ Includes taxes which are reported in "Cost of goods sold."

16/ Includes taxes which are reported in "Cost of operations."

17/ The cost of incidental repairs, including labor and supplies, which do not add materially to the value of the property or appreciably prolong its life.

18/ Excludes (1) Federal income tax and declared value excess-profits tax, (2) taxes reported in "Cost of goods sold" and "Cost of operations," and (3) income and profits taxes paid to foreign countries and United States possessions, if any portion is claimed as a credit against income tax.

19/ Limited to 5 percent of net income before deduction of contributions or gifts.

20/ The deduction, provided by the Second Revenue Act of 1940, to allow for the amortization of the cost of emergency facilities necessary for national defense. Inasmuch as 1940 is the first year for which this provision is operative the amounts reported under this caption on the returns may include amortization other than the cost of emergency facilities.

21/ "Net income" or "Deficit" is the amount reported for declared value excess-profits tax computation adjusted by excluding net operating loss deduction (items 30 and 26, respectively, page 1, Form 1120).

22/ The net operating loss deduction is the carry-over of the preceding year reduced by certain adjustments. This deduction is first available in a taxable year beginning after December 31, 1939.

23/ Includes income defense tax.

24/ Includes declared value excess-profits defense tax.

25/ Excludes compensation of officers of life insurance companies which file Form 1120L.

26/ Includes special deductions of life insurance companies relating to reserve for dividends and reserve funds required by law.

27/ See notes 25 and 26.

28/ Compiled net loss or deficit.

29/ Compiled net loss after total tax payment.

30/ Less than $500.

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS
Wednesday, January 27, 1943

Press Service
No. 34-94

Secretary of the Treasury Morgenthau today made public the fourth in the series of tabulations in advance of the report "Statistics of Income for 1940, Part 2, Compiled from Corporation Income, Declared Value Excess-profits, and Defense Tax Returns and Personal Holding Company Returns," prepared under the direction of Commissioner of Internal Revenue Guy T. Helvering.

For returns with balance sheets, the first of the two attached tables shows by major industrial groups, and the second table by total assets classes, the following data: Items of assets and liabilities as of the end of the taxable year, items of compiled receipts and compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, compiled net profit less total tax, and dividends paid.

Adjustments of assets and liabilities are made in tabulating the data, when certain conditions appear on the balance sheet, as follows: (1) a negative amount reported in assets is transferred to its appropriate place under liabilities and "Total assets" and "Total liabilities" are increased by this negative amount, (2) a deficit in surplus shown under assets is transferred to liabilities and "Total assets" and "Total liabilities" are decreased by the amount of the deficit, and (3) reserves for depreciation, depletion, and bad debts when shown under liabilities are used to reduce the corresponding asset accounts and "Total assets" and "Total liabilities" are reduced by the amount of such reserves.

Capital assets consist of (1) tangible assets, (2) intangible assets, and (3) land. Tangible assets consist of such items as buildings, machinery and equipment, furniture and fixtures, delivery equipment, and natural resources. Intangible assets consist of such items as patents, copyrights, franchises, leaseholds, formulas, good-will, and trade-marks.

Table 1 of this release shows gross capital assets (except land), reserves, and land, whereas, table 2 shows net capital assets - the net figure after deducting reserves for depreciation, depletion, and amortization.

Surplus reserves consist of amounts reported by corporations under that caption.

Surplus and undivided profits consist of positive amounts of "Paid-in or capital surplus" and "Earned surplus and undivided profits." If either or both of these amounts are negative, they are tabulated as "Deficit."

Corporations are classified industrially on the one business activity which accounts for the largest percentage of receipts. Therefore, the industrial groups contain corporations not engaged exclusively in the industries in which they are classified.

In analyzing the data, consideration should be given the special provisions of the Internal Revenue Code affecting the computation of gross income, deductions, and net income of insurance companies. Of particular importance are the provisions permitting life insurance companies to include only interest, dividends, and rents in gross income and allowing as deductions the earnings needed to maintain reserve funds required by law and reserve for dividends. For 1940, the deductions for these reserves are $28,768,431 for returns with net income and $930,125,255 for returns with no net income.

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid

(Money figures in thousands of dollars)

				Major industrial groups 2/										
				Mining and quarrying										
		All industrial groups		Total mining and quarrying		Metal mining		Anthracite mining		Bituminous coal, lignite, peat, etc.		Crude petroleum and natural gas production		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	207,270	206,446	3,669	5,216	361	781	58	73	639	876	1,813	2,631	1
	Assets:													
2	Cash 6/	35,548,069	5,875,301	418,135	69,541	242,123	4,983	12,268	4,576	52,194	16,266	67,218	40,543	2
3	Notes and accounts receivable (less reserve)	35,966,789	6,897,427	396,188	159,397	102,944	17,021	12,092	11,567	99,578	38,712	143,997	81,722	3
4	Inventories	17,138,158	2,324,976	253,220	56,148	157,914	7,635	3,280	6,123	24,443	13,833	26,639	22,802	4
5	Investments, Government obligations 7/	19,284,114	10,285,707	106,778	11,416	52,061	1,486	4,563	2,443	11,891	4,544	33,112	2,813	5
6	Other investments	47,809,585	32,619,161	998,285	239,020	644,589	24,616	23,592	22,445	152,540	49,430	151,362	128,966	6
7	Gross capital assets 8/ except land	95,393,310	35,291,335	5,324,499	2,907,322	2,182,134	511,286	269,901	167,616	1,119,845	626,975	1,393,826	1,467,493	7
8	Less reserves	32,042,381	8,482,075	2,651,105	1,294,196	1,143,574	208,096	130,673	55,060	458,667	263,817	763,881	705,516	8
9	Land	5,611,985	4,441,792	65,985	79,274	21,772	19,089	2,750	1,212	16,644	18,632	9,844	24,226	9
10	Other assets	3,949,239	2,565,218	151,709	70,866	88,760	13,373	7,043	12,418	25,010	14,903	17,754	25,426	10
11	Total assets 9/	228,658,869	91,818,842	5,063,696	2,298,788	2,348,724	391,392	204,816	173,341	1,043,478	519,480	1,079,872	1,088,476	11
	Liabilities:													
12	Accounts payable	10,529,236	4,166,722	219,627	272,613	90,461	57,768	13,607	10,684	50,897	51,399	46,532	128,511	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	5,425,236	2,561,531	107,555	153,700	14,632	10,569	3,472	599	32,835	23,453	45,903	111,022	13
14	Maturity 1 year or more	28,654,902	20,544,255	487,455	568,216	100,445	34,384	53,309	127,835	160,572	126,595	141,038	258,408	14
15	Other liabilities	67,817,864	42,391,712	208,378	122,418	109,860	16,003	10,927	21,333	26,923	30,346	48,415	48,267	15
16	Capital stock, preferred	13,146,379	3,991,677	153,855	98,444	27,487	6,582	125	4,253	86,801	36,088	15,802	38,044	16
17	Capital stock, common	55,834,136	16,457,478	1,968,703	1,064,157	1,046,235	217,950	73,344	38,956	336,441	248,459	370,231	502,927	17
18	Surplus reserves 10/	6,768,550	1,588,982	159,385	50,178	53,254	2,503	7,866	4,961	23,032	10,490	49,634	28,993	18
19	Surplus and undivided profits 11/	43,142,462	10,132,853	1,988,823	482,121	956,432	128,137	59,139	4,895	390,038	100,723	451,334	223,743	19
20	Less deficit 12/	2,659,896	10,016,367	230,084	513,057	50,082	82,505	16,974	40,175	64,061	108,074	89,018	251,440	20
21	Total liabilities 9/	228,658,869	91,818,842	5,063,696	2,298,788	2,348,724	391,392	204,816	173,341	1,043,478	519,480	1,079,872	1,088,476	21
	Receipts:													
22	Gross sales 13/	99,231,078	13,550,248	2,143,102	719,122	866,973	86,799	114,590	100,782	606,977	257,451	337,888	227,829	22
23	Gross receipts from operations 14/	17,842,535	5,911,579	139,654	69,435	8,915	3,153	3,709	1,156	19,526	16,747	98,867	43,174	23
24	Interest, not on Government obligations	1,410,234	1,050,278	6,989	2,179	2,499	28	110	292	1,520	516	2,542	1,235	24
25	Rents and royalties 15/	1,242,248	696,853	30,286	17,338	3,684	1,606	2,675	2,114	15,793	6,170	6,651	6,950	25
26	Net capital gain 16/	153,941	28,774	5,528	2,559	796	48	1	21	1,044	121	3,227	2,288	26
27	Net gain, sales other than capital assets 17/	127,283	38,303	2,658	1,828	269	52	110	106	517	252	1,558	1,359	27
28	Dividends, domestic corporations 18/	1,806,262	164,156	39,972	3,012	30,339	103	51	50	3,290	553	4,831	2,257	28
29	Dividends, foreign corporations 19/	237,223	7,181	1,774	7	1,695	(35)	1	-	38	(35)	39	6	29
30	Other receipts, not interest on Government obligations	923,803	231,447	19,169	11,892	4,987	542	1,143	3,450	5,280	3,045	5,843	4,328	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	278,380	71,409	1,530	168	665	1	139	60	290	78	343	27	31
32	Wholly tax-exempt 21/	199,614	223,795	787	119	468	36	6	4	89	43	175	32	32
33	Total compiled receipts 22/	123,452,599	21,974,022	2,391,450	827,659	921,291	92,368	122,534	108,035	654,364	284,978	461,964	289,485	33
	Deductions:													
34	Cost of goods sold 23/	74,421,455	10,792,424	1,323,794	517,647	509,420	59,053	90,046	83,448	468,981	215,358	134,676	126,339	34
35	Cost of operations 24/	8,732,931	3,292,856	79,958	44,670	4,806	1,395	2,364	867	10,838	11,744	57,560	27,733	35
36	Compensation of officers	32/2,239,406	32/626,345	33,073	15,624	5,160	772	1,268	548	6,691	3,332	11,642	8,540	36
37	Rent paid on business property	1,364,732	546,889	8,858	7,179	733	153	338	421	3,307	1,379	2,902	4,748	37
38	Repairs 25/	1,034,112	182,876	41,313	17,240	12,377	1,681	2,066	3,223	13,877	7,336	5,508	3,056	38
39	Bad debts	379,090	220,069	4,272	6,710	510	2,204	113	2,919	1,659	463	1,221	836	39
40	Interest paid	1,608,400	1,037,390	25,770	28,725	6,786	2,520	2,230	5,077	6,495	4,822	7,903	15,185	40
41	Taxes paid 26/	3,350,549	890,660	99,606	37,777	45,153	6,703	6,691	3,516	24,929	11,789	15,580	14,028	41
42	Contributions or gifts 27/	36,761	914	555	16	252	(35)	30	(35)	76	(35)	101	14	42
43	Depreciation	2,769,766	689,540	107,979	56,108	30,241	5,178	3,249	2,856	25,449	12,335	37,721	32,143	43
44	Depletion	363,922	100,796	173,965	60,386	79,918	9,767	4,252	2,506	15,461	4,456	65,924	42,957	44
45	Amortization 28/	6,512	982	21	42	3	4	-	-	-	2	17	36	45
46	Net long-term capital loss 16/	252,850	399,922	5,292	11,593	2,449	1,331	76	287	654	3,491	1,440	5,974	46
47	Net loss, sales other than capital assets 17/	52,601	166,847	893	15,070	163	6,989	4	414	155	1,380	396	5,772	47
48	Other deductions	33/15,571,502	33/4,821,908	173,483	109,449	47,498	11,487	4,841	7,356	46,136	21,275	49,953	61,030	48
49	Total compiled deductions	34/112,184,590	34/23,770,419	2,078,833	928,235	745,471	109,238	117,566	113,440	624,707	299,162	392,546	348,391	49
50	Compiled net profit or net loss (33 less 49)	11,268,009	36/1,796,397	312,617	36/100,576	175,820	36/16,870	4,968	36/5,405	29,657	36/14,185	69,418	36/58,906	50
51	Net income or deficit 1/ (50 less 32)	11,068,395	36/2,020,192	311,830	36/100,695	175,352	36/16,906	4,962	36/5,408	29,568	36/14,228	69,242	36/58,938	51
52	Net operating loss deduction 29/	120,406	-	6,734	-	1,338	-	1,381	-	1,603	-	1,576	-	52
53	Income tax 30/	2,123,442	-	63,056	-	35,229	-	790	-	5,870	-	14,271	-	53
54	Declared value excess-profits tax 31/	30,170	-	418	-	110	-	4	-	84	-	67	-	54
55	Total tax	2,153,612	-	63,474	-	35,339	-	794	-	5,954	-	14,338	-	55
56	Compiled net profit less total tax (50 less 55)	9,114,397	36/1,796,397	249,143	36/100,576	140,482	36/16,870	4,174	36/5,405	23,703	36/14,185	55,080	36/58,906	56
	Dividends paid:													
57	Cash and assets other than own stock	5,837,806	181,260	266,101	13,781	140,024	992	2,755	-	15,901	2,296	87,005	10,271	57
58	Corporation's own stock	127,386	8,888	1,637	2,056	-	-	-	-	278	-	488	2,056	58

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued
(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Mining and quarrying - Continued				Manufacturing								
		Nonmetallic mining and quarrying		Mining and quarrying not allocable		Total manufacturing		Food and kindred products		Beverages		Tobacco Manufactures		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	778	732	20	123	45,933	34,265	5,122	4,307	1,610	1,184	118	145	1
	Assets:													
2	Cash 6/	43,919	2,943	414	230	5,474,128	269,952	470,927	28,193	87,117	8,190	77,721	5,150	2
3	Notes and accounts receivable (less reserve)	36,960	9,467	616	909	7,667,653	744,723	686,560	79,954	151,467	30,908	165,134	8,181	3
4	Inventories	40,617	5,031	326	724	11,258,065	1,075,767	1,102,288	104,962	273,872	48,406	572,687	16,123	4
5	Investments, Government obligations 7/	5,048	80	103	49	1,084,517	31,514	75,986	6,089	13,138	2,018	27,690	160	5
6	Other investments	25,937	10,978	264	2,585	7,548,255	684,375	763,278	54,466	70,213	9,290	87,116	3,139	6
7	Gross capital assets 8/ except land	354,863	110,365	3,931	23,586	35,806,591	4,965,080	3,166,790	585,701	642,654	172,016	239,134	7,660	7
8	Less reserves	152,611	47,750	1,700	13,957	16,811,823	2,332,607	1,384,702	274,149	208,355	62,707	86,202	3,361	8
9	Land	14,898	11,456	78	4,658	1,684,847	293,125	247,636	70,387	50,176	14,081	9,688	580	9
10	Other assets	13,070	3,480	73	1,266	905,507	197,717	93,574	20,674	34,261	10,000	11,233	711	10
11	Total assets 9/	382,701	106,050	4,106	20,051	54,617,742	5,929,645	5,222,337	676,277	1,114,543	232,201	1,104,201	38,342	11
	Liabilities:													
12	Accounts payable	17,368	17,865	762	6,386	4,596,189	698,400	333,401	73,123	96,761	28,617	67,566	2,037	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	10,518	6,704	195	1,352	1,485,079	531,196	214,519	63,105	61,573	32,864	13,914	1,587	13
14	Maturity 1 year or more	31,855	16,940	237	4,054	4,451,130	966,637	389,850	118,703	144,682	40,940	96,611	5,030	14
15	Other liabilities	11,990	5,716	263	753	3,278,528	377,139	186,148	35,334	62,060	13,630	62,531	598	15
16	Capital stock, preferred	23,560	13,174	80	302	4,869,715	713,846	663,421	76,091	57,258	14,649	132,224	11,709	16
17	Capital stock, common	141,588	44,639	864	11,224	17,527,643	2,317,441	1,763,353	285,575	256,717	85,010	416,853	12,441	17
18	Surplus reserves 10/	25,461	3,224	138	7	2,402,561	181,736	228,870	10,082	23,871	2,641	24,016	397	18
19	Surplus and undivided profits 11/	130,226	22,092	1,654	2,531	16,556,688	1,338,509	1,504,050	130,083	418,406	54,933	290,982	9,362	19
20	Less deficit 12/	9,864	24,305	87	6,559	549,792	1,195,259	61,275	115,820	6,786	41,084	497	4,818	20
21	Total liabilities 9/	382,701	106,050	4,106	20,051	54,617,742	5,929,645	5,222,337	676,277	1,114,543	232,201	1,104,201	38,342	21
	Receipts:													
22	Gross sales 13/	212,744	40,757	3,930	5,504	57,984,942	5,892,960	9,293,261	1,054,369	1,516,431	268,007	1,371,380	25,142	22
23	Gross receipts from operations 14/	7,885	4,609	753	594	987,145	158,019	45,130	10,622	4,624	1,132	1,479	24	23
24	Interest, not on Government obligations	313	94	5	12	89,428	13,194	8,911	859	1,549	185	983	90	24
25	Rents and royalties 15/	1,480	436	4	63	194,678	19,495	15,347	2,608	3,225	645	2,464	27	25
26	Net capital gain 16/	459	81	(35)	-	26,205	2,043	772	250	210	31	412	34	26
27	Net gain, sales other than capital assets 17/	161	51	42	8	16,815	4,540	1,834	456	341	115	47	5	27
28	Dividends, domestic corporations 18/	1,461	49	1	-	355,899	12,105	28,688	568	2,280	281	4,878	20	28
29	Dividends, foreign corporations 19/	1	-	-	1	120,791	611	16,450	85	576	1	595	-	29
30	Other receipts, not interest on Government obligations	1,894	478	23	49	301,444	43,030	40,278	8,980	9,061	1,924	3,928	149	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	90	2	3	2	11,634	508	809	80	186	42	329	7	31
32	Wholly tax-exempt 21/	48	4	(35)	-	10,032	412	786	155	256	8	193	5	32
33	Total compiled receipts 22/	226,536	46,560	4,761	6,233	60,099,013	6,146,917	9,452,267	1,079,033	1,538,718	272,371	1,386,688	25,500	33
	Deductions:													
34	Cost of goods sold 23/	117,962	28,823	2,709	4,627	41,861,791	4,684,814	7,470,930	866,490	815,666	142,790	1,001,852	17,988	34
35	Cost of operations 24/	3,943	2,539	447	392	549,187	97,567	6,764	4,753	679	352	680	(35)	35
36	Compensation of officers	8,182	2,332	129	99	895,498	167,540	78,605	19,198	25,181	5,748	5,767	865	36
37	Rent paid on business property	1,570	456	8	21	248,144	56,805	27,758	6,062	4,322	1,526	1,387	189	37
38	Repairs 25/	7,450	1,748	35	196	799,344	55,527	76,122	8,986	10,475	1,957	2,134	101	38
39	Bad debts	759	284	9	4	109,048	30,137	12,072	2,723	4,525	1,703	524	109	39
40	Interest paid	2,319	1,074	38	47	291,357	61,939	28,336	7,967	8,948	3,087	5,565	202	40
41	Taxes paid 26/	7,169	1,390	85	350	1,622,339	192,577	150,271	23,230	232,238	62,422	99,618	1,271	41
42	Contributions or gifts 27/	94	1	1	(35)	18,274	175	2,004	25	745	9	181	(35)	42
43	Depreciation	11,065	3,174	254	423	1,351,262	159,914	122,458	22,718	29,821	8,623	7,455	308	43
44	Depletion	8,225	456	185	244	157,015	32,458	197	26	-	1	-	-	44
45	Amortization 28/	1	-	-	-	5,566	404	89	3	2	8	-	-	45
46	Net long-term capital loss 16/	673	508	-	2	77,817	31,973	12,099	3,292	1,586	901	785	3,545	46
47	Net loss, sales other than capital assets 17/	158	496	17	19	24,086	21,033	3,509	3,467	805	1,602	495	1,771	47
48	Other deductions	24,742	7,776	314	524	6,484,151	845,202	1,018,070	144,282	251,975	58,767	115,683	4,273	48
49	Total compiled deductions	194,313	51,057	4,231	6,947	54,494,877	6,438,066	9,009,284	1,113,222	1,386,966	289,498	1,242,125	30,621	49
50	Compiled net profit or net loss (33 less 49)	32,223	36/4,497	530	36/714	5,604,136	36/291,150	442,983	36/34,188	151,752	36/17,127	144,564	36/5,121	50
51	Net income or deficit 1/ (50 less 32)	32,175	36/4,501	530	36/714	5,594,104	36/291,561	442,197	36/34,344	151,516	36/17,135	144,371	36/5,126	51
52	Net operating loss deduction 29/	823	-	14	-	41,579	-	3,635	-	483	-	156	-	52
53	Income tax 30/	6,784	-	112	-	1,207,879	-	93,425	-	33,098	-	33,478	-	53
54	Declared value excess-profits tax 31/	150	-	4	-	21,118	-	591	-	142	-	29	-	54
55	Total tax	6,934	-	115	-	1,228,997	-	94,016	-	33,240	-	33,506	-	55
56	Compiled net profit less total tax (50 less 55)	25,289	36/4,497	415	36/714	4,375,139	36/291,150	348,966	36/34,188	118,513	36/17,127	111,057	36/5,121	56
	Dividends paid:													
57	Cash and assets other than own stock	20,269	214	148	7	2,368,182	21,728	242,355	2,025	66,534	339	88,776	864	57
58	Corporation's own stock	870	-	-	-	46,770	628	5,147	51	814	3	100	-	58

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/; Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued											
		Manufacturing - Continued											
		Textile-mill products		Apparel and products made from fabrics		Leather and products		Rubber products		Lumber and timber basic products		Furniture and finished lumber products	
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income
1	Number of returns with balance sheets 5/	2,630	1,961	4,112	3,820	1,125	922	324	220	1,553	881	2,341	1,906
	Assets:												
2	Cash 6/	219,905	23,348	81,322	13,587	69,498	7,155	61,005	1,962	63,860	8,547	60,875	8,432
3	Notes and accounts receivable (less reserve)	400,909	74,402	233,804	55,809	142,746	29,054	189,952	6,871	125,884	32,079	179,046	39,745
4	Inventories	818,994	147,624	259,601	58,111	219,898	53,305	245,479	8,932	177,531	40,123	251,199	50,687
5	Investments, Government obligations 7/	36,257	3,542	11,426	768	4,989	707	3,781	754	9,080	928	11,665	1,255
6	Other investments	170,266	38,992	51,676	9,886	34,845	28,341	217,704	2,628	130,947	27,157	72,243	15,893
7	Gross capital assets 8/ except land	2,130,466	539,563	187,935	60,768	208,018	55,757	602,897	29,309	776,569	236,055	462,383	131,067
8	Less reserves	1,094,426	292,278	85,963	26,437	107,437	28,451	298,699	13,801	310,220	86,629	225,467	67,559
9	Land	65,631	18,262	11,425	2,636	12,213	3,193	13,380	845	51,079	20,813	33,912	12,626
10	Other assets	44,655	14,661	17,508	6,054	12,883	4,363	10,608	2,106	22,396	6,969	21,641	7,259
11	Total assets 9/	2,790,655	568,116	768,734	181,183	597,653	153,405	1,046,086	39,605	1,047,126	286,042	847,497	199,385
	Liabilities:												
12	Accounts payable	169,340	68,007	131,429	48,581	51,909	22,097	122,725	6,827	59,826	27,854	71,665	38,320
	Bonds, notes, mortgages payable:												
13	Maturity less than 1 year	182,191	62,768	65,923	22,798	37,969	31,883	18,601	3,936	41,044	21,346	38,959	16,881
14	Maturity 1 year or more	150,309	68,850	28,594	18,539	19,176	37,221	187,916	4,018	75,284	55,331	55,303	24,498
15	Other liabilities	99,577	19,771	36,158	8,761	19,984	5,020	35,056	1,677	48,191	16,020	33,669	10,149
16	Capital stock, preferred	314,700	85,558	75,139	17,680	52,667	37,240	280,246	7,309	57,171	25,985	60,845	16,578
17	Capital stock, common	906,998	238,230	240,315	77,056	211,289	49,385	215,122	14,450	410,900	131,426	518,357	93,300
18	Surplus reserves 10/	83,458	15,478	15,469	953	13,303	10,310	43,668	169	21,896	14,393	23,770	3,420
19	Surplus and undivided profits 11/	926,481	133,225	187,559	22,606	198,892	20,270	199,076	5,230	391,179	76,293	260,109	41,869
20	Less deficit 12/	42,410	121,771	11,829	35,791	7,535	60,021	6,328	4,014	56,347	82,607	15,181	45,629
21	Total liabilities 9/	2,790,655	568,116	768,734	181,183	597,653	153,405	1,046,086	39,605	1,047,126	286,042	847,497	199,385
	Receipts:												
22	Gross sales 13/	3,370,674	710,512	1,915,012	513,221	1,022,628	245,365	1,054,254	50,915	876,910	148,966	1,132,296	211,84[illegible]
23	Gross receipts from operations 14/	54,353	12,119	12,645	18,447	2,666	1,100	2,191	128	16,267	2,868	7,313	728
24	Interest, not on Government obligations	2,945	829	822	158	775	368	1,495	64	1,487	267	1,268	241
25	Rents and royalties 15/	10,065	2,158	5,864	421	1,248	265	2,255	26	4,601	1,324	1,685	609
26	Net capital gain 16/	462	140	89	29	151	21	43	4	2,422	258	259	147
27	Net gain, sales other than capital assets 17/	742	571	100	88	365	38	76	57	1,077	472	449	101
28	Dividends, domestic corporations 18/	4,710	375	1,294	48	1,383	124	5,880	60	2,625	111	1,582	195
29	Dividends, foreign corporations 19/	858	218	56	1	11	8	7,572	-	15	(35)	613	1
30	Other receipts, not interest on Government obligations	19,753	4,555	7,360	1,660	4,580	1,390	2,172	157	10,000	2,420	7,188	1,759
	Interest on Government obligations:												
31	Subject to excess-profits tax 20/	512	42	171	7	88	1	63	4	178	17	342	[illegible]
32	Wholly tax-exempt 21/	446	26	124	7	37	12	15	28	75	2	195	14
33	Total compiled receipts 22/	3,465,520	731,545	1,959,537	534,066	1,033,909	246,693	1,076,016	51,425	915,658	156,706	1,153,190	215,659
	Deductions:												
34	Cost of goods sold 23/	2,689,581	624,657	1,539,052	427,076	837,861	214,479	742,603	40,586	651,693	116,372	828,368	168,485
35	Cost of operations 24/	34,252	9,017	9,237	13,639	1,464	470	25	63	10,761	1,343	2,547	260
36	Compensation of officers	56,785	13,920	64,221	21,157	21,128	6,279	7,929	1,292	19,269	3,458	34,811	9,027
37	Rent paid on business property	9,193	3,744	16,757	7,910	5,079	2,395	4,671	512	2,169	936	7,213	2,355
38	Repairs 25/	37,594	6,205	3,124	846	6,817	1,088	16,306	679	6,236	2,165	10,984	1,150
39	Bad debts	3,151	2,301	4,324	2,189	2,029	726	5,809	263	3,653	1,322	3,480	1,231
40	Interest paid	14,862	6,866	5,298	2,477	2,632	1,669	7,079	372	5,915	3,812	4,561	1,896
41	Taxes paid 26/	66,137	14,121	23,081	6,763	15,525	3,603	47,453	1,817	20,103	4,544	22,029	4,627
42	Contributions or gifts 27/	926	11	532	33	286	2	166	(35)	197	2	296	10
43	Depreciation	70,162	17,708	7,998	2,870	8,930	2,630	25,559	1,298	21,967	5,516	17,826	4,050
44	Depletion	-	10	1	1	49	8	6	2	22,230	3,955	1,069	425
45	Amortization 28/	52	-	10	(35)	1	1	3	-	53	2	8	(35)
46	Net long-term capital loss 16/	5,318	1,026	517	111	168	358	191	81	1,042	6,754	1,158	949
47	Net loss, sales other than capital assets 17/	1,892	2,401	342	402	254	430	518	4	225	1,136	556	540
48	Other deductions	246,412	63,160	206,004	62,390	85,908	22,459	146,357	6,542	94,998	20,992	145,494	31,249
49	Total compiled deductions	3,236,297	765,128	1,880,496	547,863	986,113	256,594	1,004,675	53,312	840,511	172,287	1,080,398	226,213
50	Compiled net profit or net loss (33 less 49)	229,223	36/33,584	59,040	36/13,797	47,797	36/9,901	71,341	36/1,890	75,147	36/15,581	72,792	36/10,553
51	Net income or deficit 1/ (50 less 32)	228,777	36/33,610	58,917	36/13,804	47,760	36/9,913	71,325	36/1,918	75,071	36/15,583	72,597	36/10,568
52	Net operating loss deduction 29/	2,571	-	1,032	-	620	-	199	-	3,031	-	1,073	-
53	Income tax 30/	48,933	-	11,497	-	9,041	-	14,511	-	15,661	-	15,171	-
54	Declared value excess-profits tax 31/	977	-	239	-	203	-	280	-	558	-	369	-
55	Total tax	49,910	-	11,736	-	9,244	-	14,792	-	16,220	-	15,540	-
56	Compiled net profit less total tax (50 less 55)	179,313	36/33,584	47,304	36/13,797	38,553	36/9,901	56,549	36/1,890	58,927	36/15,581	57,252	36/10,553
	Dividends paid:												
57	Cash and assets other than own stock	77,224	1,367	19,711	580	22,346	184	26,399	[illegible]	36,204	1,514	27,326	626
58	Corporation's own stock	3,564	13	4,783	37	1,104	43	249	-	189	-	527	349

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued
(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Manufacturing - Continued												
		Paper and allied products		Printing and publishing industries		Chemicals and allied products		Petroleum and coal products		Stone, clay, and glass products		Iron, steel, and products		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	1,447	677	5,391	5,007	3,379	2,933	324	292	1,893	1,407	4,471	1,902	1
	Assets:													
2	Cash 6/	144,386	14,958	160,727	18,230	568,269	10,498	459,936	47,407	202,747	8,130	622,396	19,610	2
3	Notes and accounts receivable (less reserve)	203,384	25,575	320,211	82,604	633,888	36,668	645,699	53,642	202,587	22,424	893,924	55,204	3
4	Inventories	294,921	36,445	158,961	31,906	816,451	39,815	816,807	102,107	275,968	29,399	1,600,873	113,696	4
5	Investments, Government obligations 7/	34,828	606	85,838	4,923	120,381	2,243	53,233	596	58,774	710	67,458	2,519	5
6	Other investments	216,669	251,205	377,649	46,042	883,435	33,124	1,544,057	78,680	219,600	10,504	649,341	27,629	6
7	Gross capital assets 8/ except land	1,642,700	229,424	1,205,370	329,025	3,093,997	157,249	6,743,896	1,202,927	1,461,228	241,242	5,795,705	426,884	7
8	Less reserves	743,803	112,198	457,358	128,706	1,311,963	60,120	3,505,913	569,142	695,946	106,874	2,780,301	238,545	8
9	Land	56,413	8,774	86,732	16,797	122,841	11,550	278,018	29,827	62,250	17,789	238,134	31,703	9
10	Other assets	37,277	10,749	67,763	24,663	72,432	13,112	80,271	20,069	29,509	7,370	96,027	8,304	10
11	Total assets 9/	1,886,775	465,537	2,005,894	425,483	4,999,730	244,139	7,116,004	966,114	1,816,717	230,693	7,183,558	447,004	11
	Liabilities:													
12	Accounts payable	84,668	21,162	168,509	58,278	403,307	31,972	449,365	73,502	110,875	18,819	904,151	70,013	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	52,493	17,924	51,889	47,576	106,282	21,569	115,369	71,245	23,106	15,306	164,994	37,803	13
14	Maturity 1 year or more	218,077	104,546	159,918	79,664	286,769	35,102	878,419	159,478	104,996	48,288	1,113,298	50,417	14
15	Other liabilities	78,411	68,161	119,858	38,533	226,272	10,932	153,527	45,068	83,557	15,422	377,963	15,995	15
16	Capital stock, preferred	276,716	123,815	211,560	45,599	524,829	26,437	218,190	55,884	155,665	28,694	580,166	68,906	16
17	Capital stock, common	612,487	78,484	580,860	156,543	1,525,489	130,171	3,173,897	300,782	708,351	103,698	2,131,739	202,511	17
18	Surplus reserves 10/	42,411	14,264	38,511	10,550	296,495	3,625	258,266	62,775	62,647	3,980	188,498	7,147	18
19	Surplus and undivided profits 11/	531,109	103,675	709,684	106,524	1,660,099	44,536	1,940,328	287,219	596,894	56,594	1,768,402	81,556	19
20	Less deficit 12/	9,595	66,495	34,895	117,784	29,813	60,205	71,357	89,841	29,374	60,108	45,633	87,344	20
21	Total liabilities 9/	1,886,775	465,537	2,005,894	425,483	4,999,730	244,139	7,116,004	966,114	1,816,717	230,693	7,183,558	447,004	21
	Receipts:													
22	Gross sales 13/	1,768,978	213,977	1,793,427	415,542	4,446,736	208,701	4,475,372	556,374	1,525,625	127,601	6,996,935	441,973	22
23	Gross receipts from operations 14/	3,040	1,088	77,229	33,679	28,977	2,951	177,290	58,915	4,194	2,871	17,485	1,566	23
24	Interest, not on Government obligations	2,074	6,634	3,564	490	7,895	341	11,939	992	2,211	118	10,709	409	24
25	Rents and royalties 15/	4,711	1,138	10,556	1,988	14,226	745	39,748	3,122	5,392	646	12,706	1,119	25
26	Net capital gain 16/	1,340	128	926	115	2,046	147	2,515	27	756	99	1,620	115	26
27	Net gain, sales other than capital assets 17/	713	35	558	121	591	71	1,685	290	1,097	108	1,541	108	27
28	Dividends, domestic corporations 18/	5,651	503	14,784	265	69,020	512	89,792	8,351	9,430	80	17,257	170	28
29	Dividends, foreign corporations 19/	1,377	(35)	1,403	15	16,163	54	5,583	16	11,736	(35)	5,206	206	29
30	Other receipts, not interest on Government obligations	10,833	1,096	16,037	3,990	18,088	1,832	21,011	5,691	9,355	1,249	24,614	1,545	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	594	22	1,044	84	1,505	43	519	6	620	10	1,127	59	31
32	Wholly tax-exempt 21/	234	15	1,000	33	1,642	31	583	7	340	14	641	14	32
33	Total compiled receipts 22/	1,799,546	224,635	1,920,528	456,324	4,606,888	215,427	4,826,037	633,792	1,570,757	132,795	7,089,821	447,285	33
	Deductions:													
34	Cost of goods sold 23/	1,233,203	174,779	1,160,539	285,785	2,772,586	151,855	3,136,150	443,286	980,811	95,054	5,174,117	354,890	34
35	Cost of operations 24/	1,016	137	38,758	15,782	4,053	1,404	101,225	40,396	1,820	2,337	4,940	993	35
36	Compensation of officers	36,353	5,122	80,771	25,005	70,134	10,015	11,978	2,158	32,399	5,735	105,701	9,558	36
37	Rent paid on business property	7,541	2,185	21,393	9,206	12,817	2,287	48,815	6,935	4,775	1,133	27,542	2,528	37
38	Repairs 25/	39,510	3,858	8,095	1,479	57,759	1,430	72,770	5,804	36,113	2,418	185,649	12,288	38
39	Bad debts	3,400	2,505	7,984	3,189	8,832	3,144	9,812	1,724	3,829	695	9,112	1,148	39
40	Interest paid	13,145	7,904	10,605	4,102	17,750	2,287	30,115	6,842	6,863	2,623	89,233	3,779	40
41	Taxes paid 26/	38,354	4,894	41,688	9,751	100,199	4,103	178,372	20,365	35,090	3,768	150,018	10,418	41
42	Contributions or gifts 27/	732	13	1,245	29	1,472	8	839	(35)	623	5	1,768	7	42
43	Depreciation	59,471	6,820	36,340	8,971	125,421	5,302	229,231	31,972	54,711	7,085	210,983	16,005	43
44	Depletion	2,538	377	6	3	5,229	66	115,587	27,327	1,492	194	4,101	7	44
45	Amortization 28/	69	30	2	6	535	37	1	3	148	1	432	5	45
46	Net long-term capital loss 16/	1,960	1,571	2,495	3,183	5,263	771	11,963	4,311	2,889	1,390	9,384	860	46
47	Net loss, sales other than capital assets 17/	1,153	1,101	1,295	856	2,200	358	1,443	740	1,049	1,090	2,462	1,520	47
48	Other deductions	171,891	21,202	333,604	114,480	741,134	47,459	618,831	60,985	194,823	20,822	501,044	52,002	48
49	Total compiled deductions	1,610,336	232,500	1,744,820	481,829	3,925,384	230,525	4,567,131	652,848	1,357,436	144,348	6,476,485	466,009	49
50	Compiled net profit or net loss (33 less 49)	189,210	36/7,865	175,709	36/25,505	681,504	36/15,098	258,905	36/19,056	213,321	36/11,553	613,336	36/18,724	50
51	Net income or deficit 1/ (50 less 32)	188,976	36/7,879	174,709	36/25,538	679,862	36/15,129	258,323	36/19,064	212,980	36/11,567	612,695	36/18,739	51
52	Net operating loss deduction 29/	1,296	-	1,843	-	2,049	-	805	-	1,059	-	9,297	-	52
53	Income tax 30/	42,310	-	36,157	-	144,517	-	43,241	-	47,201	-	136,354	-	53
54	Declared value excess-profits tax 31/	294	-	219	-	731	-	109	-	930	-	4,791	-	54
55	Total tax	42,604	-	36,376	-	145,249	-	43,350	-	48,131	-	141,145	-	55
56	Compiled net profit less total tax (50 less 55)	146,606	36/7,865	139,332	36/25,505	536,255	36/15,098	215,556	36/19,056	165,190	36/11,553	472,191	36/18,724	56
	Dividends paid:													
57	Cash and assets other than own stock	64,688	147	88,057	875	334,635	595	175,195	10,603	100,519	277	190,939	457	57
58	Corporation's own stock	1,681	-	2,106	1	6,130	39	793	-	1,480	-	5,119	-	58

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Manufacturing - Continued												
		Nonferrous metals and their products		Electrical machinery and equipment		Machinery, except transportation equipment and electrical		Automobiles and equipment, except electrical		Transportation equipment, except automobiles		Other manufacturing		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	1,562	840	1,024	657	3,768	1,825	491	276	412	314	1,983	1,844	1
	Assets:													
2	Cash 6/	110,275	3,092	177,766	5,477	533,949	9,470	722,505	6,289	456,980	13,982	99,944	6,239	2
3	Notes and accounts receivable (less reserve)	282,702	9,409	317,979	15,252	893,105	39,925	477,107	8,176	300,849	6,936	173,355	23,102	3
4	Inventories	375,048	22,635	475,671	24,360	1,148,388	61,976	600,287	15,164	492,789	28,261	231,501	30,753	4
5	Investments, Government obligations 7/	28,229	222	75,590	254	120,857	2,490	198,934	37	14,693	63	24,891	421	5
6	Other investments	346,648	1,996	353,314	3,246	541,450	15,874	462,661	3,299	184,824	3,272	128,214	16,422	6
7	Gross capital assets 8/ except land	888,808	51,981	845,760	73,305	2,302,748	166,588	1,934,938	105,367	920,817	38,587	396,509	79,793	7
8	Less reserves	418,515	31,029	441,849	40,438	1,126,487	76,390	912,976	52,163	351,573	10,392	191,152	33,879	8
9	Land	46,412	2,257	41,932	2,538	119,104	10,225	57,246	6,907	53,785	3,539	18,299	5,695	9
10	Other assets	31,052	2,512	26,230	3,395	67,128	9,870	48,715	13,658	53,669	3,343	18,685	4,836	10
11	Total assets 9/	1,690,661	63,076	1,872,392	87,389	4,600,240	240,029	3,589,416	106,735	2,126,834	87,591	900,246	133,381	11
	Liabilities:													
12	Accounts payable	166,956	10,056	165,896	15,905	336,557	31,765	428,518	10,109	178,243	11,677	67,618	18,644	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	52,040	6,210	38,808	12,397	86,947	18,031	28,151	3,229	47,616	4,499	26,585	11,899	13
14	Maturity 1 year or more	99,796	23,043	46,714	6,991	203,813	31,192	50,330	11,718	82,150	16,388	32,853	19,044	14
15	Other liabilities	98,287	2,307	167,696	4,851	360,957	13,775	210,878	6,828	731,335	33,968	71,259	6,648	15
16	Capital stock, preferred	272,416	4,173	75,500	8,679	444,996	22,804	242,736	8,250	131,600	6,374	63,927	15,854	16
17	Capital stock, common	384,239	25,359	694,471	33,722	1,513,686	131,332	713,779	47,543	345,210	20,338	312,389	65,589	17
18	Surplus reserves 10/	104,843	1,222	116,715	4,174	303,808	5,008	350,823	3,364	91,051	1,498	62,348	5,309	18
19	Surplus and undivided profits 11/	529,382	6,648	574,965	20,599	1,410,472	49,112	1,569,773	43,544	531,809	11,526	273,868	26,629	19
20	Less deficit 12/	17,299	15,943	8,374	19,930	60,994	62,990	5,571	27,848	12,181	18,676	10,601	36,234	20
21	Total liabilities 9/	1,690,661	63,076	1,872,392	87,389	4,600,240	240,029	3,589,416	106,735	2,126,834	87,591	900,246	133,381	21
	Receipts:													
22	Gross sales 13/	1,826,979	80,576	2,310,718	103,369	4,277,468	174,765	4,533,859	114,610	1,120,764	40,559	999,487	131,446	22
23	Gross receipts from operations 14/	60,380	662	5,078	563	67,835	1,710	1,689	23	388,837	4,108	6,879	1,860	23
24	Interest, not on Government obligations	3,509	44	3,795	62	13,042	660	5,497	76	2,149	52	2,143	234	24
25	Rents and royalties 15/	2,407	177	6,066	350	32,687	877	10,259	371	7,478	102	2,783	587	25
26	Net capital gain 16/	134	8	253	11	3,063	120	7,683	15	690	260	203	57	26
27	Net gain, sales other than capital assets 17/	102	10	354	18	2,651	368	457	1,310	1,751	127	118	52	27
28	Dividends, domestic corporations 18/	12,863	24	13,480	31	10,612	133	46,166	4	6,979	4	5,870	207	28
29	Dividends, foreign corporations 19/	4,765	(35)	3,541	1	10,146	(35)	31,075	-	270	-	2,402	(35)	29
30	Other receipts, not interest on Government obligations	12,055	239	14,423	788	25,364	1,487	20,956	413	15,610	396	5,764	988	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	305	3	570	(35)	1,852	31	364	1	178	2	130	18	31
32	Wholly tax-exempt 21/	169	2	943	1	1,571	30	450	(35)	180	2	122	3	32
33	Total compiled receipts 22/	1,923,668	81,745	2,359,221	105,195	4,446,291	180,180	4,658,458	116,822	1,544,885	45,612	1,025,900	135,452	33
	Deductions:													
34	Cost of goods sold 23/	1,396,167	66,973	1,554,780	82,621	2,722,563	132,703	3,505,496	101,926	783,707	35,827	630,932	95,698	34
35	Cost of operations 24/	30,537	348	2,298	335	4,104	1,059	406	7	289,210	3,266	3,507	1,039	35
36	Compensation of officers	32,494	3,815	28,864	3,087	99,032	8,194	21,184	1,599	14,761	1,336	35,359	7,954	36
37	Rent paid on business property	6,012	882	7,909	949	13,161	1,441	5,160	320	5,649	385	7,167	2,323	37
38	Repairs 25/	24,287	470	27,773	902	71,605	1,384	65,216	743	30,108	668	7,656	555	38
39	Bad debts	2,440	217	3,709	683	11,116	2,212	3,617	215	1,398	100	3,175	1,187	39
40	Interest paid	6,646	413	4,299	674	13,949	1,993	5,496	595	4,889	399	3,152	1,374	40
41	Taxes paid 26/	36,583	1,559	56,906	2,500	101,764	4,239	141,896	2,900	36,644	1,585	22,171	2,941	41
42	Contributions or gifts 27/	446	2	885	1	2,122	7	2,036	1	270	1	413	5	42
43	Depreciation	31,842	1,707	47,967	2,222	96,984	5,305	87,790	3,505	34,084	1,250	18,155	2,627	43
44	Depletion	2,992	3	70	2	243	5	659	-	29	-	5	25	44
45	Amortization 28/	176	12	276	96	1,394	148	394	13	1,818	34	85	2	45
46	Net long-term capital loss 16/	2,560	201	5,630	218	6,875	467	1,512	122	2,990	68	1,130	384	46
47	Net loss, sales other than capital assets 17/	887	168	629	147	2,451	590	647	1,258	775	354	238	723	47
48	Other deductions	130,538	7,982	293,007	17,391	648,562	32,846	240,215	12,555	81,983	5,571	170,470	27,733	48
49	Total compiled deductions	1,704,605	84,752	2,035,001	111,829	3,795,925	192,594	4,081,725	125,759	1,288,315	50,842	903,615	144,572	49
50	Compiled net profit or net loss (33 less 49)	219,063	36/3,007	324,220	36/6,634	650,366	36/12,413	576,733	36/8,937	256,570	36/5,230	122,286	36/9,120	50
51	Net income or deficit 1/ (50 less 32)	218,894	36/3,009	323,277	36/6,635	648,795	36/12,443	576,283	36/8,937	256,390	36/5,232	122,164	36/9,123	51
52	Net operating loss deduction 29/	740	-	927	-	4,293	-	1,104	-	4,114	-	919	-	52
53	Income tax 30/	48,720	-	73,572	-	143,332	-	127,594	-	57,397	-	26,685	-	53
54	Declared value excess-profits tax 31/	628	-	1,222	-	5,209	-	741	-	1,854	-	740	-	54
55	Total tax	49,349	-	74,794	-	148,540	-	128,336	-	59,251	-	27,425	-	55
56	Compiled net profit less total tax (50 less 55)	169,714	36/3,007	249,426	36/6,634	501,825	36/12,413	448,397	36/8,937	197,320	36/5,230	94,861	36/9,120	56
	Dividends paid:													
57	Cash and assets other than own stock	68,360	49	146,941	78	216,300	459	249,282	57	71,181	51	45,268	391	57
58	Corporation's own stock	810	12	2,198	-	7,141	70	277	(35)	208	-	2,013	12	58

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Manufacturing - Cont'd.		Public utilities								Trade		
		Manufacturing not allocable		Total public utilities		Transportation		Communication		Other public utilities		Total trade		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	853	945	10,577	8,103	6,876	5,976	1,486	1,041	2,215	1,086	68,425	57,049	1
	Assets:													
2	Cash 6/	22,023	2,006	1,423,273	427,761	781,989	388,113	90,940	5,626	550,345	34,022	1,493,648	190,292	2
3	Notes and accounts receivable (less reserve)	47,362	8,821	1,170,620	269,585	520,831	218,304	162,882	7,285	486,907	43,996	4,837,285	789,089	3
4	Inventories	68,851	10,978	556,063	188,993	262,897	168,328	66,029	4,786	227,137	15,878	4,689,688	832,070	4
5	Investments, Government obligations 7/	6,799	210	117,514	18,372	47,667	16,839	1,723	68	68,124	1,465	187,080	13,678	5
6	Other investments	42,104	3,291	3,814,018	1,293,276	1,981,500	1,243,870	281,308	5,143	1,551,211	44,262	1,757,600	244,328	6
7	Gross capital assets 8/ except land	157,269	44,811	38,901,115	15,997,631	16,242,938	14,492,053	5,358,247	213,863	17,299,929	1,291,734	4,295,138	1,116,805	7
8	Less reserves	72,518	17,358	7,792,422	1,868,226	3,557,805	1,633,683	1,629,235	59,598	2,705,382	174,945	1,844,192	471,198	8
9	Land	10,560	2,104	375,987	363,314	157,457	337,672	13,837	1,266	204,693	24,376	744,257	162,074	9
10	Other assets	7,990	3,058	1,057,809	433,114	380,044	367,606	52,819	5,052	624,946	60,455	382,529	94,070	10
11	Total assets 9/	290,440	57,921	39,623,976	17,123,818	16,817,517	15,599,083	4,498,550	183,492	18,307,909	1,341,244	16,543,032	2,971,208	11
	Liabilities:													
12	Accounts payable	26,921	11,033	833,568	759,934	473,434	694,691	95,582	8,555	264,552	56,688	3,197,677	726,057	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	16,103	6,340	269,194	255,669	98,544	198,579	6,500	5,331	164,150	51,760	1,103,694	338,845	13
14	Maturity 1 year or more	28,291	7,636	14,271,055	9,059,671	5,652,190	8,247,932	1,099,348	145,138	7,539,517	666,601	1,081,670	455,638	14
15	Other liabilities	15,156	3,691	1,554,068	2,128,185	719,824	2,064,937	182,185	5,076	652,059	58,171	788,334	156,200	15
16	Capital stock, preferred	27,744	7,578	3,028,500	962,743	895,930	827,593	160,983	9,389	1,971,587	125,761	1,033,953	213,070	16
17	Capital stock, common	91,141	34,497	13,142,789	4,527,134	4,719,676	4,056,048	2,608,631	51,061	5,814,482	420,025	4,994,523	1,252,283	17
18	Surplus reserves 10/	7,813	975	643,076	137,921	380,303	109,790	24,524	8,438	238,249	19,693	365,245	48,977	18
19	Surplus and undivided profits 11/	83,186	6,476	6,102,293	1,467,107	4,059,311	1,364,448	350,224	20,302	1,712,758	82,357	4,330,350	447,013	19
20	Less deficit 12/	5,915	20,303	220,568	2,174,545	141,694	1,964,936	29,428	69,799	49,446	139,811	352,412	666,874	20
21	Total liabilities 9/	290,440	57,921	39,623,976	17,123,818	16,817,517	15,599,083	4,498,550	183,492	18,307,909	1,341,244	16,543,032	2,971,208	21
	Receipts:													
22	Gross sales 13/	357,745	57,129	87,381	62,581	49,387	59,332	2,584	107	35,410	3,142	38,184,533	6,495,327	22
23	Gross receipts from operations 14/	1,567	856	9,865,499	2,981,746	4,825,030	2,739,335	1,460,829	35,006	3,579,640	207,406	506,280	146,615	23
24	Interest, not on Government obligations	666	40	58,304	19,284	26,212	18,481	2,898	37	29,194	766	65,367	8,267	24
25	Rents and royalties 15/	906	192	172,746	73,910	124,909	73,006	22,183	339	25,654	565	77,717	17,670	25
26	Net capital gain 16/	155	27	4,376	696	1,886	540	501	1	1,989	155	5,229	2,053	26
27	Net gain, sales other than capital assets 17/	166	22	25,128	1,805	23,752	1,669	52	1	1,325	135	4,603	1,774	27
28	Dividends, domestic corporations 18/	697	41	113,710	16,267	55,536	16,139	14,580	27	43,594	101	46,615	1,999	28
29	Dividends, foreign corporations 19/	380	4	1,351	59	649	6	30	-	671	53	39,983	88	29
30	Other receipts, not interest on Government obligations	3,032	343	47,537	35,189	31,428	30,006	2,958	465	13,151	4,718	387,661	63,893	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	146	3	3,856	274	2,730	249	47	1	1,079	25	2,373	232	31
32	Wholly tax-exempt 21/	49	(35)	1,845	517	850	499	229	5	766	13	1,621	221	32
33	Total compiled receipts 22/	365,509	58,657	10,381,734	3,192,330	5,142,369	2,939,263	1,506,892	35,990	3,732,473	217,078	39,321,982	6,738,139	33
	Deductions:													
34	Cost of goods sold 23/	253,135	44,514	63,277	44,773	33,604	42,106	1,481	26	28,193	2,640	30,587,696	5,277,222	34
35	Cost of operations 24/	904	566	5,209,744	2,077,746	3,109,948	1,960,803	670,434	17,936	1,429,362	99,008	134,169	75,399	35
36	Compensation of officers	12,771	3,039	93,556	25,914	64,283	23,140	8,157	780	21,116	1,995	674,059	198,375	36
37	Rent paid on business property	1,656	822	312,805	182,688	243,496	177,622	31,649	1,291	37,660	3,776	527,805	149,390	37
38	Repairs 25/	3,008	371	25,438	10,805	19,660	9,235	1,026	842	4,752	728	78,435	16,827	38
39	Bad debts	1,078	551	16,801	4,829	2,939	3,755	5,019	288	8,843	787	118,691	36,618	39
40	Interest paid	2,020	609	627,647	435,911	240,496	396,730	44,664	3,689	342,486	35,492	100,674	30,580	40
41	Taxes paid 26/	6,199	1,156	824,555	227,705	311,804	207,961	135,733	2,130	377,018	17,615	382,219	75,561	41
42	Contributions or gifts 27/	91	3	3,620	47	557	25	879	3	2,184	19	8,010	356	42
43	Depreciation	6,107	1,419	769,578	123,128	176,166	90,795	180,550	5,389	412,861	26,944	226,674	58,377	43
44	Depletion	512	21	11,863	1,015	2,290	410	-	(35)	9,572	604	619	347	44
45	Amortization 28/	21	3	87	13	80	8	3	1	4	3	494	337	45
46	Net long-term capital loss 16/	302	1,410	18,921	27,712	12,589	26,636	1,354	48	4,978	1,028	21,350	12,284	46
47	Net loss, sales other than capital assets 17/	282	376	4,356	17,270	1,458	16,066	1,062	101	1,837	1,103	4,132	7,270	47
48	Other deductions	49,148	10,062	817,442	275,127	349,693	224,545	138,625	7,816	329,123	42,766	5,203,011	963,738	48
49	Total compiled deductions	337,233	64,922	8,799,690	3,454,684	4,569,064	3,179,858	1,220,635	40,338	3,009,990	234,508	38,068,039	6,902,680	49
50	Compiled net profit or net loss (33 less 49)	28,276	36/6,266	1,582,044	36/262,353	573,305	36/240,575	286,257	36/4,348	722,483	36/17,430	1,253,943	36/164,542	50
51	Net income or deficit 1/ (50 less 32)	28,226	36/6,266	1,580,199	36/262,870	572,454	36/241,075	286,028	36/4,354	721,717	36/17,442	1,252,322	36/164,762	51
52	Net operating loss deduction 29/	334	-	32,820	-	10,055	-	1,593	-	21,172	-	16,195	-	52
53	Income tax 30/	5,983	-	344,855	-	121,756	-	65,024	-	158,075	-	259,412	-	53
54	Declared value excess-profits tax 31/	261	-	1,150	-	827	-	99	-	224	-	4,819	-	54
55	Total tax	6,244	-	346,005	-	122,584	-	65,122	-	158,299	-	264,231	-	55
56	Compiled net profit less total tax (50 less 55)	22,032	36/6,266	1,236,039	36/262,353	450,721	36/240,575	221,134	36/4,348	564,184	36/17,430	989,712	36/164,542	56
	Dividends paid:													
57	Cash and assets other than own stock	9,944	37	1,045,933	21,479	312,768	11,414	200,922	794	532,242	9,272	497,757	6,721	57
58	Corporation's own stock	337	-	8,738	99	1,187	85	590	15	6,960	-	18,735	314	58

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Trade - Continued												
		Wholesale						Retail						
		Total wholesale		Commission merchants		Other wholesalers		Total retail		General merchandise		Food stores, including market milk dealers		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	21,514	13,422	2,234	1,856	19,280	11,566	38,437	37,100	3,405	2,305	2,291	3,430	1
	Assets:													
2	Cash 6/	698,338	86,937	100,682	10,818	597,656	76,119	700,461	83,054	292,347	7,983	121,568	11,596	2
3	Notes and accounts receivable (less reserve)	2,269,022	330,103	236,263	34,533	2,032,760	295,570	2,169,942	355,600	1,002,582	43,211	72,113	26,430	3
4	Inventories	1,997,735	286,460	21,412	4,606	1,976,322	281,854	2,278,412	443,364	924,886	53,418	247,714	27,600	4
5	Investments, Government obligations 7/	66,533	5,364	9,659	561	56,874	4,803	108,657	6,412	28,977	1,000	46,348	1,445	5
6	Other investments	938,014	107,980	146,078	25,478	791,936	82,503	596,537	106,668	343,592	10,466	55,957	8,581	6
7	Gross capital assets 8/ except land	1,013,262	273,144	47,076	14,925	966,186	258,219	2,854,711	683,100	1,349,814	67,232	442,519	151,587	7
8	Less reserves	426,555	114,995	19,668	4,369	406,887	110,626	1,207,134	288,005	528,014	31,233	193,167	57,692	8
9	Land	151,927	40,032	6,126	2,589	145,801	37,443	504,884	89,533	284,614	8,607	39,829	9,904	9
10	Other assets	134,624	33,531	8,624	6,703	126,000	26,828	217,066	48,079	93,617	4,534	29,321	5,460	10
11	Total assets 9/	6,842,901	1,048,556	556,252	95,843	6,286,649	952,713	8,223,535	1,527,805	3,792,413	165,220	862,201	184,912	11
	Liabilities:													
12	Accounts payable	1,600,557	305,482	171,215	28,934	1,429,342	276,548	1,373,485	332,780	665,919	26,834	146,799	38,508	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	618,508	118,665	30,482	8,146	588,027	110,519	393,599	179,076	58,112	14,926	17,891	11,282	13
14	Maturity 1 year or more	418,667	157,530	31,497	14,676	387,170	142,855	580,963	238,669	292,076	29,635	46,779	35,307	14
15	Other liabilities	269,449	43,819	15,632	5,333	253,817	38,486	442,443	93,456	152,328	7,317	34,556	7,906	15
16	Capital stock, preferred	443,854	73,388	46,053	9,031	397,801	64,357	520,369	109,248	274,777	15,491	42,897	11,276	16
17	Capital stock, common	1,988,610	415,050	136,294	34,522	1,852,316	380,528	2,548,422	675,401	1,164,572	85,707	228,513	73,405	17
18	Surplus reserves 10/	141,182	12,681	9,017	3,589	132,165	9,092	197,696	32,030	111,481	2,611	20,675	3,295	18
19	Surplus and undivided profits 11/	1,513,792	146,444	137,552	12,492	1,376,240	133,952	2,326,628	228,951	1,091,001	28,122	339,781	34,098	19
20	Less deficit 12/	151,718	224,504	21,489	20,880	130,229	203,623	160,070	361,807	17,853	45,424	15,690	30,165	20
21	Total liabilities 9/	6,842,901	1,048,556	556,252	95,843	6,286,649	952,713	8,223,535	1,527,805	3,792,413	165,220	862,201	184,912	21
	Receipts:													
22	Gross sales 13/	18,248,983	2,542,645	304,607	77,546	17,944,375	2,465,099	17,110,308	3,245,958	5,312,325	263,619	3,460,226	539,887	22
23	Gross receipts from operations 14/	333,051	77,684	184,470	33,233	148,581	44,451	130,406	53,729	25,581	3,415	7,526	7,257	23
24	Interest, not on Government obligations	24,720	2,633	5,082	592	19,639	2,041	35,650	4,681	19,130	1,071	862	147	24
25	Rents and royalties 15/	18,812	4,330	1,139	448	17,672	3,881	49,893	11,042	23,854	1,294	2,999	1,282	25
26	Net capital gain 16/	2,568	559	146	72	2,422	487	2,139	1,395	589	957	243	56	26
27	Net gain, sales other than capital assets 17/	1,605	501	130	27	1,476	474	2,302	998	150	186	678	166	27
28	Dividends, domestic corporations 18/	26,705	827	6,462	185	20,243	642	18,035	835	8,654	113	1,508	243	28
29	Dividends, foreign corporations 19/	10,981	74	74	43	10,907	31	8,506	8	8,480	1	6	2	29
30	Other receipts, not interest on Government obligations	101,009	17,532	5,650	2,892	95,359	14,640	261,054	40,782	72,040	4,547	10,888	2,005	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	832	79	75	5	757	73	1,371	100	363	15	466	21	31
32	Wholly tax-exempt 21/	734	93	128	5	606	88	746	86	277	6	88	37	32
33	Total compiled receipts 22/	18,770,000	2,646,957	507,963	115,049	18,262,037	2,531,908	17,620,408	3,359,614	5,471,443	275,223	3,485,490	551,104	33
	Deductions:													
34	Cost of goods sold 23/	15,876,719	2,248,995	280,142	72,022	15,596,577	2,176,974	12,490,159	2,457,016	3,537,424	190,476	2,750,295	428,718	34
35	Cost of operations 24/	66,960	36,285	13,039	8,563	53,920	27,722	57,224	28,984	6,670	994	4,363	4,196	35
36	Compensation of officers	296,364	62,173	29,727	8,983	266,636	53,190	303,861	113,588	45,988	6,837	22,931	10,751	36
37	Rent paid on business property	77,493	19,456	7,229	1,921	70,264	17,535	420,370	119,007	145,052	9,364	49,097	11,605	37
38	Repairs 25/	16,387	3,165	398	116	15,990	3,049	55,251	11,481	20,876	911	10,993	3,057	38
39	Bad debts	46,655	14,634	2,838	1,292	43,816	13,343	59,726	17,117	18,707	3,461	2,773	1,005	39
40	Interest paid	40,730	9,796	2,850	789	37,880	9,007	50,552	16,928	19,274	1,498	4,481	2,246	40
41	Taxes paid 26/	110,354	17,764	5,497	1,088	104,857	16,676	237,694	48,730	100,917	4,531	35,037	7,614	41
42	Contributions or gifts 27/	2,697	86	267	10	2,430	76	4,736	208	2,148	18	744	15	42
43	Depreciation	53,779	13,612	2,509	710	51,271	12,902	150,103	37,363	55,598	2,540	31,510	8,488	43
44	Depletion	344	68	4	29	340	39	158	236	61	1	1	1	44
45	Amortization 28/	110	259	11	218	99	41	194	72	2	2	6	3	45
46	Net long-term capital loss 16/	9,850	6,402	1,480	777	8,370	5,624	10,585	4,549	5,202	1,624	2,320	232	46
47	Net loss, sales other than capital assets 17/	1,531	1,996	252	42	1,279	1,955	2,234	3,937	818	113	406	833	47
48	Other deductions	1,678,891	266,577	123,566	23,089	1,555,325	243,488	3,147,313	590,956	1,197,072	62,557	502,674	83,210	48
49	Total compiled deductions	18,278,864	2,701,268	469,810	119,648	17,809,054	2,581,621	16,990,163	3,450,173	5,155,811	284,927	3,417,631	561,974	49
50	Compiled net profit or net loss (33 less 49)	491,136	36/54,312	38,153	36/4,598	452,983	36/49,713	630,246	36/90,560	315,633	36/9,704	67,858	36/10,870	50
51	Net income or deficit 1/ (50 less 32)	490,402	36/54,404	38,025	36/4,603	452,377	36/49,801	629,500	36/90,646	315,356	36/9,710	67,770	36/10,907	51
52	Net operating loss deduction 29/	6,875	-	488	-	6,386	-	7,573	-	1,139	-	641	-	52
53	Income tax 30/	98,952	-	6,859	-	92,093	-	132,879	-	72,108	-	15,001	-	53
54	Declared value excess-profits tax 31/	2,324	-	183	-	2,142	-	1,403	-	280	-	69	-	54
55	Total tax	101,276	-	7,042	-	94,234	-	134,282	-	72,388	-	15,071	-	55
56	Compiled net profit less total tax (50 less 55)	389,860	36/54,312	31,112	36/4,598	358,749	36/49,713	495,964	36/90,560	243,244	36/9,704	52,787	36/10,870	56
	Dividends paid:													
57	Cash and assets other than own stock	167,690	2,364	16,437	219	151,253	2,144	269,153	2,870	151,440	269	37,216	205	57
58	Corporation's own stock	9,809	177	275	4	9,534	173	6,352	94	2,319	2	897	2	58

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Trade - Continued												
		Retail - Continued												
		Package liquor stores		Drug stores		Apparel and accessories		Furniture and house furnishings		Eating and drinking places		Automotive dealers		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	681	779	1,713	2,685	4,969	5,212	2,852	2,302	2,390	5,307	6,055	3,899	1
	Assets:													
2	Cash 6/	2,230	1,194	20,462	3,385	72,737	11,612	23,518	4,743	22,114	7,718	51,464	8,184	2
3	Notes and accounts receivable (less reserve)	1,108	697	19,445	5,582	164,582	37,709	314,816	64,840	9,497	4,415	135,133	35,779	3
4	Inventories	9,574	5,896	68,551	25,517	220,845	68,987	122,952	31,728	12,171	6,976	271,181	77,232	4
5	Investments, Government obligations 7/	12	8	540	231	10,355	413	2,540	652	1,188	489	3,100	369	5
6	Other investments	163	202	8,086	1,533	50,079	15,946	17,605	5,237	22,742	9,924	18,840	4,930	6
7	Gross capital assets 8/ except land	3,433	3,584	70,211	28,492	188,842	54,332	75,928	24,169	155,908	113,798	123,252	46,048	7
8	Less reserves	937	739	31,284	12,850	86,651	26,695	29,905	10,064	71,786	47,134	53,145	18,037	8
9	Land	175	86	3,387	639	16,861	2,368	14,133	6,161	21,685	11,074	22,475	9,264	9
10	Other assets	469	495	4,694	1,640	20,640	4,494	9,826	3,936	6,390	6,072	22,930	6,830	10
11	Total assets 9/	16,226	11,422	164,092	54,169	658,290	169,166	551,414	151,401	179,909	113,332	595,231	170,599	11
	Liabilities:													
12	Accounts payable	5,851	4,841	25,369	16,060	108,103	49,791	89,454	27,161	21,795	29,962	96,883	34,567	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	1,626	1,129	4,018	4,608	28,750	14,090	41,550	12,999	11,391	11,046	127,388	46,859	13
14	Maturity 1 year or more	1,572	1,565	11,030	6,981	42,355	18,075	24,664	14,758	20,241	32,467	58,839	26,930	14
15	Other liabilities	1,024	763	7,150	3,056	37,028	8,620	77,114	17,614	11,033	9,296	41,091	11,160	15
16	Capital stock, preferred	161	143	15,844	2,208	62,491	15,333	38,670	9,587	12,622	10,949	18,278	4,157	16
17	Capital stock, common	4,483	4,207	55,179	27,463	188,166	84,131	144,998	55,845	55,655	39,932	162,794	63,228	17
18	Surplus reserves 10/	34	4	3,015	135	10,314	1,770	21,550	4,228	1,493	7,828	9,293	1,433	18
19	Surplus and undivided profits 11/	2,074	670	46,004	7,333	198,147	27,103	128,968	17,992	53,187	12,532	111,310	21,043	19
20	Less deficit 12/	597	1,900	3,516	13,675	17,064	49,747	15,554	28,782	7,508	40,679	30,645	38,778	20
21	Total liabilities 9/	16,226	11,422	164,092	54,169	658,290	169,166	551,414	151,401	179,909	113,332	595,231	170,599	21
	Receipts:													
22	Gross sales 13/	54,165	35,303	439,925	149,829	1,502,818	352,827	628,450	145,253	404,195	293,093	2,950,593	730,730	22
23	Gross receipts from operations 14/	251	121	990	1,079	9,947	2,846	6,592	2,643	12,212	10,264	44,609	13,022	23
24	Interest, not on Government obligations	2	(35)	431	21	1,107	233	2,178	533	206	230	5,305	975	24
25	Rents and royalties 15/	81	22	949	520	6,755	1,085	1,786	505	2,121	2,008	1,356	635	25
26	Net capital gain 16/	4	1	430	20	145	27	62	26	30	25	122	43	26
27	Net gain, sales other than capital assets 17/	18	12	70	20	160	35	142	16	119	145	141	63	27
28	Dividends, domestic corporations 18/	1	-	1,488	8	2,185	45	431	46	1,127	4	607	20	28
29	Dividends, foreign corporations 19/	-	-	(35)	-	(35)	-	(35)	-	(35)	-	8	(35)	29
30	Other receipts, not interest on Government obligations	105	43	4,248	1,324	32,104	6,966	79,635	8,190	2,365	1,485	20,980	6,358	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	-	-	5	3	140	3	33	9	22	13	102	2	31
32	Wholly tax-exempt 21/	-	-	4	2	49	6	21	12	15	4	22	1	32
33	Total compiled receipts 22/	54,627	35,502	448,541	152,827	1,555,410	364,071	719,330	157,233	422,413	307,271	3,023,845	751,850	33
	Deductions:													
34	Cost of goods sold 23/	42,787	27,592	302,548	107,986	984,544	235,654	347,656	92,249	234,790	170,805	2,532,815	641,612	34
35	Cost of operations 24/	138	73	375	442	2,979	1,412	1,271	789	6,432	5,826	25,010	9,604	35
36	Compensation of officers	2,936	2,221	8,837	6,524	44,570	17,599	26,819	9,248	13,953	13,206	54,624	14,339	36
37	Rent paid on business property	1,393	1,236	21,434	9,081	93,210	29,137	20,882	6,656	26,522	22,176	27,186	8,300	37
38	Repairs 25/	65	51	1,445	407	3,898	604	1,642	364	3,980	2,401	3,910	1,121	38
39	Bad debts	26	35	267	157	6,373	1,552	7,261	2,047	186	305	6,449	2,560	39
40	Interest paid	89	71	653	397	3,171	1,202	3,488	1,483	1,104	1,594	8,707	3,475	40
41	Taxes paid 26/	934	775	6,188	2,381	19,663	4,765	12,102	2,481	10,623	8,019	18,500	4,955	41
42	Contributions or gifts 27/	5	3	92	18	620	22	220	29	123	26	246	29	42
43	Depreciation	267	245	4,527	1,919	12,325	3,399	4,224	1,253	9,770	7,986	7,590	2,427	43
44	Depletion	-	(35)	(35)	2	1	30	-	-	4	13	13	5	44
45	Amortization 28/	3	1	3	6	86	8	2	-	23	13	57	22	45
46	Net long-term capital loss 16/	-	1	5	24	307	658	147	108	279	185	915	330	46
47	Net loss, sales other than capital assets 17/	7	13	37	26	167	295	60	87	64	235	200	303	47
48	Other deductions	5,061	3,923	85,253	26,472	327,418	80,236	265,316	46,906	98,377	85,451	293,512	71,984	48
49	Total compiled deductions	53,709	36,241	431,664	155,841	1,499,333	376,573	691,091	163,699	406,233	318,243	2,979,734	761,068	49
50	Compiled net profit or net loss (33 less 49)	918	36/739	16,877	36/3,014	56,077	36/12,503	28,240	36/6,466	16,180	36/10,971	44,110	36/9,218	50
51	Net income or deficit 1/ (50 less 32)	918	36/739	16,872	36/3,016	56,028	36/12,508	28,218	36/6,478	16,165	36/10,976	44,088	36/9,219	51
52	Net operating loss deduction 29/	45	-	159	-	1,190	-	828	-	484	-	1,155	-	52
53	Income tax 30/	129	-	3,022	-	11,166	-	5,500	-	2,965	-	7,947	-	53
54	Declared value excess-profits tax 31/	7	-	66	-	152	-	79	-	54	-	210	-	54
55	Total tax	137	-	3,088	-	11,318	-	5,579	-	3,019	-	8,157	-	55
56	Compiled net profit less total tax (50 less 55)	781	36/739	13,789	36/3,014	44,759	36/12,503	22,660	36/6,466	13,161	36/10,971	35,954	36/9,218	56
	Dividends paid:													
57	Cash and assets other than own stock	46	7	7,389	27	18,650	362	7,178	129	7,045	44	12,547	436	57
58	Corporation's own stock	34	-	57	-	473	-	179	18	57	2	725	52	58

For footnotes, see page 12

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued
(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued														
		Trade - Continued														
		Retail - Continued										Trade not allocable		
		Filling stations		Hardware		Building materials, fuel and ice		Other retail trade		Retail trade not allocable				
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	1,009	1,297	1,296	1,246	4,923	3,325	4,130	3,390	2,723	1,923	8,474	6,527	1
	Assets:													
2	Cash 6/	9,884	1,291	4,494	1,401	34,882	9,167	29,699	11,190	15,061	3,590	94,848	20,301	2
3	Notes and accounts receivable (less reserve)	17,897	5,689	25,664	8,632	198,384	59,592	135,965	36,033	72,757	26,992	398,320	103,386	3
4	Inventories	19,449	3,017	35,562	16,487	159,903	36,897	121,428	65,839	64,196	23,771	413,541	102,245	4
5	Investments, Government obligations 7/	5,452	24	264	52	4,264	1,077	4,402	511	1,214	141	11,889	1,902	5
6	Other investments	3,317	991	3,001	884	47,692	20,950	14,560	21,176	10,902	5,848	223,049	29,679	6
7	Gross capital assets 8/ except land	69,446	17,802	14,062	8,518	200,523	94,947	91,062	41,715	69,713	30,876	427,165	160,561	7
8	Less reserves	33,573	7,054	5,683	2,972	101,763	43,233	40,198	16,883	31,026	13,420	210,503	68,197	8
9	Land	25,812	4,573	2,531	1,321	51,608	26,696	12,819	3,706	8,954	5,135	87,447	32,509	9
10	Other assets	1,684	826	1,389	687	10,677	6,124	11,117	4,782	4,314	2,197	30,839	12,460	10
11	Total assets 9/	119,367	27,159	81,285	35,012	606,170	212,217	380,854	168,069	216,085	85,130	1,476,596	394,846	11
	Liabilities:													
12	Accounts payable	21,898	7,059	12,055	7,271	76,688	39,795	76,435	36,515	26,235	14,417	223,636	87,794	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	3,502	2,698	9,017	4,141	42,591	21,304	30,749	24,478	17,017	9,516	91,586	41,104	13
14	Maturity 1 year or more	7,540	6,089	4,394	3,124	38,359	33,498	18,331	21,611	14,782	8,629	82,040	59,438	14
15	Other liabilities	8,334	1,615	2,649	1,396	18,179	7,391	36,520	11,272	15,437	6,050	76,443	18,924	15
16	Capital stock, preferred	3,239	639	2,096	998	25,817	14,798	12,308	19,487	11,169	4,182	69,730	30,433	16
17	Capital stock, common	47,685	12,362	34,787	21,338	256,692	105,233	126,015	62,269	78,883	40,282	457,491	161,832	17
18	Surplus reserves 10/	1,560	85	346	147	5,179	3,618	9,858	5,738	2,898	1,142	26,366	4,266	18
19	Surplus and undivided profits 11/	27,572	2,673	18,423	4,511	163,081	35,145	91,193	22,369	55,887	15,361	489,930	71,619	19
20	Less deficit 12/	1,962	6,058	2,482	7,915	20,416	48,566	20,557	35,669	6,223	14,448	40,625	80,563	20
21	Total liabilities 9/	119,367	27,159	81,285	35,012	606,170	212,217	380,854	168,069	216,085	85,130	1,476,596	394,846	21
	Receipts:													
22	Gross sales 13/	224,890	70,841	130,779	46,182	937,595	276,109	639,350	215,523	424,998	126,763	2,825,242	706,724	22
23	Gross receipts from operations 14/	1,580	1,345	471	247	7,479	3,682	9,175	6,109	3,993	1,697	42,824	15,202	23
24	Interest, not on Government obligations	111	25	588	94	2,237	488	2,375	630	1,117	235	4,997	953	24
25	Rents and royalties 15/	2,484	469	267	169	3,349	1,444	2,944	1,211	948	398	9,013	2,298	25
26	Net capital gain 16/	73	31	10	9	283	146	89	41	58	14	521	99	26
27	Net gain, sales other than capital assets 17/	97	30	31	5	427	178	118	114	151	29	697	275	27
28	Dividends, domestic corporations 18/	196	8	28	4	1,118	183	455	119	238	44	1,874	337	28
29	Dividends, foreign corporations 19/	1	1	(35)	-	3	1	5	2	2	(35)	20,496	6	29
30	Other receipts, not interest on Government obligations	1,534	472	1,726	462	10,539	2,757	15,727	3,076	9,164	3,098	25,598	5,579	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	92	(35)	2	4	68	18	58	10	20	3	170	53	31
32	Wholly tax-exempt 21/	93	-	37	4	51	10	57	3	30	1	142	42	32
33	Total compiled receipts 22/	231,150	73,219	133,940	47,180	963,149	285,016	670,353	226,837	440,717	132,281	2,931,574	731,569	33
	Deductions:													
34	Cost of goods sold 23/	170,064	55,187	99,264	35,569	716,222	215,510	437,174	155,358	334,574	100,299	2,220,818	571,211	34
35	Cost of operations 24/	620	786	160	150	3,831	2,359	3,797	1,612	1,579	761	9,986	10,131	35
36	Compensation of officers	3,829	2,886	6,294	2,939	34,251	11,458	27,122	11,016	11,707	4,562	73,834	22,613	36
37	Rent paid on business property	3,666	2,664	2,294	1,462	5,216	2,758	18,527	11,754	5,890	2,816	29,941	10,927	37
38	Repairs 25/	1,775	205	179	67	3,950	1,483	1,546	465	995	345	6,796	2,180	38
39	Bad debts	600	292	904	434	7,715	2,974	5,454	1,253	3,010	1,041	12,310	4,867	39
40	Interest paid	515	327	656	302	4,480	2,163	2,289	1,327	1,645	845	9,392	3,856	40
41	Taxes paid 26/	4,677	1,694	1,869	740	14,178	4,438	8,325	4,518	4,681	1,820	34,171	9,067	41
42	Contributions or gifts 27/	28	2	31	5	230	18	171	10	80	12	577	61	42
43	Depreciation	4,075	1,003	832	367	10,518	4,163	5,291	2,232	3,575	1,341	22,791	7,403	43
44	Depletion	9	2	-	(35)	49	74	2	108	17	(35)	117	43	44
45	Amortization 28/	2	(35)	-	(35)	4	7	4	3	1	4	190	6	45
46	Net long-term capital loss 16/	138	40	9	41	989	952	196	315	78	38	914	1,334	46
47	Net loss, sales other than capital assets 17/	31	22	11	69	352	462	40	1,340	40	138	368	1,337	47
48	Other deductions	31,847	9,920	17,129	6,873	127,399	45,375	135,289	45,591	60,967	22,460	376,807	106,206	48
49	Total compiled deductions	221,874	75,009	129,632	49,019	929,384	294,195	645,227	236,901	428,840	136,481	2,799,012	751,239	49
50	Compiled net profit or net loss (33 less 49)	9,276	36/1,790	4,308	36/1,839	33,765	36/9,179	25,126	36/10,065	11,878	36/4,201	132,561	36/19,670	50
51	Net income or deficit 1/ (50 less 32)	9,183	36/1,790	4,271	36/1,843	33,714	36/9,189	25,070	36/10,068	11,848	36/4,202	132,420	36/19,712	51
52	Net operating loss deduction 29/	206	-	73	-	787	-	678	-	187	-	1,747	-	52
53	Income tax 30/	1,893	-	715	-	5,804	-	4,592	-	2,036	-	27,581	-	53
54	Declared value excess-profits tax 31/	21	-	36	-	183	-	168	-	76	-	1,092	-	54
55	Total tax	1,915	-	751	-	5,987	-	4,760	-	2,112	-	28,673	-	55
56	Compiled net profit less total tax (50 less 55)	7,361	36/1,790	3,557	36/1,839	27,779	36/9,179	20,366	36/10,065	9,765	36/4,201	103,888	36/19,670	56
	Dividends paid:													
57	Cash and assets other than own stock	4,888	19	1,082	23	11,979	521	6,154	507	3,538	323	60,914	1,487	57
58	Corporation's own stock	125	-	86	6	688	5	580	(35)	133	7	2,574	43	58

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Service												
		Total service		Hotels and other lodging places		Personal service		Business service		Automotive repair services and garages		Miscellaneous repair services, hand trades		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	14,599	19,495	1,605	2,539	3,481	4,383	2,968	3,413	1,185	2,117	550	665	1
	Assets:													
2	Cash 6/	230,241	73,195	24,983	23,281	21,463	6,276	76,295	17,197	4,246	2,284	2,461	608	2
3	Notes and accounts receivable (less reserve)	260,909	124,792	20,481	24,798	38,798	20,449	93,591	29,854	8,611	7,820	5,483	2,154	3
4	Inventories	161,677	51,671	8,300	9,248	17,645	7,159	10,452	4,485	3,569	3,241	3,616	1,654	4
5	Investments, Government obligations 7/	36,210	8,648	2,937	840	2,736	649	6,855	3,723	129	67	272	(35)	5
6	Other investments	450,521	145,004	33,971	41,059	26,648	9,190	59,784	34,750	1,855	1,662	506	634	6
7	Gross capital assets 8/ except land	1,791,034	1,446,722	528,844	825,764	302,135	168,475	179,515	70,106	46,946	46,415	18,311	6,180	7
8	Less reserves	735,436	516,441	193,287	269,965	137,233	83,692	68,365	21,165	16,456	15,178	7,521	2,695	8
9	Land	315,276	284,598	95,998	184,168	25,203	12,241	12,291	3,903	10,426	15,076	955	544	9
10	Other assets	83,576	60,737	14,811	23,599	10,832	5,592	21,848	8,803	2,346	2,196	617	386	10
11	Total assets 9/	2,594,007	1,678,925	537,036	862,792	308,228	146,339	392,266	151,655	61,673	63,584	24,701	9,465	11
	Liabilities:													
12	Accounts payable	216,773	229,058	26,796	58,430	26,294	24,635	61,715	40,354	7,362	13,970	3,109	2,189	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	91,668	137,283	22,246	55,352	16,741	13,991	12,535	23,946	5,459	7,181	1,133	1,211	13
14	Maturity 1 year or more	533,037	735,523	191,676	507,907	36,608	33,370	29,649	19,916	14,337	27,420	5,191	1,013	14
15	Other liabilities	123,440	147,994	19,016	85,441	17,393	10,663	35,982	11,098	3,320	5,226	1,235	885	15
16	Capital stock, preferred	193,791	128,343	42,045	70,663	27,265	11,818	31,273	12,001	6,807	3,252	261	474	16
17	Capital stock, common	689,991	472,759	129,150	166,108	114,475	69,249	123,517	49,252	17,338	22,642	9,751	6,454	17
18	Surplus reserves 10/	111,721	44,980	8,257	24,278	2,657	2,306	13,692	8,623	1,126	284	282	79	18
19	Surplus and undivided profits 11/	745,040	283,088	126,195	143,161	80,615	22,524	100,065	30,212	10,125	4,974	5,191	1,340	19
20	Less deficit 12/	111,454	500,102	28,345	248,549	13,821	42,218	15,962	43,748	4,201	21,365	1,451	4,179	20
21	Total liabilities 9/	2,594,007	1,678,925	537,036	862,792	308,228	146,339	392,266	151,655	61,673	63,584	24,701	9,465	21
	Receipts:													
22	Gross sales 13/	225,227	170,061	84,271	92,092	41,531	27,326	23,668	7,442	21,136	20,175	9,367	4,753	22
23	Gross receipts from operations 14/	2,229,766	912,560	197,521	215,293	373,786	181,657	575,700	132,128	61,473	48,528	33,191	10,545	23
24	Interest, not on Government obligations	4,625	2,884	490	313	351	82	1,289	1,414	114	45	32	5	24
25	Rents and royalties 15/	46,811	29,552	14,540	15,067	1,060	683	10,858	3,124	2,230	2,517	73	41	25
26	Net capital gain 16/	1,795	480	312	144	106	54	283	95	5	18	3	3	26
27	Net gain, sales other than capital assets 17/	2,018	565	174	117	258	80	285	110	253	16	15	15	27
28	Dividends, domestic corporations 18/	21,636	1,248	892	557	501	30	2,697	123	117	11	5	(35)	28
29	Dividends, foreign corporations 19/	4,051	488	19	9	12	73	332	158	-	-	7	-	29
30	Other receipts, not interest on Government obligations	28,278	19,220	3,464	4,123	2,639	1,029	3,993	5,174	1,045	920	315	107	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	242	107	20	9	57	11	82	68	3	1	2	-	31
32	Wholly tax-exempt 21/	324	166	11	10	67	7	56	24	4	3	1	-	32
33	Total compiled receipts 22/	2,564,772	1,137,331	301,714	327,734	420,348	211,013	619,243	149,860	86,381	72,234	43,011	15,470	33
	Deductions:													
34	Cost of goods sold 23/	138,576	103,908	46,621	54,737	19,833	14,994	17,270	5,638	15,005	14,060	6,129	3,018	34
35	Cost of operations 24/	1,233,319	462,244	79,885	96,405	208,703	105,033	321,742	79,604	31,151	26,032	21,242	6,890	35
36	Compensation of officers	126,487	60,908	7,866	6,492	29,987	16,345	45,572	14,145	5,052	4,962	3,212	1,709	36
37	Rent paid on business property	119,927	73,475	18,907	19,572	10,226	8,498	13,192	4,560	9,626	9,660	746	565	37
38	Repairs 25/	26,470	19,268	9,386	11,838	5,836	2,699	2,752	510	573	393	250	55	38
39	Bad debts	8,079	12,150	898	1,761	2,313	2,434	1,798	5,962	413	423	195	107	39
40	Interest paid	28,188	29,615	9,693	18,333	2,507	2,040	1,308	1,674	749	1,143	229	79	40
41	Taxes paid 26/	72,000	46,137	16,400	24,399	11,868	5,969	10,215	2,593	2,382	2,231	863	332	41
42	Contributions or gifts 27/	1,287	75	81	11	224	29	264	8	13	5	8	2	42
43	Depreciation	82,295	55,989	18,606	27,655	16,151	8,522	10,936	3,644	3,882	2,022	933	298	43
44	Depletion	48	37	14	1	5	1	3	1	1	1	1	6	44
45	Amortization 28/	49	31	7	3	12	1	5	4	2	5	-	-	45
46	Net long-term capital loss 16/	2,982	4,804	818	2,786	242	235	1,164	213	2	78	9	7	46
47	Net loss, sales other than capital assets 17/	802	2,696	146	971	168	278	148	192	56	236	4	20	47
48	Other deductions	524,626	348,650	74,808	91,144	90,646	52,494	147,559	45,701	13,529	14,126	7,068	3,030	48
49	Total compiled deductions	2,365,135	1,219,986	284,137	357,107	398,722	219,572	573,727	164,447	82,435	75,377	40,869	16,118	49
50	Compiled net profit or net loss (33 less 49)	199,637	36/82,655	17,577	36/29,372	21,626	36/8,558	45,515	36/14,587	3,946	36/3,144	2,142	36/647	50
51	Net income or deficit 1/ (50 less 52)	199,313	36/82,821	17,567	36/29,383	21,560	36/8,565	45,459	36/14,611	3,941	36/3,146	2,141	36/647	51
52	Net operating loss deduction 29/	5,364	-	900	-	596	-	605	-	131	-	60	-	52
53	Income tax 30/	35,855	-	3,129	-	3,800	-	9,324	-	689	-	395	-	53
54	Declared value excess-profits tax 31/	377	-	40	-	67	-	67	-	16	-	17	-	54
55	Total tax	36,231	-	3,169	-	3,867	-	9,391	-	705	-	413	-	55
56	Compiled net profit less total tax (50 less 55)	163,405	36/82,655	14,408	36/29,372	17,759	36/8,558	36,124	36/14,587	3,241	36/3,144	1,729	36/647	56
	Dividends paid:													
57	Cash and assets other than own stock	88,802	1,299	5,888	217	7,577	290	25,092	160	1,224	35	902	24	57
58	Corporation's own stock	1,916	291	-	-	555	-	249	-	26	6	9	-	58

For footnotes, see page 13

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued
(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Service - Continued								Finance, insurance, real estate, and lessors of real property				
		Motion pictures		Amusement, except motion pictures		Other service, including schools		Service not allocable		Total finance, insurance, real estate, and lessors of real property		Finance: Total finance		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	2,198	1,820	1,251	2,264	1,302	2,206	59	88	53,573	67,152	21,305	13,004	1
	Assets:													
2	Cash 6/	64,589	7,441	20,196	4,789	15,761	11,228	247	92	26,323,592	4,779,401	25,577,902	3,374,123	2
3	Notes and accounts receivable (less reserve)	61,571	13,110	8,514	6,331	23,537	20,029	323	248	21,080,578	4,535,703	20,562,996	3,963,679	3
4	Inventories	113,790	19,045	1,158	1,542	3,037	5,220	111	77	29,957	30,673	13,523	2,779	4
5	Investments, Government obligations 7/	19,884	170	578	152	2,815	3,048	4	-	17,696,245	10,187,427	16,658,925	2,244,123	5
6	Other investments	300,623	14,242	11,531	16,757	15,477	25,901	126	809	32,923,207	29,758,606	29,717,285	8,139,918	6
7	Gross capital assets 8/ except land	510,676	128,066	118,518	114,861	84,821	85,102	1,267	1,753	8,305,179	8,182,643	1,909,525	544,460	7
8	Less reserves	234,090	55,703	45,659	43,702	32,376	23,800	449	541	1,749,712	1,770,132	384,350	93,307	8
9	Land	138,159	19,276	24,738	38,389	7,217	10,779	288	222	2,176,376	2,986,608	192,799	110,152	9
10	Other assets	23,621	9,248	3,317	4,897	6,113	5,675	71	341	1,283,718	1,654,161	729,209	297,541	10
11	Total assets 9/	998,822	154,893	142,892	144,014	126,402	143,182	1,986	3,001	108,069,141	60,345,090	94,977,814	18,583,467	11
	Liabilities:													
12	Accounts payable	71,945	40,092	10,266	17,960	8,996	30,834	289	593	1,169,622	1,209,448	714,538	460,692	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	23,090	13,445	6,849	12,798	3,464	9,194	152	167	2,229,204	1,000,282	1,958,820	425,488	13
14	Maturity 1 year or more	221,542	75,863	22,624	47,886	10,811	21,513	598	634	7,679,663	8,479,146	4,596,294	2,579,234	14
15	Other liabilities	25,897	11,447	8,125	9,446	12,289	13,672	182	114	61,660,302	39,327,777	58,765,999	9,179,697	15
16	Capital stock, preferred	72,658	12,375	7,704	8,745	5,735	8,853	41	162	3,798,625	1,769,816	3,492,500	1,283,575	16
17	Capital stock, common	192,512	37,592	55,140	61,806	47,867	57,938	440	1,719	16,755,590	5,940,454	13,421,013	2,919,720	17
18	Surplus reserves 10/	76,123	3,545	2,654	1,309	6,925	3,883	5	674	2,999,726	1,097,032	2,870,787	885,015	18
19	Surplus and undivided profits 11/	341,911	24,766	38,934	28,926	41,420	26,710	585	475	12,856,615	5,769,752	9,858,336	2,733,555	19
20	Less deficit 12/	26,858	64,231	9,404	44,860	11,105	29,415	306	1,537	1,080,206	4,248,618	700,472	1,883,508	20
21	Total liabilities 9/	998,822	154,893	142,892	144,014	126,402	143,182	1,986	3,001	108,069,141	60,345,090	94,977,814	18,583,467	21
	Receipts:													
22	Gross sales 13/	24,720	2,282	7,179	7,166	12,575	8,695	779	129	46,555	19,090	21,325	1,037	22
23	Gross receipts from operations 14/	725,909	178,403	136,017	61,847	123,536	82,427	2,633	1,731	2,342,873	1,099,849	664,827	93,587	23
24	Interest, not on Government obligations	1,989	126	151	67	207	827	(35)	5	1,180,868	1,001,710	1,109,571	219,554	24
25	Rents and royalties 15/	14,525	4,465	2,083	1,845	1,420	1,803	22	7	701,566	529,771	131,748	41,595	25
26	Net capital gain 16/	605	25	177	72	303	89	(35)	(35)	107,704	19,748	97,554	14,075	26
27	Net gain, sales other than capital assets 17/	258	61	674	130	101	35	(35)	(35)	71,189	26,221	44,557	14,100	27
28	Dividends, domestic corporations 18/	16,611	108	426	349	386	69	3	1	1,214,417	126,965	1,146,670	84,839	28
29	Dividends, foreign corporations 19/	3,631	244	2	2	49	2	-	-	68,090	5,859	67,025	5,503	29
30	Other receipts, not interest on Government obligations	12,759	1,877	2,431	2,480	1,589	3,480	42	29	109,451	48,443	65,194	23,028	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	34	(35)	10	1	55	17	-	-	257,692	69,976	245,432	20,844	31
32	Wholly tax-exempt 21/	142	7	3	4	39	111	(35)	-	184,484	222,162	166,346	41,642	32
33	Total compiled receipts 22/	801,183	187,599	149,152	73,964	140,260	97,555	3,480	1,902	6,284,869	3,169,793	3,760,249	559,804	33
	Deductions:													
34	Cost of goods sold 23/	18,880	1,645	4,335	4,393	9,970	5,333	533	89	34,058	14,540	17,404	931	34
35	Cost of operations 24/	442,472	81,234	65,845	32,671	61,046	33,655	1,233	720	123,248	84,149	72,072	10,902	35
36	Compensation of officers	15,037	4,942	7,052	3,521	12,434	8,341	475	453	32/319,237	32/115,627	223,884	58,460	36
37	Rent paid on business property	56,653	19,916	6,709	4,566	3,756	6,041	112	98	126,547	69,759	67,363	13,605	37
38	Repairs 25/	4,527	1,405	2,052	1,550	1,099	809	15	8	43,122	56,891	11,502	4,697	38
39	Bad debts	1,198	336	311	192	938	928	15	7	116,086	118,986	109,569	101,039	39
40	Interest paid	11,592	2,404	1,452	1,644	637	1,264	21	35	525,029	437,532	382,599	168,250	40
41	Taxes paid 26/	19,334	4,339	7,364	3,644	3,496	2,581	79	49	315,052	293,615	134,207	29,773	41
42	Contributions or gifts 27/	137	4	517	4	41	11	1	1	4,561	195	3,571	14	42
43	Depreciation	22,382	5,409	6,060	5,784	3,274	2,603	70	53	185,526	214,704	68,314	18,905	43
44	Depletion	6	10	1	9	17	8	-	-	18,746	5,139	1,164	185	44
45	Amortization 28/	6	10	9	(35)	8	7	-	-	248	137	100	67	45
46	Net long-term capital loss 16/	234	780	158	496	349	184	5	25	122,747	275,113	78,012	232,117	46
47	Net loss, sales other than capital assets 17/	150	154	109	725	20	120	(35)	(35)	17,476	92,748	12,968	33,202	47
48	Other deductions	130,910	74,118	28,293	24,444	31,130	43,045	683	547	33/2,175,884	33/2,180,481	808,965	212,728	48
49	Total compiled deductions	723,518	196,707	130,267	83,643	128,216	104,930	3,243	2,086	34/4,125,568	34/3,959,617	1,991,694	884,874	49
50	Compiled net profit or net loss (33 less 49)	77,665	36/9,108	18,884	36/9,679	12,044	36/7,375	237	36/184	2,159,302	36/789,824	1,768,555	36/325,070	50
51	Net income or deficit 1/ (50 less 32)	77,522	36/9,115	18,881	36/9,683	12,005	36/7,486	237	36/184	1,974,818	36/1,011,986	1,602,209	36/366,712	51
52	Net operating loss deduction 29/	2,420	-	343	-	304	-	4	-	10,801	-	4,099	-	52
53	Income tax 30/	12,248	-	3,932	-	2,294	-	43	-	183,600	-	118,686	-	53
54	Declared value excess-profits tax 31/	66	-	45	-	49	-	10	-	1,071	-	523	-	54
55	Total tax	12,314	-	3,977	-	2,343	-	53	-	184,671	-	119,209	-	55
56	Compiled net profit less total tax (50 less 55)	65,351	36/9,108	14,907	36/9,679	9,701	36/7,375	184	36/184	1,974,631	36/789,824	1,649,345	36/325,070	56
	Dividends paid:													
57	Cash and assets other than own stock	36,975	287	6,737	200	4,334	80	73	6	1,513,419	108,219	1,268,061	67,803	57
58	Corporation's own stock	9	285	952	-	115	-	-	-	47,501	5,308	45,211	4,878	58

For footnotes, see page 13

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued												
		Finance, insurance, real estate, and lessors of real property - Continued												
		Finance - Continued												
		Banks and trust companies		Long-term credit agencies, mortgage companies, except banks		Short-term credit agencies, except banks		Investment trusts and investment companies 3/		Other investment companies, including holding companies 4/		Security and commodity-exchange brokers and dealers		
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	11,117	4,021	1,012	1,556	3,408	1,691	2,168	1,396	1,365	734	843	1,005	1
	Assets:													
2	Cash 6/	23,974,016	3,055,070	18,583	41,948	245,079	16,303	199,740	88,752	1,001,803	111,457	63,220	44,293	2
3	Notes and accounts receivable (less reserve)	16,313,609	2,883,926	65,066	83,926	2,819,989	139,071	165,101	108,726	942,788	549,248	112,943	38,523	3
4	Inventories	-	-	-	-	3,840	877	-	-	8,792	744	-	-	4
5	Investments, Government obligations 7/	16,332,613	2,127,092	4,044	19,766	7,733	758	78,357	17,933	143,163	12,308	34,630	50,869	5
6	Other investments	6,383,306	1,452,616	110,741	297,426	143,424	61,600	3,247,986	1,548,534	19,370,209	4,307,818	230,051	94,218	6
7	Gross capital assets 8/ except land	1,014,883	261,283	14,692	45,441	26,355	7,294	50,374	18,621	692,220	64,566	7,759	10,397	7
8	Less reserves	106,874	31,507	2,714	4,531	9,601	1,963	9,667	3,998	215,101	15,819	2,651	2,786	8
9	Land	90,217	26,272	6,808	23,258	3,270	1,382	13,749	8,756	60,426	30,590	450	1,065	9
10	Other assets	373,330	93,852	7,199	13,874	19,230	5,978	20,844	18,497	274,788	123,705	23,482	17,337	10
11	Total assets 9/	64,375,098	9,848,604	224,420	521,108	3,259,319	231,300	3,766,485	1,805,822	22,279,090	5,184,618	469,884	253,916	11
	Liabilities:													
12	Accounts payable	-	-	15,968	34,850	269,669	15,706	75,320	110,956	199,170	182,911	114,260	45,535	12
	Bonds, notes, mortgages payable:													
13	Maturity less than 1 year	-	-	27,002	36,722	1,583,341	59,062	39,538	70,497	207,595	173,621	66,104	39,491	13
14	Maturity 1 year or more	-	-	42,371	326,991	301,862	60,334	445,870	506,002	3,740,286	1,402,092	27,448	27,092	14
15	Other liabilities	58,042,984	8,688,220	38,384	50,618	166,852	12,044	50,935	123,925	329,136	198,033	43,001	49,230	15
16	Capital stock, preferred	218,998	147,620	8,534	28,097	166,951	20,003	489,005	284,039	2,540,831	697,377	32,196	23,199	16
17	Capital stock, common	2,253,150	504,291	60,596	126,881	434,980	47,694	1,314,228	569,236	9,064,844	1,325,083	89,310	80,928	17
18	Surplus reserves 10/	653,331	158,182	6,388	19,513	81,580	11,868	155,465	176,496	1,936,908	475,766	6,827	8,746	18
19	Surplus and undivided profits 11/	3,297,640	448,993	38,578	42,277	258,805	22,412	1,539,618	573,172	4,478,859	1,332,777	99,354	101,365	19
20	Less deficit 12/	71,004	98,702	15,403	144,840	4,700	17,824	343,496	608,501	218,540	603,041	8,617	121,669	20
21	Total liabilities 9/	64,375,098	9,848,604	224,420	521,108	3,259,319	231,300	3,766,485	1,805,822	22,279,090	5,184,618	469,884	253,916	21
	Receipts:													
22	Gross sales 13/	-	-	-	-	2,652	610	-	-	14,380	60	-	-	22
23	Gross receipts from operations 14/	242,611	46,171	10,697	4,768	209,282	10,437	7,976	2,484	134,189	3,103	45,472	20,536	23
24	Interest, not on Government obligations	755,889	153,550	11,008	8,849	140,867	13,707	22,105	7,250	169,413	28,465	2,942	950	24
25	Rents and royalties 15/	71,172	21,118	1,678	10,768	1,221	498	2,134	547	17,334	2,258	239	377	25
26	Net capital gain 16/	77,785	10,287	849	554	1,029	175	8,226	1,347	5,719	557	1,799	683	26
27	Net gain, sales other than capital assets 17/	2,761	608	388	213	451	107	378	1,244	1,227	37	38,455	11,575	27
28	Dividends, domestic corporations 18/	22,319	4,250	255	191	9,111	434	177,794	28,605	926,721	48,974	3,370	1,005	28
29	Dividends, foreign corporations 19/	495	128	(35)	-	115	1	6,153	845	60,148	4,495	21	20	29
30	Other receipts, not interest on Government obligations	37,683	9,217	1,421	2,505	10,483	1,347	603	1,314	9,370	5,551	3,353	1,354	30
	Interest on Government obligations:													
31	Subject to excess-profits tax 20/	241,192	20,085	75	244	70	7	1,168	147	1,467	135	1,039	156	31
32	Wholly tax-exempt 21/	160,123	39,370	121	985	116	7	1,324	240	1,795	222	1,544	437	32
33	Total compiled receipts 22/	1,612,030	304,782	26,490	29,075	375,597	27,351	227,842	44,018	1,341,766	93,839	98,214	37,072	33
	Deductions:													
34	Cost of goods sold 23/	-	-	-	-	2,167	516	-	-	11,960	94	-	-	34
35	Cost of operations 24/	104	61	237	683	763	1,583	11	1,145	56,400	91	11,369	5,258	35
36	Compensation of officers	154,271	35,555	3,778	2,090	21,420	3,659	5,674	2,384	13,990	3,309	19,517	8,233	36
37	Rent paid on business property	37,687	6,328	714	447	8,490	912	513	353	15,366	1,352	3,274	3,597	37
38	Repairs 25/	9,577	2,864	180	848	521	112	187	99	880	205	65	76	38
39	Bad debts	81,109	45,435	465	6,865	21,602	3,371	2,671	21,672	2,491	12,583	508	1,225	39
40	Interest paid	170,579	55,966	3,664	9,493	45,065	4,907	12,820	18,028	145,668	70,965	1,886	2,127	40
41	Taxes paid 26/	89,522	18,009	1,094	3,112	10,423	851	4,701	1,821	22,791	2,630	3,308	1,347	41
42	Contributions or gifts 27/	2,040	6	22	1	265	2	309	(35)	771	(35)	105	4	42
43	Depreciation	40,055	11,500	580	1,969	2,994	343	505	251	21,437	1,271	451	359	43
44	Depletion	78	11	20	17	2	2	306	100	690	4	20	16	44
45	Amortization 28/	7	1	(35)	-	6	7	1	5	-	(35)	-	2	45
46	Net long-term capital loss 16/	38,811	37,340	108	1,665	525	2,851	14,918	89,107	20,751	90,691	137	1,051	46
47	Net loss, sales other than capital assets 17/	9,403	9,024	140	4,266	251	315	883	1,369	1,751	9,265	485	2,421	47
48	Other deductions	501,558	119,111	9,975	17,172	143,256	12,622	25,621	8,087	64,951	19,750	39,168	21,519	48
49	Total compiled deductions	1,134,599	339,209	20,976	48,624	257,728	32,035	69,120	144,400	379,677	212,208	80,290	47,215	49
50	Compiled net profit or net loss (33 less 49)	477,431	36/34,427	5,514	36/19,550	117,669	36/4,703	158,722	36/100,381	962,088	36/118,369	17,924	36/10,142	50
51	Net income or deficit 1/ (50 less 32)	317,308	36/73,796	5,394	36/20,534	117,553	36/4,710	157,397	36/100,621	960,293	36/118,592	16,379	36/10,580	51
52	Net operating loss deduction 29/	1,218	-	168	-	509	-	750	-	755	-	264	-	52
53	Income tax 30/	21,490	-	959	-	24,461	-	5,894	-	58,296	-	2,738	-	53
54	Declared value excess-profits tax 31/	298	-	6	-	91	-	24	-	45	-	21	-	54
55	Total tax	21,788	-	965	-	24,552	-	5,918	-	58,341	-	2,759	-	55
56	Compiled net profit less total tax (50 less 55)	455,643	36/34,427	4,549	36/19,550	93,117	36/4,703	152,804	36/100,381	903,747	36/118,369	15,165	36/10,142	56
	Dividends paid:													
57	Cash and assets other than own stock	215,161	16,934	3,453	1,025	67,398	1,317	151,841	16,546	796,408	24,234	10,771	6,605	57
58	Corporation's own stock	10,350	2,245	67	2,384	320	-	5,542	28	28,675	21	215	-	58

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued											
		Finance, insurance, real estate, and lessors of real property - Continued											
		Finance - Continued				Insurance carriers, agents, etc.							
		Other finance companies		Finance not allocable		Total insurance carriers, agents, etc.		Insurance carriers		Insurance agents, brokers, etc.		Real estate, including lessors of buildings	
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income
1	Number of returns with balance sheets 5/	547	1,010	845	1,593	3,600	3,110	629	724	2,971	2,386	26,421	47,416
	Assets:												
2	Cash 6/	24,377	21,408	51,084	14,892	513,387	1,225,824	463,607	1,219,725	49,781	6,099	182,527	160,300
3	Notes and accounts receivable (less reserve)	26,968	45,737	116,532	114,522	129,994	34,826	-	-	129,994	34,826	324,997	491,533
4	Inventories	797	746	93	411	-	-	-	-	-	-	11,926	25,209
5	Investments, Government obligations 7/	2,496	1,175	55,889	14,222	953,700	7,915,644	951,570	7,915,308	2,130	336	67,018	25,605
6	Other investments	92,814	154,433	138,753	223,272	2,475,296	20,510,142	2,418,795	20,503,289	56,501	6,852	652,156	990,272
7	Gross capital assets 8/ except land	82,335	100,909	20,906	35,949	134,373	290,988	90,012	275,489	44,361	15,498	4,124,498	6,299,650
8	Less reserves	30,458	24,089	7,282	8,614	10,839	5,993	5,062	3,920	5,777	2,072	1,191,762	1,507,699
9	Land	1,995	4,989	15,884	13,840	8,541	10,536	5,171	9,143	3,370	1,394	1,808,660	2,670,855
10	Other assets	3,204	14,258	7,132	10,039	410,191	1,129,516	397,973	1,125,979	12,218	3,537	95,167	180,171
11	Total assets 9/	204,529	319,566	398,990	418,533	4,614,643	51,111,483	4,322,065	51,045,014	292,578	66,470	6,055,171	9,335,898
	Liabilities:												
12	Accounts payable	12,953	20,884	27,198	49,851	129,680	33,619	-	-	129,680	33,619	295,354	639,094
	Bonds, notes, mortgages payable:												
13	Maturity less than 1 year	12,297	4,979	22,943	41,116	8,116	5,546	-	-	8,116	5,546	234,185	517,044
14	Maturity 1 year or more	7,288	133,904	31,169	122,819	9,047	5,867	-	-	9,047	5,867	2,277,679	5,329,308
15	Other liabilities	11,647	31,093	83,059	26,533	2,608,751	29,469,527	2,591,726	29,465,156	17,025	4,371	209,218	561,554
16	Capital stock, preferred	19,332	18,010	16,672	65,230	22,813	3,415	6,856	1,348	15,957	2,067	175,823	427,549
17	Capital stock, common	93,016	83,707	130,889	181,900	509,683	259,338	448,150	238,892	61,533	20,446	1,803,478	2,218,391
18	Surplus reserves 10/	11,123	18,149	19,165	16,295	10,005	452	-	-	10,005	452	103,324	190,659
19	Surplus and undivided profits 11/	53,222	110,178	92,259	102,381	1,323,677	1,392,665	1,275,746	1,385,330	47,931	7,336	1,252,341	1,398,808
20	Less deficit 12/	16,349	101,339	24,364	187,592	7,129	58,946	413	45,711	6,716	13,235	276,212	1,946,509
21	Total liabilities 9/	204,529	319,566	398,990	418,533	4,614,643	51,111,483	4,322,065	51,045,014	292,578	66,470	6,055,171	9,335,898
	Receipts:												
22	Gross sales 13/	4,292	367	-	-	-	-	-	-	-	-	21,377	17,384
23	Gross receipts from operations 14/	3,784	2,307	10,816	3,781	1,322,527	454,948	1,171,380	401,094	151,147	53,854	550,174	569,660
24	Interest, not on Government obligations	709	3,162	6,637	3,641	56,552	767,687	55,721	767,539	831	147	13,540	13,656
25	Rents and royalties 15/	36,158	5,370	1,811	660	14,861	172,985	13,624	172,752	1,237	233	411,026	283,284
26	Net capital gain 16/	684	202	1,462	271	2,671	1,182	2,380	1,158	291	24	6,254	4,224
27	Net gain, sales other than capital assets 17/	512	65	386	252	91	64	31	21	60	43	25,958	11,777
28	Dividends, domestic corporations 18/	4,717	587	2,386	795	56,151	34,945	52,545	34,891	3,606	54	9,974	5,764
29	Dividends, foreign corporations 19/	78	3	35	12	966	256	710	256	256	(35)	97	69
30	Other receipts, not interest on Government obligations	677	820	1,624	942	6,191	3,545	2,998	2,049	3,193	1,496	15,151	19,382
	Interest on Government obligations:												
31	Subject to excess-profits tax 20/	31	12	391	57	11,104	48,913	11,063	48,908	41	5	859	197
32	Wholly tax-exempt 21/	38	33	1,285	349	17,099	180,134	17,065	180,126	34	8	882	359
33	Total compiled receipts 22/	51,679	12,927	26,831	10,760	1,488,213	1,644,659	1,327,517	1,608,795	160,696	35,864	855,270	925,777
	Deductions:												
34	Cost of goods sold 23/	3,278	321	-	-	-	-	-	-	-	-	13,499	13,058
35	Cost of operations 24/	2,368	1,211	819	891	11,177	7,554	366	409	10,811	7,125	39,624	65,511
36	Compensation of officers	2,526	1,415	2,709	1,835	32/40,183	32/13,950	32/9,181	32/3,186	31,002	10,764	52,565	41,250
37	Rent paid on business property	468	286	851	330	15,824	4,595	10,472	2,824	5,351	1,771	40,785	50,483
38	Repairs 25/	184	423	109	73	1,314	688	1,125	618	189	70	29,256	50,978
39	Bad debts	232	7,862	491	4,026	2,809	1,984	1,825	1,463	985	521	3,578	13,935
40	Interest paid	582	2,881	2,334	3,884	3,721	46,864	2,915	46,425	805	439	105,532	204,075
41	Taxes paid 26/	1,391	1,051	1,178	953	44,758	58,474	41,057	57,722	3,701	751	123,079	197,210
42	Contributions or gifts 27/	46	(35)	14	(35)	390	9	257	(35)	133	9	560	170
43	Depreciation	1,928	2,872	364	360	5,653	37,294	4,372	36,951	1,281	344	106,422	153,910
44	Depletion	11	11	36	24	10	(35)	7	-	4	(35)	319	311
45	Amortization 28/	87	52	-	-	6	1	-	-	6	1	141	66
46	Net long-term capital loss 16/	1,973	2,796	812	6,617	39,606	14,638	38,955	14,346	652	292	4,432	25,128
47	Net loss, sales other than capital assets 17/	39	5,172	36	1,371	2,770	1,850	2,692	1,810	78	40	1,589	55,408
48	Other deductions	15,631	8,622	8,806	5,846	33/1,158,836	33/1,667,005	33/1,081,947	33/1,650,798	76,889	16,207	196,644	290,109
49	Total compiled deductions	30,744	34,975	18,560	26,211	34/1,327,057	34/1,854,887	34/1,195,171	34/1,816,552	131,886	38,334	717,826	1,161,583
50	Compiled net profit or net loss (33 less 49)	20,936	36/22,048	8,271	36/15,450	161,156	36/210,227	132,346	36/207,757	28,810	36/2,470	137,444	36/235,807
51	Net income or deficit 1/ (50 less 32)	20,898	36/22,080	6,986	36/15,799	144,057	36/390,361	115,281	36/387,883	28,776	36/2,478	136,563	36/236,166
52	Net operating loss deduction 29/	300	-	136	-	650	-	314	-	335	-	4,874	-
53	Income tax 30/	3,909	-	938	-	20,851	-	15,426	-	5,425	-	23,316	-
54	Declared value excess-profits tax 31/	26	-	12	-	188	-	3	-	185	-	318	-
55	Total tax	3,935	-	951	-	21,039	-	15,429	-	5,609	-	23,634	-
56	Compiled net profit less total tax (50 less 55)	17,000	36/22,048	7,320	36/15,450	140,118	36/210,227	116,917	36/207,757	23,201	36/2,470	113,810	36/235,807
	Dividends paid:												
57	Cash and assets other than own stock	16,917	186	6,112	957	99,151	28,229	82,259	28,125	16,893	104	70,697	9,951
58	Corporation's own stock	10	-	32	-	1,138	167	376	158	762	9	1,063	257

For footnotes, see page 18

Table 1. - Corporation returns with balance sheets, 1940, by major industrial groups for returns with net income and with no net income 1/: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid - Continued

(Money figures in thousands of dollars)

		Major industrial groups 2/ - Continued														
		Finance, insurance, real estate, and lessors of real property-Cont'd.		Construction		Agriculture, forestry, and fishery								Nature of business not allocable, except trade		
		Lessors of real property, except buildings				Total agriculture, forestry, and fishery		Agriculture and services		Forestry		Fishery				
		Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	Net income	No net income	
1	Number of returns with balance sheets 5/	2,247	3,622	6,374	7,421	2,801	4,015	2,577	3,520	104	318	120	177	1,319	3,730	1
	Assets:															
2	Cash 6/	49,775	19,154	122,549	34,600	46,686	15,037	43,950	11,433	1,464	2,999	1,272	605	15,817	15,522	2
3	Notes and accounts receivable (less reserve)	62,591	45,665	457,528	150,033	54,362	52,475	48,684	40,862	3,852	8,489	1,825	3,124	41,667	71,628	3
4	Inventories	4,507	2,685	78,638	38,613	101,972	38,609	97,164	35,082	2,625	780	2,183	2,748	8,879	12,431	4
5	Investments, Government obligations 7/	16,602	2,055	24,374	7,225	24,923	2,649	24,585	1,745	286	467	53	437	6,473	4,778	5
6	Other investments	98,488	118,274	112,388	38,245	144,534	87,375	137,571	70,437	3,686	14,549	3,277	2,388	60,778	128,934	6
7	Gross capital assets 8/ except land	2,136,783	1,047,544	361,414	176,271	504,139	316,156	472,696	232,842	22,301	73,587	9,142	9,727	104,201	182,705	7
8	Less reserves	162,761	163,134	187,771	87,224	206,977	95,804	195,969	85,083	8,253	7,395	2,755	3,326	62,944	46,247	8
9	Land	166,376	195,065	37,315	21,169	190,424	192,418	183,822	175,390	5,458	16,235	1,144	792	21,516	59,214	9
10	Other assets	49,150	46,932	44,590	15,156	34,417	13,022	31,974	9,524	1,233	3,151	1,210	347	5,385	26,376	10
11	Total assets 9/	2,421,513	1,314,241	1,051,025	394,089	894,480	621,937	844,477	492,233	32,651	112,862	17,352	16,842	201,771	455,342	11
	Liabilities:															
12	Accounts payable	30,070	76,043	208,183	102,856	63,302	69,786	57,618	52,121	3,731	11,952	1,953	5,712	24,296	98,570	12
	Bonds, notes, mortgages payable:															
13	Maturity less than 1 year	28,083	52,204	81,133	41,611	41,914	58,027	40,502	55,342	725	2,055	687	631	15,795	44,917	13
14	Maturity 1 year or more	796,642	564,736	50,421	43,062	80,408	143,753	74,775	124,482	4,468	17,287	1,165	1,983	20,064	92,612	14
15	Other liabilities	76,334	116,999	156,326	43,352	37,243	44,326	35,283	31,393	1,415	11,153	546	1,780	11,246	44,320	15
16	Capital stock, preferred	107,489	55,278	40,010	19,171	16,430	32,658	13,773	23,591	874	8,681	1,783	386	11,500	53,587	16
17	Capital stock, common	1,021,416	543,005	253,263	145,916	417,780	294,985	391,537	240,315	20,096	49,275	6,147	5,395	83,854	442,349	17
18	Surplus reserves 10/	15,610	20,906	27,508	7,386	52,832	9,185	52,324	7,904	197	1,184	310	97	6,496	11,587	18
19	Surplus and undivided profits 11/	442,261	244,724	262,315	79,217	233,785	160,261	219,600	104,389	8,119	50,691	6,065	5,180	66,553	105,787	19
20	Less deficit 12/	96,392	359,654	28,133	88,481	49,214	191,043	40,935	147,303	6,974	39,418	1,305	4,322	38,033	438,387	20
21	Total liabilities 9/	2,421,513	1,314,241	1,051,025	394,089	894,480	621,937	844,477	492,233	32,651	112,862	17,352	16,842	201,771	455,342	21
	Receipts:															
22	Gross sales 13/	3,833	669	134,622	58,412	386,128	112,679	360,897	104,626	5,810	3,647	19,422	4,406	38,608	20,015	22
23	Gross receipts from operations 14/	5,344	1,653	1,684,028	508,890	63,529	20,751	58,741	18,005	2,680	1,477	2,107	1,269	23,760	13,714	23
24	Interest, not on Government obligations	1,206	813	1,828	631	1,369	970	1,244	704	99	226	26	39	1,457	1,159	24
25	Rents and royalties 15/	143,931	31,907	8,711	2,727	7,147	3,348	6,972	3,171	76	149	99	28	2,585	3,041	25
26	Net capital gain 16/	1,246	266	626	340	1,386	621	698	269	677	345	11	7	1,091	233	26
27	Net gain, sales other than capital assets 17/	583	280	1,871	686	2,200	553	477	438	345	108	1,378	7	800	331	27
28	Dividends, domestic corporations 18/	1,623	1,397	6,934	598	5,472	1,049	5,330	962	15	84	127	4	1,606	914	28
29	Dividends, foreign corporations 19/	3	31	757	14	296	17	296	11	-	7	-	-	130	38	29
30	Other receipts, not interest on Government obligations	22,915	2,487	22,923	4,013	5,209	3,203	4,666	2,804	274	303	268	95	2,130	2,564	30
	Interest on Government obligations:															
31	Subject to excess-profits tax 20/	297	21	270	76	721	21	713	14	7	4	1	3	61	46	31
32	Wholly tax-exempt 21/	157	27	336	83	62	43	61	35	(35)	5	(35)	2	124	73	32
33	Total compiled receipts 22/	181,137	39,553	1,862,906	576,470	473,521	143,256	440,095	131,040	9,985	6,355	23,441	5,860	72,351	42,128	33
	Deductions:															
34	Cost of goods sold 23/	3,156	551	104,498	46,336	278,580	87,358	257,291	80,911	4,984	3,070	16,305	3,377	29,185	15,827	34
35	Cost of operations 24/	375	201	1,384,156	437,451	13,481	9,354	11,263	8,243	1,019	396	1,199	716	5,668	4,276	35
36	Compensation of officers	2,805	1,988	77,476	29,943	12,442	6,813	11,606	6,160	298	327	538	326	7,579	5,601	36
37	Rent paid on business property	2,575	1,076	7,254	4,344	12,308	2,108	12,139	1,934	45	59	124	115	1,085	1,141	37
38	Repairs 25/	1,051	529	10,045	3,558	9,358	2,331	8,965	2,128	20	16	374	187	587	428	38
39	Bad debts	130	2,028	3,667	3,228	1,911	1,695	1,757	1,418	16	241	137	36	533	5,716	39
40	Interest paid	31,177	18,342	4,975	3,063	5,708	6,819	5,351	5,726	194	961	163	132	1,052	3,206	40
41	Taxes paid 26/	13,007	8,159	22,683	8,910	9,982	5,847	9,374	4,810	342	889	266	148	2,113	2,532	41
42	Contributions or gifts 27/	40	2	348	35	67	8	61	7	5	(35)	(35)	(35)	39	8	42
43	Depreciation	5,136	4,595	26,297	10,905	18,397	8,141	17,699	7,359	162	365	537	418	1,760	2,272	43
44	Depletion	17,252	4,643	117	61	1,422	1,143	633	77	789	1,065	-	(35)	127	211	44
45	Amortization 28/	1	3	45	9	(35)	6	(35)	6	-	(35)	-	-	1	2	45
46	Net long-term capital loss 16/	696	3,230	2,436	2,169	940	6,285	929	5,037	6	1,098	5	150	365	27,988	46
47	Net loss, sales other than capital assets 17/	150	2,287	436	1,137	201	4,605	200	1,805	-	2,794	1	6	220	5,018	47
48	Other deductions	11,439	10,639	118,172	55,926	60,723	29,354	57,965	25,705	861	2,289	1,897	1,361	14,009	13,981	48
49	Total compiled deductions	88,991	58,273	1,762,605	607,075	425,519	171,867	395,234	151,326	8,739	13,569	21,546	6,971	64,323	88,208	49
50	Compiled net profit or net loss (33 less 49)	92,146	36/18,720	100,301	36/30,605	48,002	36/28,612	44,860	36/20,286	1,246	36/7,214	1,895	36/1,112	8,029	36/46,080	50
51	Net income or deficit 1/ (50 less 32)	91,969	36/18,747	99,965	36/30,688	47,939	36/28,655	44,799	36/20,322	1,245	36/7,219	1,895	36/1,114	7,905	36/46,153	51
52	Net operating loss deduction 29/	1,178	-	5,139	-	1,508	-	1,282	-	67	-	159	-	264	-	52
53	Income tax 30/	20,747	-	18,570	-	8,961	-	8,362	-	233	-	365	-	1,254	-	53
54	Declared value excess-profits tax 31/	41	-	910	-	270	-	189	-	16	-	64	-	39	-	54
55	Total tax	20,789	-	19,479	-	9,230	-	8,551	-	250	-	429	-	1,293	-	55
56	Compiled net profit less total tax (50 less 55)	71,357	36/18,720	80,822	36/30,505	38,771	36/28,612	36,309	36/20,286	996	36/7,214	1,466	36/1,112	6,736	36/46,080	56
	Dividends paid:															
57	Cash and assets other than own stock	75,510	2,237	29,359	735	23,964	1,477	22,764	589	812	879	388	10	4,292	5,820	57
58	Corporation's own stock	89	25	1,816	168	89	24	89	24	-	(35)	-	-	186	(35)	58

For footnotes, see page 18

Table 2. - Corporation returns with balance sheets, 1940, by total assets classes: Number of returns, assets and liabilities as of December 31, 1940 or close of fiscal year nearest thereto, compiled receipts, compiled deductions, compiled net profit or net loss, net income or deficit, income tax, declared value excess-profits tax, total tax, and dividends paid

(Total assets classes and money figures in thousands of dollars)

		Total assets classes 9/											
		Total	Under 50	50 under 100	100 under 250	250 under 500	500 under 1,000	1,000 under 5,000	5,000 under 10,000	10,000 under 50,000	50,000 under 100,000	100,000 and over	
1	Number of returns with balance sheets 5/	413,716	225,000	61,053	59,059	27,832	17,505	17,627	2,603	2,266	368	403	1
	Assets:												
2	Cash 6/	41,423,370	353,704	296,912	652,863	866,728	1,338,164	4,703,054	2,403,641	6,442,514	3,200,416	21,165,375	2
3	Notes and accounts receivable (less reserve)	42,864,216	958,147	941,996	2,014,977	2,190,578	2,686,580	7,356,183	3,104,673	6,590,120	2,822,418	14,198,543	3
4	Inventories	19,463,134	737,764	693,255	1,330,504	1,203,762	1,322,496	3,362,903	1,434,050	3,235,781	1,624,054	4,518,586	4
5	Investments, Government obligations 7/	29,569,821	13,522	23,904	110,104	269,821	549,034	2,448,154	1,325,426	3,692,507	1,723,417	19,414,132	5
6	Other investments	80,428,747	192,103	244,802	670,559	956,581	1,437,957	6,030,736	3,586,937	10,763,023	6,137,623	50,408,425	6
7	Capital assets 8/ (less reserves)	100,213,967	1,739,571	2,014,885	4,278,597	4,056,491	4,607,022	12,087,509	5,893,840	14,722,180	9,382,743	41,431,129	7
8	Other assets	6,514,457	141,303	126,187	258,329	243,408	286,082	767,950	393,712	1,048,036	674,127	2,575,324	8
9	Total assets 9/	320,477,712	4,136,113	4,341,921	9,315,933	9,787,169	12,227,336	36,756,487	18,142,279	46,494,161	25,564,798	153,711,514	9
	Liabilities:												
10	Accounts payable	14,695,958	1,116,439	753,078	1,259,671	993,820	988,313	2,293,190	907,094	2,012,031	800,208	3,572,113	10
	Bonds, notes, mortgages payable:												
11	Maturity less than 1 year	7,986,767	493,108	398,434	726,757	670,434	725,203	1,546,029	642,787	913,851	351,490	1,518,674	11
12	Maturity 1 year or more	49,199,157	751,428	885,519	1,981,187	1,835,810	1,977,173	5,133,970	2,376,449	6,664,836	5,208,935	22,403,851	12
13	Other liabilities	110,209,577	333,307	279,957	790,964	1,472,962	2,679,198	10,136,756	5,131,862	13,807,382	7,416,185	68,161,003	13
14	Capital stock, preferred	17,138,056	190,587	185,491	459,184	532,098	671,441	2,249,278	1,042,064	3,174,203	1,944,437	6,689,273	14
15	Capital stock, common	72,291,613	2,531,050	1,897,298	3,464,737	3,136,575	3,502,882	9,089,446	4,178,799	9,942,499	5,320,314	29,228,013	15
16	Surplus reserves 10/	8,357,532	25,182	33,706	97,317	128,604	207,619	809,758	503,187	1,467,293	848,133	4,236,734	16
17	Surplus and undivided profits 11/	53,275,315	569,859	719,163	1,748,745	2,002,217	2,609,797	8,093,221	4,155,037	9,904,806	4,308,990	19,163,481	17
18	Less deficit 12/	12,676,263	1,854,847	810,725	1,212,628	985,351	1,134,291	2,595,161	795,000	1,392,740	633,893	1,261,628	18
19	Total liabilities 9/	320,477,712	4,136,113	4,341,921	9,315,933	9,787,169	12,227,336	36,756,487	18,142,279	46,494,161	25,564,798	153,711,514	19
	Receipts:												
20	Gross sales 13/	112,781,325	7,431,594	6,100,058	10,686,972	8,686,474	8,823,221	19,749,971	7,484,302	17,094,576	6,029,400	20,694,757	20
21	Gross receipts from operations 14/	23,754,114	1,929,433	1,043,714	1,621,337	1,232,731	1,174,188	2,574,225	1,164,059	3,557,056	1,812,147	7,645,224	21
22	Interest, not on Government obligations	2,460,512	13,296	15,997	50,392	71,358	105,409	322,043	139,716	297,244	163,132	1,281,924	22
23	Rents and royalties 15/	1,939,100	128,275	108,357	216,684	138,992	132,942	269,313	124,418	227,566	131,285	461,269	23
24	Net capital gain 16/	182,715	6,199	5,485	7,475	8,475	9,996	32,125	15,827	32,441	9,537	55,155	24
25	Net gain, sales other than capital assets 17/	165,586	16,759	12,183	22,396	18,964	16,052	36,932	8,592	22,328	7,484	3,896	25
26	Dividends, domestic corporations 18/	1,970,418	4,911	3,737	14,740	23,058	34,054	171,984	94,131	315,624	176,485	1,131,695	26
27	Dividends, foreign corporations 19/	244,403	350	83	1,045	1,151	961	10,390	7,615	46,781	42,239	133,788	27
28	Other receipts, not interest on Government obligations	1,155,249	85,638	66,440	117,399	96,449	104,164	215,038	109,442	156,592	68,693	135,394	28
	Interest on Government obligations:												
29	Subject to excess-profits tax 20/	349,788	192	935	1,767	3,811	6,920	30,354	17,065	46,321	19,815	222,607	29
30	Wholly tax-exempt 21/	423,409	286	636	1,577	4,892	10,624	43,764	20,710	53,681	27,333	259,905	30
31	Total compiled receipts 22/	145,426,621	9,616,933	7,357,627	12,741,784	10,286,355	10,418,532	23,456,139	9,185,876	21,850,210	8,487,550	32,025,615	31
	Deductions:												
32	Cost of goods sold 23/	85,213,879	5,776,125	4,824,867	8,443,588	6,786,436	6,827,436	14,929,920	5,441,801	12,582,090	4,106,301	15,495,316	32
33	Cost of operations 24/	12,025,787	1,049,607	605,589	936,969	686,304	616,192	1,232,889	476,298	1,489,880	693,008	4,239,050	33
34	Compensation of officers	2,865,752	624,805	340,498	488,952	322,959	267,229	401,000	106,523	162,420	46,576	104,790	34
35	Rent paid on business property	1,911,621	298,545	121,883	166,139	110,846	102,916	221,380	81,360	165,204	92,310	551,039	35
36	Repairs 25/	1,216,987	45,247	34,537	63,298	60,109	68,879	196,590	97,791	240,730	92,172	317,635	36
37	Bad debts	599,159	48,374	35,212	59,522	48,124	52,028	118,508	46,806	73,643	25,828	91,115	37
38	Interest paid	2,645,789	53,799	58,037	122,574	113,252	126,254	310,452	143,623	345,154	241,969	1,130,674	38
39	Taxes paid 26/	4,241,210	159,543	128,579	240,352	219,373	244,863	642,711	280,878	637,594	402,581	1,284,737	39
40	Contributions or gifts 27/	37,675	1,267	1,192	2,213	2,182	2,644	7,356	3,456	6,873	2,779	7,712	40
41	Depreciation	3,459,306	137,173	109,505	201,592	176,957	194,825	493,355	226,178	580,761	298,721	1,040,238	41
42	Depletion	464,718	4,297	4,361	10,722	13,576	18,503	61,427	37,520	96,675	44,252	173,385	42
43	Amortization 28/	7,494	672	249	673	220	207	1,305	802	1,471	591	1,304	43
44	Net long-term capital loss 16/	652,772	19,083	9,940	18,270	18,799	30,230	101,869	91,961	133,383	74,757	154,481	44
45	Net loss, sales other than capital assets 17/	219,449	25,924	19,679	13,902	20,271	17,565	52,017	25,071	27,082	4,799	13,139	45
46	Other deductions	20,393,410	1,468,518	1,006,227	1,698,149	1,362,403	1,421,809	3,283,962	1,438,653	3,457,925	1,422,073	3,833,691	46
47	Total compiled deductions	135,955,009	9,712,980	7,300,354	12,466,914	9,941,811	9,991,578	22,054,743	8,498,720	20,000,885	7,548,717	28,438,306	47
48	Compiled net profit or net loss (31 less 47)	9,471,613	36/ 96,047	57,273	274,870	344,544	426,953	1,401,396	687,156	1,849,325	938,833	3,587,309	48
49	Net income or deficit 1/ (48 less 30)	9,048,204	36/ 96,333	56,637	273,293	339,652	416,329	1,357,632	666,446	1,795,644	911,500	3,327,404	49
50	Net operating loss deduction 29/	120,406	10,791	6,668	11,396	9,420	9,719	19,302	7,071	14,469	6,945	24,624	50
51	Income tax 30/	2,123,442	21,459	26,988	72,433	89,284	114,706	352,906	169,617	416,738	214,209	645,101	51
52	Declared value excess-profits tax 31/	30,170	1,436	1,411	2,585	2,459	3,020	7,517	3,196	5,318	706	2,522	52
53	Total tax	2,153,612	22,895	28,399	75,019	91,743	117,726	360,422	172,813	422,056	214,916	647,622	53
54	Compiled net profit less total tax (48 less 53)	7,318,000	37/ 118,942	28,874	199,851	252,801	309,227	1,040,974	514,343	1,427,268	723,917	2,939,687	54
	Dividends paid:												
55	Cash and assets other than own stock	6,019,066	55,779	65,128	153,742	186,945	219,740	748,959	390,129	1,139,132	642,597	2,416,916	55
56	Corporation's own stock	136,275	1,713	2,659	7,662	10,953	9,740	36,737	9,442	18,768	8,962	29,638	56

For footnotes, see page 18.

FOOTNOTES

1/ "Net income" or "Deficit" is the amount reported for declared value excess-profits tax computation adjusted by excluding net operating loss deduction (items 30 and 26, respectively, page 1, Form 1120).

2/ Corporations are classified industrially on the one business activity which accounts for the largest percentage of receipts. Therefore, the industrial groups contain corporations not engaged exclusively in the industries in which they are classified. The industrial groups are based on the Standard Industrial Classification, issued by the Division of Statistical Standards, Bureau of the Budget, Executive Office of the President. A chart showing the industrial groups in which changes occur, between 1940 and 1939, appears in the preliminary report, "Statistics of Income for 1940, Part 2."

3/ Consists of corporations which derived 90 percent or more of receipts from investments and which at no time during the taxable year had investments in corporations in which they owned 50 percent or more of the voting stock.

4/ Consists of (a) corporations which derived 90 percent or more of receipts from investments and which at some time during the taxable year had investments in corporations in which they owned 50 percent or more of the voting stock and (b) corporations which derived less than 90 percent but more than 50 percent of receipts from investments.

5/ Excludes returns of inactive corporations and returns with fragmentary balance sheet data.

6/ Includes deposits in bank.

7/ Consists of obligations of States, Territories, and political subdivisions thereof, the District of Columbia, and United States possessions; obligations of the United States; and obligations of instrumentalities of the United States.

8/ Includes intangibles.

9/ Adjustments of assets and liabilities are made in tabulating the data, when certain conditions appear on the balance sheet, as follows: (1) A negative amount reported in assets is transferred to its appropriate place under liabilities and "Total assets" and "Total liabilities" are increased by this amount, (2) a deficit in surplus shown under assets is transferred to liabilities and "Total assets" and "Total liabilities" are decreased by the amount of the deficit, and (3) reserves for depreciation, depletion, and bad debts when shown under liabilities are used to reduce corresponding asset accounts and "Total assets" and "Total liabilities" are reduced by the amount of such reserves.

10/ Consists of reserves reported by corporations under the caption "Surplus reserves" (item 13, schedule L, page 4, Form 1120).

11/ Consists of positive amounts of "Paid-in or capital surplus" and "Earned surplus and undivided profits" (items 15 and 16, schedule L, page 4, Form 1120).

12/ Consists of negative amounts of "Paid-in or capital surplus" and "Earned surplus and undivided profits" (items 15 and 16, schedule L, page 4, Form 1120).

13/ Gross sales less returns and allowances where inventories are an income-determining factor. For "Cost of goods sold," see "Deductions."

14/ Gross receipts from operations where inventories are not an income-determining factor. For "Cost of operations," see "Deductions."

15/ Consists of gross amounts received. The amounts of depreciation, repairs, interest, taxes, and other expenses which are deductible from the gross amount received for rents, and the amount of depletion which is deductible from the gross amount of royalties received, are included in the proper deduction items.

16/ Net capital gain or loss is the amount from the sale or exchange of capital assets. The term "Capital assets" means property held by the taxpayer (whether or not connected with the trade or business), but excludes (1) stock in trade or other property which would properly be included in inventory if on hand at the close of the taxable year, (2) property held primarily for sale to customers in the ordinary course of trade or business, and (3) property, used in trade or business, of a character which is subject to the allowance for depreciation. For taxable years beginning after December 31, 1939, sales or exchanges of capital assets are divided as between short and long-term. "Short-term" applies to capital assets held 18 months or less. Unlike a net short-term capital gain, which is taken into account in computing net income, a net short-term capital loss is not taken into account in computing net income but is carried over as a short-term capital loss in the succeeding taxable year (in an amount not in excess of the net income for the year in which such loss was incurred). This carry-over is restricted to one year. "Long-term" gain or loss applies to capital assets held over 18 months.

17/ Consists of net gain or loss from property, used in trade or business, of a character which is subject to the allowance for depreciation.

18/ Dividends from domestic corporations subject to income taxation (column 2, schedule E, page 3, Form 1120) which is the amount used for the computation of dividends received credit. Dividends from corporations organized under the China Trade Act, 1922, and corporations entitled to the benefits of section 251 of the Internal Revenue Code (corporations receiving a large portion of their gross income from sources within a possession of the United States) are included in "Other receipts."

19/ Consists of amount reported in column 3, schedule E, page 2, Form 1120, and not used for the computation of dividends received credit.

20/ Consists of interest on United States savings bonds and Treasury bonds owned in principal amount over $5,000, reported as item 8, page 1, Form 1120.

21/ Consists of interest on obligations of States, Territories, and political subdivisions thereof, the District of Columbia, and United States possessions; obligations of the United States issued on or before September 1, 1917, Treasury notes, Treasury bills, and Treasury certificates of indebtedness; United States savings bonds and Treasury bonds owned in principal amount of $5,000 or less; and obligations of instrumentalities of the United States.

22/ Excludes nontaxable income other than interest on wholly tax-exempt obligations reported in schedule M, page 4, Form 1120.

23/ Includes taxes which are reported in "Cost of goods sold."

24/ Includes taxes which are reported in "Cost of operations."

25/ The cost of incidental repairs, including labor and supplies, which do not add materially to the value of the property or appreciably prolong its life.

26/ Excludes (1) Federal income tax and declared value excess-profits tax, (2) taxes reported in "Cost of goods sold" and "Cost of operations," and (3) income and profits taxes paid to foreign countries and United States possessions, if any portion thereof is claimed as a credit against income tax.

27/ Limited to 5 percent of net income before deduction of contributions or gifts.

28/ The deduction, provided by the Second Revenue Act of 1940, to allow for the amortization of the cost of emergency facilities necessary for national defense. Inasmuch as 1940 is the first year for which this provision is operative the amounts reported under this caption on the returns may include amortization other than the cost of emergency facilities.

29/ The net operating loss deduction is the carry-over of the preceding year reduced by certain adjustments. This deduction is first available in a taxable year beginning after December 31, 1939.

30/ Includes income defense tax.

31/ Includes declared value excess-profits defense tax.

32/ Excludes compensation of officers of life insurance companies which file Form 1120L.

33/ Includes special deductions of life insurance companies relating to reserve for dividends and reserve funds required by law.

34/ See notes 32 and 33.

35/ Less than $500.

36/ Compiled net loss or deficit.

37/ Compiled net loss after total tax payment.

COTTON CARD STRIPS, 2/ COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE. Annual quotas commencing September 20, by Countries of Origin:

Total quota, provided, however, that not more than 33-1/3 percent 2/ of the quotas shall be filled by cotton wastes other than card strips/ and comber wastes made from cottons of 1-3/16 inches or more in staple length in the case of the following countries: United Kingdom, France, Netherlands, Switzerland, Belgium, Germany and Italy:

(In Pounds)

Country of Origin	Established TOTAL QUOTA	TOTAL IMPORTS Sept. 21, 1942 Jan. 2, 1943	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 21, 1942, to Jan. 2, 1943 1/
United Kingdom......	4,323,457	-	1,441,152	-
Canada..............	239,690	81,495	-	-
France..............	227,420	-	75,807	-
British India.......	69,627	61,823	-	-
Netherlands.........	68,240	-	22,747	-
Switzerland.........	44,388	-	14,796	-
Belguim.............	38,559	-	12,853	-
Japan...............	341,535	-	-	-
China...............	17,322	-	-	-
Egypt...............	8,135	-	-	-
Cuba................	6,544	-	-	-
Germany.............	76,329	-	25,443	-
Italy...............	21,263	-	7,088	-
TOTALS	5,482,509	143,318	1,599,886	-

1/ Included in total imports, column 2.

2/ The President's proclamation, signed March 31, 1942, exempts from import quota restrictions card strips made from cottons having a staple 1-3/16 inches or more in length.

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3495

FOR IMMEDIATE RELEASE,
January 12, 1943.

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 21, 1942, to January 2, 1943, inclusive:

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8": Established Quota	Staple length less than 1-1/8": Imports Sept. 21, 1942, to Jan. 2, 1943	Staple length 1-1/8" or more but less than 1-11/16": Established Quota 45,656,420	Staple length 1-1/8" or more but less than 1-11/16": Imports Sept. 21, 1942, to Jan. 2, 1943
Egypt and the Anglo-Egyptian Sudan.........	783,816	-		31,612,179
Peru....................	247,952	247,952		1,019,654
British India...........	2,003,483	-		-
China...................	1,370,791	-		-
Mexico..................	8,883,259	8,883,259		-
Brazil..................	618,723	618,723		-
Union of Soviet Socialist Republics....	475,124	-		-
Argentina...............	5,203	-		-
Haiti...................	237	237		-
Ecuador.................	9,333	9,263		-
Honduras................	752	-		-
Paraguay................	871	-		-
Colombia................	124	-		-
Iraq....................	195	-		-
British East Africa.....	2,240	-		-
Netherlands East Indies.	71,388	-		-
Barbados................	-	-		-
Other British West Indies 1/.........	21,321	-		-
Nigeria.................	5,377	-		-
Other British West Africa 2/...........	16,004	-		-
Other French Africa 3/.	689	-		-
Algeria and Tunisia.....	-			
	14,516,882	9,759,434	45,656,420	32,631,833

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, January 13, 1943.

Press Service
No. 34-95

The Bureau of Customs announced today that preliminary reports from the collectors of customs show imports of cotton and cotton waste chargeable to the import quotas established by the President's proclamations of September 5, 1939, and December 19, 1940, as follows, during the period September 21, 1942, to January 2, 1943, inclusive:

COTTON HAVING A STAPLE OF LESS THAN 1-11/16 INCHES (OTHER THAN HARSH OR ROUGH COTTON OF LESS THAN 3/4 INCH IN STAPLE LENGTH AND CHIEFLY USED IN THE MANUFACTURE OF BLANKETS AND BLANKETING, AND OTHER THAN LINTERS). Annual quotas commencing September 20, by Countries of Origin:

(In Pounds)

Country of Origin	Staple length less than 1-1/8"		Staple length 1-1/8" or more but less than 1-11/16"	
	Established Quota	Imports Sept. 21, 1942, to Jan. 2, 1943	Established Quota 45,656,420	Imports Sept. 21, 1942, to Jan. 2, 1943
Egypt and the Anglo-Egyptian Sudan........	783,816	-		31,612,179
Peru..................	247,952	247,952		1,019,654
British India	2,003,483	-		-
China	1,370,791	-		-
Mexico	8,883,259	8,883,259		-
Brazil	618,723	618,723		-
Union of Soviet Socialist Republics...	475,124	-		-
Argentina.............	5,203	-		-
Haiti.................	237	237		-
Ecuador...............	9,333	9,263		-
Honduras..............	752	-		-
Paraguay..............	871	-		-
Colombia..............	124	-		-
Iraq..................	195	-		-
British East Africa....	2,240	-		-
Netherlands East Indies	71,388	-		-
Barbados..............	-	-		-
Other British West Indies 1/...........	21,321	-		-
Nigeria...............	5,377	-		-
Other British West Africa 2/...........	16,004	-		-
Other French Africa 3/	689	-		-
Algeria and Tunisia....	-			
	14,516,882	9,759,434	45,656,420	32,631,833

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.

34-96

FOR IMMEDIATE RELEASE,
January 12, 1943.
3

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the twelve months commencing May 29, 1942, as follows:

Country of Origin	WHEAT: Established Quota (Bushels)	WHEAT: Imports May 29, 1942, to Jan. 2, 1943 (Bushels)	Wheat, wheat flour, semolina, crushed or cracked wheat and similar wheat products: Established Quota (Pounds)	Wheat, wheat flour, semolina, crushed or cracked wheat and similar wheat products: Imports May 29, 1942, Jan. 2, 1943. (Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	44
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,815,044

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, January 13, 1943.

Press Service
No. 34-96

The Bureau of Customs announced today preliminary figures showing the quantities of wheat and wheat flour entered, or withdrawn from warehouse, for consumption under the import quotas established in the President's proclamation of May 28, 1941, as modified by the President's proclamation of April 13, 1942, for the twelve months commencing May 29, 1942, as follows:

Country of Origin	WHEAT		Wheat, wheat flour, semolina, crushed or cracked wheat and similar wheat products	
	Established Quota	Imports May 29, 1942, to Jan. 2, 1943	Established Quota	Imports May 29, 1942, Jan. 2, 1943.
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	795,000	3,815,000	3,815,000
China	-	-	24,000	-
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	-
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	-
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	-
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	44
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	-
Panama	-	-	1,000	-
Uruguay	-	-	1,000	-
Poland and Danzig	-	-	1,000	-
Sweden	-	-	1,000	-
Yugoslavia	-	-	1,000	-
Norway	-	-	1,000	-
Canary Islands	-	-	1,000	-
Rumania	1,000	-	-	-
Guatemala	100	-	-	-
Brazil	100	-	-	-
Union of Soviet Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	795,000	4,000,000	3,815,044

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Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of December 31, 1942
Silver or black foxes, furs, and articles:				
Paws, head, or other separated parts	12 months from Dec. 1, 1942	500	Pounds	462
Piece plates	"	550	Pounds	None
Articles, other than piece plates	"	500	Unit	11
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	724,735

34-97

FOR IMMEDIATE RELEASE,
January 1~~2~~3, 1943.

The Bureau of customs announced preliminary figures for imports of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to December 31, 1942, inclusive, as follows:

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of December 31, 1942.
Cattle less than 200 pounds each	Calendar year	100,000	Head	67,204
Cattle, 700 pounds or more each (other than dairy cows)	Quarter year from Oct. 1, 1942			
	Canada	51,720	Head	54
	Other countries	6,214	Head	(Tariff rate quota filled)
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	6,004
Cream, fresh or sour	Calendar year	1,500,000	Gallon	861
Fish, fresh or frozen filleted, etc., cod, haddock, hake, pollock, cusk and rosefish	Calendar year	17,174,495	Pound	16,514,622
White or Irish potatoes certified seed	12 months from Sept. 15, 1942	90,000,000	Pound	27,341,754
Other	12 months from Sept. 15	60,000,000	Pound	540,600
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	(Tariff rate quota filled)
Red cedar shingles	Calendar year	2,617,111	Square	(Import quota filled)
Silver or black foxes, furs, and articles: Foxes valued under $250 ea. and whole furs and skins	Month of Dec. Canada	17,500	Number	11,301
	Other than Canada	7,500	Number	7,470
Tails	12 months from Dec. 1, 1942	5,000	Piece	462

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, January 13, 1943.

Press Service
No. 34-97

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Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	724,735

Press Service (M)
34-98

FOR IMMEDIATE RELEASE
January ~~12~~, 1942.
13

The Bureau of Customs announced today preliminary figures showing the quantities of coffee authorized for entry for consumption under the quotas for the twelve months commencing October 1, 1942, provided for in the Inter-American Coffee Agreement, proclaimed by the President on April 15, 1941, as follows:

Country of Production	Quota Quantity (Pounds) 1/	Authorized for entry for consumption As of (Date)	Authorized for entry for consumption (Pounds)
Signatory Countries:			
Brazil	1,535,367,083	Jan. 2, 1943	150,349,531
Colombia	520,084,629	"	122,105,015
Costa Rica	33,019,264	"	2,472,047
Cuba	13,212,917	"	6,064,870
Dominican Republic	17,533,713	"	4,615,339
Ecuador	24,767,094	"	5,965,207
El Salvador	99,680,284	"	7,679,851
Guatemala	88,334,442	"	9,372,338
Haiti	45,400,298	"	19,649,887
Honduras	2,908,617	"	991,327
Mexico	78,758,056	"	5,381,905
Nicaragua	32,462,515	"	101,219
Peru	4,127,276	"	2
Venezuela	61,254,106	"	11,985,653
Non-signatory Countries: British Empire, except Aden and Canada; Kingdom of the Netherlands and its possessions; Aden, Yemen, and Saudi Arabia; Other countries not signatories of the Inter-American Coffee Agreement	51,653,778	"	17,934,371

1/ Quotas revised.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
January 13, 1942.

Press Service
No. 34-98

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1/ Quotas revised.

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DIVIDEND PAYMENTS TO CREDITORS OF INSOLVENT NATIONAL
BANKS AUTHORIZED DURING THE MONTH ENDED
DECEMBER 31, 1942

Name and Location of Bank	Nature of Dividend	Date Authorized	Number and Percentage of Dividend Authorized		Distribution of Funds by Dividend Authorized	Total Percentage Authorized Dividends to Date	Number of Claimants	Amount Claims Proved
The First NB of Forestville, N.Y.	Regular	12-7-42	2nd	15%	$ 39,500	80%	76	$ 258,300
The Richmond NB of N.Y. New York, N.Y.	Final	12-1-42	5th	3.9%	109,400	71.4%	14,648	2,804,600
The Jefferson County NB of Brookville, Penna.	Final	12-9-42	6th	2.95%	41,200	63.95%	3,708	1,397,400
The First NB of Johnstown, Penna.	Final	12-24-42	4th	13.78%	1,360,400	58.78%	10,870	9,872,100
The Uniontown NB & Tr Co Uniontown, Penna.	Final Prin.& Full Interest	12-28-42	5th	96.268%	4,810	138.176%	1	4,996
Chattanooga Nat'l Bk Chattanooga, Tenn.	Final	12-16-42	6th	2.76%	215,000	87.76%	17,371	7,756,200

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 15, 1943.

Press Service
34-99

During the month ended December 31, 1942, authorizations were issued to receivers for payments of dividends to the creditors of six insolvent national banks. Dividends so authorized will effect total distributions of $1,770,310 to 46,674 claimants who have proved claims aggregating $22,093,596 or an average payment of 8.01 percent. The minimum and maximum percentages of dividends authorized were 2.76 percent and 96.268 percent, while the smallest and largest payments involved in dividend authorizations during the month were $39,500 and $1,360,400, respectively. Of the six dividends authorized during the month, one was a regular payment, four were final payments, and one was a final principal and full interest payment. Dividend payments so authorized during the month ended December 31, 1942, were as follows:

1-12-43

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 15, 1943.
1/13/43

Press Service
No. 34-99

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