U.S. Treasury Dept.

Press Releases

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 20, 1943 (x2x).

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

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 15, 1943.

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 20, 1943, and will mature April 21, 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, January 18, 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

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 15, 1943.
1-14-43

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 20, 1943, and will mature April 21, 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 18, 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 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 20, 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.

-oOo-

of the Treasury, and the Director of the Bureau of the Budget with reliable, current information urgently needed in the conduct of such a large expenditure program.

~~Consequently, Mr. Bell, being familiar with the facilities of the Treasury's Bureau of Accounts, looked to that organization as the most logical one to do the job.~~

Mr. Bell added that an important matter ~~a few of the things~~ not generally known about the public service~~s~~ performed by the Treasury's emergency accounting organization involved the maintenance of pay-roll flow records which were instrumental in eliminating delays in making payments to workers all over the country. ~~Independent audit of disbursements was facilitated by the submission of disbursing accounts to the General Accounting Office every ten days, instead of following the customary monthly or quarterly procedure, and a list of unliquidated obligations was furnished to administrative agencies every month for follow-up.~~

The discontinuance of the emergency Treasury Accounting organization was recommended to the President by Secretary Morgenthau last April with the statement that it had completed the work for which it was established.

accounting for relief and work-relief money during the past six years. The report showed the following totals:

Appropriated	$15,243,092,663
Obligated	15,144,839,147
Expended	15,084,249,294
Unobligated	98,253,516
Unexpended	158,843,369

In commenting upon the report, Under ~~Acting~~ Secretary of the Treasury Bell said ~~that~~ the report is significant of what can be done in the Government through a properly organized accounting staff equipped with modern accounting equipment.

"It is the most remarkable accounting performance I have witnessed during thirty years of public service", ~~Mr. Bell said.~~ "While there may have been some differences of opinion concerning certain types of work carried on in the work-relief program, no question has ever been raised concerning the integrity of the accounting ~~and~~ disbursing work done by the Treasury Department".

To Mr. Bell's accolade has been added many others. Typical is one from A. R. Hatton, chairman of the Department of Political Science at Northwestern University who He termed the reports "remarkable" which left him "amazed and jubilant".

As a consequence of difficulties experienced in procuring current financial information involving large expenditure programs, ~~Mr. Bell, as Acting Director of the Budget in~~ prior to 1935, ~~advised~~ President Roosevelt recognized ~~of~~ the need for establishing an accounting organization which would enable not only effective control over the limitations fixed by the Congress and the President on the amounts to be expended for different projects or classes of projects, but which would also provide the President, the Secretary

said: "It justifies beyond my most ardent hopes the claim that I have long made that the largest scale accounting and financial reporting could be set up and administered."

Sat. A.M.
January 16, 1943

35-1

After completing one of the largest ~~single~~ accounting jobs ever undertaken, the Treasury's Emergency Accounting Organization, set up by executive order in 1935 to account for ~~audit~~ expenditures for relief and work-relief, has closed its books. ~~today.~~ The agency has been in process of dissolution since last July and earlier this week the President sent to Congress its final report on disbursements of more than $15,000,000,000 made available under the series of Emergency Relief Appropriation Acts.

[When it became evident last summer that the organization's tremendous nation-wide task would soon be completed, ~~was being terminated~~, Commissioner E. F. Bartelt of the Treasury's Bureau of Accounts, who also headed up the emergency activity, began to respond to Army and Navy requests to transfer his expertly-trained accountants. He was thus able to find positions for almost all of the members of his staff.

Under various relief ~~the Emergency Appropriation~~ Acts, the group disbursed and accounted for more than $15,000,000,000. Against these disbursements ~~the Comptroller-General's~~ exceptions outstanding are less than $3,500,000 or equivalent to 2/100ths of one per cent. Even these suspensions do not indicate erroneous payments since, for the most part, they will be cleared up through further written explanations concerning the transactions. ~~And, in addition,~~ The agency saved the Government more than $12,000,000 in discounts through prompt payment of bills.

Following the general form of previous ~~annual reports~~ reports prepared by the Treasury, the report ~~President~~ sent to the Congress by the President earlier this week ~~last Monday the final report prepared by the Treasury Department~~ contains ~~containing~~ a complete

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS, Saturday, January 16, 1943.
1-15-43

Press Service
No. 35-1

After completing one of the largest accounting jobs ever undertaken, the Treasury's Emergency Accounting Organization, set up by executive order in 1935 to account for expenditures for relief and work-relief, has closed its books. The agency has been in process of dissolution since last July and earlier this week the President sent to Congress its final report on disbursements of more than $15,000,000,000 made available under the series of Emergency Relief Appropriation Acts.

When it became evident last summer that the organization's tremendous nation-wide task would soon be completed, Commissioner E. F. Bartelt of the Treasury's Bureau of Accounts, who also headed up the emergency activity, began to respond to Army and Navy requests to transfer his expertly-trained accountants. He was thus able to find positions for almost all of the members of his staff.

Under various relief acts, the group disbursed and accounted for more than $15,000,000,000. Against these disbursements outstanding exceptions are less than $3,500,000 or equivalent to 2/100ths of one per cent. Even these suspensions do not indicate erroneous payments since, for the most part, they will be cleared up through further written explanations concerning the transactions. The agency saved the Government more than $12,000,000 in discounts through prompt payment of bills.

Following the general form of previous annual reports prepared by the Treasury the report sent to the Congress earlier this week by the President contains a complete accounting for relief and work-relief money during the past six years. The report showed the following totals:

Appropriated	$15,243,092,663
Obligated	15,144,839,147
Expended	15,084,249,294
Unobligated	98,253,516
Unexpended	158,843,369

In commenting upon the report, Under Secretary of the Treasury Bell said "It is the most remarkable accounting performance I have witnessed during thirty years of public service. The report is significant of what can be done in the Government through a properly organized accounting staff equipped with modern accounting equipment.

"While there may have been some differences of opinion concerning certain types of work carried on in the work-relief program, no question has ever been raised concerning the integrity of the accounting and disbursing work done by the Treasury Department."

As a consequence of difficulties experienced in procuring current financial information involving large expenditure programs prior to 1935, President Roosevelt recognized the need for establishing an accounting organization which would enable not only effective control over the limitations fixed by the Congress and the President on the amounts to be expended for different projects or classes of projects, but which would also provide the President, the Secretary of the Treasury, and the Director of the Bureau of the Budget with reliable, current information urgently needed in the conduct of such a large expenditure program.

Mr. Bell added that an important matter not generally known about the public service performed by the Treasury's emergency accounting organization involved the maintenance of pay-roll flow records which were instrumental in eliminating delays in making payments to workers all over the country.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
~~Tuesday, December 15, 1942.~~
Friday, January 15, 1943

Press Service
No. ~~34-62~~ 35-2

During the month of ~~November~~ December no market transactions took place in direct and guaranteed securities of the Government for Treasury investment and other accounts, Secretary Morgenthau announced today.

-oOo-

CPQ

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Friday, January 15, 1943.

Press Service
No. 35-2

During the month of December no market transactions took place in direct and guaranteed securities of the Government for Treasury investment and other accounts, Secretary Morgenthau announced today.

-oOo-

The Secretary also called attention to the joint statement issued on Friday by Chairman Doughton of the House Ways and Means Committee and Chairman George of the Senate Finance Committee, the legislative groups that consider tax measures. They said:

"The committees having to do with tax legislation have been advised that reports are coming from over the country to the effect that a change will be made in the tax law which would preclude the necessity of filing the 1942 return due on March 15, 1943.

"This assumption on the part of any taxpayer that he will not be required to file his 1942 return on March 15, 1943, is erroneous. In all cases, that return will have to be filed and at least the first quarter payment will have to be paid.

"Those filing early returns will be in no danger of being penalized. Whatever decision may be made as to future tax legislation will not affect that taxpayer's obligation to file his 1942 return as usual and pay his tax."

ooOoo

No. 35-3

For Sunday am's

An appeal for early filing of tax returns on 1942 income was made today to 35,000,000 Americans by Secretary Morgenthau.

Although elaborate preparations for the convenience of taxpayers have been made by the Bureau of Internal Revenue, the Secretary said that, with more than 8,000,000 additional individuals required to make returns, last-minute jams would swamp collectors' offices and consume valuable man-hours of taxpayers, many of whom will be workers in war production.

Revenue officials recalled the help given last year by taxpayers infuriated by the attack on Pearl Harbor. Eager to file their returns and pay their taxes, they began streaming to the cashiers' windows as soon as the returns were receivable early in January. A total of 26,369,044 individuals made returns on 1941 income and the spreading ~~on~~ of work through early filing eased what would otherwise have been a terrific strain on the tax-collecting machinery.

Profiting by that experience, collectors have arranged wherever possible for ground-floor booths for cashiers and a one-way flow of taxpayers to and from the booths.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, January 17, 1943.
1-16-43

Press Service
No. 35-3

An appeal for early filing of tax returns on 1942 income was made today to 35,000,000 Americans by Secretary Morgenthau.

Although elaborate preparations for the convenience of taxpayers have been made by the Bureau of Internal Revenue, the Secretary said that, with more than 8,000,000 additional individuals required to make returns, last-minute jams would swamp collectors' offices and consume valuable man-hours of taxpayers, many of whom will be workers in war production.

Revenue officials recalled the help given last year by taxpayers infuriated by the attack on Pearl Harbor. Eager to file their returns and pay their taxes, they began streaming to the cashiers' windows as soon as the returns were receivable early in January. A total of 26,369,044 individuals made returns on 1941 income and the spreading of work through early filing eased what would otherwise have been a terrific strain on the tax-collecting machinery.

Profiting by that experience, collectors have arranged wherever possible for ground-floor booths for cashiers and a one-way flow of taxpayers to and from the booths.

The Secretary also called attention to the joint statement issued on Friday by Chairman Doughton of the House Ways and Means Committee and Chairman George of the Senate Finance Committee, the legislative groups that consider tax measures. They said:

"The committees having to do with tax legislation have been advised that reports are coming from over the country to the effect that a change will be made in the tax law which would preclude the necessity of filing the 1942 return due on March 15, 1943.

"This assumption on the part of any taxpayer that he will not be required to file his 1942 return on March 15, 1943, is erroneous. In all cases, that return will have to be filed and at least the first quarter payment will have to be paid.

"Those filing early returns will be in no danger of being penalized. Whatever decision may be made as to future tax legislation will not affect that taxpayer's obligation to file his 1942 return as usual and pay his tax."

-oOo-

Miss Simpson

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, January 19, 1943.

Press Service
35-4

The Secretary of the Treasury announced last evening that the tenders for $700,000,000 or thereabouts, of 91-day Treasury bills to be dated January 20 and to mature April 21, 1943, which were offered on January 15, 1943, were opened at the Federal Reserve Banks on January 18.

The details of this issue are as follows:

Total applied for - $1,306,648,000
Total accepted - 701,511,000

Range of accepted bids:

High	- 99.940	Equivalent rate of discount approx. 0.237% per annum
Low	- 99.906	" " " " " 0.372% " "
Average price	- 99.907	" " " " " 0.366% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 23,200,000	$ 15,689,000
New York	834,872,000	311,909,000
Philadelphia	38,281,000	24,128,000
Cleveland	42,131,000	32,273,000
Richmond	34,345,000	33,358,000
Atlanta	17,965,000	14,930,000
Chicago	162,493,000	139,077,000
St. Louis	21,315,000	19,226,000
Minneapolis	11,695,000	11,650,000
Kansas City	32,580,000	31,437,000
Dallas	19,030,000	18,421,000
San Francisco	68,741,000	49,413,000
TOTAL	$1,306,648,000	$701,511,000

Em

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 19, 1943.

Press Service
No. 35-4

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated January 20 and to mature April 21, 1943, which were offered on January 15, 1943, were opened at the Federal Reserve Banks on January 18.

The details of this issue are as follows:

Total applied for - $1,306,648,000
Total accepted - 701,511,000

Range of accepted bids:

High	- 99.940	Equivalent rate of discount approx.	0.237% per annum
Low	- 99.906	" " " " "	0.372% per annum
Average price	- 99.907	" " " " "	0.366% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 23,200,000	$ 15,689,000
New York	834,872,000	311,909,000
Philadelphia	38,281,000	24,128,000
Cleveland	42,131,000	32,273,000
Richmond	34,345,000	33,358,000
Atlanta	17,965,000	14,930,000
Chicago	162,493,000	139,077,000
St. Louis	21,315,000	19,226,000
Minneapolis	11,695,000	11,650,000
Kansas City	32,580,000	31,437,000
Dallas	19,030,000	18,421,000
San Francisco	68,741,000	49,413,000
TOTAL	$1,306,648,000	$701,511,000

-oOo-

QUESTION: Is the amount paid to the beneficiary of a deceased officer or enlisted man representing six months' pay, known as "gratuity pay", taxable income to the beneficiary?

ANSWER: No. This amount represents a gift by the United States and need not be included in income.

Fn MLC G.T.H.

ANSWER: The entire amount of the family allowance is exempt from tax on the part of the beneficiary. A portion is contributed by the Government and part is withheld from the pay of the enlisted man. The portion contributed by the Government is considered to be a gift and the amount withheld from the pay of the enlisted man is part of his taxable income.

QUESTION: Is the pay allotted by the personnel of the armed forces to designated beneficiaries taxable to the beneficiaries?

ANSWER: No. The amount allotted is taxable income to the person making the allotment.

QUESTION: Is any part of the pay received in the year 1942 by the personnel of the armed forces for active service during the present war exempt from Federal income tax?

ANSWER: Yes. If the person is not a commissioned officer and then only to the following extent -- the person must be a member of the military or naval forces of the United States below the grade of commissioned officer on December 31, 1942, in which event he should not include in gross income the first $250.00 if he were single on such date or the first $300.00 if married or the head of a family on such date. These exclusions from gross income are in addition to the personal exemption of $500.00 allowed single persons and $1,200.00 allowed married persons.

otherwise be due, is serving on sea duty or outside the United States, the collection of the tax is postponed until the fifteenth day of the third month (approximately 75 days) following the end of the monthin which the individual ceases to be in such service outside the United States or ceases to be on sea duty. In such cases it will be unnecessary to establish inability to pay the tax.

QUESTION: Are members of the armed forces serving outside the United States required to file their income tax returns on March 15, 1943?

ANSWER: The due date for the filing of income tax returns is postponed in the case of any person in the military or naval forces of the United States, who at the time the return would otherwise be due, is serving on sea duty or outside the United States. The term "United States" means the States and the District of Columbia. The time within which a return may be filed in such cases is the fifteenth day of the third month (approximately 75 days) following the end of the month in which the individual ceases to be in such service outside the United States or ceases to be on sea duty.

QUESTION: Is the <u>family allowance</u> made to the dependents of the members of the armed forces of the United States exempt from Federal income tax?

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

Press Service
No. 35-5

FOR IMMEDIATE RELEASE,
Wednesday, January 20, 1943.

Commissioner of Internal Revenue Guy T. Helvering said today that certain questions have arisen with regard to the Federal income tax liability for the year 1942 of the personnel of the armed forces of the United States. The questions and answers thereto are as follows:

QUESTION: When may the payment of income tax be postponed by reason of a person being in the armed forces of the United States?

ANSWER: If such a person is serving in the United States, the collection of the tax (whether the tax falls due prior to or during his period of military service) is deferred without interest for a period up to six months after the termination of his military service if he establishes by a statement of his financial condition filed with the collector of internal revenue that his ability to pay is materially impaired on account of such service. The form of statement may be obtained from the collector.

In the case of a person in the military forces of the United States, who at the time the tax would

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE
Wednesday, January 20, 1943.

Press Service
No. 35-5

Commissioner of Internal Revenue Guy T. Helvering said today that certain questions have arisen with regard to the Federal income tax liability for the year 1942 of the personnel of the armed forces of the United States. The questions and answers thereto are as follows:

QUESTION: When may the payment of income tax be postponed by reason of a person being in the armed forces of the United States?

Answer: If such a person is serving in the United States, the collection of the tax (whether the tax falls due prior to or during his period of military service) is deferred without interest for a period up to six months after the termination of his military service if he establishes by a statement of his financial condition filed with the collector of internal revenue that his ability to pay is materially impaired on account of such service. The form of statement may be obtained from the collector.

In the case of a person in the military forces of the United States, who at the time the tax would otherwise be due, is serving on sea duty or outside the United States, the collection of the tax is postponed until the fifteenth day of the third month (approximately 75 days) following the end of the month in which the individual ceases to be in such service outside the United States or ceases to be on sea duty. In such cases it will be unnecessary to establish inability to pay the tax.

QUESTION: Are members of the armed forces serving outside the United States required to file their income tax returns on March 15, 1943?

ANSWER: The due date for the filing of income tax returns is postponed in the case of any person in the military or naval forces of the United States, who at the time the return would otherwise be due, is serving on sea duty or outside the United States. The term "United States" means the States and the District of Columbia. The time within which a return may be filed in such cases is the fifteenth day of the third month (approximately 75 days) following the end of the month in which the individual ceases to be in such service outside the United States or ceases to be on sea duty.

QUESTION: Is the family allowance made to the dependents of the members of the armed forces of the United States exempt from Federal income tax?

ANSWER: The entire amount of the family allowance is exempt from tax on the part of the beneficiary. A portion is contributed by the Government and part is withheld from the pay of the enlisted man. The portion contributed by the Government is considered to be a gift and the amount withheld from the pay of the enlisted man is part of his taxable income.

QUESTION: Is the pay allotted by the personnel of the armed forces to designated beneficiaries taxable to the beneficiaries?

ANSWER: No. The amount allotted is taxable income to the person making the allotment.

QUESTION: Is any part of the pay received in the year 1942 by the personnel of the armed forces for active service during the present war exempt from Federal income tax?

ANSWER: Yes. If the person is not a commissioned officer and then only to the following extent -- the person must be a member of the military or naval forces of the United States below the grade of commissioned officer on December 31, 1942, in which event he should not include in gross income the first $250.00 if he were single on such date or the first $300.00 if married or the head of a family on such date. These exclusions from gross income are in addition to the personal exemption of $500.00 allowed single persons and $1,200.00 allowed married persons.

QUESTION: Is the amount paid to the beneficiary of a deceased officer or enlisted man representing six months' pay, known as "gratuity pay", taxable income to the beneficiary?

ANSWER: No. This amount represents a gift by the United States and need not be included in income.

-ooOoo-

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

Press Service
No. 35-6

For Thursday a.m.s

Commissioner of Internal Revenue Guy T. Helvering said today that inquiries have been received by the Bureau concerning the deductibility from gross income of investments in German International Bonds on which no interest has been paid since June 1, 1941.

Mr. Helvering said that the Bureau had ruled that for Federal income tax purposes the bonds became worthless in the year 1941, and in accordance with section 23(k) and section 117(b) of the Internal Revenue Code, the resulting loss is considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets. The events establishing the worthlessness in 1941 were the declarations of war between the United States and Germany, the default of interest payments, and the disappearance of a public market for the bonds. If the owner of such bonds failed to claim the deduction in his income tax return for 1941, resulting in an overpayment of his income tax for that year, he should file a claim for refund with the collector of internal revenue for the district in which he filed his return for 1941.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, January 21, 1943.
1-20-43

Press Service
No. 35-6

Commissioner of Internal Revenue Guy T. Helvering said today that inquiries have been received by the Bureau concerning the deductibility from gross income of investments in German International Bonds on which no interest has been paid since June 1, 1941.

Mr. Helvering said that the Bureau had ruled that for Federal income tax purposes the bonds became worthless in the year 1941, and in accordance with section 23(k) and section 117(b) of the Internal Revenue Code, the resulting loss is considered as a loss from the sale or exchange, on the last day of such taxable year, of capital assets.

The events establishing the worthlessness in 1941 were the declarations of war between the United States and Germany, the default of interest payments, and the disappearance of a public market for the bonds. If the owner of such bonds failed to claim the deduction in his income tax return for 1941, resulting in an overpayment of his income tax for that year, he should file a claim for refund with the collector of internal revenue for the district in which he filed his return for 1941.

-oOo-

Miss Lewifson
35-7

FOR IMMEDIATE RELEASE
January 19, 1943.

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. 9, 1943	172,407,641
Colombia	520,084,629	"	132,789,973
Costa Rica	33,019,264	"	2,477,975
Cuba	13,212,917	"	6,064,932
Dominican Republic	17,533,713	"	5,173,555
Ecuador	24,767,094	"	6,882,730
El Salvador	99,680,284	"	8,740,375
Guatemala	88,334,442	"	10,803,015
Haiti	45,400,298	"	19,649,352
Honduras	2,908,617	"	991,327
Mexico	78,758,056	"	6,630,056
Nicaragua	32,462,515	"	101,219
Peru	4,127,276	"	2
Venezuela	61,254,106	"	14,816,215
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	"	17,927,907

1/ Quotas revised.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, January 20, 1943.

Press Service
No. 35-7

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	Jan. 9, 1943	172,407,641
Colombia	520,084,629	"	132,789,973
Costa Rica	33,019,264	"	2,477,975
Cuba	13,212,917	"	6,064,932
Dominican Republic	17,533,713	"	5,173,555
Ecuador	24,767,094	"	6,882,730
El Salvador	99,680,284	"	8,740,375
Guatemala	88,334,442	"	10,803,015
Haiti	45,400,298	"	19,649,352
Honduras	2,908,617	"	991,327
Mexico	78,758,056	"	6,630,056
Nicaragua	32,462,515	"	101,219
Peru	4,127,276	"	2
Venezuela	61,254,106	"	14,816,215
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	"	17,927,907

1/ Quotas revised.

-oOo-

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 must be made or completed on or before February 1, 1943, or on later allotment. In every case where payment is not so completed, the payment with application up to 2 percent of the amount of certificates applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Treasury Certificates of Indebtedness of Series A-1943, maturing February 1, 1943, will be accepted at par in payment for any certificates of the series now offered which shall be allotted.

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.

D. W. BELL,
Acting Secretary of the Treasury.

4. Bearer certificates with two interest coupons attached will be issued in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000. 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 the closing of the subscription books. 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 banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 2 percent of 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 banks which accept demand deposits, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $100,000 from banks which accept demand deposits will be allotted on an equal percentage

UNITED STATES OF AMERICA

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES A-1944

Dated and bearing interest from February 1, 1943 Due February 1, 1944

1943
Department Circular No. 705

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, January 21, 1943.

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 A-1944. The amount of the offering is $2,000,000,000, or thereabouts.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated February 1, 1943, and will bear interest from that date at the rate of 7/8 percent per annum, payable semiannually on August 1, 1943 and February 1, 1944. They will mature February 1, 1944, 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.

account will be received without deposit, but subscriptions from all others must be accompanied by payment of 2 percent of the amount of certificates applied for.

Subject to the usual reservations, subscriptions for amounts not exceeding $100,000 from banks which accept demand deposits, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $100,000 from banks which accept demand deposits will be allotted on an equal percentage basis, to be publicly announced.

Payment for any certificates allotted must be made or completed on or before February 1, 1943, or on later allotment. As previously announced, Treasury Certificates of Indebtedness of Series A-1943, which mature February 1, carry no exchange privileges, but such maturing certificates will be accepted at par in payment for any certificates of the series now offered which may be allotted.

The text of the official circular follows:

Mr. Shaefer

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, January 21, 1943.

Press Service
No. 35-8

The Secretary of the Treasury today announced the offering, through the Federal Reserve Banks, for cash subscription at par and accrued interest, of $2,000,000,000, or thereabouts, of 7/8 percent Treasury Certificates of Indebtedness of Series A-1944. In order to insure widespread participation not only on the part of banks, but by corporations and others who may be interested in this type of security, the subscription books will remain open three days. There will be no restrictions as to the basis for subscribing to this issue. At their maturity, the certificates will be redeemed in cash, and will carry no exchange privileges.

Single space

The certificates will be dated February 1, 1943, will be payable on February 1, 1944, and will bear interest at the rate of seven-eighths of one percent per annum, payable semiannually on August 1, 1943 and February 1, 1944. They will be issued in bearer form only, with two interest coupons attached, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

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

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 from banks and trust companies for their own

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS, Thursday, January 21, 1943.

Press Service No. 35-8

The Secretary of the Treasury today announced the offering, through the Federal Reserve Banks, for cash subscription at par and accrued interest, of $2,000,000,000, or thereabouts, of 7/8 percent Treasury Certificates of Indebtedness of Series A-1944. In order to insure widespread participation not only on the part of banks, but by corporations and others who may be interested in this type of security, the subscription books will remain open three days. There will be no restrictions as to the basis for subscribing to this issue. At their maturity, the certificates will be redeemed in cash, and will carry no exchange privileges.

The certificates will be dated February 1, 1943, will be payable on February 1, 1944, and will bear interest at the rate of seven-eighths of one percent per annum, payable semiannually on August 1, 1943 and February 1, 1944. They will be issued in bearer form only, with two interest coupons attached, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

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

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 from banks and trust companies for their own account will be received without deposit, but subscriptions from all others must be accompanied by payment of 2 percent of the amount of certificates applied for.

Subject to the usual reservations, subscriptions for amounts not exceeding $100,000 from banks which accept demand deposits, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $100,000 from banks which accept demand deposits will be allotted on an equal percentage basis, to be publicly announced.

Payment for any certificates allotted must be made or completed on or before February 1, 1943, or on later allotment. As previously announced, Treasury Certificates of Indebtedness of Series A-1943, which mature February 1, carry no exchange privileges, but such maturing certificates will be accepted at par in payment for any certificates of the series now offered which may be allotted.

The text of the official circular follows:

UNITED STATES OF AMERICA

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES A-1944

Dated and bearing interest from February 1, 1943   Due February 1, 1944

1943
Department Circular No. 705

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, January 21, 1943.

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 A-1944. The amount of the offering is $2,000,000,000, or thereabouts.

II. DESCRIPTIONS OF CERTIFICATES

1. The certificates will be dated February 1, 1943, and will bear interest from that date at the rate of 7/8 percent per annum, payable semiannually on August 1, 1943 and February 1, 1944. They will mature February 1, 1944, 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, $100,000 and $1,000,000. 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 tell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books.

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 banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 2 percent of 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 banks which accept demand deposits, and subscriptions in any amount from all other subscribers, will be allotted in full; subscriptions for amounts over $100,000 from banks which accept demand deposits 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 must be made or completed on or before February 1, 1943, or on later allotment. In every case where payment is not so completed, the payment with application up to 2 percent of the amount of certificates applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Treasury Certificates of Indebtedness of Series A-1943, maturing February 1, 1943, will be accepted at par in payment for any certificates of the series now offered which shall be allotted.

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.

D. W. BELL,
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.

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 27, 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

~~ALPHA~~

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 22, 1943 .
(1)

The Secretary of the Treasury, by this public notice, invites tenders for $ 700,000,000 (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 27, 1943 (4), and will mature April 28, 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 25, 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

Emr C.P.P.

TREASURY DEPARTMENT,
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 22, 1943.
1/21/43

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 27, 1943, and will mature April 28, 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 25, 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 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 27, 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.

-oOo-

Miss Simpson

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 22, 1943.
1/21/43

Press Service
35-10

The Secretary of the Treasury announced last night that the subscription books for the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series A-1944 will close at the close of business tomorrow, January 23.

Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight, Saturday, January 23, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will probably be made on Tuesday, January 26.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 22, 1943.
1/21/43

Press Service
No. 35-10

The Secretary of the Treasury announced last night that the subscription books for the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series A-1944 will close at the close of business tomorrow, January 23.

Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight, Saturday, January 23, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will probably be made on Tuesday, January 26.

-oOo-

TREASURY DEPARTMENT
BUREAU OF INTERNAL REVENUE
WASHINGTON

FOR IMMEDIATE RELEASE
Saturday, January 23, 1943

Press Service
No. 35-11

Commissioner of Internal Revenue Guy T. Helvering ruled today that wage and salary adjustments retroactive to established payroll periods ended prior to January 1, 1943, are not subject to the withholding provisions of the Victory tax where such adjustments were not paid until 1943 because of consideration by the National War Labor Board, or by the Commissioner of Internal Revenue, under the authority of the regulations issued by the Economic Stabilization Director.

In these cases ~~Such~~ payments could not be made until the issuance of an order of approval by the War Labor Board or the Commissioner of Internal Revenue and the required order was not forthcoming until 1943.

-0-

TREASURY DEPARTMENT
BUREAU OF INTERNAL REVENUE
WASHINGTON

FOR IMMEDIATE RELEASE

Press Service
No. 35-11

Commissioner of Internal Revenue Guy T. Helvering ruled today that wage and salary adjustments retroactive to established payroll periods ended prior to January 1, 1943, are not subject to the withholding provisions of the Victory tax where such adjustments were not paid until 1943 because of consideration by the National War Labor Board or by the Commissioner of Internal Revenue, under the authority of the regulations issued by the Economic Stabilization Director.

In these cases ~~Such~~ payments could not be made until the issuance of an order of approval by the War Labor Board or the Commissioner of Internal Revenue, even though funds to make the payments were available during the payroll periods prior to 1943. ~~and the required order was not forthcoming until 1943.~~

G.T.H.

NWLC

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Saturday, January 23, 1943.

Press Service
No. 35-11

Commissioner of Internal Revenue Guy T. Helvering ruled today that wage and salary adjustments retroactive to established payroll periods ended prior to January 1, 1943, are not subject to the withholding provisions of the Victory tax where such adjustments were not paid until 1943 because of consideration by the National War Labor Board or by the Commissioner of Internal Revenue, under the authority of the regulations issued by the Economic Stabilization Director.

In these cases payments could not be made until the issuance of an order of approval by the War Labor Board or the Commissioner of Internal Revenue and the required order was not forthcoming until 1943.

-oOo-

INSOLVENT NATIONAL BANKS LIQUIDATED AND FINALLY CLOSED
DURING THE MONTH OF DECEMBER, 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
Washington Park NB Chicago, Illinois		6-9-31	$ 5,641,807	71.22	$ 600,000	$ -0-
Ozone Park NB New York, N.Y.	1/	10-30-34	1,600,993	83.87 2/	200,000	-0-
Nat'l Bk of Ridgewood in New York, N.Y.	3/	7-12-37	69,400	17.58	200,000	-0-
First Nat'l Bank Clarion, Penna.	1/	4-16-34	1,341,692	87.2 2/	100,000	-0-
Second Nat'l Bk Erie, Penna.	1/	8-13-34	7,459,931	67.45 2/	500,000	-0-
Overbrook NB Philadelphia, Penna.		5-15-31	2,145,128	50.77	500,000	-0-

1/ Formerly in conservatorship
2/ Including Dividends paid thru or by purchasing bank
3/ Receiver appointed to levy and collect stock assessment covering deficiency in value of assets sold, or to complete unfinished liquidation

[signature]

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS
Sunday, January 24, 1943.

PRESS SERVICE
35-12

During the month of December, 1942, the liquidation of six 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 six receiverships, amounted to $18,258,951, while dividends paid to unsecured creditors amounted to an average of 69.43 percent of their claims. Total costs of liquidation of these receiverships averaged 8.42 percent of total collections from all sources, including offsets allowed.

Dividend distributions to all creditors of all active receiverships during the month of December, amounted to $1,189,247. Data as to results of liquidation of the receiverships finally closed during the month are as follows:

Lynn
C.P.

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, January 24, 1943.

Press Service
No. 35-12

During the month of December, 1942, the liquidation of six 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 six receiverships, amounted to $18,258,951, while dividends paid to unsecured creditors amounted to an average of 69.43 percent of their claims. Total costs of liquidation of these receiverships averaged 8.42 percent of total collections from all sources, including offsets allowed.

Dividend distributions to all creditors of all active receiverships during the month of December, amounted to $1,189,247. Data as to results of liquidation of the receiverships finally closed during the month are as follows:

INSOLVENT NATIONAL BANKS LIQUIDATED AND FINALLY CLOSED DURING THE MONTH OF DECEMBER, 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
Washington Park NB Chicago, Illinois	6-9-31	$ 5,641,807	71.22	$ 600,000	$ -0-
Ozone Park NB New York, N.Y. 1/	10-30-34	1,600,993	83.87 2/	200,000	-0-
Nat'l Bk of Ridgewood in New York, N.Y. 3/	7-12-37	69,400	17.58	200,000	-0-
First Nat'l Bank Clarion, Penna. 1/	4-16-34	1,341,692	87.2 2/	100,000	-0-
Second Nat'l Bk Erie, Penna. 1/	8-13-34	7,459,931	67.45 2/	500,000	-0-
Overbrook NB Philadelphia, Penna.	5-15-31	2,145,128	50.77	500,000	-0-

1/ Formerly in conservatorship
2/ Including Dividends paid thru or by purchasing bank
3/ Receiver appointed to levy and collect stock assessment covering deficiency in value of assets sold, or to complete unfinished liquidation

-oOo-

"The Chairmen of the Ways and Means Committee and of the Senate Finance Committee have not, however, limited their contacts with the Treasury Department to formal hearings. They have followed consistently the courteous and practical procedure of conferring informally with the Secretary of the Treasury and his representatives in advance of hearings on tax legislation. ~~This~~ This mutually cooperative procedure has been in effect this year, beginning with consultations between Secretary Morgenthau and the two Chairmen prior to the organization of the present Congress and it has been continued in frequent conferences between Treasury representatives and the Chairmen of the two Committees and the staff of the Committees. In the course of these conferences the two staffs, at the instance of Chairman Doughton, have been studying the pay-as-you-go problem with the object of expediting the work of the Committees. These studies are near completion."

"On the pay-as-you-go principle as applied to the collection of income taxes the Treasury Department's record is quite clear. It has long favored putting income tax payments on a more current basis. The need for doing this has become much more acute as the number of taxpayers and the burden of taxes have increased over the last two years. More than 14 months ago, in November, 1941, Secretary Morgenthau appeared before the Ways and Means Committee to suggest a plan for current payment through collection at the source of the major portion of new taxes to be imposed. He advanced a similar suggestion at a public hearing by the Committee in March of 1942. The Department has taken the position that any plan proposed must be closely scrutinized to determine whether it will result in substantial loss of revenue or inequities as between taxpayers at a time when the need both for great additional revenues and the greatest possible equity in the tax structure has been most urgent.

"It is the responsibility of Congress to initiate tax legislation. The Secretary of the Treasury has the traditional and legal duty to present upon the request of the proper committees of Congress plans for levying additional revenue or making changes in the tax structure. The Treasury stands ready at all times to present such plans or to give any advice or information desired by the committees. It is prepared to present specific suggestions for 1943 tax legislation to give effect to the recommendations contained in the President's Budget Message whenever they may be requested.

no 35-13

Randolph E. Paul, General Counsel of the Treasury Department, issued the following statement today:

"In view of speculative and contradictory stories in the press on the subject of the Treasury Department's attitude toward pay-as-you-go tax legislation by the present Congress, it seems desirable to clarify the Treasury's position.

"I have already informed Chairman Doughton of the Ways and Means Committee that Secretary Morgenthau has authorized me to state that the Treasury Department favors early enactment of legislation designed to put the payment of income taxes on a current or more nearly current basis.

"The Treasury Department is holding itself ready to respond to invitation by the Committee at any time either to present its own views on this subject or to give its advice on any plans devised by the Committee. The Department has no desire and has expressed no desire to delay consideration of this subject until general tax legislation can be formulated. On the contrary, it believes that many advantages will accrue from disposal of the pay-as-you-go matter as soon as possible.

"One of the advantages of such consideration would be to refute most effectively the entirely baseless rumors that have been circulating that some form of tax forgiveness would be adopted which would make it unnecessary for taxpayers to meet their March 15 instalments on tax liabilities for the calendar year 1942. Chairman George and Chairman Doughton have both stated that nothing of the sort is in contemplation.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, January 23, 1943.

Press Service
No. 35-13

Randolph E. Paul, General Counsel of the Treasury Department, issued the following statement today:

"In view of speculative and contradictory stories in the press on the subject of the Treasury Department's attitude toward pay-as-you-go tax legislation by the present Congress, it seems desirable to clarify the Treasury's position.

"I have already informed Chairman Doughton of the Ways and Means Committee that Secretary Morgenthau has authorized me to state that the Treasury Department favors early enactment of legislation designed to put the payment of income taxes on a current or more nearly current basis.

"The Treasury Department is holding itself ready to respond to invitation by the Committee at any time either to present its own views on this subject or to give its advice on any plans devised by the Committee. The Department has no desire and has expressed no desire to delay consideration of this subject until general tax legislation can be formulated. On the contrary, it believes that many advantages will accrue from disposal of the pay-as-you-go matter as soon as possible.

"One of the advantages of such consideration would be to refute most effectively the entirely baseless rumors that have been circulating that some form of tax forgiveness would be adopted which would make it unnecessary for taxpayers to meet their March 15 instalments on tax liabilities for the calendar year 1942. Chairman George and Chairman Doughton have both stated that nothing of the sort is in contemplation.

"On the pay-as-you-go principle as applied to the collection of income taxes the Treasury Department's record is quite clear. It has long favored putting income tax payments on a more current basis. The need for doing this has become much more acute as the number of taxpayers and the burden of taxes have increased over the last two years. More than 14 months ago, in November, 1941, Secretary Morgenthau appeared before the Ways and Means Committee to suggest a plan for current payment through collection at the source of the major portion of new taxes to be imposed. He advanced a similar suggestion at a public hearing by the Committee in March of 1942. The Department has taken the position that any plan proposed must be closely scrutinized to determine whether it will result in substantial loss of revenue or inequities as between taxpayers at a time when the need both for great additional revenues and the greatest possible equity in the tax structure has been most urgent.

"It is the responsibility of Congress to initiate tax legislation. The Secretary of the Treasury has the traditional and legal duty to present upon the request of the proper committees of Congress plans for levying additional revenue or making changes in the tax structure. The Treasury stands ready at all times to present such plans or to give any advice or information desired by the committees. It is prepared to present specific suggestions for 1943 tax legislation to give effect to the recommendations contained in the President's Budget Message whenever they may be requested.

"The Chairmen of the Ways and Means Committee and of the Senate Finance Committee have not, however, limited their contacts with the Treasury Department to formal hearings. They have followed consistently the courteous and practical procedure of conferring informally with the Secretary of the Treasury and his representatives in advance of hearings on tax legislation. This mutually cooperative procedure has been in effect this year, beginning with consultations between Secretary Morgenthau and the two Chairmen prior to the organization of the present Congress and it has been continued in frequent conferences between Treasury representatives and the Chairmen of the two Committees and the staff of the Committees. In the course of these conferences the two staffs, at the instance of Chairman Doughton, have been studying the pay-as-you-go problem with the object of expediting the work of the Committees. These studies are near completion."

-oOo-

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 26, 1943.

Press Service
35-1

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated January 27 and to mature April 28, 1943, which were offered on January 22, 1943, were opened at the Federal Reserve Banks on January 25.

The details of this issue are as follows:

Total applied for - $1,016,768,000
Total accepted - 702,344,000

Range of accepted bids:

High	- 99.940	Equivalent rate of discount approx. 0.236% per annum
Low	- 99.905	" " " " " 0.376% " "
Average price	- 99.906	" " " " " 0.370% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 29,319,000	$ 21,826,000
New York	707,975,000	426,811,000
Philadelphia	21,770,000	13,610,000
Cleveland	29,235,000	25,036,000
Richmond	12,630,000	10,865,000
Atlanta	23,840,000	23,522,000
Chicago	86,652,000	77,000,000
St. Louis	15,844,000	14,294,000
Minneapolis	5,745,000	5,739,000
Kansas City	7,313,000	7,296,000
Dallas	9,120,000	9,020,000
San Francisco	67,325,000	67,325,000
TOTAL	$1,016,768,000	$702,344,000

Form

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 26, 1943.
1-25-43

Press Release
No. 35-14

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated January 27 and to mature April 28, 1943, which were offered on January 22, 1943, were opened at the Federal Reserve Banks on January 25.

The details of this issue are as follows:

Total applied for - $1,016,768,000
Total accepted - 702,344,000

Range of accepted bids:

High	- 99.940	Equivalent rate of discount approx. 0.236% per annum
Low	- 99.905	Equivalent rate of discount approx. 0.376% per annum
Average price	- 99.906	Equivalent rate of discount approx. 0.370% per annum

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 29,319,000	$ 21,826,000
New York	707,975,000	426,811,000
Philadelphia	21,770,000	13,610,000
Cleveland	29,235,000	25,036,000
Richmond	12,630,000	10,865,000
Atlanta	23,840,000	23,522,000
Chicago	86,652,000	77,000,000
St. Louis	15,844,000	14,294,000
Minneapolis	5,745,000	5,739,000
Kansas City	7,313,000	7,296,000
Dallas	9,120,000	9,020,000
San Francisco	67,325,000	67,325,000
TOTAL	$1,016,768,000	$702,344,000

-oOo-

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Tuesday, January 26, 1943.

Press Service
No 35-15

The Secretary of the Treasury today announced the subscription figures and the basis of allotment for the cash offering of 7/8 percent Treasury Certificates of Indebtedness of Series A-1944.

Reports received from the Federal Reserve Banks show that subscriptions aggregate $6,403,000,000. Of this amount $1,163,000,000 were allotted in full to all subscribers other than banks accepting demand deposits, $309,000,000 were allotted in full to banks entering subscriptions for not more than $100,000, and the remainder, representing subscriptions from banks for more than $100,000, were allotted 14 percent, but not less than $100,000 on any one subscription, with adjustments, where necessary, to the $1,000 denomination.

Details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

o0o

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Tuesday, January 26, 1943.

Press Service
No. 35-15

The Secretary of the Treasury today announced the subscription figures and the basis of allotment for the cash offering of 7/8 percent Treasury Certificates of Indebtedness of Series A-1944.

Reports received from the Federal Reserve Banks show that subscriptions aggregate $6,403,000,000. Of this amount $1,163,000,000 were allotted in full to all subscribers other than banks accepting demand deposits, $309,000,000 were allotted in full to banks entering subscriptions for not more than $100,000, and the remainder, representing subscriptions from banks for more than $100,000, were allotted 14 percent, but not less than $100,000 on any one subscription, with adjustments, where necessary, to the $1,000 denomination.

Details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

oOo

35-16

FOR IMMEDIATE RELEASE
January 26, 1943.

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	Jan. 16, 1943	174,683,014
Colombia	520,084,629	"	139,530,719
Costa Rica	33,019,264	"	5,778,773
Cuba	13,212,917	"	6,064,980
Dominican Republic	17,533,713	"	5,529,458
Ecuador	24,767,094	"	8,078,973
El Salvador	99,680,284	"	9,120,236
Guatemala	88,334,442	"	12,058,656
Haiti	45,400,298	"	20,514,977
Honduras	2,908,617	"	1,059,255
Mexico	78,758,056	"	8,512,187
Nicaragua	32,462,515	"	101,369
Peru	4,127,276	"	152
Venezuela	61,254,106	"	17,330,049
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	"	17,965,244

1/ Quotas revised.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, January 27, 1943.

Press Service
No. 35-16

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	Jan. 16, 1943	174,683,014
Colombia	520,084,629	"	139,530,719
Costa Rica	33,019,264	"	5,778,773
Cuba	13,212,917	"	6,064,980
Dominican Republic	17,533,713	"	5,529,458
Ecuador	24,767,094	"	8,078,973
El Salvador	99,680,284	"	9,120,236
Guatemala	88,334,442	"	12,058,656
Haiti	45,400,298	"	20,514,977
Honduras	2,908,617	"	1,059,255
Mexico	78,758,056	"	8,512,187
Nicaragua	32,462,515	"	101,369
Peru	4,127,276	"	152
Venezuela	61,254,106	"	17,330,049
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	"	17,965,244

1/ Quotas revised.

-oOo-

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 February 3, 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

~~XXXXX~~

TREASURY DEPARTMENT

Washington

no. 35-17

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 29, 1943 .
(1)

The Secretary of the Treasury, by this public notice, invites tenders for $ 700,000,000 (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 February 3, 1943 (4), and will mature May 5, 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, February 1, 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

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 29, 1943.
1-28-43

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 February 3, 1943, and will mature May 5, 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, February 1, 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 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 February 3, 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.

-oOo-

TREASURY DEPARTMENT

Washington

35-18

FOR IMMEDIATE RELEASE,
Saturday, January 30, 1943.

Press Service

The Secretary of the Treasury today announced the final subscription and allotment figures with respect to the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series A-1944.

Subscriptions and allotments were divided among the several Federal Reserve Districts as follows:

Federal Reserve District	Total Subscriptions Received	Total Subscriptions Allotted
Boston	$ 333,798,000	$ 103,061,000
New York	2,839,741,000	1,090,810,000
Philadelphia	220,076,000	72,815,000
Cleveland	324,876,000	114,020,000
Richmond	247,490,000	87,062,000
Atlanta	287,316,000	79,951,000
Chicago	921,018,000	302,885,000
St. Louis	242,691,000	72,541,000
Minneapolis	109,775,000	41,222,000
Kansas City	196,283,000	65,077,000
Dallas	150,953,000	46,559,000
San Francisco	528,061,000	135,208,000
Treasury	15,000	15,000
TOTAL	$6,402,093,000	$2,211,226,000

Em
C.P.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, January 30, 1943.

Press Service
No. 35-18

The Secretary of the Treasury today announced the final subscription and allotment figures with respect to the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series A-1944.

Subscriptions and allotments were divided among the several Federal Reserve Districts as follows:

Federal Reserve District	Total Subscriptions Received	Total Subscriptions Allotted
Boston	$ 333,798,000	$ 103,061,000
New York	2,839,741,000	1,090,810,000
Philadelphia	220,076,000	72,815,000
Cleveland	324,876,000	114,020,000
Richmond	247,490,000	87,062,000
Atlanta	287,316,000	79,951,000
Chicago	921,018,000	302,885,000
St. Louis	242,691,000	72,541,000
Minneapolis	109,775,000	41,222,000
Kansas City	196,283,000	65,077,000
Dallas	150,953,000	46,559,000
San Francisco	528,061,000	135,208,000
Treasury	15,000	15,000
TOTAL	$6,402,093,000	$2,211,226,000

-oOo-

been adopted as textbook material by 9,000 high schools, for study by 3,000,000 students. A "Know Your Money" educational movie was exhibited nearly 10,000 times, to more than ~~nearly~~ 2,000,000 spectators.

To emphasize potential dangers of counterfeit money being used as a weapon of war, the Secret Service, in cooperation with the Chase National Bank and Rockefeller Center, established a huge educational display in New York City, and smaller exhibits were conducted during the year in ~~in larger~~ cities throughout the nation.

-oOo-

the ice he loved. A "figure eight" on the links at Flushing Meadows, New York, ended figuratively, with a glide into the arms of waiting agents, and, it later turned out, was prophetic of the eight-year sentence he received.

Kerr jumped his bond while awaiting trial. Knowing his weakness for gambling on horses, agents watched the tracks, and picked him up again at the mutuel windows at Hiahleah, Florida. The coiner promptly worked his way out of Coral Gables jail with a key fashioned from a stolen spoon. The thorough Secret Service agents had learned of Kerr's ice skating accomplishments as well as his love of the horses, and circulated his picture to employees at various rinks. The ice at Flushing Meadows proved exceedingly thin for the fugitive when he at last donned his skates.

The Secret Service, cooperating with Mexican authorities, helped to foil~~ed~~ a plot to flood that Republic with counterfeit money, with the arrest of Luis Eduardo DeShelley. DeShelley, who has served more than 20 years in United States prisons for counterfeiting, was operating a plant in Mexico City for the manufacture of bogus $50 and $100 American bills and false Mexican currency.

The Service's educational campaign was intensified during 1942. Its 32-page booklet "Know Your Money" has for six months for contributing to the delinquency of a minor. A ~~negro youth~~ boy had negotiated two forged government checks in the merchant's establishment because the merchant was careless and did not require proper identification. Judge Schram warned the dealer that loss of American boys through imprisonment was far worse than the loss of a few dollars by the merchants.

Since the Secret Service educational program was in~~stituted~~ augurated in 1937, there has been a 60 percent reduction in the number of juveniles arrested for violating the related statutes, although there has been a steady increase during that period in total law violations by juveniles. ~~At the same time, arrests of juveniles for violating laws enforced by all other agencies have increased steadily.~~

One of the most notorious counterfeiters convicted in 1942 now is a fugitive from justice. Nick Medich, sentenced in North Dakota in December to serve 14 years imprisonment, escaped from a deputy United States marshal. Medich was given a long prison term in 1933 for counterfeiting. He was released in 1940, finally returned to counterfeiting, and was captured again shortly after his new product reached circulation.

On the other hand, another veteran coin counterfeiter, long a fugitive, is behind bars. Alexander Kerr, alias Edward Wellman, who found relaxation from his counterfeiting labors in fancy skating, wrote his own ticket on to $23,000. Prior to institution, in 1937, of the "Know Your Money" campaign, bogus ~~bill~~ money losses exceeded $800,000 yearly.

The arrests for making or passing counterfeit bills and coins during 1942 represented a decline of 59 percent from the previous year.

The Treasury campaign to protect recipients and handlers of government checks takes two lines.

First, those entitled to the checks are urged to take precautions against their mail being pilfered, or their ~~drafts~~ checks otherwise getting into unscrupulous hands.

Second, merchants, bankers, and other handlers are being urged to demand positive identification of every person presenting a check for cashing. The "Know Your Endorsers" theme is being hammered home by widespread publicity, through posters, magazines, newspapers, radio and ~~moving~~ motion pictures. Army and Navy publications have co-operated whole-heartedly in carrying the precautionary program to military personnel and their dependents.

One unusual incident in the 1942 war against forgers saw the establish~~ing~~ment of a legal precedent for imposing criminal penalties for careless acceptance of a forged check, as well as for actually passing the document.

Judge G. L. Schram of the Juvenile Court of Allegheny County, Pennsylvania, ~~Juvenile Court~~ placed a Pittsburgh merchant on probation

OK Copy

For Lucas Ams

35-19

The United States Secret Service, riding the crest of the most successful campaign against counterfeiting in its history, has turned its big guns against the forger of government checks in a drive designed to protect, particularly, men in the armed services and their dependents.

Using the same "Crime Prevention Through Education" technique which has cut losses of victims of bogus currency 93 percent in five years, the Service now is out to make theft and forgery of government checks as unhealthy as counterfeiting.

With millions of Army and Navy allotment and allowance checks ~~now~~ being mailed to dependents of ~~Service men,~~ men in the military forces, Chief Frank Wilson is determined that there shall be scant opportunity for ~~these conscienceless~~ criminals who ~~would prey on the loved ones left behind.~~ seek to victimize families receiving allowances and allotments.

Elmer L. Irey, Coordinator of Treasury Law Enforcement activities, summarized the work of the Secret Service in one of a series of reports to Secretary Morgenthau on 1942 activities of his agencies.

He reported that victims of counterfeit bills lost 59 percent less money in 1942 than they did in 1941, and that victims of bogus coins lost 39 percent less. Losses from phoney bills dropped to $29,000, and from bogus coins

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, February 2, 1943.
1/30/43

Press Service
No. 35-19

The United States Secret Service, riding the crest of the most successful campaign against counterfeiting in its history, has turned its big guns against the forger of Government checks in a drive designed to protect, particularly, men in the armed services and their dependents.

Using the same "Crime Prevention Through Education" technique which has cut losses of victims of bogus currency 93 percent in five years, the Service now is out to make theft and forgery of Government checks as unhealthy as counterfeiting.

With millions of Army and Navy allotment and allowance checks being mailed to dependents of men in the military forces, Chief Frank Wilson is determined that there shall be scant opportunity for criminals who seek to victimize families receiving allowances and allotments.

Elmer L. Irey, Coordinator of Treasury Law Enforcement activities, summarized the work of the Secret Service in one of a series of reports to Secretary Morgenthau on 1942 activities of his agencies.

He reported that victims of counterfeit bills lost 59 percent less money in 1942 than they did in 1941, and that victims of bogus coins lost 39 percent less. Losses from phoney bills dropped to $29,000, and from bogus coins to $23,000. Prior to institution, in 1937, of the "Know Your Money" campaign, bogus money losses exceeded $800,000 yearly.

The arrests for making or passing counterfeit bills and coins during 1942 represented a decline of 59 percent from the previous year.

The Treasury campaign to protect recipients and handlers of Government checks takes two lines.

First, those entitled to the checks are urged to take precautions against their mail being pilfered, or their checks otherwise getting into unscrupulous hands.

Second, merchants, bankers, and other handlers are being urged to demand positive identification of every person presenting a check for cashing. The "Know Your Endorsers" theme is being hammered home by widespread publicity, through posters, magazines, newspapers, radio and motion pictures. Army and Navy publications have cooperated whole-heartedly in carrying the precautionary program to military personnel and their dependents.

One unusual incident in the 1942 war against forgers saw the establishment of a legal precedent for imposing criminal penalties for careless acceptance of a forged check, as well as for actually passing the document.

Judge G. L. Schram of the Juvenile Court of Allegheny County, Pennsylvania, placed a Pittsburgh merchant on probation for six months for contributing to the delinquency of a minor. A boy had negotiated two forged Government checks in the merchant's establishment because the merchant was careless and did not require proper identification. Judge Schram warned the dealer that loss of American boys through imprisonment was far worse than the loss of a few dollars by the merchants.

Since the Secret Service educational program was inaugurated in 1937, there has been a 60 percent reduction in the number of juveniles arrested for violating the related statutes, although there has been a steady increase during that period in total law violations by juveniles.

One of the most notorious counterfeiters convicted in 1942 now is a fugitive from justice. Nick Medich, sentenced in North Dakota in December to serve fourteen years imprisonment, escaped from a deputy United States marshal. Medich was given a long prison term in 1933 for counterfeiting. He was released in 1940, finally returned to counterfeiting, and was captured again shortly after his new product reached circulation.

On the other hand, another veteran coin counterfeiter, long a fugitive, is behind bars. Alexander Kerr, alias Edward Wellman, who found relaxation from his counterfeiting labors in fancy skating, wrote his own ticket on the ice he loved. A "figure eight" on the links at Flushing Meadows, New York, ended figuratively, with a glide into the arms of waiting agents, and, it later turned out, was prophetic of the eight-year sentence he received.

Kerr jumped his bond while awaiting trial. Knowing his weakness for gambling on horses, agents watched the tracks, and picked him up again at the mutuel windows at Hiahleah, Florida. The coiner promptly worked his way out of Coral Gables jail with a key fashioned from a stolen spoon. The thorough Secret Service agents had learned of Kerr's ice skating accomplishments as well as his love of the horses, and circulated his picture to employees at various rinks. The ice at Flushing Meadows proved exceedingly thin for the fugitive when he at last donned his skates.

The Secret Service, cooperating with Mexican authorities helped to foil a plot to flood that Republic with counterfeit money, with the arrest of Luis Eduardo DeShelley. DeShelley, who has served more than 20 years in United States prisons for counterfeiting, was operating a plant in Mexico City for the manufacture of bogus $50 and $100 American bills and false Mexican currency.

The Service's educational campaign was intensified during 1942. Its 32-page booklet "Know Your Money" has been adopted as textbook material by 9,000 high schools, for study by 3,000,000 students. A "Know Your Money" educational movie was exhibited nearly 10,000 times, to more than 2,000,000 spectators.

To emphasize potential dangers of counterfeit money being used as a weapon of war, the Secret Service, in cooperation with the Chase National Bank and Rockefeller Center, established a huge educational display in New York City, and smaller exhibits were conducted during the year in cities throughout the nation.

-oOo-

soft metal tubes packaged in Singapore and distributed to oriental opium monopolies. However, aside from the Mexican types, most seizures now are of raw opium in the form of small sticks apparently originating in Persia.

Numerous lots have been taken from ships arriving at our ports, the largest shipment being a total of more than 51 ~~107~~ pounds ~~ounces~~ taken from an American ~~a Dutch~~ vessel in extended searches at Hoboken ~~Brooklyn~~, and 167 ~~150~~ ounces taken from Chinese crew members of a ~~another~~ Dutch vessel at New York.

An interesting angle in these cases was that the sticks had outer wrappers upon which were imprinted Arabic characters which proved to be Persian versions of certain verses from the Bible Book of Luke. Agents have been unable to develop any particular significance to these quotations, which were in addition to the usual labels of the Iranian Government Opium Monopoly.

Combined seizures by Customs and Narcotics Bureaus during the year were 5,158 ounces of opium, morphine, heroin, and similar narcotics, against 4,962 ounces in 1941. Marihuana seizures fell off sharply to 12,830 ounces, against 22,376 ounces in 1941.

The Bureau of Narcotics reported 2,635 arrests under Narcotics laws and the Marihuana Tax Act, against 2,824 in 1941. Narcotics arrests increased slightly, and Marihuana arrests were somewhat fewer.

-oOo-

The conspiracy involved the most extensive illegal, commercial marihuana enterprise so far discovered in the Eastern United States. ~~Penitentiary sentences were given the principals, all negroes.~~

The Bureau of Narcotics won a major court victory in its efforts to prevent dissipation of medicinal narcotic drugs through unscrupulous practicioners. The United States Circuit Court of Appeals upheld the conviction of the Direct Sales Company, Inc., of Buffalo, which sold drugs directly to a physician engaged in illegally dispensing them to addicts.

Phillip Chatard, alias Phillip Chadwick, gunman and desperado, who forfeited bond and disappeared while his conviction on narcotics charges was being appealed, was captured by Narcotics officers in Tacoma, Washington, after a series of spectacular drug company robberies, and committed to a Federal penitentiary.

The major seizure by Customs officers during the year was a lot of 27 pounds of Mexican smoking opium taken from a bus passenger at Yuma, Arizona. Destination was reported to be a Chinese in San Francisco. The Bureau reports that curtailment of shipping from the Far East has practically dried up traffic in the familiar 5-tael and 1-tael factory-made tins of opium, but that there have been occasional seizures of smoking opium in they had hoped to realize $8,000. They promptly pleaded guilty in Federal court, and were sentenced each to five years in prison and fines of $5,000.

More arrests were made in El Paso of alleged "runners" for "La Nacha" and total seizures reached 125 ounces of smoking opium and 78 ounces of morphine.

Narcotics Bureau officers carried out another offensive during the year against one of the most persistent centers of internal distribution, a segment of the Kansas City underworld. Successful prosecutions of important members of this gang were effected in 1939 and 1940. The syndicate was revived, however, and twelve additional indictments were obtained in 1942, among those accused being Carl Carramusa, alleged director of the illicit business, Nicolo Impastato, Joseph De Luca, and Charles Benjamina of Kansas City, and Paul and Joseph Antinori of Tampa, Florida.

High spot of this investigation was the solving of a secret wall panel in the basement of a Kansas City ~~dwelling~~ house, which netted a large quantity of heroin.

Narcotics officers, after a two-year investigation, found on a cluster of little cabin-studded farms in the green hills of North Carolina, the source of much of the demoralizing marihuana peddled in the Harlem district of New York.

continued scarcity of illicit narcotic drugs with prices beyond the reach of many addicts.

Breaking of the "La Nacha" gang was considered a major enforcement accomplishment by the two services. How the Juarez woman acquired her colorful nickname is a matter of dispute. Border agents say "La Nacha" can be interpreted as Spanish slang for "pug nose"; but another school of thought believes the term a ~~perversion~~ corruption of "Ignacia", her given name.

The characters in "La Nacha's" entourage might have been taken from Alice in Wonderland. The case reports of investigating officers list the conspirators by such titles as "The Lawyer", and "The Chemist", and "The Interpreter", and "The Chauffeur", and "The Old Man", and "The Old Woman".

The undercover agents were taken on a trip into the mountains of Guadalajara where "La Nacha" introduced them to "The Chemist" and "The Lawyer", the processors of the flowers growing in the isolated mountain country.

"The Lawyer", Alberto Torres Ybarra, and "The Chemist", Luis Manuel Vazquez, were arrested subsequently by Customs and Narcotics agents near San Antonio, Texas. A secret compartment in the gas tank of their automobile yielded 55 ounces of morphine, for which they admitted to customers as far removed as New York, San Francisco and Seattle.

United States officials termed cooperation of Mexican officers in this case particularly significant since gangster elements had attempted to organize traffic from the poppy fields of interior Mexico to replace illegal sources dried up by the war. Customs and Narcotics officers, with the aid of Mexican officials, effected several other major prosecutions in 1942 involving border narcotics smuggling.

One of these cases involved eight New York hoodlums, said by officers to have been recruited from remnants of the old "Dutch" Schultz and "Lucky" Luciana gangs. They were convicted in New York of conspiracy charges and in Arizona on smuggling counts. A similar case developed in California, involving charges against ten persons.

There was a continued trickle of marihuana into the United States from Mexico, too, but most of these seizures were small. However, several "trouble spots" of what appeared to be organized addiction to the weed appeared, and resulted in prosecutions on both coasts.

Both H. J. Anslinger, Commissioner of Narcotics, and W. R. Johnson, Commissioner of Customs, reported

OK copy

For Wed PMs

Press Service 35-20

Treasury officials revealed today how undercover officers kept a dangerous rendezvous with international opium smugglers deep in the mountains of Mexico, and, with the help of Mexican officials, plugged one of the major sources of illicit dope traffic in the United States.

Details of the "story-book" investigation, which has just culminated in a series of convictions in Federal court, are contained in a report to Secretary Morgenthau by Elmer L. Irey, Chief Coordinator of the Treasury's Enforcement Agencies. The review covered 1942 activities of the Bureau of Narcotics and the drug control work of the Bureau of Customs.

Mrs. Ignacia Jasso Gonzales, widely known on the border as "La Nacha", alleged by the officers to have been for years the largest distributor of illicit drugs on the Mexican frontier, and thirteen others were indicted at El Paso as a result of the investigation conducted jointly by the two agencies.

Several principals already have been given stiff sentences, but "La Nacha" has not been brought to trial as she faces charges in Mexico. Treasury officers say this woman was the "brains" of a gang making deliveries

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS,
Wednesday, February 3, 1943.
2/1/43

Press Service
No. 35-20

Treasury officials revealed today how undercover officers kept a dangerous rendezvous with international opium smugglers deep in the mountains of Mexico, and with the help of Mexican officials, plugged one of the major sources of illicit dope traffic in the United States.

Details of the "story-book" investigation, which has just culminated in a series of convictions in Federal Court, are contained in a report to Secretary Morgenthau by Elmer L. Irey, Chief Coordinator of the Treasury's Enforcement Agencies. The review covered 1942 activities of the Bureau of Narcotics and the drug control work of the Bureau of Customs.

Mrs. Ignacia Jasso Gonzales, widely known on the border as "La Nacha", alleged by the officers to have been for years the largest distributor of illicit drugs on the Mexican frontier, and thirteen others were indicted at El Paso as a result of the investigation conducted jointly by the two agencies.

Several principals already have been given stiff sentences, but "La Nacha" has not been brought to trial as she faces charges in Mexico. Treasury officers say this woman was the "brains" of a gang making deliveries to customers as far removed as New York, San Francisco and Seattle.

United States officials termed cooperation of Mexican officers in this case particularly significant since gangster elements had attempted to organize traffic from the poppy fields of interior Mexico to replace illegal sources dried up by the war. Customs and Narcotics officers, with the aid of Mexican officials, effected several other major prosecutions in 1942 involving border narcotics smuggling.

One of these cases involved eight New York hoodlums, said by officers to have been recruited from remnants of the old "Dutch" Schultz and "Lucky" Luciana gangs. They were convicted in New York of conspiracy charges and in Arizona on smuggling counts. A similar case developed in California, involving charges against ten persons.

There was a continued trickle of marihuana into the United States from Mexico, too, but most of these seizures were small. However, several "trouble spots" of what appeared to be organized addiction to the weed appeared, and resulted in prosecutions on both coasts.

Both H. J. Anslinger, Commissioner of Narcotics, and W. R. Johnson, Commissioner of Customs, reported continued scarcity of illicit narcotic drugs with prices beyond the reach of many addicts.

Breaking of the "La Nacha" gang was considered a major enforcement accomplishment by the two services. How the Juarez woman acquired her colorful nickname is a matter of dispute. Border agents say "La Nacha" can be interpreted as Spanish slang for "pug nose"; but another school of thought believes the term a corruption of "Ignacia", her given name.

The characters in "La Nacha's" entourage might have been taken from Alice in Wonderland. The case reports of investigating officers list the conspirators by such titles as "The Lawyer", and "The Chemist", and "The Interpreter", and "The Chauffeur", and "The Old Man", and "The Old Woman".

The undercover agents were taken on a trip into the mountains of Guadalajara where "La Nacha" introduced them to "The Chemist" and "The Lawyer", the processors of the flowers growing in the isolated mountain country.

"The Lawyer", Alberto Torres Ybarra, and "The Chemist", Luis Manuel Vazquez, were arrested subsequently by Customs and Narcotics agents near San Antonio, Texas. A secret compartment in the gas tank of their automobile yielded 55 ounces of morphine, for which they admitted they had hoped to realize $8,000. They promptly pleaded guilty in Federal Court, and were sentenced each to five years in prison and fines of $5,000.

More arrests were made in El Paso of alleged "runners" for "La Nacha" and total seizures reached 125 ounces of smoking opium and 78 ounces of morphine.

Narcotics Bureau officers carried out another offensive during the year against one of the most persistent centers of internal distribution, a segment of the Kansas City underworld. Successful prosecutions of important members of this gang were effected in 1939 and 1940. The syndicate was revived, however, and twelve additional indictments were obtained in 1942, among those accused being Carl Carramusa, alleged director of the illicit business, Nicolo Impastato, Joseph De Luca, and Charles Benjamina of Kansas City, and Paul and Joseph Antinori of Tampa, Florida.

High spot of this investigation was the solving of a secret wall panel in the basement of a Kansas City house, which netted a large quantity of heroin.

Narcotics officers, after a two-year-investigation, found on a cluster of little cabin-studded farms in the green hills of North Carolina the source of much of the demoralizing marihuana peddled in the Harlem district of New York.

The conspiracy involved the most extensive illegal, commercial marihuana enterprise so far discovered in the Eastern United States.

The Bureau of Narcotics won a major court victory in its efforts to prevent dissipation of medicinal narcotic drugs through unscrupulous practicioners. The United States Circuit Court of Appeals upheld the conviction of the Direct Sales Company, Inc., of Buffalo, which sold drugs directly to a physician engaged in illegally dispensing them to addicts.

Phillip Chatard, alias Phillip Chadwick, gunman and desperado, who forfeited bond and disappeared while his conviction on narcotics charges was being appealed, was captured by Narcotics officers in Tacoma, Washington, after a series of spectacular drug company robberies, and committed to a Federal penitentiary.

The major seizure by Customs officers during the year was a lot of twenty-seven pounds of Mexican smoking opium taken from a bus passenger at Yuma, Arizona. Destination was reported to be a Chinese in San Francisco. The Bureau reports that curtailment of shipping from the Far East has practically dried up traffic in the familiar 5-tael and 1-tael factory-made tins of opium, but that there have been occasional seizures of smoking opium in soft metal tubes packaged in Singapore and distributed to oriental opium monopolies. However, aside from the Mexican types, most seizures now are of raw opium in the form of small sticks apparently originating in Persia.

Numerous lots have been taken from ships arriving at our ports, the largest shipment being a total of more than fifty-one pounds taken from an American vessel in extended searches at Hoboken, and 167 ounces taken from Chinese crew members of a Dutch vessel at New York.

An interesting angle in these cases was that the sticks had outer wrappers upon which were imprinted Arabic characters which proved to be Persian versions of certain verses from the Bible Book of Luke. Agents have been unable to develop any particular significance to these quotations, which were in addition to the usual labels of the Iranian Government Opium Monopoly.

Combined seizures by Customs and Narcotics Bureaus during the year were 5,158 ounces of opium, morphine, heroin, and similar narcotics, against 4,962 ounces in 1941. Marihuana seizures fell off sharply to 12,830 ounces, against 22,376 ounces in 1941.

The Bureau of Narcotics reported 2,635 arrests under Narcotics laws and the Marihuana Tax Act, against 2,824 in 1941. Narcotics arrests increased slightly, and marihuana arrests were somewhat fewer.

-oOo-

Table

(if 1942 tax liability is forgiven)

Amount of taxes forgiven ~~under the Ruml plan~~ as a ~~percentage~~ percentage of ~~annual~~ annual net income after taxes, at selected levels of net income

Married person - No dependents

Net income before personal exemption ~~1/~~	Revenue Act of 1942: Amount of tax 1/ (excludes Victory tax)	Revenue Act of 1942: net Income after tax	Tax ~~Amount~~ forgiven ~~under Ruml plan~~ as a percentage of net income after tax
$ 1,200	-	$ 1,200	-
1,300	$ 13	1,287	1.0%
1,500	48	1,452	3.3
2,000	140	1,860	7.5
2,500	232	2,268	10.2
3,000	324	2,676	12.1
4,000	532	3,468	15.3
5,000	746	4,254	17.5
10,000	2,152	7,848	27.4
15,000	4,052	10,948	37.0
20,000	6,452	13,548	47.6
25,000	9,220	15,780	58.4
50,000	25,328	24,672	102.7
100,000	64,060	35,940	178.2
500,000	414,000	86,000	481.4
1,000,000	854,000	146,000	584.9
5,000,000	4,374,000	626,000	698.7

~~Treasury Department~~
~~Division of Tax Research~~

~~January 29, 1943~~

~~6,740,500~~ ~~5,755,299~~ ~~985,201~~

1/ Revenue Act of 1942, assuming Maximum earned income credit and no net long-term capital gains. ~~assumed.~~

net

re VM. B.C 2/1

MFr:ecm - 1/29/43

Table 3

Tax liability for the period 1938-1942 ~~under the Ruml plan~~ if 1942 tax liability is forgiven, compared with tax liability computed without certain tax increases after 1935, at selected levels of net income

Married person - no dependents

	Taxable year	Income tax liability on selected net income 1/ $2,000	$3,000	$5,000	$10,000	$25,000	$100,000	$1,000,000
1. Actual tax liability ~~; by~~ for income years 1938-1942	1938	-	$ 8	$ 80	$ 415	$ 2,489	$ 32,469	$ 679,044
	1939	-	8	80	415	2,489	32,469	679,044
	1940	-	31	110	528	3,843	43,476	717,584
	1941	$ 42	138	375	1,305	6,864	52,704	732,554
	1942	140	324	746	2,152	9,220	64,060	854,000
	Total	182	509	1,391	4,815	24,905	225,178	3,662,226
2. Total tax liability 1938-1942 ~~under Ruml plan, forgiving~~ if the 1942 liability is forgiven.		$ 42	$ 185	$ 645	$ 2,663	$15,685	$161,118	$2,808,226
3. Total tax liability 1938-1942 assuming no tax increases under Revenue Acts of:								
A. 1942		$ 84	$ 323	$ 1,020	$ 3,968	$ 22,549	$213,822	$3,540,780
B. 1941 and 1942		-	109	490	2,414	16,507	195,366	3,510,840
C. 1940, 1941, and 1942		-	40	400	2,075	12,445	162,345	3,395,220
D. 1936, 1940, 1941, and 1942		-	40	400	2,075	12,445	152,970	2,856,970
4. Cumulative increase in tax liability:								
A. Under Revenue Acts of 1940 - 1942 ~~, 1941, and 1942~~		$ 182	$ 469	$ 991	$ 2,740	$ 12,460	$ 62,833	$ 267,006
B. Under Revenue Acts ~~since 1935~~ of 1936-1942		182	$ 469	$ 991	$ 2,740	$ 12,460	$ 72,208	$ 805,256
5. Tax liability forgiven ~~under Ruml plan~~ (1942 taxes) as a percent of:								
A. Increase in tax, Revenue Acts 1940-1942		76.9%	69.1%	75.3%	78.5%	74.0%	102.0%	319.8%
B. Increase in tax, Revenue Acts 1936-1942		76.9	69.1	75.3	78.5	74.0	88.7	106.1

~~Treasury Department, Division of Tax Research~~ ~~January 23, 1943~~

1/Net income before personal exemption, assuming maximum earned income credit and no net long-term capital gains.

Table 2

by individuals whose tax is not withheld at source.

Statement for quarter ending June 30, ~~filed~~ to be filed on June 15. 1/

1. Income from all sources during the quarter

2. Income from wages and salaries

3. ~~E~~Quarterly exemption and dependent credit ~~(One-quarter of annual exemption)~~

4. Larger of (2) or (3)

5. Balance [(1) minus (4)]

6. Payment due: ______ percent of (5) (percentage to be same as that used for collection ~~at~~ source)

January 29, 1943

1/ ~~A~~ A final adjustment would, of course, be made the following March.

~~WWH:mw 1/29/43~~

Preliminary - To be checked

Table 1

size of

Individual net income tax: ~~x~~ Estimated number of taxpayers for the income years 1942 and 1943, by surtax net income and type of income

Type of income	1942			1943		
	Total	Surtax net income		Total	Surtax net income	
		~~Less than~~ Not over $2,000	~~More than~~ Over $2,000		~~Less than~~ Not ~~over~~ $2,000	~~More than~~ Over $2,000
	Estimated Number of taxable income recipients 1/ (in millions)					
Wages and salaries ~~plus~~ with not more than a nominal amount of other income	28	26.5	1.5	32	30	2
All other 2/	11	9.0	2.0	12	10	2
Total	39	35.5	3.5	44	40	4
	Estimated Number of taxable returns 3/					
Wages and salaries ~~plus~~ with not more than a nominal amount of other income	25	23.5	1.5	29	27	2
All other 2/	10	8.0	2.0	11	9	2
Total	35	31.5	3.5	40	36	4

~~January 29, 1943~~

1/ Including sources other than wages and salaries, and also wages and salaries with more than a nominal amount of other income.

MFr:mw 1/29/43

Preliminary - To be checked

Table 1

Individual net income tax: ~~-~~ Estimated number of taxpayers for the income years 1942 and 1943, by size of surtax net income and type of income

Type of income	1942 Total	1942 Surtax net income: ~~Less than~~ Not over $2,000	1942 Surtax net income: ~~More than~~ Over $2,000	1943 Total	1943 Surtax net income: ~~Less than~~ Not over $2,000	1943 Surtax net income: ~~More than~~ Over $2,000
	Estimated Number of taxable income recipients 1/ (in millions)					
Wages and salaries with not more than ~~plus~~ a nominal amount of other income	28	26.5	1.5	32	30	2
All other 2/	11	9.0	2.0	12	10	2
Total	39	35.5	3.5	44	40	4
	Estimated Number of taxable returns 3/					
Wages and salaries with not more than ~~plus~~ a nominal amount of other income	25	23.5	1.5	29	27	2
All other 2/	10	8.0	2.0	11	9	2
Total	35	31.5	3.5	40	36	4

~~January 29, 1943~~

1/ Number of individuals receiving net income in excess of exemption.
2/ Including sources other than wages and salaries, and also wages and salaries combined with more than a nominal amount of other income.
3/ Number of returns that will be filed on which a tax will be due. This is less than the number of taxable income recipients because of the filing of joint returns including the income of more than one taxable income recipient, particularly in the smaller income classes.

V.M.B.C.

Collection at the source should certainly not begin later than July 1 of this year.

7. <u>March 15, 1943 returns</u>

It should be emphasized that no matter when the system of current collection is established and what that system may be, returns on March 15, 1943, must be filed as usual. If the taxpayers do not clearly understand this point, great confusion will certainly result.

34

current are deemed too great, substantial currency for the great majority of taxpayers can be achieved by making the basic liability current with payment of the balance in the same manner as the whole tax is collected at present, namely, in the following year.

5. The transition problem.

Another question is whether the transition to current payment should be made by forgiving a year's liability, by paying two year's taxes in one, or by postponing or deferring one year's taxes over several years. In the light of the revenue needs of the Government, and the equitable distribution of the tax burden, complete forgiveness seems very undesirable. Complete doubling up would undoubtedly be too harsh for some taxpayers. Accordingly, deferment of ~~installment~~ payment of taxes for the transition year, to the ~~extent~~ necessary [illegible] such hardship, appears ~~the~~ to be ~~most~~ desirable. ~~method in general.~~ This is not to say that some discount, or even a certain ~~minor~~ amount of forgiveness, may not be found to be desirable for the same reason. ~~in combination with the deferment method of collection.~~

6. Time schedule.

A further question relates to the timing of a current collection system. ~~Administrative convenience would be served by postponing the system until 1944, but other considerations call for the system to become effective as quickly as possible.~~ It seems desirable to pass legislation as soon as possible and to make it effective as soon thereafter as possible. ~~It is perhaps too optimistic to~~

into account marital and dependency status. The problem of collection at source is to collect the income tax which is computed on the basis of exemptions, varying according to marital and dependency status. It seems imperative that the collection at source system should be based on such exemptions, since otherwise the amounts collected would be so far from the amounts due as to fail to meet the objectives of collection at source in any satisfactory manner. Such a collection at the source system can be readily handled by employers.

3. The method of handling other income.

Another question is whether the tax on income from sources not adapted to withholding procedure should be tentatively based on the previous year's income or on the current year's income. It seems very desirable that the tax be based on the current year's income. Further exploration may be needed to determine whether this could be done more simply by an annual estimate in March with periodic adjustments, or by a quarterly statement of income.

4. The current collection for higher brackets.

Another question is whether an attempt should be made to bring completely current the tax on the incomes which extend into the higher surtax brackets. It seems desirable that they should be made as nearly current as possible, subject to inevitable adjustments which cannot be made until the following year. ~~is over~~. But if the compliance difficulties of making taxes on such incomes fully

3

~~February 1, 1943~~

VI. CONCLUSION

In this discussion of current income tax collection, or pay-as-you-go, I have endeavored to indicate the principal problems ~~which are met~~ in designing a satisfactory system. These problems are admittedly difficult. ~~If they were easy, these Hearings would scarcely be necessary~~. A summary of the issues, together with the best judgment of the Treasury as to their solution, may be helpful.

1. The rate of collection at the source.

The question arises whether the withholding rate under collection at ~~the~~ source should be sufficiently large to collect the basic liability, ~~or should be [illegible]~~ or should be high enough to collect the whole liability on the larger incomes at progressive rates. It would seem preferable to collect at the source ~~[illegible]~~ the full basic liability (normal tax plus surtax first bracket rate), thus by this step alone making fully current 70 ~~[illegible]~~ percent of all income taxpayers. ~~wage and salary receivers~~. For the sake of simplicity and to avoid unnecessary refunds, it seems desirable, at least in the beginning ~~at the start~~, not to attempt collection at source at progressive rates.

2. Exemptions under withholding.

Another question is whether allowance ~~there~~ should be made for exemptions under a sy$tem of collection at source and, if so, whether they should be uniform for all salary and wage earners or should take have confused and demoralized the public and caused them to doubt whether they will really have to bear tax burdens as high as those imposed by the Revenue Act of 1942.

be required in the coming years. It seems more equitable to collect at least to a substantial degree the tax liabilities which have been imposed by past legislation than to ~~cancel~~ forgive a year's liability and raise the additional revenue by increases in rates. The method of rate increases, combined with cancellation, would largely free higher incomes from a year's taxes while imposing the additional burden more heavily on the low income groups, since it is at this level that the income tax is capable of further expansion. ~~In~~ stet

addition, the increase in rates would involve a larger contribution from new taxpayers than either of the other alternatives. There will be some 5 million ~~or 6~~ individuals who were not taxable on their 1942 income, but who will be taxable on their 1943 income. This group consists primarily of persons newly entering the labor market, persons who will be working longer and harder at war jobs, and persons who will be shifting from civilian to war work. This group, predominantly in the lower income classes, would have to pay tax at higher rates than if current collection were achieved either by continuing payments on 1942 liabilities or by postponing these payments. And this group has not ~~counterbalancing gain from cancellation.~~

Further, more in view of our revenue needs, the forgiveness of a year's tax liability might be generally misconstrued as an indication that tax burdens could be made lighter instead of being made heavier. Indeed, there is considerable evidence that even the recent discussions of tax forgiveness

3. The Postponement of 1942 Liabilities

In view of the hardships for some individuals involved in the simultaneous collection of 1942 and 1943 taxes, it may be desirable to postpone or defer the payment of part of the 1942 liabilities. One method of collecting the postponed tax would be simply to require the taxpayer to pay the postponed tax at his discretion within a certain number of years, say before March 15, 1945. A second method would be to divide the postponed tax into fixed installments that the taxpayer would have to meet. A third method would be

No space

~~If the Congress should decide to adopt some plan of compulsory lending collectible currently, the problem of collecting postponed taxes would be simplified. The amounts collected under compulsory lending could be considered an offset to the postponed taxes, i. e., a liquidation of the postponed tax liability. This would be equivalent~~ to ~~increasing~~ increase the rate of current collection, whether at source or by quarterly payments, and ~~treating~~ treat the additional amount collected as an offset to the postponed liabilities, with appropriate provision for persons not having any ~~of~~ 1942 liabilities.

I should like to repeat that the method of transition must be determined in the light of the revenue problem of the Federal government, to which I have previously referred. Very great incfeases in Government revenue are going to

~~must~~ will have to be derived from individuals in the final analysis whatever forms the burdens may take. Revenue measures to meet the President's request would take from individuals in the fiscal year 1944 an additional amount larger than the total expected 1943 income taxes at present rates. Clearly, carrying the President's budget message into effect will mean partial or complete doubling of payments for individual taxpayers generally. Of course, the doubling would not fall on the same taxpayers in the same proportions as would result from collecting 1942 income taxes in 1943.

Under these circumstances, shifting to a current collection system and at the same time requiring that individuals continue to pay their liabilities on 1942 income is one way of raising some of the additional revenue we need. The extra burden involved in paying part or all of 1942 tax liabilities must not be compared with no burden at all. The correct comparison is between that burden and the burden of other methods of raising the same amount of additional revenue. Accordingly, the simultaneous collection of 1942 and 1943 taxes should not be compared with complete ~~cancellation~~ forgiveness and no change in tax rates; but with complete ~~cancellation~~ forgiveness combined with a rise in tax rates. Otherwise, the comparison is simply between more taxes and less taxes.

taxpayers to pay two year's tax liability in one year would vary widely. Those who had accrued their taxes during 1942 and saved to pay them could pay the two year's taxes in 1943 with no difficulty whatever. Others, who had not accrued or saved especially to meet taxes, but who had other credit or accumulated liquid savings could also meet the two year's liability in 1943 without undue hardship. Still other taxpayers, the amounts of whose income subject to tax were small, and ~~whose~~ taxes were small, might be able to meet the two year's taxes out of 1943 income without ~~much~~ substantial difficulty.

There would be, however, numerous ~~some~~ taxpayers who failed to accumulate tax reserves in 1942, and who counted on paying 1942 taxes ~~them~~ out of 1943 income. For many of these the ~~whose~~ rates of tax would be so high and ~~whose~~ financial circumstances so pressing that the payment of two year's taxes in one year would be a severe hardship, if not an impossibility ~~even using their available sources of credit~~. Accordingly, a policy of paying 1942 and 1943 taxes all in 1943 would undoubtedly ~~may~~ need to be moderated in view of the substantial hardship it would cause, ~~some taxpayers.~~

In this connection, it ~~is imperative to~~ should be noted that in his Budget message, the President asked that collections for the fiscal year 1944 be increased by $16 billion dollars. Practically all of this $16 billion increase in collections almost 600 percent of a year's income after taxes. The forgiveness of a year's taxes enables him to add to his wealth at one stroke as much as he could add in nearly 6 years by saving every ~~cent~~ dollar he had left after paying taxes and spending nothing, and as much as he could add in 12 years by saving half of what he had left after paying taxes.

It has ~~sometimes~~ been urged that the gain from forgiveness is offset by the resulting increase in estate tax when the individual dies. But the gain would be subject to the estate tax only if it is not spent or given away in the meantime, and if the estate is sufficiently large to be taxable under the liberal estate tax exemptions. And even if subject to the estate tax, the offset is only partial, reaching 50 per cent or more only for net estates in excess of $2,500,000. A special estate tax could, of course, be devised to recapture a larger part of the forgiven amount if it were not spent or given away in the meantime. These loopholes, too, could be closed by still other special taxes. But any of these devices for recapturing, to the extent that they are effective, amount simply to not forgiving as much in the first place.

2. Simultaneous collection of 1942 and 1943 taxes.

A second method of achieving transition is to require individuals to pay their 1942 taxes at the same time ~~as~~ they are paying their 1943 taxes. The ability of particular a net income of $100,000 he owes $64,060, or 64 percent of his net income; with a net income of $1,000,000 he owes $854,000, or 85 percent of his net income.

The increase in income taxes for the 3-year period 1940-42 amounts to $182 for a married person with no dependents and a net income of $2,000. The amount that would be forgiven this individual is $140, or 77 percent of the increase for the three years. At the $100,000 level, the amount forgiven equals 102 percent of the increase in taxes and at the $1,000,000 level, 320 percent. For an individual with a $1,000,000 income in each of the five years 1938-1942 the reduction in tax liabilities resulting from complete forgiveness would more than offset all tax increases enacted since 1935.

add ¶?

The attached Table 4 shows the effect of cancellation on the individual's ~~wealth~~ economic status in another way. The amount available to an individual each year to use for consumption or to add to his wealth is the income he has left after taxes. Table 4 shows the amount of tax forgiven as a percentage of the income left after taxes. For the individual with $2,000 income the forgiven tax represents only about 7 1/2 percent of a year's income after taxes -- or the equivalent of less than one month's income. For the individual with $1,000,000 income, the forgiven tax represents

Insert in page 25

These results ~~show~~ follow, of course, from the nature of the tax increases that have been imposed to finance the war. These increases have had to come primarily from the low and middle income groups. The rates on the upper surtax brackets could not be increased correspondingly. At the same time, the amount of tax forgiven is greatest for the highest income groups. In consequence, the forgiveness of 1942 taxes, urged as a means of adjusting payment methods to wartime tax rates, would benefit most just those groups who have been called upon to make the smallest relative addition to their tax payments to finance the war.

have been computed on a liability basis; that is, we have taxes for the year 1942, for the year 1943, and so forth, measured by the incomes of those years. The tax liability for each year depends on the income of that year and the rates applicable to that year. Under standard accounting practice they must be accrued for that year. A shift to the current collection basis wiping out a year's liability, adds that much to the ~~assets~~ wealth of each person by diminishing his liability. ~~In the only sense in which we have computed our income taxes,~~ The result is a real gain to the taxpayer. ~~That this is the sense in which the income tax has been regarded not only by the accountants, but~~ ~~also by the general public is sufficiently evidenced by the demands for forgiveness.~~

One way to judge the effect of forgiving the 1942 tax liability is in terms of the increases in tax liability which have been imposed to finance the war and which have given rise to the need to shift to a current collection system. This is shown in the attached table 3, where it appears that the complete forgiveness of the 1942 tax liability would, in these terms, benefit persons with large incomes relatively more than persons with small incomes. A married person with no dependents having a net income of $2,000 owes $140 tax for 1942, or 7 percent of his income; with a $10,000 net income, he owes ~~$2,150~~ $2152, or ~~21~~ 22 percent of his net income; with otherwise would. The forgiveness of 1942 liabilities thus affects tax payments in different years for different taxpayers. So long as an individual's income is stable, forgiveness combined with corresponding current collection, will not immediately affect his tax payments. However, if he has accumulated liquid funds or has purchased tax anticipation notes to discharge his tax liabilities, these will be available to him for other uses. And, in any event, he will ultimately escape the payment of a year's income tax, when he dies or his income ceases.

While the effect of forgiveness on tax payments is not felt until the individual dies or until his income declines or ceases, cancellation has a significant immediate effect on his economic status. The amount of taxes cancelled represents an immediate additionto the individual's net wealth. This addition, which depends on the income of the individual in the year for which taxes are cancelled, varies widely from individual to individual. If an individual had no income in that year, and was not subject to tax, his economic position would not be improved. If ~~he~~ a married person without dependents had an income of $3,000, and the entire tax was cancelled, he would gain $324. If he had an income of $1,000,000, he would gain $854,000.

The existence of an immediate gain has been denied on the ground that tax payments continue. The fact is, however, that throughout the history of the income tax, our taxes change. If they are years of lower national income, governmental receipts ~~would~~ be decrease d ~~on account of~~ by the change.

~~The amount of money that comes into the Treasury~~ each fiscal year is not the whole story. A Government with large debts would, by forgiving a year's taxes, be discarding one of its assets, just as would a business that cancelled all its accounts receivable from customers. Such a business could maintain its receipts by going on a cash sales basis. Yet no one would say that the business had not lost assets to the extent of the accounts cancelled In exactly this sense the forgiveness of a year's taxes ~~would cost the Government close to 10 billion dollars -- the estimated amount of liabilities on 1942 income.~~

~~b. The effect of forgiveness on the economic status of individuals.~~

no ¶ The fact that the Government may take in as much money in a fiscal year, despite the forgiveness of a year's tax liabilities, reflects larger payments by some taxpayers, offsetting smaller payments by others. The taxpayers who pay less are those whose incomes have declined or ceased. The taxpayers who pay more are those whose incomes have increased so that they become taxable for the first time or those who have to pay a larger amount of tax sooner than they change. If they are years of lower national income, governmental receipts ~~would~~ be decreased ~~on account of~~ by the change.

~~The amount of money that comes into the Treasury~~

b. The effect of forgiveness on the economic status of individuals.

¶ Since the cash receipts of the Treasury could be maintained even through the tax liability was forgiven, the effect of wiping out an income tax asset through forgiveness can be more readily visualized and measured in terms of its relative effect on the different groups in the community who will be called upon to maintain the flow of revenue.

~~would cost the Government close to 10 billion dollars -- the estimated amount of liabilities on 1942 income.~~

~~b. The effect of forgiveness on the economic status of individuals.~~

no ¶ The fact that the Government may take in as much money in a fiscal year, despite the forgiveness of a year's tax liabilities, reflects larger payments by some taxpayers, offsetting smaller payments by others. The taxpayers who pay less are those whose incomes have declined or ceased. The taxpayers who pay more are those whose incomes have increased so that they become taxable for the first time or those who have to pay a larger amount of tax sooner than they the ~~Federal~~ United States treasury [resulting from placing the income tax on a current basis and forgiving a year's taxes can not be determined except by comparing this treatment with some alternative. If the comparison is with the present payment method at existing rates, the cancellation of ~~1942~~ 1943 liabilities combined with current collection of subsequent liabilities need not involve either an increase or decrease in the amount of money taken into the Treasury in any given span of years. Each individual subject to taxation in 1942 has one year's liability cancelled, but he is at the same time required to pay another year's liability sooner than he otherwise would. Individuals who were not taxpayers in 1942, but who become taxpayers subsequently, will be obliged to pay their liabilities one year sooner than under existing law. Individuals who die, or who cease receiving an income, pay the Government one year's less taxes, but by and large the money loss on their account is offset by the ~~fact that~~ gain from new taxpayers who begin paying their taxes a year earlier.

The net result in money paid into the Government depends on whether the payments dropped out exeed or fall short of the payments added in the same year. The payments dropped out will be spread over a period of years. If these years are in general years of higher national income than the war boom year of 1942, the actual receipts of the Government would be increased by the

X p.2

The tax liability of the taxpayer is an asset of the Government, although it is not counted as ~~subh~~ in the general accounts of the Government. ~~One effect of~~ Forgiving a year's tax would wipe out assets of this kind ~~be the immediate loss to the Government of tax liabilities~~ amounting to close to $10 billion -- the estimated amount of individual tax liabilities on 1942 income. ~~T~~ The Government ~~would discharge debts would~~ by forgiving a year's tax liabilities would be discarding ~~one of its~~ assets ~~just~~ as ~~would~~ a business would that cancelled ~~all of~~ its accounts receivable from customers. Such a business might be able to maintain its receipts by going on a cash sales basis. Yet no one would say that the business had not lost assets to the extent of the accounts cancelled. The Government differs from the business in that it has the power to make up the loss by compelling quicker collections and by imposing additional taxes on the same or other people. Through the resulting partial redistribution of the tax burden the cash receipts of the Treasury could be maintained even though ~~where~~ the tax liability was forgiven.

1. Forgiveness of a year's taxes.

A method of achieving transition that has been widely discussed is to forgive a year's liability. The overlapping of two years' tax liabilities can be completely eliminated only through forgiveness. The amount of forgiveness would be geared to the degree of current collection achieved. If current collection were to apply to the total liability, the complete elimination of over-lapping would require the forgiveness of the whole of a year's tax. If current collection were to apply to the basic liability - the normal tax and the surtax at the first bracket rate - the complete elimination of over-lapping would require the forgiveness of a year's basic liability, but not of the rest of the tax.

Considerable confusion has arisen in the course of the widespread discussion of proposals to forgive a year's taxes as a means of shifting to current collection. Two main points need clarification: (1) the effect of forgiveness on Federal revenues; and (2) its effect on the economic position of individuals.

Insert X

a. The Effect of Forgiveness on Federal Revenues.

The effect on the amount of money taken into

¶ Accordingly it is not correct to assume that the forgiveness of a year's tax liability combined with corresponding current income tax collection would reduce the cash flow into the Treasury.

discussing the first problem. I should like now to turn to the second problem -- that of transition.

A transition problem arises because if we start collecting this year the tax on this year's income without any other action, taxpayers will be obliged to meet in a single year both the tax on last year's income and the tax on this year's income. To the extent that we go on a current basis in 1943, taxpayers will be paying in 1943 their liabilities on 1943 income while still owing their 1942 liabilities. If they are required to pay both years' liabilities this year, there will clearly be a doubling up of tax payments. The extent of the doubling-up depends on the amount collected currently. For example, if current collection applies to normal tax and the surtax at the first bracket rate, there is doubling-up with respect to this part of the tax, but there is no doubling-up with respect to the higher surtax rates. If current collection applies to the entire tax, there is doubling-up with respect to one year's whole tax.

B. <u>Possible methods of Achieving Transition</u>.

One method of achieving transition is to forgive part or all of a year's tax liabilities. A second method is to require individuals to continue to pay their 1942 taxes as at present, and at the same time, begin current collection of 1943 taxes. A third method is to postpone part or all of a year's liabilities, permitting the postponed amounts to be amortized over a period longer than a year.

~~liability, or ___ percent.~~

Continuing the present method of collecting liabilities in excess of the normal tax and surtax at the first bracket rate would, as previously mentioned, leave not fully current only 10 percent of the taxpayers. Of these nine-tenths would have more than three-quarters of their total liability currently paid. For only one taxpayer in a hundred would the tax liability not paid currently amount to more than one quarter of his total liability.

Full current payment with only minor adjustments after the end of the year could be devised for <u>all</u> taxpayers if this were desired. To accomplish this the current quarterly payments previously discussed would be enlarged to include not only the basic liability, but also liability in the higher surtax brackets. Each quarterly payment could be based either on an estimate of income for the year or on an estimate of income for the quarter, in either case with appropriate adjustments during and after the year.

IV. The problem of transition.

A. The nature of the problem

Two distinct problems are involved in putting the income tax on a pay-as-you-go basis -- first, the method of current payment that is best for steady year-in year-out use; and second, how to shift to that method. So far, I have been adopted, only a small minority of taxpayers would not become current with respect to the greater part of their liabilities. Of the 44 million taxpayers estimated for 1943, only 4 million would have surtax net incomes in excess of $2,000, that is, in excess of the first surtax bracket. To provide complete current collection for this group in the higher income brackets presents obvious difficulties because of the graduation of the tax rates depending on the amount of income received.

¶ Fortunately this is also the group for whom full current collection is least essential. ~~These~~ Most of these taxpayers have been accustomed to paying taxes for many years, and they have the resources and in general the expenditure habits ~~suitable~~ suitable to an advance accumulation of tax funds. If their income stops suddenly, they would generally still be in a position to meet their tax liabilities over and above the currently paid basic liability. Moreover, most of this group of higher bracket taxpayers would become substantially current if the methods previously described for collecting currently the normal tax and mimimum surtax were put into operation. It should be observed that such current collection methods would apply to all of the income of the taxpayer regardless of the surtax bracket in which it fell. Thus a ~~person~~ married couple with no dependents and a net income of $5,000 ~~an income of $10,000 above exemptions~~ would, at a 19 percent basic liability rate, pay currently ~~$1200~~ $692 of a $746 total liability, or 93 per cent; a married couple with no dependents and a net income of $10,000 would pay currently $1,612 out of a $2,152 total liability, or 75 per cent.

Another example

businessmen -- to gear their tax payments much more closely to income than is possible under the present system of equal quarterly installments. The quarterly statement of current income would be simple in form, as shown in Table 2. It should be noted that similar statements would be necessary under the method of basing payments on last year's income.

3. Quarterly statement method for income from sources other than wages and salaries.

Persons of small means with income from such sources as business profits, professional fees, and farm incomes, could be put on a pay-as-you-go basis by the following steps:

First, Every three months they would file a simple statement of their best estimate of net income from sources not subject to collection at source.

Second, On the basis of such income less prorated exemptions, they would pay a tentative tax each quarter at the basic-liability rate used in collecting taxes at source.

Third, After the close of the year, they would report actual income, compute the actual liability, and make the necessary adjustment.

C. The treatment of taxpayers with higher incomes.

If current collection at the basic-liability rate were than this year's income, is not pay-as-you-go but pay-as-you-went. It is just this pay-as-you-went aspect of our present system that we seek to avoid.

It may be suggested that the defects of such a system can be patched by a relief provision which would permit adjustments in the tentative tax when the current year's income is expected to differ from the prior year's income. But since fluctuation in income is the rule, a provision designed to handle exceptions would to the extent it was followed actually become the rule. Taxpayers might be expected to take advantage of a permissive provision when their incomes were declining, but they could scarcely ~~not~~ be expected to make the correction when their incomes were increasing, unless the provision were made mandatory through severe penalties for understatement of income ~~instead of permissive~~.

b. Tentative payments based on quarterly statements of this year's income.

Since corrections to take care of fluctuations in incomes would depart in so many cases from the prior year's income, it may be helpful to consider a method which would go more directly to current income. Thus, a system of quarterly payment based on quarterly statements of current income might be put into effect. Such a quarterly statement and payment system would be a supplement to collection at source on wages and salaries. It would enable taxpayers with seasonal incomes -- for example, farmers and many types of upon what his income was in Years 1, 2, and 3. Going on to Year 4, when the taxpayer's income is actually $2,000, he will pay a tentative tax of ~~$1,536~~ $1562, based on the $8,000 income of Year 3, and, in addition, he will also have to pay a deficiency of ~~$1,392~~ $1024 for Year 3 because in that year he had paid a tax measured by the Year 2 income of $4,000, while his actual Year 3 income was $8,000. He is thus required in Year 4 to pay a total of ~~$2,928~~ $2586, or ~~$928~~ $586 more than his income in that year. Thus, when incomes either rise or fall, the tax payments in a given year are based on the income of the two preceding years and are not related to the income of the current year.

As has been pointed out, this method works well for stable incomes, but without further refinement does not work well for fluctuating incomes. It should be noted that ~~S~~stability is the exception rather than the rule. Most incomes are characterized by fluctuation - up one year, down the next, or up for several years, and then down for several years. It is estimated that the incomes of ~~nearly 70 percent~~ about two-thirds of the taxpayers for 1943 will vary substantially, either up or down, from their 1942 incomes.

To base the tentative payments on last year's income when that income will generally be something higher or lower

Table for p. 13

13 1/2

Example of tax payments under a system of current collection based on previous year's income 1/

Married person - No dependents

Year	Net income 2/	Tentative tax 3/	Deficiency due to under-payment in prior year	Total payments during year
Year 1	$2,000	4/	4/	4/
Year 2	4,000	$ 140	4/	$ 140
Year 3	8,000	538	$ 398	936
Year 4	2,000	1,562	1,024	2,586

~~Treasury Department, Division of Tax Research February 1, 1943~~

1/ Under rates and exemptions of the Revenue Act of 1942, excluding Victory tax.

2/ Assumed to be derived from items not subject to collection at source; minimum earned income assumed.

3/ The tentative tax is the same as the tax payable under the present method of payment on the income received in the previous year.

4/ It is assumed that the taxpayer had no taxable income for years prior to Year 1. Therefore, there is no tax payable in Year 1 and no deficiency or credit in Year 2.

previous year differed in turn from the income of the year prior to it. If a person's income were stable from year to year, his tax payments under this plan would be substantially current. If, however, his income were not stable, he might be very far from being current since his tax payments in any year would not be geared to the income of that year. Thus, a person whose income increased from year to year would have deficiencies to make up each year, while a person whose income decreased from year to year would have credits or refunds due him each year. If the fluctuations in income were such that increases and decreases alternated, the deviation from current payment would be all the greater.

To illustrate the inadequacy of this method with an extreme example, let us assume that a taxpayer in four successive years had income of $2,000 in Year 1, $4,000 in Year 2, $8,000 in Year 3, and $2,000 in Year 4. ¶ This taxpay ~~His~~ payment in Year 3 at present tax ~~1942~~ rates would ~~be a~~ tentative amount ~~of~~ to $538 ~~$992~~, based on the $4,000 income for Year 2. In addition, he would also in Year 3 have to pay a deficiency of $398 ~~$460~~ in taxes for Year 2, because in that year he had paid a tentative tax based on an income of only $2,000, his income in Year 1, whereas his actual income in Year 2 was $4,000. Thus, the payments which the taxpayer must make in Year 3 depend

Table

230

be put on a current basis, one of two alternative methods may be employed. One method would base tentative current payments on prior-year income. The other method would base tentative current payments on simple quarterly statements of income received in the current year. A further discussion of these two methods may be helpful.

2. Alternative Approaches to a Solution

a. Tentative Payments Based on last year's income

Under the first of the two methods for collecting taxes on non-wage incomes the taxpayer would be required to make tentative payments in the current year on the basis of the previous year's income and to make an adjustment in the following year for overpayment or underpayment. For example, the tentative tax for 1944 would be based on the income of 1943 as reported on March 15, 1944. After the end of the year, on March 15, 1945, a final calculation of 1944 income would be made. If the tax payments in 1944 proved to be too small, the deficiency would be paid at this time. If the payments proved to be too large, the taxpayer would receive a credit or refund of the excess payment.

Under this system the tax payments made in each year would depend not only on what the income had been in the previous year, but also on how much the income of that taxpayers will be in this group. Their problem is different from that of wage and salary earners, and the system of current collection which is set up for them must differ accordingly.

1. <u>Payment Problem</u>

The incomes of several million small taxpayers consist of business profits, professional fees, rents, and farm receipts. The flow of income from most of these sources fluctuates widely from year to year, and frequently even from season to season. Under our present system these taxpayers often find that their tax payments are badly out of step with income. The result in many cases is difficulty and even hardship. Moreover, the tax payments of such persons on a quarterly basis may not at all coincide with the receipt of cash income, which may be lumped in one quarter or two quarters of the year. And when income drops off or stops entirely, these taxpayers are faced with the same difficulties as small wage and salary earners. The need for a pay-as-you-go system of tax collection is fully as pressing for them as for wage and salary earners.

Since the incomes of these people come in irregular amounts and from many different payors, the need for current payment can not be met by collection at the source. If persons with small incomes from non-wage sources are to collecting the Victory Tax on wages and salaries. Such ~~Collection~~ collection at source of the Victory Tax should be integrated with collection at source of the regular income tax. However, the Committee ~~Congress~~ may wish ~~want~~ to consider the possibility of absorbing the Victory tax into the regular income tax system.

The Committee may wish to consider the desirability of collecting at source the basic liability on dividends, as well as on wages and salaries. In the case of dividends the normal and first bracket surtax could be collected on the gross amount. The administrative problems will, of course, have to be weighed, but since dividend receipts represent a sizeable portion of the income of millions of taxpayers for 1943, collecting the tax on such income at the source would be a considerable contribution to a pay-as-you-go system of tax collection.

B. Persons Subject only to First Bracket Rate, with Income ~~With Income from Other Sources Not in Excess of the First Surtax Bracket~~ from Sources other than Salaries and Wages

The incomes of many taxpayers do not readily fit into a system of collection at the source. By far the largest group of such taxpayers consists of those who receive more than a nominal amount of income from sources other than wages or salaries, and whose total income is not in excess of the first surtax bracket. For 1943 it is estimated that 10 million of the 44 million cases under a withholding system not geared to actual income tax exemptions.

Second. The rate applied to the wage and salary payments after these allowances would be set so as to collect approximately the basic tax liability, that is, under present law the normal tax of 6 percent plus the minimum surtax rate of 13 percent. However, the rate would be slightly lower than the sum of the normal tax and the first bracket surtax in order to make further allowance for deductions and to allow for vacations without pay, occasional periods of unemployment, and possible fluctuations in income above and below the taxable limit. In this way, refunds for over-payment at the source would be held to a minimum.

Third. After the close of the year, these taxpayers would file ~~simple~~ returns showing their actual income and final liability for the year. Adjustments of actual collections at source to the final liability would be made by means of additional payment or refunds. For the vast majority of wage earners, such adjustments would involve a deficiency or refund of only a few dollars.

Fourth. Apart from the allowance of exemptions according to marital and dependency status, the essential mechanism for such a method of collection at source is already established under the withholding machinery adopted for liabilities. This objective can be readily achieved by collecting at source only on amounts of income in excess of an allowance for exemptions and deductions. In other words, the amount of each wage or salary payment subject to collection at source would be determined by subtracting from the gross payment an allowance for personal exemptions and normal deductions. These allowances would be prorated according to the length of the pay period, that is, weekly, semi-monthly, monthly, or other period. For example, under existing exemptions the weekly allowance might be $11.00 for a single person, $26.00 for a married couple, and $8.00 additional for each dependent. These amounts are made somewhat larger than the prorated annual exemption in order to incorporate an allowance for average deductions. The allowance for personal exemptions would be based on a simple statement furnished by the employee to his employer.

It is important to note that any system of withholding income tax which does not allow exemptions, or which allows only a uniform exemption for all employees without regard to their marital or dependency status, would not meet the need. Substantial under-collection, with resulting large deficiency payments, or substantial over-collections with resulting large refunds, or both, would result in numerous

Inserts on page 7.
A

It should be kept in mind that collection at source does not in itself increase or decrease the tax liability of the taxpayer. Collection at source is merely a device designed to help the individual pay his income tax currently as he earns his income. The individual receives full credit for the amounts collected at source when he files his tax return at the end of the year. The amount of the tax liability is determined by the rates imposed on everyone, whether the liability is collected at source or not. Consequently, it is the rate of tax liability that determines the rate of collection at source. ~~and not the rate of collection at source that determines the rate of tax liability.~~

salary earner's taxes would be automatically budgeted because tax payments would coincide with the receipt of income. At the same time the problem of income tax debt would be eliminated for these taxpayers. If the normal tax and the first bracket surtax, that is, the "basic liability" were collected at source in this manner, 30 million of the 44 million taxpayers estimated for 1943, or nearly 70 percent, would be current. (Table 1) No pay-as-you-go plan is adequate ~~acceptable~~ unless it makes ~~substantially~~ current at least this group of wage and salary earners.

A collection at source system must be framed with these criteria in view: The current collections must approximate as closely as possible the employee's liability for the year; the employee must not be required to make quarterly or other unnecessary returns; the machinery of collection must be made as adaptable as possible to the accounting and business methods of the employer. The principal elements of a collection at source plan that would meet these criteria may be summarized as follows:

First. As stated, ~~While~~ any pay-as-you-go plan should currently discharge as much as possible of the taxpayer's liabilities; it should also be so adjusted as not to collect more than the

This group covers, for example, single persons with net incomes up to $2500, married couples without dependents with net incomes up to $3200, and married couples with two dependents with net incomes up to $3900. It is this group which is hit hardest by the defects in our present payment system.

Taxpayers in this group are accustomed to weekly or monthly budgeting under which expenditures are directly governed by the pay envelope. They are under considerable pressure to use their income ~~when~~ as soon as it ~~is~~ becomes available. ~~that is, to spend as they get.~~ They find it extremely difficult to make adequate provision for meeting lump-sum tax bills which fall due a year after the receipt of the income being taxed. Because of uncertainty of employment, they can not escape uncertainty about future income. Moreover, if their income stops because of unemployment, entrance into the armed forces, sickness, or death, the income tax debt for the last year of income may become a crushing burden.

2. a Pay-as-you-go method for Wage and Salary Earners.

Under ~~such~~ these conditions collection at source provides the only adequate answer to the income tax payment problem. Under such a system the income tax on these wages and salaries would be paid by withdrawing it week by week and month by month when the pay envelope is handed to the employee. The wage and ceases entirely, as at unemployment, retirement, disability or death, the overhanging tax debt may cause real hardship.

III. The Payment Problem As It Affects Specific Taxpayer Groups

The problem faced by taxpayers in meeting their tax bills and the nature of the solutions that can be provided depend in large part on the size and source of their incomes. For present purposes the estimated 44 million individuals obligated to pay taxes on 1943 income may be classified into three distinct groups: (1) 30 million wage and salary earners whose incomes after exemptions do not go above the first surtax bracket of $2000; (2) 10 million taxpayers whose incomes also do not go above the first surtax bracket, but who receive more than a nominal amount of income from sources other than wages or salaries; and (3) 4 million persons whose incomes from all sources exceed the first surtax bracket. (Table 1). ~~The problem is different for each group~~.

A. Wage and Salary Earners.

1. The Payment Problem

The overwhelming majority of the 44 million taxpayers for 1943 will be wage and salary earners whose incomes after exemptions and credits will not exceed the first surtax bracket of $2000.

with relatively large incomes. But in recent years the defect has been greatly magnified. The tax has been broadened to reach many millions of additional taxpayers with small incomes and little experience in planning their finances to meet large bills at infrequent intervals. Moreover, the burden of the tax has been greatly increased for all taxpayers. A suitable pay-as-you-go method will be of great assistance to millions of persons ~~who otherwise will be hard pressed to meet their tax bills~~.

B. The ~~One-Year~~ Lag in Payments ~~of Collections~~.

Another difficulty of our existing method of payment, from the standpoint of the vast majority of taxpayers, is that this year's tax payments are based on last year's income. The resultant lag caused no serious payment problem as long as the income tax burden was relatively low, and the persons principally affected by the tax were accustomed to saving and budgeting for various obligations, including taxes. But with the expansion of the income tax the ~~one-year~~ payment ~~collection~~ lag has become a vital problem. To be sure, the lag does not cause the taxpayer difficulty as long as his income continues at a steady pace. If, however, his income varies from year to year, his taxes will be poorly geared to his receipt of income. And if his income declines sharply or of reaching taxpaying ability. Since ~~as such~~ it is, and must remain, the backbone of the Federal tax system, every attention should be given to improving its structure and application. For the great masses of taxpayers the present method of collecting the income tax payment has the basic defect that tax payments are not synchronized with the receipt of the income on which the tax is based. This defect arises partly because installment payments are not timed to fit the receipt of income and partly because the taxes on a given year's income are not payable until the following year.

A. Poor Adaptation to Taxpayers' Budgets and Flow of Income.

A system of equal quarterly installments ignores the basic fact that most people ~~"spend as they get," that is, they~~ budget on a weekly, semi-monthly, or monthly basis according to the interval between pay-checks. Such a system also ignores the wide variations in income receipts from one quarter to the next for such persons as farmers and seasonal workers. Equal quarterly installments are accordingly ~~therefore~~ ill-adapted both to prevailing budget habits and to the flow of income.

This defect was not serious when income tax rates were low and the tax reached only the minority of our population of the flow of revenue into the Treasury. Over-all revenue needs, therefore, should be kept clearly in mind in drawing up the specific provisions of a new income tax payment plan.

Owing to the great expansion of the individual income tax now taking place in response to war needs, the strengthening of our system of income tax ~~collections~~ payment has become a first order of business. The 39 million individual taxpayers ~~paying~~ required to pay income taxes of almost $10 billion for 1942 under the present law must be afforded a way of meeting their tax obligations with a maximum of convenience and a minimum of hardship. In addition, the Treasury should be protected from taxpayer delinquency and resultant loss of revenue. And, finally, the Government needs a flexible instrument of fiscal policy under which revenues will react speedily to changes in tax rates and exemptions and in the national income.

Revision

The Treasury Department and the Congress have ~~has~~ been acutely aware of these needs. During the course of the Revenue ~~Bill~~ of 1942 ~~For more than a year it has urged the conversion~~ there was general agreement that it would be highly desirable ~~that~~ to put ~~of~~ a substantial part of the income tax ~~to~~ on a current basis by means of collection at source. The purpose of my statement today is to review the income tax payment problem and to analyze briefly methods which may be helpful in its solution.

II. Defects in Our Present System of Payment

The income tax is the most direct and equitable method

Nov 17—

of Randolph E. Paul, General Counsel, United States Treasury Department

Statement to the House Ways and Means Committee on
Revision of Income Tax Payment Methods

I. Introduction

In response to ~~a~~ The request of ~~the~~ your Committee, I am here to discuss the income tax payment problem. The problem of putting income taxes on a pay-as-you-go basis was ~~mentioned~~ emphasized by President Roosevelt in his recent Budget Message~~,~~ in connection with his request to Congress for ~~an additional~~ $16 billion of additional collections for the fiscal year 1944. It is my understanding that the Committee desires at this time to consider the pay-as-you-go question, and my statement today will, therefore, be limited to this subject. It will not deal with other phases of our tax problem.

I should like to say in passing, however, that what the Congress does in solving the payment problem will have a direct bearing on the overall revenue program, ~~To prepare the income tax for its part in dealing with the crucial problem of war finance, an overhauling of payment methods is essential. Moreover, t~~the method employed to put the income tax on a pay-as-you-go basis will directly affect the dollars-and-cents yield of the tax and the timing

Statement by Randolph E. Paul,
Tax Adviser to the Secretary of the Treasury,
before the Ways and Means Committee of the House of Representatives, on inventory reserves

JUN 15 1942

The enactment of high corporate tax rates necessitated by the war makes the correct determination of the income to which these rates are applied of fundamental importance. Under the present treatment of inventories for tax purposes, in periods of rising prices taxable income may include profits that re-

Statement of Randolph E. Paul, General Counsel for the Treasury, before the Committee on Ways and Means of the House of Representatives on Revision of Income Tax Payment Methods February 2, 1943

I. Introduction

In response to ~~a~~ the request of ~~the~~ your Committee, I am here to discuss the income tax payment problem. The problem of putting income taxes on a pay-as-you-go basis was ~~mentioned~~ emphasized by President Roosevelt in his recent Budget Message, in connection with his request to Congress for ~~an additional~~ $16 billion of additional collections for the fiscal year 1944. It is my understanding that the Committee desires at this time to consider the pay-as-you-go question, and my statement today will, therefore, be limited to this subject. It will not deal with other phases of our tax problem.

I should like to say in passing, however, that what the Congress does in solving the payment problem will have a direct bearing on the overall revenue program. ~~To prepare the income tax for its part in dealing with the crucial problem of war finance, an overhauling of payment methods is essential. Moreover, the~~ The method employed to put the income tax on a pay-as-you-go basis will directly affect the dollars-and-cents yield of the tax and the timing

Statement of Randolph E. Paul, General Counsel
for the Treasury, before the Committee on Ways and Means
of the House of Representatives on
Revision of Income Tax Payment Methods
February 2, 1943

I. Introduction

In response to the request of your Committee, I am here to discuss the income tax payment problem. The problem of putting income taxes on a pay-as-you-go basis was emphasized by President Roosevelt in his recent Budget Message in connection with his request to Congress for $16 billion of additional collections for the fiscal year 1944. It is my understanding that the Committee desires at this time to consider the pay-as-you-go question, and my statement today will, therefore, be limited to this subject. It will not deal with other phases of our tax problem.

I should like to say in passing, however, that what the Congress does in solving the payment problem will have a direct bearing on the overall revenue program. The method employed to put the income tax on a pay-as-you-go basis will directly affect the dollars-and-cents yield of the tax and the timing of the flow of revenue into the Treasury. Over-all revenue needs, therefore, should be kept clearly in mind in drawing up the specific provisions of a new income tax payment plan.

Owing to the great expansion of the individual income tax now taking place in response to war needs, the strengthening of our system of income tax payment has become a first order of business. The 39 million individual taxpayers required to pay income taxes of almost $10 billion for 1942 under the present law must be afforded a way of meeting their tax obligations with a maximum of convenience and a minimum of hardship. In addition, the Treasury should be protected from taxpayer delinquency and resultant loss of revenue. And, finally, the Government needs a flexible instrument of fiscal policy under which revenues will react speedily to changes in tax rates and exemptions and in the national income.

The Treasury Department and the Congress have been acutely aware of these needs. During the course of the Revenue Revision of 1942 there was general agreement that it would be highly desirable to put a substantial part of the income tax on a current basis by means of collection at source. The purpose of my statement today is to review the income tax payment problem and to analyze briefly methods which may be helpful in its solution.

II. Defects in Our Present System of Payment

The income tax is the most direct and equitable method of reaching taxpaying ability. Since it is, and must remain, the backbone of the Federal tax system, every attention should be given to improving its structure and application. For the great masses of taxpayers the present method of collecting the income tax payment has the basic defect that tax payments are not synchronized with the receipt of the income on which the tax is based. This defect arises partly because installment payments are not timed to fit the receipt of income and partly because the taxes on a given year's income are not payable until the following year.

A. Poor Adaptation to Taxpayers' Budgets and Flow of Income.

A system of equal quarterly installments ignores the basic fact that most people budget on a weekly, semi-monthly, or monthly basis according to the interval between pay-checks. Such a system also ignores the wide variations in income receipts from one quarter to the next for such persons as farmers and seasonal workers. Equal quarterly installments are accordingly ill-adapted both to prevailing budget habits and to the flow of income.

This defect was not serious when income tax rates were low and the tax reached only the minority of our population with relatively large incomes. But in recent years the defect has been greatly magnified. The tax has been broadened to reach many millions of additional taxpayers with small incomes and little experience in planning their finances to meet large bills at infrequent intervals. Moreover, the burden of the tax has been greatly increased for all taxpayers. A suitable pay-as-you-go method will be of great assistance to millions of persons.

B. The Lag in Payments.

Another difficulty of our existing method of payment, from the standpoint of the vast majority of taxpayers, is that this year's tax payments are based on last year's income. The resultant lag caused no serious payment problem as long as the income tax burden was relatively low, and the persons principally affected by the tax were accustomed to saving and budgeting for various obligations, including taxes. But with the expansion of the income tax the payment lag has become a vital problem. To be sure, the lag does not cause the taxpayer difficulty as long as his income continues at a steady pace. If, however, his income varies from year to year, his taxes will be poorly geared to his receipt of income. And if his income declines sharply or ceases entirely, as at unemployment, retirement, disability or death, the overhanging tax debt may cause real hardship.

III. The Payment Problem As It Affects Specific Taxpayer Groups

The problem faced by taxpayers in meeting their tax bills and the nature of the solutions that can be provided depend in large part on the size and source of their incomes. For present purposes the estimated 44 million individuals obligated to pay taxes on 1943 income may be classified into three distinct groups: (1) 30 million wage and salary earners whose incomes after exemptions do not go above the first surtax bracket of $2,000; (2) 10 million taxpayers whose incomes also do not go above the first surtax bracket, but who receive more than a nominal amount of income from sources other than wages or salaries; and (3) 4 million persons whose incomes from all sources exceed the first surtax bracket. (Table 1).

A. Wage and Salary Earners.

1. The Payment Problem

The overwhelming majority of the 44 million taxpayers for 1943 will be wage and salary earners whose incomes after exemptions and credits will not exceed the first surtax bracket of $2000. This group covers, for example, single persons with net incomes up to $2500, married couples without dependents with net incomes up to $3200, and married couples with two dependents with net incomes up to $3900. It is this group which is hit hardest by the defects in our present payment system.

Taxpayers in this group are accustomed to weekly or monthly budgeting under which expenditures are directly governed by the pay envelope. They are under considerable pressure to use their income as soon as it becomes available. They find it extremely difficult to make adequate provision for meeting lump-sum tax bills which fall due a year after the receipt of the income being taxed. Because of uncertainty of employment, they can not escape uncertainty about future income. Moreover, if their income stops because of unemployment, entrance into the armed forces, sickness, or death, the income tax debt for the last year of income may become a crushing burden.

2. A Pay-as-you-go Method for Wage and Salary Earners.

Under these conditions collection at source provides the only adequate answer to the income tax payment problem. Under such a system the income tax on these wages and salaries would be paid by withdrawing it week by week and month by month when the pay envelope is handed to the employee. The wage and salary earners' taxes would be automatically budgeted because tax payments would coincide with the receipt of income. At the same time the problem of income tax debt would be eliminated for these taxpayers. If the normal tax and the first bracket surtax, that is, the "basic liability" were collected at source in this manner, 30 million of the 44 million taxpayers estimated for 1943, or nearly 70percent, would be current. (Table 1) No pay-as-you-go plan is adequate unless it makes current at least this group of wage and salary earners.

It should be kept in mind that collection at source does not in itself increase or decrease the tax liability of the taxpayer. Collection at source is merely a device designed to help the individual pay his income tax currently as he earns his income. The individual receives full credit for the amounts collected at source when he files his tax return at the end of the year. The amount of the tax liability is determined by the rates imposed on everyone, whether the liability is collected at source or not. Consequently, it is the rate of tax liability that determines the rate of collection at source.

A collection at source system must be framed with these criteria in view: The current collections must approximate as closely as possible the employee's liability for the year; the employee must not be required to make quarterly or other unnecessary returns; the machinery of collection must be made as adaptable as possible to the accounting and business methods of the employer. The principal elements of a collection at source plan that would meet these criteria may be summarized as follows:

First. As stated, any pay-as-you-go plan should currently discharge as much as possible of the taxpayer's liabilities; it should also be so adjusted as not to collect more than the liabilities. This objective can be readily achieved by collecting at source only on amounts of income in excess of an allowance for exemptions and deductions. In other words, the amount of each wage or salary payment subject to collection at source would be determined by subtracting from the gross payment an allowance for personal exemptions and normal deductions. These allowances would be prorated according to the length of the pay period, that is, weekly, semi-monthly, monthly, or other period. For example, under existing exemptions the weekly allowance might be $11.00 for a single person, $26.00 for a married couple, and $8.00 additional for each dependent. These amounts are made somewhat larger than the prorated annual exemption in order to incorporate an allowance for average deductions. The allowance for personal exemptions would be based on a simple statement furnished by the employee to his employer.

It is important to note that any system of withholding income tax which does not allow exemptions, or which allows only a uniform exemption for all employees without regard to their marital or dependency status, would not meet the need. Substantial under-collection with resulting large deficiency payments, or substantial over-collections with resulting large refunds, or both, would result in numerous cases under a withholding system not geared to actual income tax exemptions.

Second. The rate applied to the wage and salary payments after these allowances would be set so as to collect approximately the basic tax liability, that is, under present law the normal tax of 6 percent plus the minimum surtax rate of 13 percent. However, the rate would be slightly lower than the sum of the normal tax and the first bracket surtax in order to make further allowance for deductions and to allow for vacations without pay, occasional periods of unemployment, and possible fluctuations in income above and below the taxable limit. In this way, refunds for over-payment at the source would be held to a minimum.

Third. After the close of the year, these taxpayers would file returns showing their actual income and final liability for the year. Adjustments of actual collections at source to the final liability would be made by means of additional payment or refunds. For the vast majority of wage earners, such adjustments would involve a deficiency or refund of only a few dollars.

Fourth. Apart from the allowance of exemptions according to marital and dependency status, the essential mechanism for such a method of collection at source is already established under the withholding machinery adopted for collecting the Victory Tax on wages and salaries. Such collection at source of the Victory Tax should be integrated with collection at source of the regular income tax. However, the Committee may wish to consider the possibility of absorbing the Victory Tax into the regular income tax system.

The Committee may wish to consider the desirability of collecting at source the basic liability on dividends, as well as on wages and salaries. In the case of dividends the normal and first bracket surtax could be collected on the gross amount. The administrative problems will, of course, have to be weighed, but since dividend receipts represent a sizeable portion of the income of millions of taxpayers for 1943, collecting the tax on such income at the source would be a considerable contribution to a pay-as-you-go system of tax collection.

B. Persons Subject only to First Bracket Rate, With Income from Sources Other Than Salaries and Wages.

The incomes of many taxpayers do not readily fit into a system of collection at the source. By far the largest group of such taxpayers consists of those who receive more than a nominal amount of income from sources other than wages or salaries, and whose total income is not in excess of the first surtax bracket. For 1943 it is estimated that 10 million of the 44 million taxpayers will be in this group. Their problem is different from that of wage and salary earners, and the system of current collection which is set up for them must differ accordingly.

1. Payment Problem

The incomes of several million small taxpayers consist of business profits, professional fees, rents, and farm receipts. The flow of income from most of these sources fluctuates widely from year to year, and frequently even from season to season. Under our present system these taxpayers often find that their tax payments are badly out of step with income. The result in many cases is difficulty and even hardship. Moreover, the tax payments of such persons on a quarterly basis may not at all coincide with the receipt of cash income, which may be lumped in one quarter or two quarters of the year. And when income drops off or stops entirely, these taxpayers are faced with the same difficulties as small wage and salary earners. The need for a pay-as-you-go system of tax collection is fully as pressing for them as for wage and salary earners.

Since the incomes of these people come in irregular amounts and from many different payors, the need for current payment can not be met by collection at the source. If persons with small incomes from non-wage sources are to be put on a current basis, one of two alternative methods may be employed. One method would base tentative current payments on prior-year income. The other method would base tentative current payments on simple quarterly statements of income received in the current year. A further discussion of these two methods may be helpful.

2. Alternative Approaches to a Solution

a. Tentative Payments Based on Last Year's Income

Under the first of the two methods for collecting taxes on non-wage incomes the taxpayer would be required to make tentative payments in the current year on the basis of the previous year's income and to make an adjustment in the following year for overpayment or underpayment. For example, the tentative tax for 1944 would be based on the income of 1943 as reported on March 15, 1944. After the end of the year, on March 15, 1945, a final calculation of 1944 income would be made. If the tax payments in 1944 proved to be too small, the deficiency would be paid at this time. If the payments proved to be too large, the taxpayer would receive a credit or refund of the excess payment.

Under this system the tax payments made in each year would depend not only on what the income had been in the previous year, but also on how much the income of that previous year differed in turn from the income of the year prior to it. If a person's income were stable from year to year, his tax payments under this plan would be substantially current. If,,however, his income were not stable, he might be very far from being current since his tax payments in any year would not be geared to the income of that year. Thus, a person whose income increased from year to year would have deficiencies to make up each year, while a person whose income decreased from year to year would have credits or refunds due him each year. If the fluctuations in income were such that increases and decreases alternated, the deviation from current payment would be all the greater.

To illustrate the inadequacy of this method with an extreme example, let us assume that a taxpayer in four successive years had income of $2,000 in Year 1, $4,000 in Year 2, $8,000 in Year 3, and $2,000 in Year 4.

Example of tax payments under a system of current collection based on previous year's income 1/

Married person - No dependents

Year	Net income 2/	Tentative tax 3/	Deficiency due to under-payment in prior year	Total payments during year
Year 1	$2,000	4/	4/	4/
Year 2	4,000	$ 140	4/	$ 140
Year 3	8,000	538	$ 398	936
Year 4	2,000	1,562	1,024	2,586

1/ Under rates and exemptions of the Revenue Act of 1942, excluding Victory tax.

2/ Assumed to be derived from items not subject to collection at source; minimum earned income assumed.

3/ The tentative tax is the same as the tax payable under the present method of payment on the income received in the previous year.

4/ It is assumed that the taxpayer had no taxable income for years prior to Year 1. Therefore, there is no tax payable in Year 1 and no deficiency or credit in Year 2.

This taxpayer's tentative payment in Year 3 at present tax rates would amount to $538 based on the $4,000 income for Year 2. In addition, he would also in Year 3 have to pay a deficiency of $398 in taxes for Year 2, because in that year he had paid a tentative tax based on an income of only $2,000, his income in Year 1, whereas his actual income in Year 2 was $4,000. Thus, the payments which the taxpayer must make in Year 3 depend upon what his income was in Years 1 and 2. Going on to Year 4, when the taxpayer's income is actually $2,000, he will pay a tentative tax of $1,562, based on the $8,000 income of Year 3, and, in addition, he will also have to pay a deficiency of $1,024 for Year 3 because in that year he had paid a tax measured by the Year 2 income of $4,000, while his actual Year 3 income was $8,000. He is thus required in Year 4 to pay a total of $2,586, or $586 more than his income in that year. Thus, when incomes either rise or fall, the tax payments in a given year are based on the income of the two preceding years and are not related to the income of the current year.

As has been pointed out, this method works well for stable incomes, but without further refinement does not work well for fluctuating incomes. It should be noted that stability is the exception rather than the rule. Most incomes are characterized by fluctuation - up one year, down the next, or up for several years, and then down for several years. It is estimated that the incomes of about two-thirds of the taxpayers for 1943 will vary substantially, either up or down, from their 1942 incomes.

To base the tentative payments on last year's income when that income will generally be something higher or lower than this year's income, is not pay-as-you-go but pay-as-you-went. It is just this pay-as-you-went aspect of our present system that we seek to avoid.

It may be suggested that the defects of such a system can be patched by a relief provision which would permit adjustments in the tentative tax when the current year's income is expected to differ from the prior year's income. But since fluctuation in income is the rule, a provision designed to handle exceptions would to the extent it was followed actually become the rule. Taxpayers might be expected to take advantage of a permissive provision when their incomes were declining, but they could scarcely be expected to make the correction when their incomes were increasing, unless the provision were made mandatory through severe penalties for understatement of income.

b. <u>Tentative payments based on quarterly statements of this year's income.</u>

Since corrections to take care of fluctuations in incomes would depart in so many cases from the prior year's income, it may be helpful to consider a method which would go more directly to current income. Thus, a system of quarterly payment based on quarterly statements of current income might be put into effect. Such a quarterly statement and payment system would be a supplement to collection at source on wages and salaries. It would enable taxpayers with seasonal incomes -- for example, farmers and many types of businessmen -- to gear their tax payments much more closely to income than is possible under the present system of equal quarterly installments. The quarterly statement of current income would be simple in form, as shown in Table 2. It should be noted that similar statements would be necessary under the method of basing payments on last year's income.

3. Quarterly statement method for income from sources other than wages and salaries.

Persons of small means with income from such sources as business profits, professional fees, and farm incomes, could be put on a pay-as-you-go basis by the following steps:

First. Every three months they would file a simple statement of their best estimate of net income from sources not subject to collection at source.

Second. On the basis of such income less prorated exemptions, they would pay a tentative tax each quarter at the basic-liability rate used in collecting taxes at source.

Third. After the close of the year, they would report actual income, compute the actual liability, and make the necessary adjustment.

C. The treatment of taxpayers with higher incomes.

If current collection at the basic-liability rate were adopted, only a small minority of taxpayers would not become current with respect to the greater part of their liabilities. Of the 44 million taxpayers estimated for 1943, only 4 million would have surtax net incomes in excess of $2,000, that is, in excess of the first surtax bracket. To provide complete current collection for this group in the higher income brackets presents obvious difficulties because of the graduation of the tax rates depending on the amount of income received.

Fortunately this is also the group for whom full current collection is least essential. Most of these taxpayers have been accustomed to paying taxes for many years, and they have the resources and in general the expenditure habits suitable to an advance accumulation of tax funds. If their income stops suddenly, they would generally still be in a position to meet their tax liabilities over and above the currently paid basic liability. Moreover, most of this group of higher bracket taxpayers would become substantially current if the methods previously described for collecting currently the normal tax and minimum surtax were put into operation. It should be observed that such current collection methods would apply to all of the income of the taxpayer regardless of the surtax bracket in which it fell. Thus a married couple with no dependents and a net income of $5,000 would at a 19 percent basic liability rate, pay currently $692 of a $746 total liability or 93 percent; a married couple with no dependents and a net income of $10,000 would pay currently $1,612 out of a $2,152 total liability, or 75 percent.

Continuing the present method of collecting liabilities in excess of the normal tax and surtax at the first bracket rate would, as previously mentioned, leave not fully current only 10 per cent of the taxpayers. Of these nine-tenths would have more than three-quarters of their total liability currently paid. For only one taxpayer in a hundred would the tax liability not paid currently amount to more than one quarter of his total liability.

Full current payment with only minor adjustments after the end of the year could be devised for <u>all</u> taxpayers if this were desired. To accomplish this the current quarterly payments previously discussed would be enlarged to include not only the basic liability, but also liability in the higher surtax brackets. Each quarterly payment could be based either on an estimate of income for the year or on an estimate of income for the quarter, in either case with appropriate adjustments during and after the year.

IV. The problem of transition.

A. The nature of the problem

Two distinct problems are involved in putting the income tax on a pay-as-you-go basis -- first, the method of current payment that is best for steady year-in year-out use; and second, how to shift to that method. So far, I have been discussing the first problem. I should like now to turn to the second problem -- that of transition.

A transition problem arises because if we start collecting this year the tax on this year's income without any other action, taxpayers will be obliged to meet in a single year both the tax on last year's income and the tax on this year's income. To the extent that we go on a current basis in 1943, taxpayers will be paying in 1943 their liabilities on 1943 income while still owing their 1942 liabilities. If they are required to pay both year's liabilities this year, there will clearly be a doubling up of tax payments. The extent of the doubling-up depends on the amount collected currently. For example, if current collection applies to normal tax and the surtax at the first bracket rate, there is doubling-up with respect to this part of the tax, but there is no doubling-up with respect to the higher surtax rates. If current collection applies to the entire tax, there is doubling-up with respect to one year's whole tax.

B. Possible methods of Achieving Transition.

One method of achieving transition is to forgive part or all of a year's tax liabilities. A second method is to require individuals to continue to pay their 1942 taxes as at present, and at the same time begin current collection of 1943 taxes. A third method is to postpone part or all of a year's liabilities, permitting the postponed amounts to be amortized over a period longer than a year.

1. Forgiveness of a year's taxes.

A method of achieving transition that has been widely discussed is to forgive a year's liability. The overlapping of two years' tax liabilities can be completely eliminated only through forgiveness. The amount of forgiveness would be geared to the degree of current collection achieved. If current collection were to apply to the total liability, the complete elimination of over-lapping would require the forgiveness of the whole of a year's tax. If current collection were to apply to the basic liability - the normal tax and the surtax at the first bracket rate - the complete elimination of over-lapping would require the forgiveness of a year's basic liability, but not of the rest of the tax.

Considerable confusion has arisen in the course of the widespread discussion of proposals to forgive a year's taxes as a means of shifting to current collection. Two main points need clarification: (1) the effect of forgiveness on Federal revenues; and (2) its effect on the economic position of individuals.

a. The Effect of Forgiveness on Federal Revenues.

The tax liability of the taxpayer is an asset of the Government, although it is not counted as such in the general accounts of the Government. Forgiving a year's tax would wipe out assets of this kind amounting to close to $10 billion -- the estimated amount of individual tax liabilities on 1942 income. The Government by forgiving a year's tax liabilities would be discarding assets as a business would that cancelled its accounts receivable from customers. Such a business might be able to maintain its receipts by going on a cash sales basis. Yet no one would say that the business had not lost assets to the extent of the accounts cancelled. The Government differs from the business in that it has the power to make up the loss by compelling quicker collections and by imposing additional taxes on the same or other people. Through the resulting partial redistribution of the tax burden the cash receipts of the Treasury could be maintained even though the tax liability was forgiven.

Accordingly it is not correct to assume that the forgiveness of a year's tax liability combined with corresponding current income tax collection would reduce the cash flow into the Treasury. The effect on the amount of money taken into the United States Treasury resulting from placing the income tax on a current basis and forgiving a year's taxes can not be determined except by comparing this treatment with some alternative. If the comparison is with the present payment method at existing rates, the cancellation of 1942 liabilities combined with current collection of subsequent liabilities need not involve either an increase or decrease in the amount of money taken into the Treasury in any given span of years. Each individual subject to taxation in 1942 has one year's liability cancelled, but he is at the same time required to pay another year's liability sooner than he otherwise would. Individuals who were not taxpayers in 1942, but who become taxpayers subsequently, will be obliged to pay their liabilities one year sooner than under existing law. Individuals who die, or who cease receiving an income, pay the Government one year's less taxes, but by and large the money loss on their account is offset by the gain from new taxpayers who begin paying their taxes a year earlier.

The net result in money paid to the Government depends on whether the payments dropped out exceed or fall short of the payments added in the same year. The payments dropped out will be spread over a period of years. If any given year is a year of higher national income than the war boom year of 1942, the actual receipts of the Government for that span of years would be increased by the change. If it is a year of lower national income, governmental receipts would be decreased by the change.

b. <u>The Effect of Forgiveness on the Economic Status of Individuals</u>

Since the cash receipts of the Treasury could be maintained even though the tax liability was forgiven, the effect of wiping out an income tax asset through forgiveness can be more readily visualized and measured in terms of its relative effect on the different groups in the community who will be called upon to maintain the flow of revenue. The fact that the Government may take in as much money in a fiscal year, despite the forgiveness of a year's tax liabilities, reflects larger payments by some taxpayers, offsetting smaller payments by others. The taxpayers who pay less are those whose incomes have declined or ceased. The taxpayers who pay more are those whose incomes have increased so that they become taxable for the first time or those who have to pay a larger amount of tax sooner than they otherwise would. The forgiveness of 1942 liabilities thus affects tax payments in different years for different taxpayers. So long as an individual's income is stable, forgiveness combined with corresponding current collection will not immediately affect his tax <u>payments</u>. However, if he has accumulated liquid funds or has purchased tax anticipation notes to discharge his tax liabilities, these will be available to him for other uses. And, in any event, he will ultimately escape the payment of a year's income tax when he dies or his income ceases.

While the effect of forgiveness on tax payments is not felt until the individual dies or until his income declines or ceases, cancellation has a significant immediate effect on his economic status. The amount of taxes cancelled represents an immediate addition to the individual's net wealth. This addition, which depends on the income of the individual in the year for which taxes are cancelled, varies widely from individual to individual. If an individual had no income in that year, and was not subject to tax, his economic position would not be improved. If a married person without dependents had an income of $3,000, and the entire tax was cancelled, he would gain $324. If he had an income of $1,000,000, he would gain $854,000.

The existence of an immediate gain has been denied on the ground that tax payments continue. The fact is, however, that throughout the history of the income tax, our taxes have been computed on a liability basis; that is, we have taxes for the year 1942, for the year 1943, and so forth, measured by the incomes of those years. The tax liability for each year depends on the income of that year and the rates applicable to that year. Under standard accounting practice they must be accrued for that year. A shift to the current collection basis wiping out a year's liability, adds that much to the wealth of each person by diminishing his liability. The result is a real gain to the taxpayer.

One way to judge the effect of forgiving the 1942 tax liability is in terms of the increases in tax liability which have been imposed to finance the war and which have given rise to the need to shift to a current collection system. This is shown in the attached Table 3, where it appears that the complete forgiveness of the 1942 tax liability would, in these terms, benefit persons with large incomes relatively more than persons with small incomes. A married person with no dependents having a net income of $2,000 owes $140 tax for 1942, or 7 percent of his income; with a $10,000 net income, he owes $2,152, or 22 percent of his net income; with a net income of $100,000 he owes $64,060, or 64 percent of his net income; with a net income of $1,000,000 he owes $854,000, or 85 percent of his net income.

The increase in income taxes for the 3-year period 1940-42 amounts to $182 for a married person with no dependents and a net income of $2,000. The amount that would be forgiven this individual is $140, or 77 percent of the increase for the three years. At the $100,000 level, the amount forgiven equals 102 percent of the increase in taxes and at the $1,000,000 level, 320 percent. For an individual with a $1,000,000 income in each of the five years 1938-1942 the reduction in tax liabilities resulting from complete forgiveness would more than offset all tax increases enacted since 1935.

These results follow, of course, from the nature of the tax increases that have been imposed to finance the war. These increases have had to come primarily from the low and middle income groups. The rates on the upper surtax brackets could not be increased correspondingly. At the same time, the amount of tax forgiven is greatest for the highest income groups. In consequence, the forgiveness of 1942 taxes, urged as a means of adjusting payment methods to war-time tax rates, would benefit most just those groups who have been called upon to make the smallest relative addition to their tax payments to finance the war.

The attached Table 4 shows the effect of cancellation on the individual's economic status in another way. The amount available to an individual each year to use for consumption or to add to his wealth is the income he has left after taxes. Table 4 shows the amount of tax forgiven as a percentage of the income left after taxes. For the individual with $2,000 income the forgiven tax represents only about $7\frac{1}{2}$ percent of a year's income after taxes -- or the equivalent of less than one month's income. For the individual with $1,000,000 income the forgiven tax represents almost 600 percent of a year's income after taxes. The forgiveness of a year's taxes enables him to add to his wealth at one stroke as much as he could add in nearly 6 years by saving every dollar he had left after paying taxes and spending nothing, and as much as he could add in 12 years by saving half of what he had left after paying taxes.

It has been urged that the gain from forgiveness is offset by the resulting increase in estate tax when the individual dies. But the gain would be subject to the estate tax only if it is not spent or given away in the meantime, and if the estate is sufficiently large to be taxable under the liberal estate tax exemptions. And even if subject to the estate tax, the offset is only partial, reaching 50 percent or more only for net estates in excess of $2,500,000. A special estate tax could, of course, be devised to recapture a larger part of the forgiven amount if it were not spent or given away in the meantime. These loopholes, too, could be closed by still other special taxes. But any of these devices for recapturing, to the extent that they are effective, amount simply to not forgiving as much in the first place.

2. Simultaneous Collection of 1942 and 1943 Taxes.

A second method of achieving transition is to require individuals to pay their 1942 taxes at the same time they are paying their 1943 taxes. The ability of particular taxpayers to pay two years' tax liability in one year would vary widely. Those who had accrued their taxes during 1942 and saved to pay them could pay the two years' taxes in 1943 with no difficulty whatever. Others, who had not accrued or saved especially to meet taxes, but who had other credit or accumulated liquid savings could also meet the two years' liability in 1943 without undue hardship. Still other taxpayers, the amounts of whose income subject to tax were small, and whose taxes were small, might be able to meet the two years' taxes out of 1943 income without substantial difficulty.

There would be, however, numerous taxpayers who failed to accumulate tax reserves in 1942, and who counted on paying 1942 taxes out of 1943 income. For many of these the rates of tax would be so high and financial circumstances so pressing that the payment of two years' taxes in one year would be a severe hardship, if not an impossibility. Accordingly, a policy of paying 1942 and 1943 taxes all in 1943 would undoubtedly need to be moderated in view of the substantial hardship it would cause.

In this connection it should be noted that the President, in his Budget Message, asked that collections for the fiscal year 1944 be increased by 16 billion dollars. Practically all of this $16 billion increase in collections will have to be derived from individuals in the final analysis, whatever forms the levies may take. Revenue measures to meet the President's request would take from individuals in the fiscal year 1944 an additional amount larger than the total expected 1943 income taxes at present rates. Clearly, carrying the President's Budget Message into effect will mean partial or complete doubling of payments for individual taxpayers generally. Of course, the doubling would not fall on the same taxpayers in the same proportions as would result from collecting 1942 income taxes in 1943.

Under these circumstances, shifting to a current collection system and at the same time requiring that individuals continue to pay their liabilities on 1942 income is one way of raising some of the additional revenue we need. The extra burden involved in paying part or all of 1942 tax liabilities must not be compared with no burden at all. The correct comparison is between that burden and the burden of other methods of raising the same amount of additional revenue. Accordingly, the simultaneous collection of 1942 and 1943 taxes should not be compared with complete forgiveness and no change in tax rates; but with complete forgiveness combined with a rise in tax rates. Otherwise, the comparison is simply between more taxes and less taxes.

3. The Postponement of 1942 Liabilities

In view of the hardships for some individuals involved in the simultaneous collection of 1942 and 1943 taxes, it may be desirable to postpone or defer the payment of part of the 1942 liabilities. One method of collecting the postponed tax would be simply to require the taxpayer to pay the postponed tax at his discretion within a certain number of years, say before March 15, 1945. A second method would be to divide the postponed tax into fixed installments that the taxpayer would have to meet. A third method would be to increase the rate of current collection, whether at source or by quarterly payments, and treat the additional amount collected as an offset to the postponed liabilities, with appropriate provision for persons not having any 1942 liabilities.

I should like to repeat that the method of transition must be determined in the light of the revenue problem of the Federal government, to which I have previously referred. Very great increases in Government revenue are going to be required in the coming years. It seems more equitable to collect at least to a substantial degree the tax liabilities which have been imposed by past legislation than to forgive a year's liability and raise the additional revenue by increases in rates. The method of rate increases, combined with cancellation, would largely free higher incomes from a year's taxes while imposing the additional burden more heavily on the low income groups, since it is at this level that the income tax is capable of further expansion.

Furthermore, in view of our revenue needs, the forgiveness of a year's tax liability might be generally misconstrued as an indication that tax burdens could be made lighter instead of being made heavier. Indeed, there is considerable evidence that even the recent discussions of tax forgiveness have confused and demoralized the public and caused them to doubt whether they will really have to bear tax burdens as high as those imposed by the Revenue Act of 1942.

V. CONCLUSION

In this discussion of current income tax collection, or pay-as-you-go, I have endeavored to indicate the principal problems in designing a satisfactory system. These problems are admittedly difficult. A summary of the issues, together with the best judgment of the Treasury as to their solution, may be helpful.

1. The rate of collection at the source.

The question arises whether the withholding rate under collection at the source should be sufficiently large to collect the basic liability, or should be high enough to collect the whole liability on the larger incomes at progressive rates. It would seem preferable to collect at the source the full basic liability (normal tax plus surtax at first bracket rates), thus by this step alone making fully current 70 percent of all income taxpayers. For the sake of simplicity and to avoid unnecessary refunds, it seems desirable, at least in the beginning, not to attempt collection at source at progressive rates.

2. Exemptions under withholding.

Another question is whether allowance should be made for exemptions under a system of collection at source and, if so, whether they should be uniform for all salary and wage earners or should take into account marital and dependency status. The problem of collection at source is to collect the income tax which is computed on the basis of exemptions, varying according to marital and dependency status. It seems imperative that the collection at source system should be based on such exemptions, since otherwise the amounts collected would be so far from the amounts due as to fail to meet the objectives of collection at source in any satisfactory manner. Such a collection at the source system can be readily handled by employers.

3. The method of handling other income.

Another question is whether the tax on income from sources not adapted to withholding procedure should be tentatively based on the previous year's income or on the current year's income. It seems very desirable that the tax be based on the current year's income. Further exploration may be needed to determine whether this could be done more simply by an annual estimate in March with periodic adjustments, or by a quarterly statement of income.

4. The current collection for higher brackets.

Another question is whether an attempt should be made to bring completely current the tax on the incomes which extend into the higher surtax brackets. It seems desirable that they should be made as nearly current as possible, subject to inevitable adjustments which cannot be made until the following year. But if the compliance difficulties of making taxes on such incomes fully current are deemed too great, substantial currency for the great majority of taxpayers can be achieved by making the basic liability current with payment of the balance in the same manner as the whole tax is collected at present, namely, in the following year.

5. The transition problem.

Another question is whether the transition to current payment should be made by forgiving a year's liability, by paying two years' taxes in one, or by postponing or deferring one year's taxes over several years. In the light of the revenue needs of the Government, and the equitable distribution of the tax burden, complete forgiveness seems very undesirable. Complete doubling up would undoubtedly be too harsh for some taxpayers. Accordingly, deferment of payment of taxes for the transition year to the extent necessary to relieve such hardships appears to be desirable. This is not to say that some discount, or even a certain amount of forgiveness, may not be found to be desirable for the same reason.

6. Time schedule.

A further question relates to the timing of a current collection system. It seems desirable to pass legislation as soon as possible and to make it effective as soon thereafter as possible. Collection at the source should certainly not begin later than July 1 of this year.

7. March 15, 1943 returns

It should be emphasized that no matter when the system of current collection is established and what that system may be, returns on March 15, 1943, must be filed as usual. If the taxpayers do not clearly understand this point, great confusion will certainly result.

Table 1

Individual net income tax: Estimated number of taxpayers for the income years 1942 and 1943, by size of surtax net income and type of income

(In millions)

Type of income	1942 Total	1942 Surtax net income Not over $2,000	1942 Surtax net income Over $2,000	1943 Total	1943 Surtax net income Not over $2,000	1943 Surtax net income Over $2,000
Estimated number of taxable income recipients 1/						
Wages and salaries with not more than a nominal amount of other income	28	26.5	1.5	32	30	2
All other 2/	11	9.0	2.0	12	10	2
Total	39	35.5	3.5	44	40	4
Estimated number of taxable returns 3/						
Wages and salaries with not more than a nominal amount of other income	25	23.5	1.5	29	27	2
All other 2/	10	8.0	2.0	11	9	2
Total	35	31.5	3.5	40	36	4

1/ Number of individuals receiving net income in excess of exemption.

2/ Including sources other than wages and salaries, and also wages and salaries combined with more than a nominal amount of other income.

3/ Number of returns that will be filed on which a tax will be due. This is less than the number of taxable income recipients because of the filing of joint returns including the income of more than one taxable income recipient, particularly in the smaller income classes.

Table 2

Statement for quarter ending June 30, to be filed on June 15 by individuals whose tax is not withheld at source. 1/

1. Income from all sources during the quarter

2. Income from wages and salaries

3. Quarterly exemption and dependent credit

4. Larger of (2) or (3)

5. Balance [(1) minus (4)]

6. Payment due: ______ percent of (5) (percentage to be same as that used for collection at source)

1/ A final adjustment would, of course, be made the following March.

Table 3

Tax liability for the period 1938-1942 if 1942 tax liability is forgiven, compared with tax liability computed without certain tax increases after 1935, at selected levels of net income

Married person - No dependents

	Taxable year	$2,000	$3,000	$5,000	$10,000	$25,000	$100,000	$1,000,000
		Income tax liability on selected net income 1/						
1. Actual tax liability for income years 1938-1942	1938	-	$ 8	$ 80	$ 415	$ 2,489	$ 32,469	$ 679,044
	1939	-	8	80	415	2,489	32,469	679,044
	1940	-	31	110	528	3,843	43,476	717,584
	1941	$ 42	138	375	1,305	6,864	52,704	732,554
	1942	140	324	746	2,152	9,220	64,060	854,000
	Total	182	509	1,391	4,815	24,905	225,178	3,662,226
2. Total tax liability 1938-1942 if the 1942 liability is forgiven		$ 42	$ 185	$ 645	$ 2,663	$15,685	$161,118	$2,808,226
3. Total tax liability 1938-1942 assuming no tax increases under Revenue Acts of:								
A. 1942		$ 84	$ 323	$1,020	$ 3,968	$22,549	$213,822	$3,540,780
B. 1941 and 1942		-	109	490	2,414	16,507	195,366	3,510,840
C. 1940, 1941, and 1942		-	40	400	2,075	12,445	162,345	3,395,220
D. 1936, 1940, 1941, and 1942		-	40	400	2,075	12,445	152,970	2,856,970
4. Cumulative increase in tax liability:								
A. Under Revenue Acts of 1940-1942		$ 182	$ 469	$ 991	$ 2,740	$12,460	$ 62,833	$ 267,006
B. Under Revenue Acts of 1936-1942		$ 182	$ 469	$ 991	$ 2,740	$12,460	$ 72,208	$ 805,256
5. Tax liability forgiven (1942 taxes) as a percent of:								
A. Increase in tax Revenue Acts 1940-1942		76.9%	69.1%	75.3%	78.5%	74.0%	102.0%	319.8%
B. Increase in tax Revenue Acts 1936-1942		76.9	69.1	75.3	78.5	74.0	88.7	106.1

1/ Net income before personal exemption, assuming maximum earned income credit and no net long-term capital gains.

Table 4

Amount of taxes forgiven as a percent of annual net income after taxes, if 1942 tax liability is forgiven, at selected levels of net income

Married person - No dependents

Net income before personal exemption	Amount of tax 1/ (excluding Victory tax)	Net income after tax	Tax forgiven as a percent of net income after tax
$ 1,200	-	$ 1,200	-
1,300	$ 13	1,287	1.0%
1,500	48	1,452	3.3
2,000	140	1,860	7.5
2,500	232	2,268	10.2
3,000	324	2,676	12.1
4,000	532	3,468	15.3
5,000	746	4,254	17.5
10,000	2,152	7,848	27.4
15,000	4,052	10,948	37.0
20,000	6,452	13,548	47.6
25,000	9,220	15,780	58.4
50,000	25,328	24,672	102.7
100,000	64,060	35,940	178.2
500,000	414,000	86,000	481.4
1,000,000	854,000	146,000	584.9
5,000,000	4,374,000	626,000	698.7

1/ Revenue Act of 1942, assuming maximum earned income credit and no net long-term capital gains.

Miss Simpson

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, February 2, 1943.

Press Service
35-22

The Secretary of the Treasury announced last evening that the tenders for $700,000,000 or thereabouts, of 91-day Treasury bills to be dated February 3 and to mature May 5, 1943, which were offered on January 29, 1943, were opened at the Federal Reserve Banks on February 1.

The details of this issue are as follows:

Total applied for - $1,301,770,000
Total accepted - 701,811,000

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	" " " " " 0.369% " "

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

Federal Reserve District		Total Applied For	Total Accepted
Boston		$ 40,635,000	$ 25,891,000
New York		803,810,000	287,249,000
Philadelphia		42,043,000	31,245,000
Cleveland		32,195,000	22,404,000
Richmond		21,650,000	18,693,000
Atlanta		18,985,000	12,627,000
Chicago		149,182,000	134,360,000
St. Louis		25,650,000	16,317,000
Minneapolis		75,252,000	75,132,000
Kansas City		26,063,000	24,285,000
Dallas		12,660,000	12,300,000
San Francisco		53,645,000	41,308,000
	TOTAL	$1,301,770,000	$701,811,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, February 2, 1943.
2/1/43

Press Service
No. 35-22

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated February 3 and to mature May 5, 1943, which were offered on January 29, 1943, were opened at the Federal Reserve Banks on February 1.

The details of this issue are as follows:

Total applied for - $1,301,770,000
Total accepted - 701,811,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx.	0.297% per annum
Low	- 99.906	" " " " "	0.372% per annum
Average price	- 99.907	" " " " "	0.369% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 40,635,000	$ 25,891,000
New York	803,810,000	287,249,000
Philadelphia	42,043,000	31,245,000
Cleveland	32,195,000	22,404,000
Richmond	21,650,000	18,693,000
Atlanta	18,985,000	12,627,000
Chicago	149,182,000	134,360,000
St. Louis	25,650,000	16,317,000
Minneapolis	75,252,000	75,132,000
Kansas City	26,063,000	24,285,000
Dallas	12,660,000	12,300,000
San Francisco	53,645,000	41,308,000
TOTAL	$1,301,770,000	$701,811,000

-oOo-

35-2

FOR IMMEDIATE RELEASE,
February 2, 1943

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	Jan. 23, 1943	174,627,851
Colombia	520,084,629	"	163,674,258
Costa Rica	33,019,264	"	6,756,385
Cuba	13,212,917	"	6,065,060
Dominican Republic	17,533,713	"	6,367,917
Ecuador	24,767,094	"	10,299,196
El Salvador	99,680,284	"	15,722,765
Guatemala	88,334,442	"	16,162,620
Haiti	45,400,298	"	22,282,717
Honduras	2,908,617	"	1,091,206
Mexico	78,758,056	"	10,205,881
Nicaragua	32,462,515	"	143,506
Peru	4,127,276	"	155
Venezuela	61,254,106	"	19,192,618
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	"	17,965,350

1/ Quotas revised.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, February 3, 1943.

Press Service
No. 35-23

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	Jan. 23, 1943	174,627,851
Colombia	520,084,629	"	163,674,258
Costa Rica	33,019,264	"	6,756,385
Cuba	13,212,917	"	6,065,060
Dominican Republic	17,533,713	"	6,367,917
Ecuador	24,767,094	"	10,299,196
El Salvador	99,680,284	"	15,722,765
Guatemala	88,334,442	"	16,162,620
Haiti	45,400,298	"	22,282,717
Honduras	2,908,617	"	1,091,206
Mexico	78,758,056	"	10,205,881
Nicaragua	32,462,515	"	143,506
Peru	4,127,276	"	155
Venezuela	61,254,106	"	19,192,618
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	"	17,965,350

1/ Quotas revised.

-oOo-

George W. Burk, sheriff of Talledega county, Alabama, and eight others were convicted in Federal court at Anniston, Alabama, in a case involving interstate moonshine whiskey operations. Burk was sentenced to four years' imprisonment, two of his deputies to three years each, and former sheriff Sam Burns to two years. The syndicate operated sixteen unregistered distilleries, and produced 20,000 gallons of high-proof whiskey. The Sheriff was charged with receiving "protection" money from the still operators.

Another interstate illicit alcohol combine operating in the States of Illinois, Iowa, Minnesota, Michigan and Wisconsin was broken with conviction of Emil Ricchio and sixteen others. Sentences totalling 23 years were imposed.

Forty-five persons were convicted in the Southern District of New York on charges of conspiracy to defraud the United States of liquor taxes. This was known as the Allessio-Livolsi-Pezzulo syndicate, which made arrangements with various still owners to purchase output of finished alcohol.

Gordon, notorious prohibition era racketeer, and a confederate were sentenced on charges of conspiracy to violate sugar rationing regulations on evidence turned over to the Office of Price Administration by the Alcohol Tax Unit ~~Revenue~~ agents.

Gordon and his associates were charged with setting up a soft drink company "front" for prospective black-market operations in sugar involving 500,000 pounds.

The agents smashed an Alabama hill country moonshine ring that had plagued the Government since ~~N~~ational prohibition days. Thirty-six persons were convicted in Federal court at Birmingham, with sentences tota~~l~~ling 42 years of imprisonment to be served, six years imprisonment suspended, and 97 years probation. This group, mostly related by blood or by marriage, resided in a remote section of Shelby County, Alabama. After months of intensive undercover work, agents closed in and in four days destroyed stills with total capacity of 20,300 gallons a day.

Sentencing of ten more defendants in a notorious New York conspiracy brought total convictions in the case to 98 persons. The trials involved Marco LiMandri and associates, and was an outgrowth of what is known as the Stahl-Pellegrino conspiracy in which 74 persons were convicted. The defendents in the two series of cases drew total prison terms of 46 years. Evidence in the LiMandri case disclosed that more than a thousand 100-pound bags of sugar were furnished weekly to illicit distillers in the years 1939-40 when the operations flourished.

during the year. These defendants also were engaged in selling casualty insurance, dealing in automobiles, and in automobile financing. With the assistance 7 their accountant, Joseph I. Zucker, the two diverted corporate funds so as to enable them to understate their income over a period of years.

Glassman was sentenced to five years in prison and fined $10,000. Ostrow drew three years and $10,000; and Zucker three years and $5,000.

W. L. Nix, former Texas oil operator, was sentenced to two years in prison after having been a fugitive for five years. He pleaded guilty in 1937 to charges of gasoline tax evasion, and disappeared after receiving a suspended prison term and a $10,000 fine.

As an aftermath to prosecutions instituted in 1941 against Joseph M. Schenck, motion picture executive, Schenck pleaded guilty in 1942 to a charge of perjury and was sentenced to imprisonment for a year and a day. His income tax evasion conviction in 1941 attracted nation-wide publicity.

Evidence gathered by Intelligence agents resulted in proceedings against numerous individuals on such charges as evasion of motor vehicle use tax, re-use of used or washed documentary stamps, possession of unregistered firearms, and evasion of social security and tobacco taxes.

Agents of the Alcohol Tax Unit ran across the trail of an old customer during the year, Irving Wexler, alias Waxey Gordon.

At the same time, extraordinary expansion of industrial alcohol production made it necessary to utilize additional personnel for the supervision of ~~the production~~ output of alcohol for war purposes. ~~called for concentration of Bureau personnel into supervisory and administrative functions.~~

The number of illicit stills seized during 1942 dropped nearly 35 percent, and the number of arrests 41 percent. Nevertheless some 14,000 persons were recommended for prosecution.

The volume of mash seized at illicit distilleries, one of the best measures of the production of non-tax-paid liquor, dropped 58 percent. The reduction in illicit distillery operations was achieved in the face of sharply higher taxes on distilled spirits, a factor ~~,~~ which under some conditions ~~,~~ might be expected to prove an incentive to efforts at evasion.

Instead, bootlegging operations were reported at the lowest level since repeal of national prohibition.

W. H. Woolf, Acting Chief of the Intelligence Unit, reported continued high ratio of convictions from cases prepared for prosecution. Of 125 persons going to trial in income tax cases during 1942, 120 were convicted. Fines tota~~l~~ling $175,000 were assessed by the courts in addition to prison sentences handed out. Evidence gathered by the special agents brought 48 other individuals to trial on miscellaneous charges, and 39 were convicted.

Conviction of Herbert Glassman and Edward C. Ostrow, who controlled corporations operating taxicabs in Washington, D. C., and in Baltimore, culminated one of the important investigations

Friday Pms

Miss Simpson
35-24

Intelligence agents of the Bureau of Internal Revenue, pressing the fight against evaders of the tax laws in the light of wartime needs for revenue, ~~caused~~ developed additional assessments and penalties in excess of $61,000,000 during 1942. The promised recovery to the Treasury nearly doubles similar 1941 assessments.

Prominent business and professional men, as well as racketeers, were included in the 116 individuals indicted for income tax evasion in new cases, while 120 persons were convicted during the period.

During the year, agents of the Alcohol Tax Unit, another enforcement division of the Bureau of Internal Revenue, smashed several gangs of liquor tax law evaders that had criminal records running back to prohibition days.

Elmer L. Irey, Chief Coordinator of Enforcement, detailed the activities of the two units in one of a series of reports to Secretary Morgenthau covering 1942 calendar year work of the agencies under his direction. Other members of the Treasury investigative family are the Bureau of Customs, the Bureau of Narcotics, the Foreign Funds Control Division, and the United States Secret Service.

Stewart Berkshire, head of the Alcohol Tax Unit, reported an overall improvement in the bootleg liquor situation parallel with prosecutions involving large groups of conspirators. Continued intense enforcement efforts, wartime sugar, gasoline and tire rationing and improved employment opportunities were factors making for a falling off of illicit distilling operations.

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS,
Friday, February 5, 1943.

Press Service
No. 35-24

2/4/43

Intelligence agents of the Bureau of Internal Revenue, pressing the fight against evaders of the tax laws in the light of wartime needs for revenue, developed additional assessments and penalties in excess of $61,000,000 during 1942. The promised recovery to the Treasury nearly doubles similar 1941 assessments.

Prominent business and professional men, as well as racketeers, were included in the 116 individuals indicted for income tax evasion in new cases, while 120 persons were convicted during the period.

During the year, agents of the Alcohol Tax Unit, another enforcement division of the Bureau of Internal Revenue, smashed several gangs of liquor tax law evaders that had criminal records running back to prohibition days.

Elmer L. Irey, Chief Coordinator of Enforcement, detailed the activities of the two units in one of a series of reports to Secretary Morgenthau covering 1942 calendar year work of the agencies under his direction. Other members of the Treasury investigative family are the Bureau of Customs, the Bureau of Narcotics, the Foreign Funds Control Division, and the United States Secret Service.

Stewart Berkshire, head of the Alcohol Tax Unit, reported an overall improvement in the bootleg liquor situation parallel with prosecutions involving large groups of conspirators. Continued intense enforcement efforts, wartime sugar, gasoline and tire rationing and improved employment opportunities were factors making for a falling off of illicit distilling operations. At the same time, extraordinary expansion of industrial alcohol production made it necessary to utilize additional personnel for the supervision of output for war purposes.

The number of illicit stills seized during 1942 dropped nearly 35 percent, and the number of arrests 41 percent. Nevertheless some 14,000 persons were recommended for prosecution.

The volume of mash seized at illicit distilleries, one of the best measures of the production of non-tax-paid liquor, dropped 58 percent. The reduction in illicit distillery operations was achieved in the face of sharply higher taxes on distilled spirits, a factor which under some conditions might be expected to prove an incentive to efforts at evasion.

Instead, bootlegging operations were reported at the lowest level since repeal of national prohibition.

W. H. Woolf, Acting Chief of the Intelligence Unit, reported continued high ratio of convictions from cases prepared for prosecution. Of 125 persons going to trial in income tax cases during 1942, 120 were convicted. Fines totaling $175,000 were assessed by the courts in addition to prison sentences handed out. Evidence gathered by the special agents brought 48 other individuals to trial on miscellaneous charges, and 39 were convicted.

Conviction of Herbert Glassman and Edward C. Ostrow, who controlled corporations operating taxicabs in Washington, D. C., and in Baltimore, culminated one of the important investigations during the year. These defendants also were engaged in selling casualty insurance, dealing in automobiles, and in automobile financing. With the assistance of their accountant, Joseph I. Zucker, the two diverted corporate funds so as to enable them to understate their income over a period of years.

Glassman was sentenced to five years in prison and fined $10,000. Ostrow drew three years and $10,000; and Zucker three years and $5,000.

W. L. Nix, former Texas oil operator, was sentenced to two years in prison after having been a fugitive for five years. He pleaded guilty in 1937 to charges of gasoline tax evasion, and disappeared after receiving a suspended prison term and a $10,000 fine.

As an aftermath to prosecutions instituted in 1941 against Joseph M. Schenck, motion picture executive, Schenck pleaded guilty in 1942 to a charge of perjury and was sentenced to imprisonment for a year and a day. His income tax evasion conviction in 1941 attracted nation-wide publicity.

Evidence gathered by Intelligence agents resulted in proceedings against numerous individuals on such charges as evasion of motor vehicle use tax, re-use of used or washed documentary stamps, possession of unregistered firearms, and evasion of social security and tobacco taxes.

Agents of the Alcohol Tax Unit ran across the trail of an old customer during the year, Irving Wexler, alias Waxey Gordon. Gordon, notorious prohibition era racketeer, and a confederate were sentenced on charges of conspiracy to violate sugar rationing regulations on evidence turned over to the Office of Price Administration by the Alcohol Tax Unit agents.

Gordon and his associates were charged with setting up a soft drink company "front" for prospective black-market operations in sugar involving 500,000 pounds.

The agents smashed an Alabama hill country moonshine ring that had plagued the Government since national prohibition days. Thirty-six persons were convicted in Federal court at Birmingham, with sentences totaling 42 years of imprisonment to be served, six years imprisonment suspended, and 97 years probation. This group, mostly related by blood or by marriage, resided in a remote section of Shelby County, Alabama. After months of intensive undercover work, agents closed in and in four days destroyed stills with total cubic capacity of 20,300 gallons a day.

Sentencing of ten more defendants in a notorious New York conspiracy brought total convictions in the case to 98 persons. The trials involved Marco LiMandri and associates, and was an outgrowth of what is known as the Stahl-Pellegrino conspiracy in which 74 persons were convicted. The defendants in the two series of cases drew total prison terms of 46 years. Evidence in the LiMandri case disclosed that more than a thousand 100-pound bags of sugar were furnished weekly to illicit distillers in the years 1939-40 when the operations flourished.

George W. Burk, sheriff of Talledega County, Alabama, and eight others were convicted in Federal court at Anniston, Alabama, in a case involving interstate moonshine whiskey operations. Burk was sentenced to four years' imprisonment, two of his deputies to three years each, and former sheriff Sam Burns to two years. The syndicate operated sixteen unregistered distilleries, and produced 20,000 gallons of high-proof whiskey. The sheriff was charged with receiving "protection" money from the still operators.

Another interstate illicit alcohol combine operating in the States of Illinois, Iowa, Minnesota, Michigan and Wisconsin was broken with conviction of Emil Ricchio and sixteen others. Sentences totaling 23 years were imposed.

Forty-five persons were convicted in the Southern District of New York on charges of conspiracy to defraud the United States of liquor taxes. This was known as the Allessio-Livolsi-Pezzulo syndicate, which made arrangements with various still owners to purchase output of finished alcohol.

-oOo-

It was pointed out that since this property would not otherwise be brought into the United States, the General Ruling works no hardship on American creditors. Also, it was stated by Treasury representatives that this Ruling protects only Mexican railroad property, as defined therein, and does not apply to any other assets.

It is anticipated that this General Ruling will pave the way for immediate and effective cooperation in getting much needed materials to their ultimate destination with a minimum of delay and wastefulness.

General Ruling No. 15 was issued pursuant to section 5(b) of the Trading with the enemy Act, as amended by the First War Powers Act, 1941.

ooOoo

2000

TREASURY DEPARTMENT
WASHINGTON, [redacted]

FOR ~~IMMEDIATE~~ RELEASE,
Thursday, FEB 4 - 1943.

Press Service
No. 35-25

The Treasury Department today issued regulations barring all legal and other proceedings which might interfere with the free and unrestricted use and operation of Mexican railroad equipment within the United States. This action was taken at the request of the Government of Mexico, the State Department, the Board of Economic Warfare, and other interested Government agencies.

~~Treasury officials stated that this action is~~ The new regulations are intended to remove an important bottleneck in the transportation of materials from Mexico to the United States. At the present time there is a large volume of war materials which is brought to the Mexican border on Mexican freight cars and there unloaded and reloaded into United States freight cars. This procedure, officials stated, is both time-consuming and wasteful of the nation's wartime freight car capacity.

Treasury officials ~~stated~~ said that this Government has been negotiating with the Government of Mexico for several months regarding the possibility of materials moving from Mexico to the United States on Mexican railroad equipment. One of the major stumbling blocks to this important wartime measure, however, has been the fear that such equipment might be seized by creditors. Unless this factor is eliminated, the war effort will be impaired and the entire program of direct shipment will be defeated.

To meet this wartime necessity, the Foreign Funds Control of the Treasury Department, after full consultation with the State Department, the Board of Economic Warfare, and the Mexican authorities, today issued General Ruling No. 15. Under this Ruling, all Mexican railroad equipment within the United States is accorded immunity against claimants seeking to attach or otherwise seize such property. Moreover, under this Ruling no legal, equitable, or possessory interest can be obtained in such rolling stock and equipment by virtue of any judicial process unless a Treasury license is first obtained.

Officials stated that a specific exemption from the immunity granted by this Ruling is made in favor of service and repair charges and other claims arising out of the operation within the United States of Mexican railroad property on or after the date of this Ruling.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, February 4, 1943.

Press Service
No. 35-25

The Treasury Department today issued regulations barring all legal and other proceedings which might interfere with the free and unrestricted use and operation of Mexican railroad equipment within the United States. This action was taken at the request of the Government of Mexico, the State Department, the Board of Economic Warfare, and other interested Government agencies.

The new regulations are intended to remove an important bottleneck in the transportation of materials from Mexico to the United States. At the present time there is a large volume of war materials which is brought to the Mexican border on Mexican freight cars and there unloaded and reloaded into United States freight cars. This procedure, officials stated, is both time-consuming and wasteful of the nation's wartime freight car capacity.

Treasury officials said that this Government has been negotiating with the Government of Mexico for several months regarding the possibility of materials moving from Mexico to the United States on Mexican railroad equipment. One of the major stumbling blocks to this important wartime measure, however, has been the fear that such equipment might be seized by creditors. Unless this factor is eliminated, the war effort will be impaired and the entire program of direct shipment will be defeated.

To meet this wartime necessity, the Foreign Funds Control of the Treasury Department, after full consultation with the State Department, the Board of Economic Warfare and the Mexican authorities, today issued General Ruling No. 15. Under this Ruling, all Mexican railroad equipment within the United States is accorded immunity against claimants seeking to attach or otherwise seize such property. Moreover, under this Ruling no legal, equitable or possessory interest can be obtained in such rolling stock and equipment by virtue of any judicial process unless a Treasury license is first obtained.

(Over)

Officials stated that a specific exemption from the immunity granted by this Ruling is made in favor of service and repair charges and other claims arising out of the operation within the United States of Mexican railroad property on or after the date of this Ruling.

It was pointed out that since this property would not otherwise be brought into the United States, the General Ruling works no hardship on American creditors. Also, it was stated by Treasury representatives that this Ruling protects only Mexican railroad property, as defined therein, and does not apply to any other assets.

It is anticipated that this General Ruling will pave the way for immediate and effective cooperation in getting much needed materials to their ultimate destination with a minimum of delay and wastefulness.

General Ruling No. 15 was issued pursuant to section 5(b) of the Trading with the Enemy Act, as amended by the First War Powers Act, 1941.

-oOo-

TREASURY DEPARTMENT
Office of the Secretary

February 4, 1943.

GENERAL RULING NO. 15
UNDER EXECUTIVE ORDER NO. 8389, AS AMENDED, EXECUTIVE ORDER NO. 9193, SECTIONS 3(a) AND 5(b) OF THE TRADING WITH THE ENEMY ACT, AS AMENDED BY THE FIRST WAR POWERS ACT, 1941, RELATING TO FOREIGN FUNDS CONTROL.*

(1) Unless authorized by license issued by the Secretary of the Treasury expressly referring to this general ruling:

(a) No person shall exercise within the United States any right, remedy, power, or privilege (by self-help, judicial process, or otherwise), directly or indirectly against or with respect to any Mexican railroad property; and

(b) Any seizure by attachment or otherwise of Mexican railroad property, and any judgment, decree, lien, execution, garnishment, or other judicial process against or with respect to such property is null and void.

(2) The provisions of (1)(a) and (1)(b) above shall not apply to claims arising out of, or with respect to, current repair, maintenance, and similar charges, in connection with the operation or servicing, within the United States, of Mexican railroad property on or after the date of this general ruling.

(3) As used in this general ruling, the term "Mexican railroad property" shall include:

(a) All railroad rolling stock and equipment brought into the United States from Mexico or acquired in the United States by a railroad in Mexico, and with respect to which Mexico or a national thereof has an interest;

(b) All earnings, income, or other rights, payable to, or in favor of, Mexico or a national thereof and created by reason of, or otherwise resulting from, the employment or use of such rolling stock or equipment within the United States after the date hereof.

Randolph Paul
Acting Secretary of the Treasury

* Part 132; -- Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Public No. 354, 77th Congress, 55 Stat. 838; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, Ex. Order 8963, December 9, 1941, and Ex. Order 8998, December 26, 1941; Ex. Order 9193, July 6, 1942; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

~~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.

o O o

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 February 10, 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

~~ALPHA~~

TREASURY DEPARTMENT

Washington

35-26

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 5, 1943.
~~(1)~~

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000 ~~(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 February 10, 1943 ~~(4)~~, and will mature May 12, 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, February 8, 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

(over)

E.P.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 5, 1943.
2-4-43

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 February 10, 1943, and will mature May 12, 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, February 8, 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 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 February 10, 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.

-oOo-

February 3, 1943 4

STATUTORY DEBT LIMITATION
AS OF JANUARY 31, 1943.

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 January 31, 1943:			
Interest-bearing:			
Bonds -			
Treasury	$49,273,473,150		
Savings (maturity value)*	19,942,606,000		
Depositary	136,863,000		
Adjusted Service	724,179,607	$70,077,121,757	
Treasury notes	21,638,640,950		
Certificates of indebtedness	14,386,044,000		
Treasury bills (maturity value)	7,422,689,000	43,447,373,950	
		113,524,495,707	
Matured obligations, on which interest has ceased		64,984,650	
Bearing no interest (U.S. War Savings stamps)		224,901,247	113,814,381,604
Face amount of obligations issuable under above authority			$ 11,185,618,396

Reconcilement with Statement of the Public Debt
(On the basis of daily Treasury Statements)
January 31, 1943

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act, as amended		$113,814,381,604
Deduct unearned discount on Savings bonds (difference between maturity value and current redemption value)		3,696,483,649
		110,117,897,955
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Pre-War, etc.)	195,960,420	
Matured obligations on which interest has ceased	10,303,595	
Bearing no interest	745,162,424	951,426,439
Total gross public debt outstanding January 31, 1943		$111,069,324,394

* Approximate maturity value. Principal amount (current redemption value) according to statement of the public debt on the basis of daily Treasury Statements $16,246,122,351

35-27

February 5, 1943.

STATUTORY DEBT LIMITATION
AS OF JANUARY 31, 1943.

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 January 31, 1943:			
Interest-bearing:			
Bonds -			
Treasury	$49,273,473,150		
Savings (maturity value)*	19,942,606,000		
Depositary	136,863,000		
Adjusted Service	724,179,607	$70,077,121,757	
Treasury notes	21,638,640,950		
Certificates of indebtedness	14,386,044,000		
Treasury bills (maturity value)	7,422,689,000	43,447,373,950	
		113,524,495,707	
Matured obligations, on which interest has ceased		64,984,650	
Bearing no interest (U.S. War Savings stamps)		224,901,247	113,814,381,604
Face amount of obligations issuable under above authority			$ 11,185,618,396

Reconcilement with Statement of the Public Debt
(On the basis of daily Treasury Statements)
January 31, 1943

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act, as amended		$113,814,381,604
Deduct unearned discount on Savings bonds (difference between maturity value and current redemption value)		3,696,483,649
		110,117,897,955
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Pre-War, etc.)	195,960,420	
Matured obligations on which interest has ceased	10,303,595	
Bearing no interest	745,162,424	951,426,439
Total gross public debt outstanding January 31, 1943		$111,069,324,394

* Approximate maturity value. Principal amount (current redemption value) according to statement of the public debt on the basis of daily Treasury Statements $16,246,122,351

35-27

-o0o-ing none of the nickel that identifies the coin in the popular mind. Production of this coin, its alloy changed to save critical war metals, was begun in October, and has now reached the volume of more than $2,000,000 worth a month.

Also, the Commissioners will be able to witness in the preliminary stages of production a new wartime one-cent piece, of a composition different from any coin in our history. This coin, with the familiar Lincoln design, is being stamped out of zinc-coated, steel strips, to free copper for munitions.

This year's commission will inspect specimens of more than 263,000 silver coins that have been taken at random from the year's production. The number to be tested is the largest in history as war stimulated business has maintained demand for coins at unprecedented rates.

Coins from the Denver and San Francisco Mints have been sent to Philadelphia under seal, and will be tested, along with the output of the parent institution.

At all United States Mints one silver coin out of each 2,000 delivered from the coining room to the Superintendent must be preserved for test by the Commission.

-oOo-

Washington; Olin R. Higgins, fruit grower, Hurlock, Maryland; George C. Davis, chemist, Philadelphia; Arthur E. Story, banker, Norwich, Connecticut.

The statutory ex-officio members are:

William H. Kirkpatrick, federal district judge, Philadelphia; Preston Delano, Comptroller of the Currency, Washington; and Joseph Buford, assayer, United States Assay Office, New York City.

Dr. Bearce will take to Philadelphia the official United States Mint weights that have been calibrated by the Bureau of Standards.

Under Mint regulations, each member of the Commission receives a special medal. This year the bronze piece will have a likeness of Lincoln on the face, and a reproduction of the first coinage press, installed in 1793, on the reverse side.

Members serve without compensation, but are reimbursed for their expenses.

Mrs. Nellie Tayloe Ross, Director of the Mint, will convene the Annual Assay Commission, in this, the 150th year of the existence of the United States Mint. And should its members desire to look about a bit outside the carefully guarded "pyx" boxes of coins to be sampled, they will witness some unusual business, reflecting wartime changes in coinage.

Their testing will be confined to the silver coinage, but they will be able to see in production the new "Victory" 5-cent piece, made of silver, copper, and manganese, and contain-

On Wednesday, February 10, there will gather at that venerable institution, the United States Mint at Philadelphia, a committee of prominent citizens appointed by the President, along with three statutory, ex-officio members, to exercise one of the most solemn responsibilities imposed by the founders of the Nation for the protection of its citizens.

The occasion will be the annual "trial of the coins", required by law to insure that the money of the realm comes up to the legal standards of fineness and weight. The Commission is required to meet on the second Wednesday of February each year.

The time-honored function has been carried out in times of War and in times of Peace, without a lapse since 1792.

The sixteen members of this year's Commission appointed by the President are:

Charles Diebold, Jr., attorney, Buffalo, New York; Russell Hopkins, manufacturer, Philadelphia; Sam Shore, president, United Public Markets, Inc., Providence, Rhode Island; Mrs. Richard J. Reynolds, Jr., Winston-Salem, North Carolina; Miss Josephine Schain, New York City; S. van Berg, president, Rough Diamond Company, New York City; Frank Cosgrove, secretary and treasurer of Johnson and Johnson, New Brunswick, New Jersey; George Crowley, Chicago; John F. Fitzgerald, former mayor, Boston; Judge Henry D. Harlan, president of the board, John Hopkins Hospital, Baltimore; Ben Grey, Great Neck, New York; Mrs. Neil Finn, Weehawken, New Jersey; Dr. Henry W. Bearce, chief, division of weights and measures, National Bureau of Standards, Sunday Rel

Miss Simpson

35-28

The annual " trial of the coins", required by law to insure that the nation's money comes up to standards of fineness and weight, will be held ~~next~~ Wednesday and Thursday at the United States Mint at Philadelphia, the Treasury announced today.

An Assay Commission of sixteen members appointed by the president and three ex-officio members designated by statute will perform the time-honored function, which has been carried out without lapse since 1792. An Assay Commission is required ~~by law~~ under the statutes to meet on the second Wednesday of February each year.

The sixteen members of this year's Commission appointed by the President are:

Charles Diebold, Jr., attorney, Buffalo, New York; Russell Hopkins, manufacturer, Philadelphia; Sam Shore, president, United Public Markets, Inc., Providence, Rhode Island; Mrs. Richard J. Reynolds, Jr., Winston-Salem, North Carolina; Miss Josephine Schain, New York City; S. van Berg, president, Rough Diamond Company, New York City; Frank Cosgrove, secretary and treasurer of Johnson and Johnson, New Brunswick, New Jersey; George Crowley, Chicago; John F. Fitzgerald, former mayor, Boston; Judge Henry D. Harlan, president of the board, John Hopkins Hospital, Baltimore; Ben Grey, Great Neck, New York; Mrs. Neil Finn, Weehawken, New Jersey; Dr. Henry W. Bearce, chief, division of weights and measures, National Bureau of Standards,

TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS,
Sunday, February 7, 1943.
2/5/43

Press Service
No. 35-28

The annual "trial of the coins", required by law to insure that the nation's money comes up to standards of fineness and weight, will be held Wednesday and Thursday at the United States Mint at Philadelphia, the Treasury announced today.

An Assay Commission of sixteen members appointed by the President and three ex-officio members designated by statute will perform the time-honored function, which has been carried out without lapse since 1792. An Assay Commission is required under the statutes to meet on the second Wednesday of February each year.

The sixteen members of this year's Commission appointed by the President are:

Charles Diebold, Jr., attorney, Buffalo, New York; Russell Hopkins, manufacturer, Philadelphia; Sam Shore, president, United Public Markets, Inc., Providence, Rhode Island; Mrs. Richard J. Reynolds, Jr., Winston-Salem, North Carolina; Miss Josephine Schain, New York City; S. van Berg, president, Rough Diamond Company, New York City; Frank Cosgrove, secretary and treasurer of Johnson and Johnson, New Brunswick, New Jersey; George Crowley, Chicago; John F. Fitzgerald, former mayor, Boston; Judge Henry D. Harlan, president of the board, Johns Hopkins Hospital, Baltimore; Ben Grey, Great Neck, New York; Mrs. Neil Finn, Weehawken, New Jersey; Dr. Henry W. Bearce, chief, division of weights and measures, National Bureau of Standards, Washington; Olin R. Higgins, fruit grower, Hurlock, Maryland; George C. Davis, chemist, Philadelphia; Arthur E. Story, banker, Norwich, Connecticut.

The statutory ex-officio members are:

William H. Kirkpatrick, federal district judge, Philadelphia; Preston Delano, Comptroller of the Currency, Washington; and Joseph Buford, assayer, United States Assay Office, New York City.

Dr. Bearce will take to Philadelphia the official United States Mint weights that have been calibrated by the Bureau of Standards.

Under Mint regulations, each member of the Commission receives a special medal. This year the bronze piece will have a likeness of Lincoln on the face, and a reproduction of the first coinage press, installed in 1793, on the reverse side.

Members serve without compensation, but are reimbursed for their expenses.

Mrs. Nellie Tayloe Ross, Director of the Mint, will convene the Annual Assay Commission, in this, the 150th year of the existence of the United States Mint. And should its members desire to look about a bit outside the carefully guarded "pyx" boxes of coins to be sampled, they will witness some unusual business, reflecting wartime changes in coinage.

Their testing will be confined to the silver coinage, but they will be able to see in production the new "Victory" five-cent piece, made of silver, copper, and manganese, and containing none of the nickel that identifies the coin in the popular mind. Production of this coin, its alloy changed to save critical war metals, was begun in October, and has now reached the volume of more than $2,000,000 worth a month.

Also, the Commissioners will be able to witness in the preliminary stages of production a new wartime one-cent piece, of a composition different from any coin in our history. This coin, with the familiar Lincoln design, is being stamped out of zinc-coated, steel strips, to free copper for munitions.

This year's commission will inspect specimens of more than 263,000 silver coins that have been taken at random from the year's production. The number to be tested is the largest in history as war stimulated business has maintained demand for coins at unprecedented rates.

Coins from the Denver and San Francisco Mints have been sent to Philadelphia under seal, and will be tested, along with the output of the parent institution.

At all United States Mints one silver coin out of each 2,000 delivered from the coining room to the Superintendent must be preserved for test by the Commission.

-oOo-

extension of time granted for the filing of such return. Corporations claiming the benefits of section 710 (a) (5) of the Internal Revenue Code, as added by section 222 (b) of the Revenue Act of 1942, relating to deferment of payment of excess profits tax shown on the return, must attach Form 991 (revised January 1943) to their excess profits tax returns at the time of the filing of such returns. In such case, there must be set forth in the form the data and information relied upon, in sufficient detail to establish eligibility for relief, the amount of constructive average base period net income claimed, the amount of tax reduction claimed by the use of section 722, and the amount of tax deferment claimed on the return.

A corporation may, within a reasonable time after the time prescribed for the filing of Form 991 (revised January 1943), supplement its application for relief by furnishing additional data and information to prove the grounds for relief stated in such application and to establish the amount of the constructive average base period net income. However, no new grounds for relief presented by a corporation after the date prescribed for the filing of its application for relief will be considered.

part of the revised form. The corporation's application for relief must set forth in detail and under oath each ground under section 722 upon which the application for relief is based, and facts sufficient to apprise the Commissioner of the exact basis thereof. The mere statement of the provision or provisions of law upon which a claim for relief is based shall not constitute an application for relief within the meaning of section 722. If a claim for relief is based upon section 722 (b) (5) (relating to factors other than those expressly provided by section 722(b)(1), (2), (3), and (4)), the application must state the factors which affect the corporation's business and which may reasonably be considered as resulting in an inadequate standard of normal earnings during the base period. However, if it is not possible for the taxpayer on or before April 21, 1943, to obtain and present all the detailed information required to establish its eligibility for relief and the amount of its constructive average base period net income, such detailed information may be submitted later as a supplement to the application.

If the benefits of section 722 are claimed with respect to the tax shown on the return for a taxable year beginning in 1942 or a subsequent year, an application must be filed in the same manner as is prescribed with respect to applications filed for years beginning in 1940 or 1941, except that the application for a taxable year beginning in 1942 or a subsequent year must be filed not later than six months after the date prescribed by law for the filing of the excess profits tax return. Such date includes the period of any

The Ruling or I T probably will appear in

IRB - 1943 - 3

Dated Feb. 11, 1943.

The next Bulletin will be dated Feb 25, 1943

BEB.

...TRUCTIVE
...ME

1943-3-
I.T.

...to be
...anuary
...der
...ue Code.

Advice has been requested relative to section 722 of the Internal Revenue Code, as amended by section 222 (a) of the Revenue Act of 1942, which extends general relief to corporations where their excess profits taxes are determined to be excessive and discriminatory. The relief is granted to corporations which establish what would be a fair and just amount representing normal earnings to be used as a constructive average base period net income for the purposes of an excess profits tax based upon a comparison of normal earnings and earnings during the excess profits tax taxable year. This relief has been made retroactive to taxable years beginning in 1940 and 1941.

In order to obtain relief with respect to the tax shown on the excess profits tax return for taxable years beginning in 1940 or 1941, an application on Form 991 (revised January 1943) must be filed on or before April 21, 1943, with the Commissioner of Internal Revenue, Washington, D. C. However, if the taxpayer has already filed a claim for relief upon Form 991 under section 722 prior to its amendment by the Revenue Act of 1942, the data and information submitted with such earlier form need not be repeated in Form 991 (revised January 1943) provided reference is made to such earlier form as constituting a

SECTION 722.--GENERAL RELIEF--CONSTRUCTIVE
AVERAGE BASE PERIOD NET INCOME

Regulations 109.

1943-3-
I.T.

Internal Revenue Code

Time for filing and information to be contained in Form 991 (revised January 1943) - Application for relief under section 722 of the Internal Revenue Code.

Advice has been requested relative to section 722 of the Internal Revenue Code, as amended by section 222 (a) of the Revenue Act of 1942, which extends general relief to corporations where their excess profits taxes are determined to be excessive and discriminatory. The relief is granted to corporations which establish what would be a fair and just amount representing normal earnings to be used as a constructive average base period net income for the purposes of an excess profits tax based upon a comparison of normal earnings and earnings during the excess profits tax taxable year. This relief has been made retroactive to taxable years beginning in 1940 and 1941.

In order to obtain relief with respect to the tax shown on the excess profits tax return for taxable years beginning in 1940 or 1941, an application on Form 991 (revised January 1943) must be filed on or before April 21, 1943, with the Commissioner of Internal Revenue, Washington, D. C. However, if the taxpayer has already filed a claim for relief upon Form 991 under section 722 prior to its amendment by the Revenue Act of 1942, the data and information submitted with such earlier form need not be repeated in Form 991 (revised January 1943) provided reference is made to such earlier form as constituting a

TREASURY DEPARTMENT
WASHINGTON

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

February 6, 1943

TO: MR. SURREY

FROM: MR. CANN nhlc

I enclose herewith a supply of I. T. 3599 on the subject of Section 722 of the Internal Revenue Code. There is also enclosed a proposed press release which should, if possible, be released Monday. Will you review same and then transmit it to Mr. Sullivan for any comments that he deems appropriate. In the interests of time, if you have any corrections you care to make in the press release, please return same this P. M.

Enclosures.

six months after the date prescribed for the filing of the excess profits tax return. The ruling also deals with the requirements where corporations claim the benefits of section 710(a)(5) of the Internal Revenue Code, as added by section 222(b) of the Revenue Act of 1942, which relate to deferment of payment of excess profits tax shown on the 1942 return based upon a claim that such taxes are excessive and discriminatory.

BEB/ebv

J.P.W.

BEB BB JPB
2-6-43 2/6/43 GEA 2/6/43 NRC

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

FOR IMMEDIATE RELEASE

Press Release No.

Commissioner of Internal Revenue Guy T. Helvering today called attention to a ruling which will be published in the Internal Revenue Bulletin, relative to the general relief provisions of section 722 of the Internal Revenue Code, as amended by section 222 of the Revenue Act of 1942.

The Commissioner stated that the ruling sets forth certain conditions under which applications for relief on form 991 (revised January 1943), which must be filed on or before April 21, 1943 in order to obtain relief for the taxable years 1940 and 1941, may be supplemented within a reasonable time after the time prescribed for filing if it is not possible for the corporation to obtain and present all the detailed information required to fully establish its eligibility for relief and the amount of its constructive average base period net income.

The Commissioner stated, however, that the corporation's application for relief must set forth in detail and under oath each ground under section 722 and the factors upon which the application is based with sufficient data and information to apprise the Commissioner of the exact basis thereof.

The same conditions apply to applications for relief for the taxable year 1942 and subsequent years which must be filed not later than six months after the date prescribed for the filing of the excess profits tax return. The ruling also deals with the requirements where corporations claim the benefits of section 710(a)(5) of the Internal Revenue Code, as added by section 222(b) of the Revenue Act of 1942, which relate to deferment of payment of excess profits tax shown on the 1942 return based upon a claim that such taxes are excessive and discriminatory.

The text of the ruling is as follows:

MHE
JWS

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

FOR IMMEDIATE RELEASE
Monday, February 8, 1943.

Press ~~Release No.~~ Service No. — 35-29

Commissioner of Internal Revenue Guy T. Helvering today called attention to a ruling which will be published in the Internal Revenue Bulletin, relative to the general relief provisions of section 722 of the Internal Revenue Code, as amended by section 222 of the Revenue Act of 1942.

The Commissioner stated that the ruling sets forth certain conditions under which applications for relief on form 991 (revised January, 1943), which must be filed on or before April 21, 1943, in order to obtain relief for the taxable years 1940 and 1941, may be supplemented within a reasonable time after the time prescribed for filing if it is not possible for the corporation to obtain and present all the detailed information required to fully establish its eligibility for relief and the amount of its constructive average base period net income.

The Commissioner stated, however, that the corporation's application for relief must set forth in detail and under oath each ground under section 722 and the factors upon which the application is based with sufficient data and information to apprise the Commissioner of the exact basis thereof.

The same conditions apply to applications for relief for the taxable year 1942 and subsequent years which must be filed not later than

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Monday, February 8, 1943.

Press Service
No. 35-29

Commissioner of Internal Revenue Guy T. Helvering today called attention to a ruling which will be published in the Internal Revenue Bulletin, relative to the general relief provisions of section 722 of the Internal Revenue Code, as amended by section 222 of the Revenue Act of 1942.

The Commissioner stated that the ruling sets forth certain conditions under which applications for relief on form 991 (revised January, 1943), which must be filed on or before April 21, 1943, in order to obtain relief for the taxable years 1940 and 1941, may be supplemented within a reasonable time after the time prescribed for filing if it is not possible for the corporation to obtain and present all the detailed information required to fully establish its eligibility for relief and the amount of its constructive average base period net income.

The Commissioner stated, however, that the corporation's application for relief must set forth in detail and under oath each ground under section 722 and the factors upon which the application is based with sufficient data and information to apprise the Commissioner of the exact basis thereof.

The same conditions apply to applications for relief for the taxable year 1942 and subsequent years which must be filed not later than six months after the date prescribed for the filing of the excess profits tax return. The ruling also deals with the requirements where corporations claim the benefits of section 710(a)(5) of the Internal Revenue Code, as added by section 222(b) of the Revenue Act of 1942, which relate to deferment of payment of excess profits tax shown on the 1942 return based upon a claim that such taxes are excessive and discriminatory.

The text of the ruling is as follows:

SECTION 722.--GENERAL RELIEF--CONSTRUCTIVE AVERAGE BASE PERIOD NET INCOME.

Regulations 109.

1943-3-11344
I.T. 3599

Internal Revenue Code

Time for filing and information to be contained in Form 991 (revised January 1943) - Application for relief under section 722 of the Internal Revenue Code.

Advice has been requested relative to section 722 of the Internal Revenue Code, as amended by section 222 (a) of the Revenue Act of 1942, which extends general relief to corporations where their excess profits taxes are determined to be excessive and discriminatory. The relief is granted to corporations which establish what would be a fair and just amount representing normal earnings to be used as a constructive average base period net income for the purposes of an excess profits tax based upon a comparison of normal earnings and earnings during the excess profits tax taxable year. This relief has been made retroactive to taxable years beginning in 1940 and 1941.

In order to obtain relief with respect to the tax shown on the excess profits tax return for taxable years beginning in 1940 or 1941, an application on Form 991 (revised January 1943) must be filed on or before April 21, 1943, with the Commissioner of Internal Revenue, Washington, D. C. However, if the taxpayer has already filed a claim for relief upon Form 991 under section 722 prior to its amendment by the Revenue Act of 1942, the data and information submitted with such earlier form need not be repeated in Form 991 (revised January 1943), provided reference is made to such earlier form as constituting a part of the revised form. The corporation's application for relief must set forth in detail and under oath each ground under section 722 upon which the application for relief is based, and facts sufficient to apprise the Commissioner of the exact basis thereof. The mere statement of the provision or provisions of law upon which a claim for relief is based shall not constitute an application for relief within the meaning of section 722. If a claim for relief is based upon section 722 (b) (5) (relating to factors other than those expressly provided by section 722(b)(1), (2), (3), and (4)), the application must state the factors which affect the corporation's business and which may reasonably be considered as resulting in an inadequate standard of

(over)

normal earnings during the base period. However, if it is not possible for the taxpayer on or before April 21, 1943, to obtain and present all the detailed information required to establish its eligibility for relief and the amount of its constructive average base period net income, such detailed information may be submitted later as a supplement to the application.

If the benefits of section 722 are claimed with respect to the tax shown on the return for a taxable year beginning in 1942 or a subsequent year, an application must be filed in the same manner as is prescribed with respect to applications filed for years beginning in 1940 or 1941, except that the application for a taxable year beginning in 1942 or a subsequent year must be filed not later than six months after the date prescribed by law for the filing of the excess profits tax return. Such date includes the period of any extension of time granted for the filing of such return. Corporations claiming the benefits of section 710 (a) (5) of the Internal Revenue Code, as added by section 222 (b) of the Revenue Act of 1942, relating to deferment of payment of excess profits tax shown on the return, must attach Form 991 (revised January 1943) to their excess profits tax returns at the time of the filing of such returns. In such case, there must be set forth in the form the data and information relied upon, in sufficient detail to establish eligibility for relief, the amount of constructive average base period net income claimed, the amount of tax reduction claimed by the use of section 722, and the amount of tax deferment claimed on the return.

A corporation may, within a reasonable time after the time prescribed for the filing of Form 991 (revised January 1943), supplement its application for relief by furnishing additional data and information to prove the grounds for relief stated in such application and to establish the amount of the constructive average base period net income. However, no new grounds for relief presented by a corporation after the date prescribed for the filing of its application for relief will be considered.

-oOo-

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, February 9, 1943.
2/8/43

Press Service
35-30

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated February 10 and to mature May 12, 1943, which were offered on February 5, 1943, were opened at the Federal Reserve Banks on February 8.

The details of this issue are as follows:

Total applied for - $1,041,767,000
Total accepted - 704,732,000

Range of accepted bids:

High	- 99.940	Equivalent rate of discount approx. 0.237% per annum
Low	- 99.905	" " " " " 0.376% per annum
Average price	- 99.906	" " " " " 0.372% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 22,826,000	$ 19,356,000
New York	750,785,000	444,874,000
Philadelphia	25,214,000	20,223,000
Cleveland	34,104,000	28,929,000
Richmond	23,374,000	22,362,000
Atlanta	10,040,000	9,764,000
Chicago	72,167,000	60,021,000
St. Louis	17,035,000	15,839,000
Minneapolis	4,877,000	4,868,000
Kansas City	14,480,000	14,075,000
Dallas	13,120,000	13,028,000
San Francisco	53,745,000	51,393,000
TOTAL	$1,041,767,000	$704,732,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, February 9, 1943.
2-8-43

Press Service
No. 35-30

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated February 10 and to mature May 12, 1943, which were offered on February 5, 1943, were opened at the Federal Reserve Banks on February 8.

The details of this issue are as follows:

Total applied for - $1,041,767,000
Total accepted - 704,732,000

Range of accepted bids:

High	- 99.940	Equivalent rate of discount approx. 0.237% per annum
Low	- 99.905	Equivalent rate of discount approx. 0.376% per annum
Average price	- 99.906	Equivalent rate of discount approx. 0.372% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 22,826,000	$ 19,356,000
New York	750,785,000	444,874,000
Philadelphia	25,214,000	20,223,000
Cleveland	34,104,000	28,929,000
Richmond	23,374,000	22,362,000
Atlanta	10,040,000	9,764,000
Chicago	72,167,000	60,021,000
St. Louis	17,035,000	15,839,000
Minneapolis	4,877,000	4,868,000
Kansas City	14,480,000	14,075,000
Dallas	13,120,000	13,028,000
San Francisco	53,745,000	51,393,000
TOTAL	$1,041,767,000	$704,732,000

-oOo-

FOR IMMEDIATE RELEASE,
February 9, 1943.

35-31

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. 30, 1943	174,627,884
Colombia	520,084,629	"	170,558,972
Costa Rica	33,019,264	"	6,921,611
Cuba	13,212,917	"	6,065,102
Dominican Republic	17,533,713	"	6,840,479
Ecuador	24,767,094	"	10,349,614
El Salvador	99,680,284	"	22,384,411
Guatemala	88,334,442	"	19,175,912
Haiti	45,400,298	"	22,445,857
Honduras	2,908,617	"	1,162,376
Mexico	78,758,056	"	11,605,548
Nicaragua	32,462,515	"	364,770
Peru	4,127,276	"	155
Venezuela	61,254,106	"	20,588,667
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	"	17,937,564

1/ Quotas revised.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, February 10, 1943.

Press Service
No. 35-31

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. 30, 1943	174,627,884
Colombia	520,084,629	"	170,558,972
Costa Rica	33,019,264	"	6,921,611
Cuba	13,212,917	"	6,065,102
Dominican Republic	17,533,713	"	6,840,479
Ecuador	24,767,094	"	10,349,614
El Salvador	99,680,284	"	22,384,411
Guatemala	88,334,442	"	19,175,912
Haiti	45,400,298	"	22,445,857
Honduras	2,908,617	"	1,162,376
Mexico	78,758,056	"	11,605,548
Nicaragua	32,462,515	"	364,770
Peru	4,127,276	"	155
Venezuela	61,254,106	"	20,588,667
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	"	17,937,564

1/ Quotas revised.

-oOo-

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of January 30, 1943.
Silver or black foxes, furs, and articles:				
Foxes valued under $250 ea. and whole furs and skins	Month of Jan. Canada	17,500	Number	6,355
	Other than Canada	7,500	Number	5,438
Tails	12 months from Dec. 1, 1942	5,000	Piece	462
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	18
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	20,218

FOR IMMEDIATE RELEASE,
February 9, 1943.

35-32

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 January 30, 1943, inclusive, as follows:

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of January 30, 1943.
Cattle less than 200 pounds each	Calendar year	100,000	Head	1,093
Cattle, 700 pounds or more each (other than dairy cows)	Quarter year from January 1, 1943	60,000	Head	10,700
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	363
Cream, fresh or sour	Calendar year	1,500,000	Gallon	56
Fish, fresh or frozen filleted, etc., cod, haddock, hake, pollock, cusk and rosefish	Calendar year	15,000,000	Pound	572,724
White or Irish potatoes				
certified seed	12 months from Sept. 15, 1942	90,000,000	Pound	30,743,354
Other	12 months from Sept. 15	60,000,000	Pound	563,257
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	2,793,272
Red cedar shingles	Calendar year	Undetermined	Square	81,034

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, February 10, 1943.

Press Service
No. 35-32

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 January 30, 1943, inclusive, as follows:

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of January 30, 1943.
Cattle less than 200 pounds each	Calendar year	100,000	Head	1,093
Cattle, 700 pounds or more each (other than dairy cows)	Quarter year from January 1, 1943	60,000	Head	10,700
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	363
Cream, fresh or sour	Calendar year	1,500,000	Gallon	56
Fish, fresh or frozen filleted, etc., cod, haddock, hake, pollock, cusk and rosefish	Calendar year	15,000,000	Pound	572,724
White or Irish potatoes				
certified seed	12 months from Sept. 15, 1942	90,000,000	Pound	30,743,354
Other	12 months from Sept. 15	60,000,000	Pound	563,257
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	2,793,272
Red cedar shingles	Calendar year	Undetermined	Square	81,034

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of January 30, 1943.
Silver or black foxes, furs, and articles: Foxes valued under $250 ea. and whole furs and skins	Month of Jan. Canada	17,500	Number	6,355
	Other than Canada	7,500	Number	5,438
Tails	12 months from Dec. 1, 1942	5,000	Piece	462
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	18
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	20,218

-oOo-

35-33

FOR IMMEDIATE RELEASE,
February 10, 1943.

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	WHEAT: Imports May 29, 1942, to Jan. 30, 1943	Wheat, wheat flour, semolina, crushed or cracked wheat and similar wheat products: Established Quota	Wheat, wheat flour, semolina, crushed or cracked wheat and similar wheat products: Imports May 29, 1942, Jan. 30, 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

-oOo-

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Wednesday, February 10, 1943.

Press Service
No. 35-33

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. 30, 1943	Established Quota	Imports May 29, 1942, Jan. 30, 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

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. 30, 1943	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 21, 1942, to Jan. 30, 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.

-oOo-

FOR IMMEDIATE RELEASE,
February 10 1943

35-34

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 30, 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. 30, 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. 30, 1943
Egypt and the Anglo-Egyptian Sudan.........	783,816	-		30,611,350
Peru....................	247,952	247,952		889,234
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	31,500,584

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, February 10, 1943.

Press Service
No. 35-34

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 30, 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. 30, 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. 30, 1943
Egypt and the Anglo-Egyptian Sudan	783,816	-		30,611,350
Peru	247,952	247,952		889,234
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	31,500,584

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 Jan. 30, 1943	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 21, 1942, to Jan. 30, 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	-
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.

-oOo-

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 February 17, 1943 ~~(B)~~.

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
35-5

~~ALPHA~~

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 12, 1943.

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 February 17, 1943, and will mature May 19, 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, February 15, 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

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 12, 1943.
2-11-43

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 February 17, 1943, and will mature May 19, 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, February 15, 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 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 February 17, 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.

-oOo-

THREE AND THREE-EIGHTHS PERCENT TREASURY BONDS OF 1943-47

NOTICE OF CALL FOR REDEMPTION

To Holders of 3-3/8 percent Treasury Bonds of 1943-47, and Others Concerned:

1. Public notice is hereby given that all outstanding 3-3/8 percent Treasury Bonds of 1943-47, dated June 15, 1927, are hereby called for redemption on June 15, 1943, on which date interest on such bonds will cease.

2. Full information regarding the presentation and surrender of the bonds for redemption under this call will be found in Department Circular No. 666, dated July 21, 1941.

3. These bonds will be redeemed at par, and holders will not be offered other obligations of the United States in exchange for their called bonds.

(Signed) Henry Morgenthau, Jr.,
Secretary of the Treasury.

TREASURY DEPARTMENT,
Washington, February 13, 1943.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, February 14, 1943.

Press Service
No. 35-36

Secretary of the Treasury Morgenthau announced today that all outstanding 3-3/8 percent Treasury Bonds of 1943-47 are called for redemption on June 15, 1943. Approximately $454,000,000 of these bonds are now outstanding.

The Secretary stated that the bonds will be paid off in cash, and holders will not be offered other obligations of the United States in exchange for their called bonds.

The text of the formal notice of call is as follows:

- - -

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, February 14, 1943.

Press Service
No. 35-36

Secretary of the Treasury Morgenthau announced today that all outstanding 3-3/8 percent Treasury Bonds of 1943-47 are called for redemption on June 15, 1943. Approximately $454,000,000 of these bonds are now outstanding.

The Secretary stated that the bonds will be paid off in cash, and holders will not be offered other obligations of the United States in exchange for their called bonds.

The text of the formal notice of call is as follows:

THREE AND THREE-EIGHTHS PERCENT TREASURY BONDS OF 1943-47
NOTICE OF CALL FOR REDEMPTION

To Holders of 3-3/8 percent Treasury Bonds of 1943-47, and Others Concerned:

1. Public notice is hereby given that all outstanding 3-3/8 percent Treasury Bonds of 1943-47, dated June 15, 1927, are hereby called for redemption on June 15, 1943, on which date interest on such bonds will cease.

2. Full information regarding the presentation and surrender of the bonds for redemption under this call will be found in Department Circular No. 666, dated July 21, 1941.

3. These bonds will be redeemed at par, and holders will not be offered other obligations of the United States in exchange for their called bonds.

(Signed) Henry Morgenthau, Jr.
Secretary of the Treasury.

TREASURY DEPARTMENT,
Washington, February 13, 1943.

~~For Release Sunday, February 14, 1943~~

~~WASHINGTON BANKS AND TRUST COMPANIES TO CASH CHECKS FOR GOVERNMENT EMPLOYEES~~

The Treasury Department announced ~~yesterday~~ today that through the cooperation of the ~~members and associate members of the~~ Washington, D. C. Clearing House Association, negotiations had been completed whereby government checks will be cashed by ~~the~~ Washington banks for individuals who do not maintain checking or commercial accounts. This new service ~~to~~ will become effective ~~tomorrow~~ Monday, February 15, at the fifty-two banking locations throughout the city.

It will be necessary for the individual to whom the check is payable to fully identify himself, officials said, and checks will only be cashed for persons to whom they are payable. ~~It has been learned that~~ A number of institutions are establishing separate windows to handle the increased volume. The question of facilitating the cashing of payroll checks has been carefully studied for several weeks by officials of the Treasury and a special committee of the ~~Washington, D. C.~~ clearing house association. A short while ago the Department announced that to meet probl[ems] arising from the Government's staggered pay days had been further staggered and the departments are now disbursing on twenty different days per month.

A number of the departmental executives have co-operated with the Treasury Department and have agreed to have disbursements made in cash to employees below grade 5. This program enabled the departments to pay approximately 35,000 more of ~~its~~ their employees in cash. The change over was commenced in December and was completed a few days ago.

It is believed by the Treasury Department that as a result of the cooperation of the banks the above program will materially assist employees who have heretofore experienced difficulties in cashing their checks.

TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS,
SUNDAY, FEBRUARY 14, 1943.

Press Service
No. 35-37

The Treasury announced today that beginning tomorrow all local banks will cash Government checks for individuals who do not maintain checking or commercial accounts.

The new service, which will be rendered at fifty-two banking locations throughout the city, is the result of negotiations between Treasury officials and the Washington Clearing House Association.

It will be necessary for the individual to whom the check is payable to identify himself fully, officials said, and checks will be cashed only for persons to whom they are payable. A number of institutions are establishing separate windows to handle the increased volume expected.

The facility of cashing Government payroll checks has been studied carefully for several weeks by Treasury officials and a special committee of the clearing house association with the view of ironing out problems rendered more acute by the staggered payroll plan which now has departments disbursing on twenty different days each month.

Officials said a number of Government departments have cooperated with the Treasury and have agreed to make disbursements in cash to employees earning less than $2,000 annually. This program, which was begun in December and completed a few days ago, enables the departments to pay approximately ~~35,000~~ 62,000 of their employees in cash.

Treasury officials believe the new program will assist materially employees who have heretofore experienced difficulties in cashing their checks.

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, February 14, 1943.
2-12-43

Press Service
No. 35-37

The Treasury announced today that beginning tomorrow all local banks will cash Government checks for individuals who do not maintain checking or commercial accounts.

The new service, which will be rendered at fifty-two banking locations throughout the city, is the result of negotiations between Treasury officials and the Washington Clearing House Association.

It will be necessary for the individual to whom the check is payable to identify himself fully, officials said, and checks will be cashed only for persons to whom they are payable. A number of institutions are establishing separate windows to handle the increased volume expected.

The facility of cashing Government payroll checks has been studied carefully for several weeks by Treasury officials and a special committee of the clearing house association with the view of ironing out problems rendered more acute by the staggered payroll plan which now has departments disbursing on twenty different days each month.

Officials said a number of Government departments have cooperated with the Treasury and have agreed to make disbursements in cash to employees earning less than $2,000 annually. This program, which was begun in December and completed a few days ago, enables the departments to pay approximately 62,000 of their employees in cash.

Treasury officials believe the new program will assist materially employees who have heretofore experienced difficulties in cashing their checks.

-oOo-

(The following income tax discussion by SECRETARY MORGENTHAU, CHAIRMAN DOUGHTON of the Ways and Means Committee of the House of Representatives and CHAIRMAN GEORGE of the Senate Finance Committee is scheduled to be broadcast over the Columbia Broadcasting System network at 6:15 p.m., Eastern War Time, Monday, February 15, 1943, and is for release at that time.)

~~now is the time~~

35-39

102

BUREAU OF ACCOUNTS
OFFICE OF THE COMMISSIONER

TREASURY DEPARTMENT

FISCAL SERVICE

WASHINGTON

February 6, 1943.

Schwarz

TO MR. D. W. BELL:

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

Sales	$14,500,000
Purchases	-
Net sales	$14,500,000

MR. SCHWARZ

February 6, 1943.

TO MR. D. W. BELL:

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

Sales	$14,500,000
Purchases	-
Net sales	$14,500,000

(Initialed) R. W. H.

gwm

Copy to: Mr. Schwarz
Mr. Heffelfinger
Miss Sanford
File

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE, ~~Friday, January~~ 15, 1943. Monday, February

Press Service 35-38 ~~No. 35-2~~

During the month of ~~December no~~ January 1943 market transactions ~~took place~~ in direct and guaranteed securities of the Government for Treasury investment and other accounts, resulted in net sales of $14,500,000, Secretary Morgenthau announced today.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, February 15, 1943.

Press Service
No. 35-38

During the month of January, 1943, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $14,500,000, Secretary Morgenthau announced today.

-oOo-

unusual for them to work 12 or 14 or even 16 hours a day, and from now until March 15th, the load they will carry becomes heavier and heavier.

File your return, therefore, as soon as you can. It will be a service both to yourself and to your country.

-oOo-

the Collector's Office if you have any questions to ask. And the longer you wait in line, the longer the man behind you will have to wait. He may very well be a war worker who is losing valuable time from his job because you delayed so long. In individual cases this may not seem serious, but in the aggregate it can add up to literally millions of man-hours of working time thrown away. This is an extravagance we can ill afford in these days of total war.

Finally, the prompt filing of your return -- tomorrow, if possible -- will be an immeasurable help to the men and women in the Collectors' Offices throughout the country. The period just before March 15th is a time of tremendous strain for all of us, and especially for them. During the filing period it is not at all

SECRETARY MORGENTHAU:

I want to express my thanks to Senator George and to Congressman Doughton for their remarks this evening. The country is indeed fortunate to have at this time two so able and distinguished public servants. All will agree, I am sure, that there should be no further doubt or hesitation about the obligation of every American to file a return on his 1942 income before March 15th and to pay at least one-quarter of his tax at or before that time.

But I hope you won't wait until March 15th to file your return. Delay can gain you nothing; on the contrary, it can cause you inconvenience, and cause your Government a lot of unnecessary trouble. The longer you wait before you file, the longer you will <u>have to wait in line</u> at

12

increasing from day to day, the Government needs more, not less, revenues. Even cancellation in whole or in part of 1942 liabilities will only make it so much more necessary to increase taxes on 1943 incomes.

Our country today is fighting for its life. Our fellow citizens in the Armed Services are giving all they have to make this a better world for you and me. To Americans in coming weeks the payment of taxes will not be a burden or a responsibility. It will be, as the President has so well said, a privilege.

11

farther from the truth. Pay-as-you-earn will make the payment of taxes more convenient, to be sure. But it is precisely because taxes are high and, what is more, going higher, that the need for a more convenient method of payment is today so great. It is day-dreaming to believe that a change-over in our method of tax collections means paying less taxes. The change-over will undoubtedly be followed by still higher taxes. It is of the utmost importance, therefore, that you make as large a payment as you possibly can on 1942 liabilities. Every dollar credited to your account on March 15th means so much less to pay later on when the burden will undoubtedly be greater.

This is certainly no time for illusions -- especially for illusions on the subject of taxes. With war expenditures and the Senate Finance Committee have already gone on record to that effect.

It may be that Congress later on may readjust 1942 tax liabilities. But by paying your taxes on or before March 15th you have nothing to fear. Your payment will be credited to your account, reducing by so much the taxes you will later have to pay. This is an important consideration to keep in mind. The more you pay up now, the less you will have to pay in the future. You have everything to gain by paying; and you have everything to lose by not paying.

Unfortunately, there are some people who do not realize this. They have gotten the false and erroneous idea that pay-as-you-earn will reduce -- some way, somehow -- the amount of taxes they have to pay. Nothing could be

~~Sen. George's Speech~~

I want to endorse completely the remarks that have just been made by Congressman Doughton and Secretary Morgenthau. The Senate Finance Committee and the House Ways and Means Committee recently adopted unanimously identical resolutions informing the American people that no pending tax-plan will relieve them of the necessity of filing an income tax return and paying their first quarterly instalment on March 15th. There should be no further grounds for doubt or hesitation.

I do not pretend to know what Congress will do about all -- and I emphasize the word all -- of our 1942 tax liabilities. I do know this, however. Congress has not cancelled, and will not cancel, the first instalment on those liabilities due March 15th. They must be paid on or before that date. The House Ways and Means Committee

(8)

SECRETARY MORGENTHAU:

After a distinguished career as a judge in his native State, Senator George for years has been giving unsparingly of his great talents and abilities to the nation as a whole. I have the honor to present my good friend, Senator Walter F. George, Chairman of the Finance Committee of the Senate.

#

SENATOR GEORGE:

(7)

not dealing with an immediate problem alone. We are dealing with a system of collections for permanent use.

Meanwhile, let there be no misunderstanding or confusion. The first quarterly income tax payment on 1942 income is due on or before March 15th. Tax returns must be filed on or before that date.

taxpayers on a pay-as-you-earn basis. It is getting the advice and counsel of the Treasury. It is gathering testimony from witnesses. It is conducting its own independent investigations. As Chairman of the Ways and Means Committee, I can assure you the best plan for making the bulk of taxpayers current will be introduced at the earliest possible time.

Taxpayers -- and today that means practically all Americans -- will realize that the change-over from the present system of collections to pay-as-you-earn is no simple task. It represents a basic change in our machinery of collection. We must secure the best system for year-in year-out use. For when pay-as-you-earn is once introduced it will be the pattern of collections for many years to come, if not for all time. We are

5

effective prosecution of the war. And no American wants to let that happen!

Let me make this fact clear. There has been no cancellation of taxes on 1942 income. There has been no postponement of taxes on 1942 income. There has been no change in the time or place of payment. The first quarterly instalment of the income tax is due on or before March 15th.

We all know what has given rise to the confusion and misunderstanding. There has been great interest in the country in making the income tax reflect more accurately the needs of the time.

[The Ways and Means Committee of the House of Representatives is giving the most serious attention at the present time to various proposals for putting

~~Rep. Doughton's Speech~~

A nation at war cannot discharge its proper functions when a large number of its people labor under confusion and misunderstanding about vital issues. Such misunderstandings play unwittingly into the hands of the enemy. Doubt and uncertainty in our ranks are just what the enemy is hoping for.

There has been misunderstanding on the part of large numbers of Americans in regard to income tax payments due on March 15th. Many people have gotten the idea that they will not have to make their first quarterly instalment payment on or before that date. This confusion is very embarrassing to the Government. Taxes are the lifeblood of a nation at war. The failure to pay taxes when due would interfere seriously with the

Doughton and Senator George to join me in talking to you this evening.

And now I take great pleasure in introducing to you my old friend, Congressman Robert L. Doughton, Chairman of the Ways and Means Committee of the House of Representatives, the Committee in which all tax legislation originates.

CONGRESSMAN DOUGHTON:

(3)

8 ~~5~~ ~~8~~ million income tax returns; this year there will be an estimated 35 million returns. This gives you some idea of the magnitude of the problem on which we are working.

Now that the income tax is really a people's tax, there is obvious need to re-examine it. Especially, there is need to make the tax payable on current earnings, not past earnings. The Treasury was one of the earliest advocates of pay-as-you-earn. For the past eighteen months the Treasury has advocated putting the income tax on a pay-as-you-earn basis. But in the discussion of how to put taxpayers on a current basis, a misunderstanding has arisen over the question of the tax payment due on March 15th.

To help clear this up, I have asked Congressman

(1)

SECRETARY MORGENTHAU:

I welcome this opportunity to speak to so many of my fellow Americans on the vital problem of income tax collections in wartime. I welcome too the opportunity of sharing this program with my good friends, Walter F. George, the distinguished Chairman of the Senate Finance Committee, and Robert L. Doughton, the distinguished Chairman of the House Ways and Means Committee. As Chairmen of the Congressional Committees delegated with the task of drawing up revenue measures, these gentlemen have worked without stinting their time or their thought or their knowledge to give to the country the kind of tax program which will best fit a great nation's wartime needs.

Our income tax today is no longer a tax on the few; it is a tax on the many. In 1940 there were less than

TREASURY DEPARTMENT
Washington

(The following income tax discussion by SECRETARY MORGENTHAU, CHAIRMAN DOUGHTON of the Ways and Means Committee of the House of Representatives and CHAIRMAN GEORGE of the Senate Finance Committee is scheduled to be broadcast over the Columbia Broadcasting System network at 6:15 p.m., Eastern War Time, Monday, February 15, 1943, and is for release at that time.)

SECRETARY MORGENTHAU:

I welcome this opportunity to speak to so many of my fellow Americans on the vital problem of income tax collections in wartime. I welcome too the opportunity of sharing this program with my good friends, Walter F. George, the distinguished Chairman of the Senate Finance Committee, and Robert L. Doughton, the distinguished Chairman of the House Ways and Means Committee. As Chairmen of the Congressional Committees entrusted with the task of drawing up revenue measures, these gentlemen have worked without stinting their time or their thought or their knowledge to give to the country the kind of tax program which will best fit a great nation's wartime needs.

Our income tax today is no longer a tax on the few; it is a tax on the many. In 1940 there were about 4 million taxable individual income tax returns; this year there will be an estimated 35 million taxable returns. This gives you some idea of the magnitude of the problem on which we are working.

35-39

Now that the income tax is really a people's tax, there is obvious need to re-examine it. Especially, there is need to make the tax payable on current earnings, not past earnings. The Treasury was one of the earliest advocates of pay-as-you-earn. For the past eighteen months the Treasury has advocated putting the income tax on a pay-as-you-earn basis. But in the discussion of how to put taxpayers on a current basis, a misunderstanding has arisen over the question of the tax payment due on March 15th.

To help clear this up, I have asked Congressman Doughton and Senator George to join me in talking to you this evening.

And now I take great pleasure in introducing to you my old friend, Congressman Robert L. Doughton, Chairman of the Ways and Means Committee of the House of Representatives, the Committee in which all tax legislation originates.

CONGRESSMAN DOUGHTON:

A nation at war cannot discharge its proper functions when a large number of its people labor under confusion and misunderstanding about vital issues. Such misunderstandings play unwittingly into the hands of the enemy. Doubt and uncertainty in our ranks are just what the enemy is hoping for.

There has been misunderstanding on the part of large numbers of Americans in regard to income tax payments due on March 15th. Many people have gotten the idea that they will not have to make their first quarterly instalment payment on or before that date. This confusion is very embarrassing to the Government. Taxes are the lifeblood of a nation at war. The failure to pay taxes when due would interfere seriously with the effective prosecution of the war. And no American wants to let that happen!

Let me make this fact clear. There has been no cancellation of taxes on 1942 income. There has been no postponement of taxes on 1942 income. There has been no change in the time or place of payment. The first quarterly instalment of the income tax is due on or before March 15th.

We all know what has given rise to the confusion and misunderstanding. There has been great interest in the country in making the income tax reflect more accurately the needs of the time.

The Ways and Means Committee of the House of Representatives is giving the most serious attention at the present time to various proposals for putting taxpayers on a pay-as-you-earn basis. It is getting the advice and counsel of the Treasury. It is gathering testimony from witnesses. It is conducting its own independent investigations. As Chairman of the Ways and Means Committee, I can assure you the best plan for making the bulk of taxpayers current will be introduced at the earliest possible time.

Taxpayers -- and today that means practically all Americans -- will realize that the change-over from the present system of collections to pay-as-you-earn is no simple task. It represents a basic change in our machinery of collection. We must secure the best system for year-in year-out use. For when pay-as-you-earn is once introduced it will be the pattern of collections for many years to come, if not for all time. We are not dealing with an immediate problem alone. We are dealing with a system of collections for permanent use.

Meanwhile, let there be no misunderstanding or confusion. The first quarterly income tax payment on 1942 income is due on or before March 15th. Tax returns must be filed on or before that date.

SECRETARY MORGENTHAU:

After a distinguished career as a judge in his native State, Senator George for years has been giving unsparingly of his great talents and abilities to the nation as a whole. I have the honor to present my good friend, Senator Walter F. George, Chairman of the Finance Committee of the Senate.

SENATOR GEORGE:

I want to endorse completely the remarks that have just been made by Congressman Doughton and Secretary Morgenthau. The Senate Finance Committee and the House Ways and Means Committee recently adopted unanimously identical resolutions informing the American people that no pending tax plan will relieve them of the necessity of filing an income tax return and paying their first quarterly instalment on March 15th. There should be no further grounds for doubt or hesitation.

I do not pretend to know what Congress will do about all -- and I emphasize the word all -- of our 1942 tax liabilities. I do know this, however. Congress has not cancelled, and will not cancel, the first instalment on those liabilities due March 15th. They must be paid on or before that date. The House Ways and Means Committee and the Senate Finance Committee have already gone on record to that effect.

It may be that Congress later on may readjust 1942 tax liabilities. But by paying your taxes on or before March 15th you have nothing to fear. Your payment will be credited to your account, reducing by so much the taxes you will later have to pay. This is an important consideration to keep in mind. The more you pay up now, the less you will have to pay in the future. You have everything to gain by paying; and you have everything to lose by not paying.

Unfortunately, there are some people who do not realize this. They have gotten the false and erroneous idea that pay-as-you-earn will reduce -- some way, somehow -- the amount of taxes they have to pay. Nothing could be farther from the truth. Pay-as-you-earn will make the payment of taxes more convenient, to be sure. But it is precisely because taxes are high and, what is more, going higher, that the need for a more convenient method of payment is today so great. It is day-dreaming to believe that a change-over in our method of tax collections means paying less taxes. The change-over will undoubtedly be followed by still higher taxes. It is of the utmost importance, therefore, that you make as large a payment as you possibly can on 1942 liabilities. Every dollar credited to your account on March 15th means so much less to pay later on when the burden will undoubtedly be greater.

This is certainly no time for illusions -- especially for illusions on the subject of taxes. With war expenditures increasing from day to day, the Government needs more, not less, revenues. Even cancellation in whole or in part of 1942 liabilities will only make it so much more necessary to increase taxes on 1943 incomes.

Our country today is fighting for its life. Our fellow citizens in the Armed Services are giving all they have to make this a better world for you and me. To Americans in coming weeks the payment of taxes will not be a burden or a responsibility. It will be, as the President has so well said, a privilege.

SECRETARY MORGENTHAU:

I want to express my thanks to Senator George and to Congressman Doughton for their remarks this evening. The country is indeed fortunate to have at this time two so able and distinguished public servants. All will agree, I am sure, that there should be no further doubt or hesitation about the obligation of every American to file a return on his 1942 income before March 15th and to pay at least one-quarter of his tax at or before that time.

But I hope you won't wait until March 15th to file your return. Delay can gain you nothing; on the contrary, it can cause you inconvenience, and cause your Government a lot of unnecessary trouble. The longer you wait before you file, the longer you will have to wait in line at the Collector's Office if you have any questions to ask. And the longer you wait in line, the longer the man behind you will have to wait. He may very well be a war worker who is losing valuable time from his job because you delayed so long. In individual cases this may not seem serious, but in the aggregate it can add up to literally millions of man-hours of working time thrown away. This is an extravagance we can ill afford in these days of total war.

Finally, the prompt filing of your return -- tomorrow, if possible -- will be an immeasurable help to the men and women in the Collectors' Offices throughout the country. The period just before March 15th is a time of tremendous strain for all of us, and especially for them. During the filing period it is not at all unusual for them to work 12 or 14 or even 16 hours a day, and from now until March 15th, the load they will carry becomes heavier and heavier.

File your return, therefore, as soon as you can. It will be a service both to yourself and to your country.

-oOo-

Miss Simpson

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, February 16, 1943.

Press Service
35-40

The Secretary of the Treasury announced last evening that the tenders for $700,000,000 or thereabouts, of 91-day Treasury bills to be dated February 17 and to mature May 19, 1943 which were offered on February 12, 1943, were opened at the Federal Reserve Banks on February 15.

The details of this issue are as follows:

Total applied for - $1,114,274,000
Total accepted - 703,107,000

Range of accepted bids:

High	- 99.935	Equivalent rate of discount approx. 0.257% per annum
Low	- 99.905	" " " " " 0.376% " "
Average price	- 99.906	" " " " " 0.373% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 30,635,000	$ 23,743,000
New York	768,759,000	412,857,000
Philadelphia	20,745,000	14,915,000
Cleveland	25,995,000	22,178,000
Richmond	22,505,000	17,858,000
Atlanta	16,880,000	14,280,000
Chicago	72,599,000	57,577,000
St. Louis	29,361,000	24,149,000
Minneapolis	8,936,000	8,856,000
Kansas City	21,734,000	21,469,000
Dallas	14,410,000	14,310,000
San Francisco	81,715,000	70,915,000
TOTAL	$1,114,274,000	$703,107,000

Em

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, February 16, 1943.
2/15/43

Press Service
No. 35-40

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated February 17 and to mature May 19, 1943, which were offered on February 12, 1943, were opened at the Federal Reserve Banks on February 15.

The details of this issue are as follows:

Total applied for - $1,114,274,000
Total accepted - 703,107,000

Range of accepted bids:

High	- 99.935	Equivalent rate of discount approx.	0.257% per annum
Low	- 99.905	" " " " "	0.376% per annum
Average Price	- 99.906	" " " " "	0.373% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 30,635,000	$ 23,743,000
New York	768,759,000	412,857,000
Philadelphia	20,745,000	14,915,000
Cleveland	25,995,000	22,178,000
Richmond	22,505,000	17,858,000
Atlanta	16,880,000	14,280,000
Chicago	72,599,000	57,577,000
St. Louis	29,361,000	24,149,000
Minneapolis	8,936,000	8,856,000
Kansas City	21,734,000	21,469,000
Dallas	14,410,000	14,310,000
San Francisco	81,715,000	70,915,000
TOTAL	$1,114,274,000	$703,107,000

-oOo-

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 February 24, 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

Miss Simpson

~~ALPHAX~~

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, February 17, 1943 .
(1)

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000 (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 February 24, 1943 (4), and will mature May 26, 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, Friday, February 19, 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

Emm 35-41

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, February 17, 1943.
2/16/43

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 February 24, 1943, and will mature May 26, 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, Friday, February 19, 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 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 February 24, 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.

-oOo-

Miss Simpson

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thurs. ~~Tuesday~~, February ~~16~~, 18, 1943.

Press Service
No. 35-42

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	Feb. 6, 1943	179,823,406
Colombia	520,084,629	"	173,391,797
Costa Rica	33,019,264	"	6,921,911
Cuba	13,212,917	"	6,065,114
Dominican Republic	17,533,713	"	10,533,699
Ecuador	24,767,094	"	10,582,861
El Salvador	99,680,284	"	22,537,528
Guatemala	88,334,442	"	20,606,318
Haiti	45,400,298	"	24,441,354
Honduras	2,908,617	"	1,162,067
Mexico	78,758,056	"	15,284,310
Nicaragua	32,462,515	"	364,770
Peru	4,127,276	"	155
Venezuela	61,254,106	"	20,759,291
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	"	17,938,471

1/ Quotas revised.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, February 18, 1943.

Press Service
No. 35-42

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	Feb. 6, 1943	179,823,406
Colombia	520,084,629	"	173,391,797
Costa Rica	33,019,264	"	6,921,911
Cuba	13,212,917	"	6,065,114
Dominican Republic	17,533,713	"	10,533,699
Ecuador	24,767,094	"	10,582,861
El Salvador	99,680,284	"	22,537,528
Guatemala	88,334,442	"	20,606,318
Haiti	45,400,298	"	24,441,354
Honduras	2,908,617	"	1,162,067
Mexico	78,758,056	"	15,284,310
Nicaragua	32,462,515	"	364,770
Peru	4,127,276	"	155
Venezuela	61,254,106	"	20,759,291
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	"	17,938,471

1/ Quotas revised.

-oOo-

INSOLVENT NATIONAL BANKS LIQUIDATED AND FINALLY CLOSED
DURING THE MONTH OF JANUARY, 1943

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
Capital National Bank Lansing, Michigan 1/	3-13-34	$ 12,614,809	89.83% 2/	$ 600,000	$ -0-
New Jersey Nat'l Bk.& Tr.Co. Newark, New Jersey	6-11-32	14,352,569	109.83%	2,800,000	-0-
Jefferson County Nat'l Bank Brookville, Penna. 1/	11-9-33	1,254,109	63.95%	125,000	-0-
Farmers Nat'l Bank & Tr.Co. Reading, Penna. 1/	11-8-34	8,190,799	76.35% 2/	1,000,020	-0-
Penn Nat'l Bank & Tr. Co.1/ Reading, Penna.	11-26-34	4,993,480	100.15% 2/	1,000,000	-0-

1/ Formerly in conservatorship
2/ Including Dividends paid thru or by purchasing bank

2-16-43

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS
Frid Feb 19-1943

PRESS SERVICE
35-43

During the month of January, 1943, 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 $41,405,766, while dividends paid to unsecured creditors amounted to an average of 90.73 percent of their claims. Total costs of liquidation of these receiverships averaged 5.95 percent of total collections from all sources, including offsets allowed.

Dividend distributions to all creditors of all active receiverships during the month of January, amounted to $1,424,654. Data as to results of liquidation of the receiverships finally closed during the month are as follows:

2-16-42

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS, Friday, February 19, 1943.
2-18-43

Press Service
No. 35-43

During the month of January, 1943, 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 $41,405,766, while dividends paid to unsecured creditors amounted to an average of 90.73 percent of their claims. Total costs of liquidation of these receiverships averaged 5.95 percent of total collections from all sources, including offsets allowed.

Dividend distributions to all creditors of all active receiverships during the month of January, amounted to $1,424,654. Data as to results of liquidation of the receiverships finally closed during the month are as follows:

INSOLVENT NATIONAL BANKS LIQUIDATED AND FINALLY CLOSED
DURING THE MONTH OF JANUARY, 1943

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
Capital National Bank Lansing, Michigan 1/	3-13-34	$ 12,614,809	89.83% 2/	$ 600,000	$ -0-
New Jersey Nat'l Bk.& Tr.Co. Newark, New Jersey	6-11-32	14,352,569	109.83%	2,800,000	-0-
Jefferson County Nat'l Bank Brookville, Penna. 1/	11-9-33	1,254,109	63.95%	125,000	-0-
Farmers Nat'l Bank & Tr.Co. Reading, Penna. 1/	11-8-34	8,190,799	76.35% 2/	1,000,020	-0-
Penn Nat'l Bank & Tr. Co.1/ Reading, Penna.	11-26-34	4,993,480	100.15% 2/	1,000,000	-0-

1/ Formerly in conservatorship
2/ Including Dividends paid thru or by purchasing bank

-oOo-

DIVIDEND PAYMENTS TO CREDITORS OF INSOLVENT NATIONAL BANKS AUTHORIZED DURING THE MONTH ENDED JANUARY 31, 1943

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 National Bank of Darby, Penna.	Final	1-28-43	2nd	3.83%	$ 91,600	28.83%	8,309	$ 2,392,500

2-16-43

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS
Frid. Feb 19 -

Press Service
30-44

During the month ended January 31, 1943, authority was granted for payment of a dividend to the creditors of one insolvent national bank. The dividend so authorized, a second (final) payment of 3.83 percent, represented a distribution of $91,600 to 8,309 claimants who had proved claims aggregating $2,392,500. The dividend payment authorized during the month ended January 31, 1943, was as follows:

2-16-43

TREASURY DEPARTMENT
Comptroller of the Currency
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 19, 1943.
2-18-43

Press Service
No. 35-44

During the month ended January 31, 1943, authority was granted for payment of a dividend to the creditors of one insolvent national bank. The dividend so authorized, a second (final) payment of 3.83 percent, represented a distribution of $91,600 to 8,309 claimants who had proved claims aggregating $2,392,500. The dividend payment authorized during the month ended January 31, 1943, was as follows:

DIVIDEND PAYMENTS TO CREDITORS OF INSOLVENT NATIONAL
BANKS AUTHORIZED DURING THE MONTH ENDED
JANUARY 31, 1943

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 National Bank of Darby, Penna.	Final	1-28-43	2nd	3.83%	$91,600	28.83%	8,309	$ 2,392,500

-oOo-

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Saturday, February 20, 1943.

Press Service

35-45

The Secretary of the Treasury announced last evening that the tenders for $700,000,00 or thereabouts, of 91-day Treasury bills to be dated February 24 and to mature May 26, 194 which were offered on February 17, 1943, were opened at the Federal Reserve Banks on February 19.

The details of this issue are as follows:

Total applied for - $1,053,727,000
Total accepted - 700,206,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx.	0.297% per annum
Low	- 99.905	" " " " "	0.376% " "
Average price	- 99.906	" " " " "	0.374% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 17,452,000	$ 14,301,000
New York	749,022,000	438,164,000
Philadelphia	19,315,000	13,343,000
Cleveland	30,260,000	27,618,000
Richmond	18,270,000	14,210,000
Atlanta	14,120,000	12,204,000
Chicago	92,566,000	76,058,000
St. Louis	21,281,000	17,721,000
Minneapolis	2,549,000	2,449,000
Kansas City	33,667,000	32,473,000
Dallas	17,445,000	16,128,000
San Francisco	37,780,000	35,537,000
TOTAL	$1,053,727,000	$700,206,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, February 20, 1943.
2-19-43

Press Service
No. 35-45

The Secretary of the Treasury announced last evening that the tenders for $700,000,000 or thereabouts, of 91-day Treasury bills to be dated February 24 and to mature May 26, 1943, which were offered on February 17, 1943, were opened at the Federal Reserve Banks on February 19.

The details of this issue are as follows:

Total applied for - $1,053,727,000
Total accepted - 700,206,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.297% per annum
Low	- 99.905	Equivalent rate of discount approx. 0.376% per annum
Average price	- 99.906	Equivalent rate of discount approx. 0.374% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 17,452,000	$ 14,301,000
New York	749,022,000	438,164,000
Philadelphia	19,315,000	13,343,000
Cleveland	30,260,000	27,618,000
Richmond	18,270,000	14,210,000
Atlanta	14,120,000	12,204,000
Chicago	92,566,000	76,058,000
St. Louis	21,281,000	17,721,000
Minneapolis	2,549,000	2,449,000
Kansas City	33,667,000	32,473,000
Dallas	17,445,000	16,128,000
San Francisco	37,780,000	35,537,000
TOTAL	$1,053,727,000	$700,206,000

-oOo-

Lang -74411
add two

The ~~ransom~~ amounts varied with the financial status of the person involved. In some cases a reduced rate was offered in the form of a lump sum which would pay for the exit permits of a group of people. In one of these wholesale deals, ~~particular instance,~~ the emigration of several hundred people was at stake and the sum requested ran into millions of Swiss francs. Most of the ~~ransom~~ victims however, were selected from those with friends known or reputed to have a certain amount of wealth. The Nazis apparently made a careful check of people with funds on deposit in neutral countries. These deposits were ~~frequently~~ specifically referred to in a number of the extortion notes.

Although no money which might possibly find its way into German coffers is being released from the United States, financial aid is still permitted to be sent to bona fide refugees stranded in neutral countries.

Lang -74411
add one

The racket, which had its variations, usually operated this way:

Messages were sent by Reich agents to persons ~~relatives~~ in free countries to the effect that if a certain amount of money were not immediately paid either to the credit of the agent or his intermediary, the wife, children ~~or~~ parents or other relatives of the shakedown victim would be sent to a concentration camp or deported to Poland where a mass "depopulation" process is taking place. If the money were paid, (it was indicated,) the endangered relative would then receive an "exit permit" which theoretically entitled him to leave the Reich domain and somehow make his way to his benefactor. There is evidence, however, that the Germans frequently backslid on their agreement and, instead of granting the "exit permit", asked for additional ransom. The rates ranged from $4,000 to $75,000 for a single exit permit.

Some Travel agencies and various individuals in neutral and Allied countries acted as the intermediaries for the German-sponsored SOS messages to worried relatives. A number of these acted innocently enough, believing that they were expediting the release of a Nazi prisoner. The majority of the go-betweens, however, consisted of veteran Nazis or willing helpers, completely aware of what they were doing. Requests for ransom payments were also often signed by relatives within German territory who pleaded for their liberation.

(More)

Lang-74411

TREASURY DEPARTMENT
Washington

FOR RELEASE SUNDAY NEWSPAPERS,
March 1, 1943. ~~OFFICE OF XXXX XXXX INFORMATION~~

Press Service
No. 35-4

double

An international Nazi ransom racket involving the sale of German exit permits in exchange for money exported from United Nations territory has recently been stopped as the result of a three-way agreement between the Netherlands Government, Great Britain and the United States, the Treasury announced tod ~~[illegible] disclosed today~~.

The agreement, put into effect November 24, 1942, calls for the ~~complete~~ cessation of the transfer of money for the purpose of buying exit permits for people within Reich-held territory who wish to emigrate. ¶ The Netherlands, Great Britain and the United States, the three nations chiefly affected by Germany's device for bolstering its finances, have issued announcements that all individuals willing to buy such exit permits for friends or relatives and all brokers, agents or individuals aiding in the transfer of such monies will be placed on a black list and regarded as enemies. Since the announcements were sent out, nearly three months ago, the number of messages received by Dutch, British and American nationals from within Germany has dwindled sharply.

Single space

The Foreign Funds Control division of the Treasury acting in unison with ~~and~~ State Departments has been designated as the United States agency responsible for ~~in charge of~~ preventing any transactions of this nature which may be used to further enemy operations, particularly along the lines of creating foreign credits to finance ~~money from leaving the country for enemy uses.~~

~~Although the exact sum the Nazis came into as a result of their ransom device is unknown, whatever figure was reached amounted to so much credit in American dollars for the Germans, and is believed to have been used by them for foreign~~ espionage, sabotage, and the purchase of strategic military materials in foreign countries where the Reichsmark is ~~was~~ not honored. ~~It is not believed that the ransom device has been at all successful.~~

TREASURY DEPARTMENT
Washington

FOR RELEASE SUNDAY NEWSPAPERS, [redacted] FEB 28 1943
2/25/43

Press Service
No. 35-46

An international Nazi ransom racket involving the sale of German exit permits in exchange for money exported from United Nations territory has recently been stopped as the result of a three-way agreement between the Netherlands Government, Great Britain and the United States, the Treasury announced today.

The agreement, put into effect November 24, 1942, calls for the cessation of the transfer of money for the purpose of buying exit permits for people within Reich-held territory who wish to emigrate.

The Netherlands, Great Britain and the United States, the three nations chiefly affected by Germany's device for bolstering its finances, have issued announcements that all individuals willing to buy such exit permits for friends or relatives and all brokers, agents or individuals aiding in the transfer of such monies will be placed on a black list and regarded as enemies. Since the announcements were sent out, nearly three months ago, the number of messages received by Dutch, British and American nationals from within Germany has dwindled sharply.

The Foreign Funds Control division of the Treasury, acting in unison with the State Department, has been designated as the United States agency responsible for preventing any transactions of this nature which might be used to further enemy operations, particularly along the lines of creating foreign credits to finance espionage, sabotage, and the purchase of strategic military materials in foreign countries where the Reichsmark is not honored.

The racket, which had its variations, usually operated this way:

Messages were sent by Reich agents to persons in free countries to the effect that if a certain amount of money were not immediately paid either to the credit of the agent or his intermediary, the wife, children, parents or other relatives of the shakedown victim would be sent to a concentration camp or deported to Poland where a mass "depopulation" process is taking place. If the money were paid, it was indicated, the endangered relative would then receive an "exit permit" which theoretically entitled him to leave the Reich domain and somehow make his way to his benefactor. There is evidence, however, that the Germans frequently backslid on their agreement and, instead of granting the "exit permit", asked for additional ransom. The rates ranged from $4,000 to $75,000 for a single exit permit.

Some travel agencies and various individuals in neutral and Allied countries acted as the intermediaries for the German-sponsored SOS messages to worried relatives. A number of these acted innocently enough, believing that they were expediting the release of a Nazi prisoner. The majority of the go-betweens, however, consisted of veteran Nazis or willing helpers, completely aware of what they were doing. Requests for ransom payments were also often signed by relatives within German territory who pleaded for their liberation.

The amounts varied with the financial status of the person involved. In some cases a reduced rate was offered in the form of a lump sum which would pay for the exit permits of a group of people. In one of these wholesale deals, the emigration of several hundred people was at stake and the sum requested ran into millions of Swiss francs. Most of the victims however, were selected from those with friends known or reputed to have a certain amount of wealth. The Nazis apparently made a careful check of people with funds on deposit in neutral countries. These deposits were specifically referred to in a number of the extortion notes.

Although no money which might possibly find its way into German coffers is being released from the United States, financial aid is still permitted to be sent to bona fide refugees stranded in neutral countries.

-oOo-

FOR IMMEDIATE RELEASE,
February 23, 1943.

3 5 - 47

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	Feb. 13, 1943	180,401,885
Colombia	520,084,629	"	195,164,691
Costa Rica	33,019,264	"	7,297,748
Cuba	13,212,917	"	6,065,145
Dominican Republic	17,533,713	"	10,816,689
Ecuador	24,767,094	"	11,253,486
El Salvador	99,680,284	"	23,371,184
Guatemala	88,334,442	"	23,365,859
Haiti	45,400,298	"	32,642,691
Honduras	2,908,617	"	1,162,067
Mexico	78,758,056	"	17,063,862
Nicaragua	32,462,515	"	364,770
Peru	4,127,276	"	155
Venezuela	61,254,106	"	21,249,984
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	"	18,459,883

1/ Quotas revised.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, February 24, 1943.

Press Service
No. 35-47

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	Feb. 13, 1943	180,401,885
Colombia	520,084,629	"	195,164,691
Costa Rica	33,019,264	"	7,297,748
Cuba	13,212,917	"	6,065,145
Dominican Republic	17,533,713	"	10,816,689
Ecuador	24,767,094	"	11,253,486
El Salvador	99,680,284	"	23,371,184
Guatemala	88,334,442	"	23,365,859
Haiti	45,400,298	"	32,642,691
Honduras	2,908,617	"	1,162,067
Mexico	78,758,056	"	17,063,862
Nicaragua	32,462,515	"	364,770
Peru	4,127,276	"	155
Venezuela	61,254,106	"	21,249,984
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	"	18,459,883

1/ Quotas revised.

-oOo-

our revenues. Indeed, we are faced with the necessity of raising additional revenue in a time of national peril. Should we forgive taxes on persons who had 1942 incomes when we shall be obliged to increase greatly the taxes to be paid out of the incomes of 1943 and subsequent years? The decision we make on this question will determine to a considerable extent who will pay this increase in taxes.

These are the reasons why it has not been possible for the Treasury to recommend to the Congress the complete cancellation of taxes on 1942 incomes. It has not been possible for the Treasury to recommend legislation which will benefit a few at the expense of the many.

In discussions of this problem some consideration has been given to partial cancellation of 1942 taxes. In so far as such partial cancellation bestows benefits on substantially all taxpayers, and distributes those benefits among taxpayers equitably, some of the objections to complete cancellation do not apply. The revenue which would be lost by the Government could be made up by increased taxation from substantially the same individuals who benefited by cancellation.

In conclusion, let me restate in exact terms the issue involved in forgiveness of taxes on 1942 incomes. There is no issue between the Treasury and taxpayers. There is an issue between different taxpayers. It concerns their share of the tax burden. We have to maintain

our revenues.

have already imposed or by cancelling these taxes and imposing others? There are two important ways in which our choice of method will affect the distribution of the tax burden. In the first place, if we cancel 1942 taxes, the additional revenue will be raised solely on the basis of the incomes of 1943 and subsequent years without regard at all to the 1942 income. Those who had substantial income in 1942, but who receive little or no income in 1943 and subsequent years, will contribute much less to the war costs than those whose position is reversed. In the second place, and more important, rates on the higher incomes are already so high that they can scarcely be increased sufficiently to make up for the amount of 1942 taxes forgiven. The greater part of any increase in tax rates will have to fall on taxpayers in the low and middle income groups. It is not difficult to recover the taxes forgiven at the bottom, but it is practically impossible to recover from the top incomes the amounts they would be forgiven.

Those are t he

tax would be the equivalent of almost two years' income after taxes. In the case of a million dollar income, the forgiveness of a year's taxes would add to the taxpayer's wealth at one stroke as much as he could add in nearly 6 years by saving every dollar he had left after paying taxes and spending nothing.

Is it reasonable to suppose that certain individuals can gain while nobody loses? Can we add to the wealth of one taxpayer the equivalent of 6 years' income after taxes without being obliged as a consequence to impose additional taxation on other taxpayers? I think we all know enough about arithmetic to know that this is impossible. When some people get something from the Government other people must pay for it.

We can see this by turning to the question of how we can get the additional revenue that we so badly need, if we cancel 1942 taxes. We will, of course, have to raise income tax rates. But, it may be asked, what difference does it make whether we raise additional revenue by collecting the taxes we

have already

1942 and was not subject to tax. A married person without dependents with a net income of $2,000 would gain $140 if the entire tax were cancelled. If he had a net income of $100,000, he would gain $64,000. If he had a net income of $1,000,000, he would gain $850,000.

The cancellation of taxes on 1942 income would in effect wipe out much of the tax increases imposed to finance the war. In the case of a person with a $2,000 net income, it would wipe out 77% of the tax increases imposed in the last three years. At the $100,000 level, the amount forgiven equals 102 percent of these tax increases and at the $1,000,000 level, 320 percent.

Another way to judge the effect of cancellation on the individual's economic status is in terms of the income he has left after taxes. This is the amount he may spend or save each year. For the individual with $2,000 income the forgiven tax would be the equivalent of less than one month's income. For the individual with a $100,000 income, the forgiven

tax would

This solution has deceptive appeal. Most of us are human enough to be pleased at the prospect of escaping tax on one year's income. The appeal is deceptive because over a period of years the Government has to raise a given amount of taxes; either the same people will have to pay the same amounts despite the forgiveness or the forgiveness will require that some pay more and others pay less. If we cancel a year's taxes in getting to a pay-as-you-go system, the important question is: How will that affect individual taxpayers, and who will pay the additional taxes we need?

While the effect of forgiveness on an individual's tax payments is not felt until his income declines or ceases, it has a significant immediate effect on his economic status. The amount of taxes cancelled represents an immediate addition to the taxpayer's wealth. This addition, which would depend on his income in 1942, varies widely from individual to individual. Cancellation would not improve the position of the individual who had no income in

You may ask the question: Why not start the system by collecting 1943 taxes in 1943? This would mean that in 1943 we would pay taxes on 1943 income and also taxes on 1942 income. This we might do without difficulty if rates were lower than they are. Indeed, our pressing revenue necessities are a strong argument for doing so. However, it must be recognized that many of our taxpayers failed to accumulate funds out of 1942 income for the payment of tax on that income. The level of rates is such that considerable hardship might result from paying in full two years' taxes out of 1943 income, particularly in the case of those taxpayers whose incomes will have declined in 1943.

One plausible solution that has been offered is to forgive taxes on 1942 income. Why not let bygones be bygones, it is argued, and forget about taxes on 1942 income? Since in 1943 an individual will be paying a tax on his 1943 income, why require him to pay a tax as well on his 1942 income? Why not skip a year's taxes?

This

installments is obsolete for an income tax which is imposed on millions of individuals who base their budgeting on weekly, semi-monthly, or monthly pay checks. Paying in the year following receipt of income is likewise obsolete when the tax is imposed on millions of people whose incomes fluctuate violently from one year to another, and who may have no income when the tax has to be paid.

To meet the needs of these millions of people we need a system which will collect income taxes bit by bit as the income is earned. We need a system which will collect the taxes on 1943 income in 1943, and which will to a large extent collect it out of each paycheck. This is the heart of pay-as-you-go taxation. This is what we need to make the income tax a more flexible instrument in combating inflation. This is what the taxpayer needs to make the payment of the income tax convenient. Most of us are agreed up to this point. Differences of opinion center upon the question: How can we get such a system started?

You may

It is only in the light of these urgent revenue necessities that I can intelligently approach my subject of this morning -- pay-as-you-go taxation.

At the outset of my discussion, I want to make it clear that the Treasury is in complete agreement with the objective of putting our tax system on a pay-as-you-go basis. Indeed, the Treasury has been recommending pay-as-you-go taxation for a long time. Congress has been awake to the same need for a long time. Public interest has not lagged far behind and has recently acquired great momentum. Today the question is not whether we should have pay-as-you-go taxation, but how we shall get to such a system.

The growing interest in this subject is very natural. The income tax reaches ten times as many people today as it reached five years ago, and the rates are higher than they have ever been in American history. Under the existing method of income tax payment the tax for any year is paid in four installments during the following year. Paying in quarterly

installments

PAY-AS-YOU-GO TAXATION

I had the opportunity of participating in your Forum a year ago, and it was with genuine pleasure that I accepted your chairman's invitation to join you again this year.

Some of you will recall that last year I discussed with you the Government's critical need for raising $9 billion in additional taxes. Today the Government's revenue needs are even more critical.

The reason is not far to seek. While our war effort has been greatly intensified during the past 12 months, the strain upon our economy has been correspondingly aggravated. Immediately after Pearl Harbor we were spending for war at the rate of $2 billion a month. Our war expenditures have now reached $7 billion a month. In the next fiscal year average monthly expenditures will top $8 billion. In early 1942 our revenue goal, as set forth by the President, was an additional $9 billion. Today our sights are set by the President's budget message for ~~an additional~~ $16 billion of ~~additional~~ collections. This increase is necessary to raise annual collections to $50 billion. I review these figures deliberately.

It is

85-48

Pay-as-you-go Taxation

An address by Randolph E. Paul, General Counsel of the Treasury, before the Seventh Annual Forum on World Affairs, Arranged by the Brooklyn Section of the National Council of Jewish Women, Brooklyn, New York, Scheduled for Delivery at 11:15 A.M., February 24, 1943

TREASURY DEPARTMENT
Washington

(The following address by Randolph E. Paul, General Counsel for the Treasury, is scheduled to be delivered before the Forum on World Affairs arranged by the Brooklyn Section of the National Council of Jewish Women in the Academy of Music, Brooklyn, N. Y., at 11:15 a. m., Eastern War Time, Wednesday, February 24, 1943, and is for release upon delivery at that time.)

PAY-AS-YOU-GO TAXATION

I had the opportunity of participating in your Forum a year ago, and it was with genuine pleasure that I accepted your chairman's invitation to join you again this year.

Some of you will recall that last year I discussed with you the Government's critical need for raising $9 billion in additional taxes. Today the Government's revenue needs are even more critical.

The reason is not far to seek. While our war effort has been greatly intensified during the past 12 months, the strain upon our economy has been correspondingly aggravated. Immediately after Pearl Harbor we were spending for war at the rate of $2 billion a month. Our war expenditures have now reached the rate of $6-1/2 billion a month. In the next fiscal year average monthly expenditures will top $8 billion. In early 1942 our revenue goal, as set forth by the President, was an additional $9 billion. Today our sights are set by the President's budget message for an additional $16 billion of collections. This increase is necessary to raise annual collections to $50 billion. I review these figures deliberately. It is only in the light of these urgent revenue necessities that I can intelligently approach my subject of this morning -- pay-as-you-go taxation.

At the outset of my discussion, I want to make it clear that the Treasury is in complete agreement with the objective of putting our tax system on a pay-as-you-go basis. Indeed, the Treasury has been recommending pay-as-you-go taxation for a long time. Congress has been awake to the same need for a long time. Public interest has not lagged far behind and has recently acquired great momentum. Today the question is not whether we should have pay-as-you-go taxation, but how we shall get to such a system.

The growing interest in this subject is very natural. The income tax reaches ten times as many people today as it reached five years ago, and the rates are higher than they have ever been in American history. Under the existing method of income tax payment the tax for any year is paid in four installments during the following year. Paying in quarterly installments is obsolete for an income tax which is imposed on millions of individuals who base their budgeting on weekly, semi-monthly, or monthly pay checks. Paying in the year following receipt of income is likewise obsolete when the tax is imposed on millions of people whose incomes fluctuate violently from one year to another, and who may have no income when the tax has to be paid.

To meet the needs of these millions of people we need a system which will collect income taxes bit by bit as the income is earned. We need a system which will collect the taxes on 1943 income in 1943, and which will to a large extent collect it out of each paycheck. This is the heart of pay-as-you-go taxation. This is what we need to make the income tax a more flexible instrument in combating inflation. This is what the taxpayer needs to make the payment of the income tax convenient. Most of us are agreed up to this point. Differences of opinion center upon the question: How can we get such a system started?

You may ask the question: Why not start the system by collecting 1943 taxes in 1943? This would mean that in 1943 we would pay taxes on 1943 income and also taxes on 1942 income. This we might do without difficulty if rates were lower than they are. Indeed, our pressing revenue necessities are a strong argument for doing so. However, it must be recognized that many of our taxpayers failed to accumulate funds out of 1942 income for the payment of tax on that income. The level of rates is such that considerable hardship might result from paying in full two years' taxes out of 1943 income, particularly in the case of those taxpayers whose incomes will have declined in 1943.

One plausible solution that has been offered is to forgive taxes on 1942 income. Why not let bygones be bygones, it is argued, and forget about taxes on 1942 income? Since in 1943 an individual will be paying a tax on his 1943 income, why require him to pay a tax as well on his 1942 income? Why not skip a year's taxes?

This solution has deceptive appeal. Most of us are human enough to be pleased at the prospect of escaping tax on one year's income. The appeal is deceptive because over a period of years the Government has to raise a given amount of taxes; either the same people will have to pay the same amounts despite the forgiveness or the forgiveness will require that some pay more and others pay less. If we cancel a year's taxes in getting to a pay-as-you-go system, the important question is: How will that affect individual taxpayers, and who will pay the additional taxes we need?

While the effect of forgiveness on an individual's tax payments is not felt until his income declines or ceases, it has a significant immediate effect on his economic status. The amount of taxes cancelled represents an immediate addition to the taxpayer's wealth. This addition, which would depend on his income in 1942, varies widely from individual to individual. Cancellation would not improve the position of the individual who had no income in 1942 and was not subject to tax. A married person without dependents with a net income of $2,000 would gain $140 if the entire tax were cancelled. If he had a net income of $100,000, he would gain $64,000. If he had a net income of $1,000,000, he would gain $850,000.

The cancellation of taxes on 1942 income would in effect wipe out much of the tax increases imposed to finance the war. In the case of a person with a $2,000 net income, it would wipe out 77% of the tax increases imposed in the last three years. At the $100,000 level, the amount forgiven equals 102 percent of these tax increases and at the $1,000,000 level, 320 percent.

Another way to judge the effect of cancellation on the individual's economic status is in terms of the income he has left after taxes. This is the amount he may spend or save each year. For the individual with $2,000 income the forgiven tax would be the equivalent of less than one month's income. For the individual with a $100,000 income, the forgiven tax would be the equivalent of almost two years' income after taxes. In the case of a million dollar income, the forgiveness of a year's taxes would add to the taxpayer's wealth at one stroke as much as he could add in nearly 6 years by saving every dollar he had left after paying taxes and spending nothing.

Is it reasonable to suppose that certain individuals can gain while nobody loses? Can we add to the wealth of one taxpayer the equivalent of 6 years' income after taxes without being obliged as a consequence to impose additional taxation on other taxpayers? I think we all know enough about arithmetic to know that this is impossible. When some people get something from the Government other people must pay for it.

We can see this by turning to the question of how we can get the additional revenue that we so badly need, if we cancel 1942 taxes. We will, of course, have to raise income tax rates. But, it may be asked, what difference does it make whether we raise additional revenue by collecting the taxes we have already imposed or by cancelling these taxes and imposing others? There are two important ways in which our choice of method will affect the distribution of the tax burden. In the first place, if we cancel 1942 taxes, the additional revenue will be raised solely on the basis of the incomes of 1943 and subsequent years without regard at all to the 1942 income. Those who had substantial income in 1942, but who receive little or no income in 1943 and subsequent years, will contribute much less to the war costs than those whose position is reversed. In the second place, and more important, rates on the higher incomes are already so high that they can scarcely be increased sufficiently to make up for the amount of 1942 taxes forgiven. The greater part of any increase in tax rates will have to fall on taxpayers in the low and middle income groups. It is not difficult to recover the taxes forgiven at the bottom, but it is practically impossible to recover from the top incomes the amounts they would be forgiven.

These are the reasons why it has not been possible for the Treasury to recommend to the Congress the complete cancellation of taxes on 1942 incomes. It has not been possible for the Treasury to recommend legislation which will benefit a few at the expense of the many.

In discussions of this problem some consideration has been given to partial cancellation of 1942 taxes. In so far as such partial cancellation bestows benefits on substantially all taxpayers, and distributes those benefits among taxpayers equitably, some of the objections to complete cancellation do not apply. The revenue which would be lost by the Government could be made up by increased taxation from substantially the same individuals who benefited by cancellation.

In conclusion, let me restate in exact terms the issue involved in forgiveness of taxes on 1942 incomes. There is no issue between the Treasury and taxpayers. There is an issue between different taxpayers. It concerns their share of the tax burden. We have to maintain our revenues. Indeed, we are faced with the necessity of raising additional revenue in a time of national peril. Should we forgive taxes on persons who had 1942 incomes when we shall be obliged to increase greatly the taxes to be paid out of the incomes of 1943 and subsequent years? The decision we make on this question will determine to a considerable extent who will pay this increase in taxes.

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 March 3, 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

Miss Simpson

~~ALPHA~~

35-49

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 26, 1943.
~~(1)~~

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000 ~~(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 March 3, 1943 ~~(4)~~, and will mature June 2, 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, March 1, 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

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 26, 1943.
2-25-43

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 March 3, 1943, and will mature June 2, 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, March 1, 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 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 March 3, 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.

-oOo-

~~The demands filled by these agencies, Mr. Mack said, are "so heterogeneous that, at one time or another, we probably have acquired a unit of every kind of product which is normally manufactured in the United States."~~

Although ~~war~~ lend-lease procurement is now the paramount job of the Treasury-Procurement Division, Mr. Mack pointed out that the peacetime job of the Division included regular and continuous purchase of about 22,000 items used by two or more governmental agencies. War has accelerated this operation, Mr. Mack said, in explaining the technical operations involved in effecting this type of purchasing.

He told the class that the Washington warehouse of the Division handled fifteen tons of goods every hour, and that other warehouses were maintained in field cities.

"Government procurement is now at quick-step," he said. "Speed of delivery is the first essential in all war procurement, and red tape is a matter of history." He concluded by ~~telling the class~~ pointing out that the service of procurement originated on the home front, and that it must be supplemented by the efforts of every one of the millions of men and women not in uniform.

"Magnitude in procurement assignments has ceased to be remarkable," he told the class, explaining that Treasury ~~Procurement~~ purchases of steel shapes and castings were measured in units often amounting to whole freight trains. Last year, he said, the Procurement ~~the~~ Division acquired and moved more than eight million tons of steel-- nine percent of the national output-- and it made purchases of used sawmills for India, tire machines retreading for China, sewing machines for Iceland, artificial dentures for Great Britain.

"And we must expect requisitions for artificial limbs, however pathetic that seems," he added grimly.

Another illustration of mass purchasing was revealed when Mr. Mack told the class that the Treasury Procurement Division has performed, at least six times, the function of buying a big industrial plant, taking it apart piece by piece and transporting it to docks for shipment to the other side of the world. He pointed out that this operation involved the services of engineers and technicians and that the technical differences encountered in manufacturing operations between, for example, Russia and the United States, sometimes necessitate the radio transmission of complete factory plans to Moscow so that certain difficulties could be ironed out.

He emphasized, however, that the cooperation between foreign purchasing missions in this country and government Procurement services was of the highest degree, and said that his division ~~Treasury Procurement~~ alone had already handled approximately $2,000,000,000 ~~2 billion dollars~~ worth of Lend-Lease requisitions submitted through Foreign Purchasing Commissions to the Lend-Lease Administration.

For Friday ams

35-50

Cambridge, Mass., February 25. —

Russia was able to hold important ~~polar~~ northern ports last autumn partly because ~~U. S. Government~~ Treasury purchasing officers handled ~~____~~ lend-lease requisitions with ~~revolutionary~~ unprecedented speed, ~~Treasury~~ Procurement Director Clifton E. Mack ~~revealed~~ declared tonight.

Addressing a graduate class in purchasing at Harvard University, Mr. Mack said it was imperative last summer to get quantities of material "so varied that they could serve as a capsule record of today's civilization" to the Russian bases before ice locked the convoy routes for the season.

~~In~~ Illustrating the mechanics of government buying under Lend-Lease, Mr. Mack told how a large number of men and women in Washington were involved in the Russian operation, some of them in important purchasing capacities. ~~others handling the multitude of tasks which must be done in a large buying job of this type.~~

He emphasized the importance of the service of procurement by naming it one of the three prime factors in wrenching Victory from global war. He said that manpower and efficient leadership, the other two primes, were dependent upon supply--and that supply was the responsibility of the service of procurement.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 26, 1943.
2-25-43

Press Release
No. 35-50

Cambridge, Massachusetts, February 25 -- Russia was able to hold important northern forts last autumn partly because Treasury purchasing officers handled lend-lease requisitions with unprecedented speed, Procurement Director Clifton E. Mack, declared tonight.

Addressing a graduate class in purchasing at Harvard University, Mr. Mack said it was imperative last summer to get quantities of material "so varied that they could serve as a capsule record of today's civilization" to the Russian bases before ice locked the convoy routes for the season.

Illustrating the mechanics of Government buying under lend-lease, Mr. Mack told how a large number of men and women in Washington were involved in the Russian operation, some of them in important purchasing capacities.

He emphasized the importance of the service of procurement by naming it one of the three prime factors in wrenching Victory from global war. He said that manpower and efficient leadership, the other two primes, were dependent upon supply--and that supply was the responsibility of the service of procurement.

"Magnitude in procurement assignments has ceased to be remarkable," he told the class, explaining that Treasury purchases of steel shapes and castings were measured in units often amounting to whole freight trains. Last year, he said, the Procurement Division acquired and moved more than eight million tons of steel -- nine percent of the national output--and it made purchases of used sawmills for India, tire retreading machines for China, sewing machines for Iceland, artificial dentures for Great Britain.

"And we must expect requisitions for artificial limbs, however pathetic that seems," he added grimly.

Another illustration of mass purchasing was revealed when Mr. Mack told the class that the Treasury Procurement Division has performed, at least six times, the function of buying a big industrial plant, taking it apart piece by piece and transporting it to docks for shipment to the other side of the world. He pointed out that this operation involved the services of engineers and technicians and that the technical differences encountered in manufacturing operations between, for example, Russia and the United States, sometimes necessitate the radio transmission of complete factory plans to Moscow so that certain difficulties could be ironed out.

He emphasized, however, that the cooperation between foreign purchasing missions in this country and Government procurement services was of the highest degree, and said that his division alone had already handled approximately $2,000,000,000 worth of lend-lease requisitions submitted through Foreign Purchasing Commissions to the Lend-Lease Administration.

Although lend-lease procurement is now the paramount job of the Treasury-Procurement Division, Mr. Mack pointed out that the peacetime job of the Division included regular and continuous purchase of about 22,000 items used by two or more governmental agencies. War has accelerated this operation, Mr. Mack said, in explaining the technical operations involved in effecting this type of purchasing.

He told the class that the Washington warehouse of the Division handled fifteen tons of goods every hour, and that other warehouses were maintained in field cities.

"Government procurement is now at quick-step," he said. "Speed of delivery is the first essential in all war procurement, and red tape is a matter of history." He concluded by pointing out that the service of procurement originated on the home front, and that it must be supplemented by the efforts of every one of the millions of men and women not in uniform.

-oOo-

Siler - draft of Sunday release

35-51

Treasury Department
Washington

FOR RELEASE, MORNING NEWSPAPERS
Sunday, February 28, 1943

Income tax matters will be discussed over the Columbia broadcasting system at 10:30 P.M. Tuesday, March 2, with Senator Arthur H. Vandenberg of Michigan, Representative Harold Knutson of ~~Michigan~~ Minnesota, and Assistant Secretary of the Treasury John L. Sullivan participating.

Senator Vandenberg is ~~senior~~ ranking Republican member of the Senate Finance Committee and Representative Knutson is one of the senior Republican members of the House Ways and Means Committee. These two committees deal with all tax legislation in Congress.

~~Assistant Secretary Sullivan is in charge of the Bureau of Internal Revenue for Secretary of the Treasury Morgenthau.~~

The three speakers will emphasize the necessity of filing returns on 1942 incomes not later than March 15. ~~regardless of proposals in Congress to revise the present income tax laws and collection methods.~~

-o-

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, February 28, 1943.
2-26-43

Press Service
No. 35-51

Income tax matters will be discussed over the Columbia Broadcasting System at 10:30 P.M. Tuesday, March 2, with Senator Arthur H. Vandenberg of Michigan, Representative Harold Knutson of Minnesota, and Assistant Secretary of the Treasury John L. Sullivan participating.

Senator Vandenberg is ranking Republican member of the Senate Finance Committee and Representative Knutson is one of the senior Republican members of the House Ways and Means Committee. These two committees deal with all tax legislation in Congress.

The three speakers will emphasize the necessity of filing returns on 1942 incomes not later than March 15.

-oOo-

Treas. Dept
Wash

For Immediate Release,
Saturday, Feb 27, 1943

Press Service
No 35-57

The Bureau of the Mint today delivered to the Treasurer of the United States first supplies of the new wartime penny made of zinc-coated steel.

The coins will go into circulation throughout the country as banks requisition supplies through the Federal Reserve System.

Mrs. Nellie Tayloe Ross, Director of the Mint, said the new coin, developed by Mint ~~chemists~~ metallurgists, will save ~~many tons~~ large amounts of copper for war use. Last year, coinage of the one-cent piece required 4,600 tons of copper.

The wartime penny, authorized by the last Congress, bears the familiar Lincoln design. It is the same size as the copper cent, but is slightly lighter in weight. Newly struck, it has a silvery appearance not unlike that of a dime, but the cent-piece darkens quickly with handling.

The penny is stamped from ~~[illegible]~~ steel strips that have been given a ~~extremely~~ thin coating of zinc to prevent rust.

Mrs. Ross said the prevailing copper piece now in use would remain in circulation, but that no more would be struck during the shortage of strategic materials.

o0o

DWB
McG

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, February 27, 1943.

Press Service
No. 35-52

The Bureau of the Mint today delivered to the Treasurer of the United States first supplies of the new wartime penny made of zinc-coated steel.

The coins will go into circulation throughout the country as banks requisition supplies through the Federal Reserve System.

Mrs. Nellie Tayloe Ross, Director of the Mint, said the new coin, developed by Mint metallurgists, will save large amounts of copper for war use. Last year, coinage of the one-cent piece required 4,600 tons of copper.

The wartime penny, authorized by the last Congress, bears the familiar Lincoln design. It is the same size as the copper cent, but is slightly lighter in weight. Newly struck, it has a silvery appearance not unlike that of a dime, but the cent-piece darkens quickly with handling.

The penny is stamped from steel strips that have been given a thin coating of zinc to prevent rust.

Mrs. Ross said the prevailing copper piece now in use would remain in circulation, but that no more would be struck during the shortage of strategic materials.

-oOo-

TREASURY DEPARTMENT

Washington

(The following address by Randolph E. Paul, General Counsel for the Treasury, before the Economic Club of Detroit, Michigan, is scheduled for delivery at 12 o'clock noon, Eastern War Time, Monday, March 1, 1943, and is for release at that time.)

1943 TAX PROBLEMS

Your President has invited me to discuss with you some of the tax problems facing our country in 1943. I accepted your invitation with genuine pleasure, considering it a privilege to join the distinguished list of speakers from our own country and from abroad who have participated in your civic luncheons.

War expenditures have now reached the rate of $6 1/2 billion a month. In the coming fiscal year they are scheduled to average more than $8 billion a month. In the fiscal year 1944 the Federal Government is expected to spend more than $100 billion. Tax collections under existing legislation will cover a third of the bill. The record level of individual and business incomes and the high tax rates imposed by the Revenue Act of 1942 will combine to produce an estimated $35 billion tax yield. Without further tax legislation--indeed, even with any contemplated tax legislation--the Government will have to borrow large sums from individuals, banks, and other institutions to pay next year's war bills. Without additional taxes, the public debt is expected to reach $210 billion by June 30, 1944.

This is one aspect of our 1943 tax problems. Another is the threat of inflation. You in Detroit know that America is shattering production records on all sides. Our efforts, however, are directed primarily toward the production of instruments of war. Only about 40% of our men and machines are employed in making goods for civilians. This means that every dollar of income earned in American production today is matched by only about 40 cents worth of goods which these incomes can buy. The other 60 cents is represented by guns, ships, and airplanes. Less than half of our total production is going to market; more than half is going to war!

The result is a curious economic paradox. America's income is at record levels; at the same time the supply of civilian goods is dwindling. Too much money is competing for too few goods. Our pocketbooks are "all dressed up with no place to go." Part of the surplus income is finding its way into war bonds, debt reduction, life insurance and other forms of personal savings. However, a part of it--an uncomfortably large part of it--threatens our price structure; it threatens us with inflation.

It would be carrying coals to Newcastle to come here to tell you that it is important to avert inflation. I am sure that all of you share the President's view that the fight against inflation is a vital part of winning the war. You know that, aside from creating ruinous rises in the cost of living, inflation will increase the cost of the war, that it will raise the public debt, and that it will intensify the Government's revenue needs. By distorting the whole price structure, it will lead to waste and indiscriminate production. Speculation-minded businessmen will divert their interests from productive efforts to the money-making possibilities afforded by price fluctuations and price disparities. This will crack the war effort on a broad front.

Taxes can play an important role in averting inflation by reducing the amount of money people have to spend. It is one function of wartime taxation to drain off the excess purchasing power which pushes up the price level. In this way taxes reinforce the more direct inflation controls, such as price ceilings and rationing. Indeed, without the help of additional taxes, these direct controls can scarcely succeed.

The President's Budget Message calls for tax legislation to produce an additional $16 billion of collections during the coming fiscal year. Added to the $35 billion which it is estimated will be collected under the existing tax system, this amount would mean annual collections of about $50 billion--almost enough to cover half of our anticipated 1944 expenditures.

The task confronting Congress in adding $16 billion to the annual yield of the tax system is without precedent here or abroad. Some of the added revenue will of necessity have to come from the individual income tax. The problem is all the more complex because, in order that the individual income tax may do a bigger job, it becomes desirable, if not imperative, to alter substantially the methods employed for its collection. I refer to pay-as-you-go taxation.

Pay-as-you-go taxation

It has been apparent for a long time that the individual income tax should be converted to a pay-as-you-go basis. Before the income tax can successfully reach the bulk of income receivers, we have to make it possible for taxpayers to pay their taxes weekly or monthly as they receive their income, and not in quarterly installments. With high income-tax rates taxpayers should be able to pay their taxes currently in the year they receive income and not a year later. These needs have long been recognized by the Treasury and Congress. Last year the Treasury proposed that Congress place most of the income tax on a pay-as-you-go basis for the vast majority of taxpayers.

America is primarily a nation of wage earners who receive their income periodically--every week, every two-weeks, or every month. The most direct method of pay-as-you-go taxation for this group is collection at the source. It enables the income tax to be paid currently, week-by-week and month-by-month, as the pay envelope is handed to the worker. This is the method adopted by the Congress last year in connection with the new Victory tax. It is the method the Treasury wants to see extended to the individual income tax.

You may ask the question: Why not start the system by collecting 1943 taxes in 1943? This would mean that in 1943 we would pay taxes on 1943 income and also taxes on 1942 income. This we might do without difficulty if rates were lower than they are. Indeed, our pressing revenue necessities are a strong argument for doing so. However, it must be recognized that many of our taxpayers failed to accumulate funds out of 1942 income for the payment of tax on that income. The level of rates is such that considerable hardship might result from paying in full two years' taxes out of 1943 income, particularly in the case of those taxpayers whose incomes will have declined in 1943.

One plausible solution that has been offered is to forgive taxes on 1942 income. Why not let bygones be bygones, it is argued, and forget about taxes on 1942 income? Since in 1943 an individual will be paying a tax on his 1943 income, why require him to pay a tax as well on his 1942 income? Why not skip a year's taxes?

This solution has deceptive appeal. Most of us are naturally pleased at the prospect of escaping tax on one year's income and are not inclined to look a gift horse in the mouth. The appeal is deceptive because over a period of years the Government has to raise a given amount of taxes; either the same people will have to pay the same amounts despite the forgiveness or the forgiveness will require that some pay more and others pay less.

If we cancel a year's taxes in getting to a pay-as-you-go system, the economic status of individual taxpayers will be affected in different ways. The amount of taxes cancelled represents an immediate addition to the taxpayer's wealth. This addition, which would depend on his income in 1942, varies widely from individual to individual. Cancellation would not improve the position of the individual who had no income in 1942 and was not subject to tax. A married person without dependents with a net income of $2,000 would gain $140 if the entire tax were cancelled. If he had a net income of $100,000, he would gain $64,000. If he had a net income of $1,000,000, he would gain $850,000.

Cancellation would also affect the individual's economic status as measured by the income he has left after taxes. This is the amount he may spend or save each year. For the individual with $2,000 income the forgiven tax would be the equivalent of less than one month's income. For the individual with a $100,000 income, the forgiven tax would be the equivalent of almost two years' income after taxes. In the case of a million dollar income, the forgiveness of a year's taxes would add to the taxpayer's wealth at one stroke as much as he could add in nearly 6 years by saving every dollar he had left after paying taxes and spending nothing.

Is it reasonable to suppose that certain individuals can gain while nobody looses? That this cannot be so can be seen by turning to the question of how we can get the additional revenue that we so badly need, if we cancel 1942 taxes. We will, of course, have to raise income tax rates. But, it may be asked, what difference does it make whether we raise additional revenue by collecting the taxes we have already imposed or by cancelling these taxes and imposing others?

There are two important ways in which our choice of method will affect the distribution of the tax burden. In the first place, if we cancel 1942 taxes, the additional revenue will be raised solely on the basis of the incomes of 1943 and subsequent years without regard at all to the 1942 income. Those who had substantial income in 1942, but who receive little or no income in 1943 and subsequent years, will contribute much less to the war costs than those whose position is reversed. In the second place, and more important, rates on the higher incomes are already so high that they can scarcely be increased sufficiently to make up for the amount of 1942 taxes forgiven. The greater part of any increase in tax rates will have to fall on taxpayers in the low and middle income groups. It is not difficult to recover the taxes forgiven at the bottom, but it is practically impossible to recover from the top incomes the amounts they would be forgiven.

These are the reasons why the Treasury cannot recommend the complete cancellation of taxes on 1942 incomes. It is unable to support a device which, as a price for securing pay-as-you-go taxation, would so inequitably alter the distribution of war costs among American people. We can shift to pay-as-you-go taxation without complete cancellation of 1942 taxes.

Partial cancellation of 1942 taxes involves different consideration. If such partial cancellation distributes benefits to substantially all taxpayers and distributes those benefits equitably among different taxpayers, the cancelled taxes could be replaced without an appreciable shift in the distribution of the war tax burden. Those who receive the benefits could by and large be called upon to pay the corresponding costs.

Business taxes

Before 1943 is too far advanced, the Congress will have to decide how much, if any, of the additional $16 billion revenue for fiscal year 1944 is to come from corporations. The decision will be based on the reasonableness of the burden of the present corporation tax structure. Corporate taxes are expected to yield $10 billion this fiscal year and $15 billion in the next.

There are a number of persuasive reasons why we make extensive use of corporation taxes in this war.

We initiated the defense program with a tax structure which depended on corporations for a large part of its revenue. I believe you will agree that in a fiscal emergency we must not only look for new revenue sources, but vigorously exploit existing sources as well. The huge volume of corporation profits are an obvious source of revenue. Failure to tax them at wartime rates might result in their escape from a fair share of the war burden.

Another reason for the use of corporation taxes at the present time is that the majority of people consider excessive profits to be objectionable in time of war. They consider it unfair to exact heavy sacrifices from some groups without imposing commensurate burdens on corporations. Indeed, all groups will make a full contribution to the war effort only if they are assured that other groups are bearing a fair share of the burden.

Some corporations must be shut down during the war. In fairness to them, corporations fortunate enough to remain in profitable operation during the war should bear additional tax burdens. Without additional corporation taxes on surviving firms it would be hard to justify the sacrifice of the closed firms. They may lose their markets, productive organization, capital--much greater sacrifices than additional taxation of profits can impose. This regrettable result is dictated by the necessities of securing maximum war production. Taxation cannot prevent shutdowns, but it can in some measure equalize this war burden.

Although war has made these considerations of overwhelming importance, the Treasury has not been unmindful of the crudities of the corporation income tax. The income of a corporation is only a rough measure of the taxpaying ability of the individual stockholder. Consequently, the corporation income tax inevitably burdens some stockholders more heavily than others. It exacts the same amount of taxation from the dollar of profits allocable to Mr. Jones with an income of only $1,000, as from the dollar allocable to Mr. Smith with an income of $100,000.

When the corporation income tax was first adopted, it was regarded primarily as a prior collection of the personal income tax on stockholders, and was levied at the same rates as the personal income tax. But as revenue needs increased after the First World War, more and more reliance was placed on the corporation income tax. You probably remember that Congress attempted to arrest this development in 1936, by passing an undistributed-profits tax which tried to look through the corporation to the taxpaying ability of the stockholder. The experiment proved unpopular and the undistributed-profits tax was abolished in 1939.

The corporation income tax is by its very nature a blunt tax instrument. However, it can be sharpened and refined. Refinement becomes a necessity when rates are raised to the levels they have been during this war. The Revenue Act of 1942 was a sharpening tool. It makes possible much greater precision in corporation taxation. The two-year carry-back of losses is a case in point. Many corporations are currently being taxed on normal and excess profits which in the post-war period may be wiped out by losses. The two-year carry-back of losses permits corporations with losses to offset them against income earned in profitable years. This adjustment should be of great benefit to corporations with highly fluctuating incomes.

Inequities also arise in the case of corporations which earn more than normal profits one year, but less than normal profits another. In a year of high profits, part of them may be taxed at high rates. Yet if the several years were taken together, no excessive profits would be shown. In fairness, corporations should be allowed to offset the excess profits of one year against the subnormal profits of another. To achieve this result the Revenue Act of 1942 allows the unused excess-profits credit to be carried back to the two previous years.

Still other means of eliminating inequities and providing relief can be found in the 1942 Act. The highest overall rate which can be applied to all corporation income (before allowance for the post-war refund) is now limited to 80 percent. This means that the growing corporation with large excess profits will not have all of this income taken away by wartime taxes. It will be able to build up reserves for the post-war period.

Similar considerations motivated the earmarking of 10 percent of excess profits taxes for refunds in the post-war period or for current debt repayment. Other measures contained in the 1942 Act guard against the taxation of normal profits as if they were excessive profits.

In spite of these refinements and the Government's revenue needs, the corporation tax could hardly be justified if it impeded the war effort. I am thinking now of its effects upon the efficiency with which goods are produced, their costs and their prices. I am thinking also of the volume of production during the war and the ability of concerns to reconvert after the war. Much has been said and written about the harmful effects of corporation taxes. It would, indeed, be a serious indictment of our tax structure if it hindered our all-out war effort.

One important consideration is the effect of wartime corporation taxes on productive efficiency. You have all heard many times the argument that high tax rates result in high production costs. It is pointed out that corporate management has little incentive to cut down wasteful expenditures; and that it has little incentive to oppose wage increases or increases in the prices of materials. When tax rates are high, these cost increases reduce profits so little that not much effort is made to keep them down. It is also said that high tax rates deter the introduction of new, more efficient techniques.

In my opinion, these views rest on the assumption that even in wartime corporate management is motivated exclusively by profit considerations. I, for one, am unprepared to accept the assumption. The business community is fully aware that its responsibilities are heavy and its obligations large; it also knows that its own fortunes are at stake in the war effort. It is determined to produce the maximum amount of war goods with the minimum use of labor and other scarce resources. It has demonstrated that in furthering the war effort new and more efficient methods of production are introduced as rapidly as they can be perfected.

Furthermore, I am sure that the business community is not as short-sighted as those arguments would imply. Far-sighted business management is looking to the post-war period. It is not smart business to enter the post-war period with distorted wage structures and inefficient production methods. It will then be necessary to compete not only for American markets, but also for re-opened world markets.

Looking at the matter from another viewpoint, corporation taxes tend to reduce demands for wage increases. If corporation taxes did not recapture most of the excess profits effective arguments could be made for high wages. The reduction in these profits by wartime taxes almost certainly reduces the pressure for higher wages. Moreover in time of war the Government itself takes a strong hand in the regulation of wages and in maintaining the efficiency of firms. The Presidential Order stabilizing wages has certainly reduced the danger of an inflated wage structure both during the war and in the post-war period.

Those factors are of great importance. They warrant the conclusion that our present tax rates are not proving a significant factor in encouraging inefficient and high-cost operation.

Another broad basis on which to judge a wartime tax structure is its effect upon the prices of goods and services. Is it not possible that high corporation taxes may simply be translated into higher prices both of consumers' goods and war supplies? It has been argued by some that this, too, is the effect of corporation taxes. These views should be subjected to the cynical test of distrust.

The Government, through its wartime regulatory powers, controls directly or indirectly the prices of almost all goods produced in the economy. As a direct buyer, it regulates the price of military supplies. The Office of Price Administration regulates prices of consumers' goods and services. It is fair to ask whether those Government agencies allow high wartime corporation taxes to be passed on through higher prices.

Both the military establishment and the Office of Price Administration have clearly stated their position. They hold that fair profits used in determining reasonable prices are profits before and not after, taxes. It is for Congress to prescribe what constitutes a reasonable profit after taxes.

These considerations suggest that high wartime taxes do not produce substantial price increases. However, I would like to hedge that statement a little. Those who regulate prices are aware that wartime taxes will recapture most of any excessive profits they may allow. Their regulation of prices may be somewhat more lax than if we had no wartime corporation taxes. To this extent prices may be higher as a result of corporation taxes.

In wartime, corporation taxes must also be judged by their effect on the volume of production. As I have already said, the business community, by and large, is at the present time motivated by the desire to produce the maximum output. I have seen little evidence that wartime corporation taxes have had adverse effects on production.

Finally, wartime corporation income taxes must be judged in the light of their effect on the ability of corporations to change over to peacetime conditions. In large part this will depend on their working-capital position and the reserves built up by corporations in war years. If net profits after taxes are any criterion, the ability of corporations generally to reconvert is not being seriously impaired by war tax increases. It is estimated that in 1942 total corporate profits after taxes will be $7.4 billion, nearly twice as high (183%) as they were in 1939. And 1939, you will recall, was not an abnormally bad year! Not all corporations are, of course, in this enviable position. However, if corporations continue to pursue conservative dividend policies, these policies combined with the carry-back provisions and post-war refunds should afford ample cushion to meet post-war transitional problems.

I have tried to state briefly some of the more important considerations which determine the use we make of business taxes in meeting our wartime revenue needs. For the duration the Congress has no choice but to keep the corporation taxes at a level just short of doing injustice and impairing the war effort. Looking forward to the years after the war, I like to anticipate a complete reappraisal of the role of business taxes in our revenue system. The objectives of such a reappraisal might well be better integration of business taxes and personal income taxes and increased scope for individual initiative and business efficiency.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, March 2, 1943.

Press Service
3 5 - 5 4

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated March 3 and to mature June 2, 1943, which were offered on February 26, 1943, were opened at the Federal Reserve Banks on March 1.

The details of this issue are as follows:

Total applied for - $1,394,541,000
Total accepted - 701,274,000

Range of accepted bids:

High	- 99.930	Equivalent rate of discount approx. 0.277% per annum
Low	- 99.905	" " " " " 0.376% " "
Average price	- 99.907	" " " " " 0.369% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 44,370,000	$ 28,821,000
New York	815,555,000	233,557,000
Philadelphia	33,555,000	24,268,000
Cleveland	30,109,000	24,389,000
Richmond	18,784,000	16,606,000
Atlanta	18,160,000	12,824,000
Chicago	196,306,000	149,251,000
St. Louis	146,209,000	130,977,000
Minneapolis	6,905,000	6,653,000
Kansas City	26,738,000	21,640,000
Dallas	9,995,000	9,343,000
San Francisco	47,855,000	42,945,000
TOTAL	$1,394,541,000	$701,274,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 2, 1943.
3-1-43

Press Service
No. 35-54

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated March 3 and to mature June 2, 1943, which were offered on February 26, 1943, were opened at the Federal Reserve Banks on March 1.

The details of this issue are as follows:

Total applied for - $1,394,541,000
Total accepted - 701,274,000

Range of accepted bids:

High	- 99.930	Equivalent rate of discount approx. 0.277% per annum
Low	- 99.905	Equivalent rate of discount approx. 0.376% per annum
Average price	- 99.907	Equivalent rate of discount approx. 0.369% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 44,370,000	$ 28,821,000
New York	815,555,000	233,557,000
Philadelphia	33,555,000	24,268,000
Cleveland	30,109,000	24,389,000
Richmond	18,784,000	16,606,000
Atlanta	18,160,000	12,824,000
Chicago	196,306,000	149,251,000
St. Louis	146,209,000	130,977,000
Minneapolis	6,905,000	6,653,000
Kansas City	26,738,000	21,640,000
Dallas	9,995,000	9,343,000
San Francisco	47,855,000	42,945,000
TOTAL	$1,394,541,000	$701,274,000

-oOo-

1

TREASURY DEPARTMENT
Washington

(The following income tax discussion by Assistant Secretary of the Treasury John L. Sullivan, Congressman Harold Knutson, of Minnesota, member of the House Ways and Means Committee, and Senator Arthur H. Vandenberg, of Michigan, member of the Senate Finance Committee, is scheduled to be broadcast over the Columbia Broadcasting System network at 10:30 P.M. Eastern War Time Tuesday, March 2, 1943, and is for release at that time.)

3 5 = 5 6

A brother of the new Assistant to the Secretary, Edward E. Robbins, is vice president of the Youngstown Steel Door Company.

Mr. Robbins' father, the late Edward E. Robbins, served in Congress during the First World War, and was a member of that body at the time of his death in 1918. Mrs. Edward E. Robbins, Sr. has continued her residence in Washington.

W. M. Robbins, appointed today by Secretary Morgenthau as chairman of the United States Treasury War Finance Committee, is a specialist in mass sales and distribution methods.

He has been associated with the General Foods Corporation for nearly 20 years, is now vice president of that organization and president of its distribution subsidiary, the General Foods Sales Company. He will be on leave from his company while assisting the Treasury in its securities sales program.

Mr. Robbins has for the past eighteen months served in various advisory capacities with the War Production Board. He left a position as acting Deputy Director General for Staff Operations of WPB to come to the Treasury, which he already has served since last November as a member of a committee consulting with the Secretary on securities marketing.

Mr. Robbins will have the title of Assistant to the Secretary of the Treasury.

Mr. Robbins was born in 1901, at Greenburg, Pennsylvania. He attended Hill School at Pottstown, Pennsylvania, and Yale University, where he was awarded a Bachelor of Science degree from the Sheffield Scientific School in 1924. He joined the sales staff of the Postum Company upon graduation, this company through various mergers and expansions later becoming the General Foods Corporation.

Mr. Robbins is married and has four children. The family home is at Greenwich, Connecticut. In Washington he lives at the Shoreham Hotel.

"The general purpose of the new organization which Mr. Robbins is to head is to coordinate more effectively the work of selling government securities to finance the war. In this great task we shall continue to rely, as we have in the past, on the patriotic co-operation of many willing volunteers, including all those whose unselfish efforts have set suxh a remarkable record in the sale of War Savings Bonds and Stamps as well as those whose intensive work made possible success in the first Victory Fund drive ~~caused the total sales to exceed our [illegible] expectations~~. This makes us confident that they will ~~meet~~ meet successfully the greater tasks that lie ahead of us in this

"Nowhere is there better evidence that here in the United States this is a people's war than in the widespread participation ~~great success of our financing efforts and~~ in the purchase of government securities. ~~we are assured by what we have learned of the spirit of the people that this success will continue.~~

"We are perfecting our organization simply to give to the American people better opportunities and facilities for putting their dollars to work for victory."

The Secretary added that the War Savings Staff and the Victory Fund Committees would work as a team during the intensive April Bond-Selling campaign and that all workers of ~~bothxxxx~~ the united organizations would have ~~market~~ available for sale the entire "basket" of securities, ~~to be offered~~, including War Savings bonds as well as the special types of market securities to be offered during the drive.

In announcing the new sales organization Secretary Morgenthau said:

responsibility in their respective districts to direct the drive.

The National Director of Sales is authorized to deal directly with the Federal Reserve Banks as Fiscal Agents of the United States in all matters relating to the promotion and sale of Government securities, and in this connection he has authority to utilize all the facilities of the War Savings Staff and the Victory Fund Committee, coordinating their respective activities as he may direct.

All publicity, will be enlisted in the joint endeavor, and will include wherever possible the continuous promotion activities of the War Savings Staff.

Every function of the two organizations will be integrated in every productive way in preparation for and during the April campaign. The entire basket of Treasury securities, including E bonds, will be sold by ~~available to~~ all forces taking part in the drive.

Fund Committee. Additional members of the Committee may be announced later by Secretary Morgenthau.

The new organization is being set up as the Treasury prepares for its second big War financing drive, to begin April 12.

Presidents of the Federal Reserve Banks have been asked to serve as chairmen of district committees to be organized on lines similar to the War Finance Committee. These district committees will include representatives of the War Savings Staff in each State and of the Victory Fund Committee.

The Committee in Washington will act in an advisory capacity to the National Director in the formulation and execution of plans for sale of Government securities, and the committees set up in the Federal Reserve Districts will likewise act in an advisory capacity to the Presidents of the Federal Reserve Banks, who will act as chairmen of such committees, with full authority and

Treasury Department
Washington

For Release, Morning Newspapers, ~~Wednesday A.M.~~
Wednesday, March 3, 1943.

Press Service
No. 35-55-

Secretary Morgenthau today announced the creation of a United States Treasury War Finance Committee for overall direction of the Treasury's bond selling activities.

Designed to integrate the work of the War Savings Staff and the Victory Fund Committee in the sale of all Government securities, the new organization will be headed by W. M. Robbins who is taking leave from his duties as vice president of General Foods Corporation where he has been responsible for selling and marketing activities to ~~take a position as Assistant to~~ join the immediate staff of the Secretary of the Treasury.

As chairman of the War Finance Committee, Mr. Robbins will function with the operating title of National Director of Sales. He will report to the Secretary through the Under Secretary. Other members of the Committee will be Harold N. Graves, Assistant to the Secretary in charge of the War Savings Staff, and George Buffington, Assistant to the Secretary in charge of the Victory

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Wednesday, March 3, 1943

Press Service
No. 35-55

Secretary Morgenthau today announced the creation of a United States Treasury War Finance Committee for overall direction of the Treasury's bond selling activities.

Designed to integrate the work of the War Savings Staff and the Victory Fund Committee in the sale of all Government securities, the new organization will be headed by W. M. Robbins who is taking leave from his duties as vice president of General Foods Corporation, where he has been responsible for selling and marketing activities, to join the immediate staff of the Secretary of the Treasury.

As chairman of the War Finance Committee, Mr. Robbins will function with the operating title of National Director of Sales. He will report to the Secretary through the Under Secretary. Other members of the Committee will be Harold N. Graves, Assistant to the Secretary in charge of the War Savings Staff, and George Buffington, Assistant to the Secretary in charge of the Victory Fund Committee. Additional members of the Committee may be announced later by Secretary Morgenthau.

The new organization is being set up as the Treasury prepares for its second big War financing drive, to begin April 12.

Presidents of the Federal Reserve Banks have been asked to serve as chairmen of district committees to be organized on lines similar to the War Finance Committee. These district committees will include representatives of the War Savings Staff in each State and of the Victory Fund Committee.

The Committee in Washington will act in an advisory capacity to the National Director in the formulation and execution of plans for sale of Government securities, and the committees set up in the Federal Reserve Districts will likewise act in an advisory capacity to the Presidents of the Federal Reserve Banks, who will act as chairmen of such committees, with full authority and responsibility in their respective districts to direct the drive.

The National Director of Sales is authorized to deal directly with the Federal Reserve Banks as Fiscal Agents of the United States in all matters relating to the promotion and sale of Government securities, and in this connection he has authority to utilize all the facilities of the War Savings Staff and the Victory Fund Committee, coordinating their respective activities as he may direct.

All publicity will be enlisted in the joint endeavor, and will include wherever possible the continuous promotion activities of the War Savings Staff.

Every function of the two organizations will be integrated in every productive way in preparation for and during the April campaign. The entire basket of Treasury securities, including E bonds, will be sold by all forces taking part in the drive.

In announcing the new sales organization Secretary Morgenthau said:

"The general purpose of the new organization which Mr. Robbins is to head is to coordinate more effectively the work of selling Government securities to finance the war. In this great task we shall continue to rely, as we have in the past, on the patriotic cooperation of many willing volunteers, including all those whose unselfish efforts have set such a remarkable record in the sale of War Savings Bonds and Stamps as well as those whose intensive work made possible success in the first Victory Fund drive. This makes us confident that they will meet successfully the greater tasks that lie ahead of us in this and succeeding campaigns.

"Nowhere is there better evidence that here in the United States this is a people's war than in the widespread participation in the purchase of Government securities.

"We are perfecting our organization simply to give to the American people better opportunities and facilities for putting their dollars to work for victory."

W. M. Robbins, appointed today by Secretary Morgenthau as chairman of the United States Treasury War Finance Committee, is a specialist in mass sales and distribution methods.

He has been associated with the General Foods Corporation for nearly 20 years, is now vice president of that organization and president of its distribution subsidiary, the General Foods Sales Company. He will be on leave from his company while assisting the Treasury in its securities sales program.

Mr. Robbins has for the past eighteen months served in various advisory capacities with the War Production Board. He left a position as acting Deputy Director General for Staff Operations of WPB to come to the Treasury, which he already has served since last November as a member of a committee consulting with the Secretary on securities marketing.

Mr. Robbins will have the title of Assistant to the Secretary of the Treasury.

Mr. Robbins was born in 1901, at Greenburg, Pennsylvania. He attended Hill School at Pottstown, Pennsylvania, and Yale University, where he was awarded a Bachelor of Science degree from the Sheffield Scientific School in 1924. He joined the sales staff of the Postum Company upon graduation, this company through various mergers and expansions later becoming the General Foods Corporation.

Mr. Robbins is married and has four children. The family home is at Greenwich, Connecticut. In Washington he lives at the Shoreham Hotel.

A brother of the new Assistant to the Secretary, Edward E. Robbins, is vice president of the Youngstown Steel Door Company.

Mr. Robbins' father, the late Edward E. Robbins, served in Congress during the First World War, and was a member of that body at the time of his death in 1918. Mrs. Edward E. Robbins, Sr. has continued her residence in Washington.

So don't wait until March 15th. Get those dollars of yours into the fight tomorrow.

Then you will have the satisfaction of knowing that you are matching, at least in some small degree, the sacrifices of those who are bearing the battle.

Thus can you help to preserve for yourself and your children the things that are more precious than life itself -- freedom, and honor, and opportunity -- the priceless right to live our own lives, in our own way, in our own land.

MR. SULLIVAN:

Thank you, Senator Vandenberg, for your thrilling vision of our Nation as one united mighty army -- some of us on the flaming battle front, others on the home front.

In this unity of effort, the one BIG question in the mind of every loyal American must be not "What can we get," but "What can we GIVE"?

One thing we can all give is the support of our dollars. We can provide funds to build tanks, guns, planes and ships, by buying War Bonds. And in Congressman Knutson's words, we "can keep faith with our men on the fighting fronts" by paying our Federal income tax NOW. The earlier it is paid, the sooner our dollars will be with them in the fight.

But nothing we do can make war inexpensive; and nothing we do can affect your obligation to file your return and make your first quarterly payment by next March 15th. If there are subsequent changes in the tax law to your advantage, you will be wholly protected by subsequent readjustments. But there is no recourse now except to report and pay between now and March 15th. That's our indispensable job on the "home front." To fail it would be to fail our fighting sons, and to fail our sentry post. There will be no failure, my fellow countrymen, because we are all enlisted in this war for our triumphant Republic!

They step to the music of the Union. They salute the Stars and Stripes. Under such circumstances, who cares to say that "paying taxes" should not be a proud privilege for proud Americans who crave a part in victory?

We, in the Congress, are under obligations to write a new 1943 tax bill which will equalize these burdens so far as is humanly possible. In my view, we are under obligations to put taxes on a pay-as-we-go basis. We are under obligations to reduce expenditures to the last possible degree not inconsistent with the war effort. We are under obligations to simplify tax methods. You may be sure of every possible effort in these directions.

Every tax dollar answers reveille. Tax dollars fought at Guadalcanal. Tax dollars bombed Tokio. Tax dollars are bivouaced tonight in Tunis. Tax dollars will march on Rome. Tax dollars will be in that immortal Berlin parade. Without them, there could be no Army, no Navy, no armada of the skies. Without them, unbridled inflation would drive our home-land to economic suicide. Without them, needlessly and inhumanely accumulated debts would curse our children's children. Tax dollars are patriots. Tax dollars are buddies to the A. E. F. Tax dollars are not just "taxes." They are not just "dollars." They wear the uniform of freedom.

We need only to know the truth. Then we shall sustain our soldiers and sailors and marines. We will sacrifice our comforts to their needs. We will sacrifice our needs to their comforts.

Tonight, my friend, Congressman Knutson, and I are glad to cooperate with the Treasury Department in emphasizing one vital phase of this challenge which comes to its next deadline on March 15th. Taxes! It is never a pleasant subject at best. And yet I wonder! If there's an exhilarating thrill for us in news of brave American triumphs at the fighting front, we are entitled to an exhilarating thrill when we pay our fighting taxes on the home front -- because our taxes go to war.

Total war means that all our resources in men, machines, money and materials, beyond what is needed to maintain minimum civilian needs, must be devoted to waging war. This includes, of course, prudent allocations to make certain that our war economy in munitions and in food is adequately sustained along with adequate man-power at the fighting front. But it means, over all, that more than one-half of everything we as a nation can produce must be devoted to waging war. It means that every one among us must enlist, each in his own way, for the duration. I am confident that those of us upon the "home front" will need no exhortations to these ends.

Total home "fidelity" in maximum war production, in the conservation of essential supplies, in the purchase of the bonds that buy the bullets, in the payment of hard taxes, in the relatively easy abandonment of some creature comforts, and in devoted singleness of purpose to win -- this total home "fidelity" is our civilian contribution to the colors; our civilian partnership with the men who face our enemies on land and sea and in the air; our civilian duty to our citizenship; our civilian privilege as Americans; our civilian date with destiny.

SENATOR VANDENBERG:

I am glad to join my able friend, Congressman Knutson, and the distinguished Assistant Secretary of the Treasury, Mr. Sullivan, in their vivid sentiments in behalf of _total_ American fidelity to _total_ war in order that we may achieve _total_ victory as swiftly as possible. _Total_ "fidelity" on the "home front" -- no matter what it costs -- involves an easy price compared with the risk and sacrifice, yes the blood and death, which are the coin in which our fighting sons pay for _their_ love of our common heritage. But this _total_ fidelity at home is absolutely indispensable to victory abroad.

During his six years on that Committee, and his fifteen years of distinguished service in the Senate, he has earned by his tireless efforts, by the clearness of his vision, and the soundness of his counsel, the respect and affection of his colleagues and the gratitude of the Nation -- Senator Arthur H. Vandenberg.

No sacrifices we will be called on to make here at home can begin to compare with those our brothers are making day in and day out for you and me.

MR. SULLIVAN:

Thank you, Mr. Knutson, for your inspiring message.

I now have the honor to introduce the ranking Republican member of the Senate Finance Committee.

Congress is at present engaged in working out some method of tax payment more convenient to the taxpayer -- some form of pay-as-you-earn. No plan that Congress may adopt will alter in any way, however, your obligation to file a return and make a first quarterly payment on or before March 15th.

When a more convenient method of collection has been agreed upon, Congress then will have the task of raising additional revenues for the prosecution of the war. With tax rates what they are, it isn't going to be easy -- neither for Congress nor for the people as a whole. But of this I am certain.

The task of the Government today is to convert this expression of purpose into an expression of fact.

One of the methods by which the Government gives blood and flesh to the people's determination to win is taxes. Through taxes -- taxes to beat the Axis -- we will keep faith with ourselves and, more important, with the men on the far-flung fighting fronts of the world to whom we owe so much.

Taxes this year, to be sure, are much heavier than they were a few years ago. They are trivial, however, in comparison to the sacrifices others are making in our behalf, and to the sacrifices that would be imposed upon us if -- God forbid! -- we ever lost the war.

We, however, will bring liberation and comfort to the peoples of Europe and Asia and Africa precisely because we struggle for our <u>own</u> freedom, our <u>own</u> liberty, our <u>own</u> way of life. Our loss is their loss; and our gain, their gain.

And here I would like to emphasize a fact that is sometimes forgotten. This business of winning the war and establishing a world in which men can live and prosper in peace and security is not any one man's responsibility; it is not even the responsibility of Congress. It is the responsibility of 135 million Americans. It is the American people, acting through their representatives in Congress, who pledged the nation's resources to the business of winning the war.

CONGRESSMAN KNUTSON:

I am happy to speak to you tonight at the invitation of Assistant Secretary Sullivan. I want you to know too that I share the views he has expressed as to our fundamental Americanism. I would go even further, however.

After all it is not only our Americanism which unites us today in common brotherhood. It is also our common humanity, our will to live and let live, our burning desire to enjoy the comforts and blessings of liberty in common with all the peoples of the earth. It is this which sets us off from our enemies. They have enslaved their own unhappy people as a prelude to the enslavement of the rest of the world.

We believe it is very largely due to a belief that the Congress may relieve taxpayers of the obligation to file their returns before March 15th. Hence, some are holding back in the expectation that some last minute change will be made in their responsibility. Our guests this evening will tell you that no such change will be made. They will tell you that we need our tax dollars -- and we need them now.

It gives me great pleasure to introduce to you Congressman Harold Knutson. For ten years Congressman Knutson has been a member of the House Ways and Means Committee. He is a Congressional veteran who tomorrow completes his 26th year of consecutive service as a member of the House of Representatives. Congressman Knutson:

This year the American taxpayer is not filing his return or paying his taxes as promptly as he did last year.

We all know that the Government needs even more revenue this year than last. We all know that we must give our fighting men and women every material aid to assist them to do their job thoroughly, quickly, and with the least possible loss of life. This, the American people demand.

At the Treasury we are convinced that the slowness of taxpayers in filing their returns this year is not due to any unwillingness to sacrifice or to pay their share for the defense of their freedom.

In the malarial swamps of Guadalcanal, in the treacherous ravines of Tunisia, on the death-laden waters of the seven seas, in the air over Europe, Africa, the South Pacific and Alaska our fighting men tonight are paying the supreme sacrifice for you, for me, and for our children. The courage and the determination of these valiant men is just as great as it was a year ago. So, too, on most sectors of the home front the American people are displaying the same determination, the same willingness to sacrifice they exhibited last year.

In one respect -- and in one, alone -- can anyone observe any diminution in the zeal of the American people on the home front to do their part.

When the peaceful negotiations between Japan and the United States were shattered by the infamous attack on Pearl Harbor, our enemies achieved one objective they did not desire. Between dawn and sunset of December 7th they forged a unity among the American people which will continue until the Japanese and their Axis partners have been stripped of the power to indulge in aggression for many years to come.

One of the first manifestations of our new national unity and determination was displayed last year in the unprecedented promptness and willingness with which American people paid their income taxes. Since that time our Army, Navy and Air Corps have carried the fight to the Axis wherever we could get at them.

Radio Tax discussion
No. 35-56

March — 2-1943

MR. SULLIVAN:

Tonight it is my privilege to present to you two distinguished Republicans, Congressman Harold Knutson, and Senator Arthur H. Vandenberg, who join me in urging you to file your income tax return promptly. I think it is most fitting that we should hear from these outstanding Republican members of the Congressional Taxing Committees. Today it is obvious that the things which really matter are the things which bind us together, not the things which separate us. We must not permit our differences,--political, religious, or racial,--to disrupt our unity or impair our fundamental Americanism.

TREASURY DEPARTMENT
Washington

(The following income tax discussion by Assistant Secretary of the Treasury John L. Sullivan, Congressman Harold Knutson of Minnesota, member of the House Ways and Means Committee, and Senator Arthur H. Vandenberg of Michigan, member of the Senate Finance Committee, is scheduled to be broadcast over the Columbia Broadcasting System network at 10:30 P.M. Eastern War Time, Tuesday, March 2, 1943, and is for release at that time.)

MR. SULLIVAN:

Tonight it is my privilege to present to you two distinguished Republicans, Congressman Harold Knutson, and Senator Arthur H. Vandenberg, who join me in urging you to file your income tax return promptly. I think it is most fitting that we should hear from these outstanding Republican members of the Congressional Taxing Committees. Today it is obvious that the things which really matter are the things which bind us together, not the things which separate us. We must not permit our differences, - political, religious, or racial, - to disrupt our unity or impair our fundamental Americanism.

When the peaceful negotiations between Japan and the United States were shattered by the infamous attack on Pearl Harbor, our enemies achieved one objective they did not desire. Between dawn and sunset of December 7th they forged a unity among the American people which will continue until the Japanese and their Axis partners have been stripped of the power to indulge in aggression for many years to come.

One of the first manifestations of our new national unity and determination was displayed last year in the unprecedented promptness and willingness with which American people paid their income taxes. Since that time our Army, Navy and Air Corps have carried the fight to the Axis wherever we could get at them. In the malarial swamps of Guadalcanal, in the treacherous ravines of Tunisia, on the death-laden waters of the seven seas, in the air over Europe, Africa, the South Pacific and Alaska our fighting men tonight are paying the supreme sacrifice for you, for me, and for our children. The courage and the determination of these valiant men is just as great as it was a year ago. So, too, on most sectors of the home front the American people are displaying the same determination, the same willingness to sacrifice they exhibited last year.

In one respect -- and in one, alone -- can anyone observe any diminution in the zeal of the American people on the home front to do their part. This year the American taxpayer is not filing his return or paying his taxes as promptly as he did last year.

We all know that the Government needs even more revenue this year than last. We all know that we must give our fighting men and women every material aid to assist them to do their job thoroughly, quickly, and with the least possible loss of life. This, the American people demand.

At the Treasury we are convinced that the slowness of taxpayers in filing their returns this year is not due to any unwillingness to sacrifice or to pay their share for the defense of their freedom. We believe it is very largely due to a belief that the Congress may relieve taxpayers of the obligation to file their returns before March 15th. Hence, some are holding back in the expectation that some last minute change will be made in their responsibility. Our guests this evening will tell you that no such change will be made. They will tell you that we need our tax dollars -- and we need them now.

It gives me great pleasure to introduce to you Congressman Harold Knutson. For ten years Congressman Knutson has been a member of the House Ways and Means Committee. He is a Congressional veteran who tomorrow completes his 26th year of consecutive service as a member of the House of Representatives. Congressman Knutson:

CONGRESSMAN KNUTSON:

I am happy to speak to you tonight at the invitation of Assistant Secretary Sullivan. I want you to know too that I share the views he has expressed as to our fundamental Americanism. I would go even further, however.

After all it is not only our Americanism which unites us today in common brotherhood. It is also our common humanity, our will to live and let live, our burning desire to enjoy the comforts and blessings of liberty in common with all the peoples of the earth. It is this which sets us off from our enemies. They have enslaved their own unhappy people as a prelude to the enslavement of the rest of the world. We, however, will bring liberation and comfort to the peoples of Europe and Asia and Africa precisely because we struggle for our own freedom, our own liberty, our own way of life. Our loss is their loss; and our gain, their gain.

And here I would like to emphasize a fact that is sometimes forgotten. This business of winning the war and establishing a world in which men can live and prosper in peace and security is not any one man's responsibility; it is not even the responsibility of Congress. It is the responsibility of 135 million Americans. It is the American people, acting through their representatives in Congress, who pledged the nation's resources to the business of winning the war. The task of the Government today is to convert this expression of purpose into an expression of fact.

One of the methods by which the Government gives blood and flesh to the people's determination to win is taxes. Through taxes -- taxes to beat the Axis -- we will keep faith with ourselves and, more important, with the men on the far flung fighting fronts of the world to whom we owe so much.

Taxes this year, to be sure, are much heavier than they were a few years ago. They are trivial, however, in comparison to the sacrifices others are making in our behalf, and to the sacrifices that would be imposed upon us if -- God forbid! -- we ever lost the war.

Congress is at present engaged in working out some method of tax payment more convenient to the taxpayer -- some form of pay-as-you-earn. No plan that Congress may adopt will alter in any way, however, your obligation to file a return and make a first quarterly payment on or before March 15th.

When a more convenient method of collection has been agreed upon, Congress then will have the task of raising additional revenues for the prosecution of the war. With tax rates what they are, it isn't going to be easy -- neither for Congress nor for the people as a whole. But of this I am certain. No sacrifices we will be called on to make here at home can begin to compare with those our brothers are making day in and day out for you and me.

MR. SULLIVAN:

Thank you, Mr. Knutson, for your inspiring message.

I now have the honor to introduce the ranking Republican member of the Senate Finance Committee. During his six years on that Committee, and his fifteen years of distinguished service in the Senate, he has earned by his tireless efforts, by the clearness of his vision, and the soundness of his counsel, the respect and affection of his colleagues and the gratitude of the Nation -- Senator Arthur H. Vandenberg.

SENATOR VANDENBERG:

I am glad to join my able friend, Congressman Knutson, and the distinguished Assistant Secretary of the Treasury, Mr. Sullivan, in their vivid sentiments in behalf of total American fidelity to total war in order that we may achieve total victory as swiftly as possible. Total "fidelity" on the "home front" - no matter what it costs - involves an easy price compared with the risk and sacrifice, yes the blood and death, which are the coin in which our fighting sons pay for their love of our common heritage. But this total fidelity at home is absolutely indispensable to victory abroad. Total home "fidelity" in maximum war production, in the conservation of essential supplies, in the purchase of the bonds that buy the bullets, in the payment of hard taxes, in the relatively easy abandonment of some creature comforts, and in devoted singleness of purpose to win -- this total home "fidelity" is our civilian contribution to the colors; our civilian partnership with the men who face our enemies on land and sea and in the air; our civilian duty to our citizenship; our civilian privilege as Americans; our civilian date with destiny.

Total war means that all our resources in men, machines, money and materials, beyond what is needed to maintain minimum civilian needs, must be devoted to waging war. This includes, of course, prudent allocations to make certain that our war economy in munitions and in food is adequately sustained along with adequate man-power at the fighting front. But it means, over all, that more than one-half of everything we as a nation can produce must be devoted to waging war. It means that every one among us must enlist, each in his own way, for the duration. I am confident that those of us upon the "home front" will need no exhortations to these ends. We need only to know the truth. Then we shall sustain our soldiers and sailors and marines. We will sacrifice our comforts to their needs. We will sacrifice our needs to their comforts.

Tonight, my friend, Congressman Knutson, and I are glad to cooperate with the Treasury Department in emphasizing one vital phase of this challenge which comes to its next deadline on March 15th. Taxes! It is never a pleasant subject at best. And yet I wonder! If there's an exhilarating thrill for us in news of brave American triumphs at the fighting front, we are entitled to an exhilarating thrill when we pay our fighting taxes on the home front - because our taxes go to war. Every tax dollar answers reveille. Tax dollars fought at Guadalcanal. Tax dollars bombed Tokio. Tax dollars are bivouaced tonight in Tunis. Tax dollars will march on Rome. Tax dollars will be in that immortal Berlin parade. Without them, there could be no Army, no Navy, no armada of the skies. Without them, unbridled inflation would drive our home-land to economic suicide. Without them, needlessly and inhumanely accumulated debts would curse our children's children. Tax dollars are patriots. Tax dollars are buddies to the A.E.F. Tax dollars are not just "taxes". They are not just "dollars". They wear the uniform of freedom. They step to the music of the Union. They salute the Stars and Stripes. Under such circumstances, who cares to say that "paying taxes" should not be a proud privilege for proud Americans who crave a part in victory?

We, in the Congress, are under obligations to write a new 1943 tax bill which will equalize these burdens so far as is humanly possible. In my view, we are under obligations to put taxes on a pay-as-we-go basis. We are under obligations to reduce expenditures to the last possible degree not inconsistent with the war effort. We are under obligations to simplify tax methods. You may be sure of every possible effort in these directions. But nothing we do can make war inexpensive; and nothing we do can affect your obligation to file your return and make your first quarterly payment by next March 15th. If there are subsequent changes in the tax law to your advantage, you will be wholly protected by subsequent readjustments. But there is no recourse now except to report and pay between now and March 15th.That's our indispensable job on the "home front". To fail it would be to fail our fighting sons, and to fail our sentry post. There will be no failure, my fellow countrymen, because we are all enlisted in this war for our triumphant Republic!

MR. SULLIVAN:

Thank you, Senator Vandenberg, for your thrilling vision of our Nation as one united mighty army — some of us on the flaming battle front, others on the home front.

In this unity of effort, the one BIG question in the mind of every loyal American must be not "What can we get", but "What can we GIVE"?

One thing we can all give is the support of our dollars. We can provide funds to build tanks, guns, planes and ships, by buying War Bonds. And in Congressman Knutson's words, we "can keep faith with our men on the fighting fronts" by paying our Federal income tax NOW. The earlier it is paid, the sooner our dollars will be with them in the fight.

So don't wait until March 15th. Get those dollars of yours into the fight tomorrow.

Then you will have the satisfaction of knowing that you are matching, at least in some small degree, the sacrifices of those who are bearing the battle.

Thus can you help to preserve for yourself and your children the things that are more precious than life itself -- freedom, and honor, and opportunity -- the priceless right to live our own lives, in our own way, in our own land.

near Hannah, North Dakota, and found man and wife stricken with pneumonia, the wife desperately ill. Wright wrapped the woman carefully to protect her from the cold, and carried her to the nearest settlement.

The detection and prevention of smuggling is the primary function of the service, but now, in wartime, it also cooperates with the Canadian Royal Mounted Police and United States Immigration and Naturalization service officers in defense measures.

In addition to the Northwest and Northeast patrol districts, there is a Southwest District, stretching from Brownsville, Texas, to San Diego, where constant patrol is maintained along the hundreds of miles of sun-baked desert and mesquite badlands. The men of the Customs Patrol remain long away from their posts, and frequently are in danger. The Bureau has a long honor roll of officers who have lost their lives in line of duty.

Men of the patrol can build a fire without matches, read natural signs, and be self-supporting and self-sufficient with a minimum of equipment. They wear a distinctive uniform, with sidearms, and are equipped with horses, automobiles, speedboats; and in the winter resort to snowshoes and snowcycles along the northern border. They are on duty day and night for long hours.

Service to the public beyond the call of official duty is traditional with them. Virtually all are experts in administering first aid. Complete first aid equipment is carried on all vehicles used by the Service. A recent report from the Northwest district alone detailed fifty instances of emergency treatment administered by Customs personnel within a period of a few weeks, in a number of cases saving lives that otherwise would have been lost.

Thomas J. Gorman, Deputy Commissioner, heads the Division of Investigations and Patrol of the Bureau of Customs. The Northwest Patrol with headquarters at Havre, Montana, is headed by Otis M. Thompson, District Superintendent. The Northeast District Superintendent is W. E. McKay, with headquarters at Buffalo, New York. The Southwest District is directed from El Paso by Superintendent Grover C. Webb. Each district has a personnel of about 150 men, organized into companies along semi-military lines. Intelligence, courage, resourcefulness, trustworthiness, physical stamina, and law enforcement experience are the qualities stressed in enlisting men for this service.

Turner, Montana - "Assisted in getting fuel truck through in raging storm. Fuel was needed badly in town."

Sumas, Washington - "Located a state highway crew to clear a road to a farmer's residence so that a physician could get through to perform an emergency operation."

Northport, Washington - "Helped carry a sick man from his residence in the wooded hills over a snow covered trail to the main highway where an ambulance was waiting."

Opheim, Montana - "Assisted in opening roads to get a young girl to a hospital for an operation."

Westhope, North Dakota - "Bought and delivered a pair of overshoes to a farmer so that his son might get to school." (What the boy thought of this service is not reported.)

Goldbutte, Montana - "Assisted in getting badly needed food supply from drift bound car to rancher's home several miles away."

Peskan, Montana - "Rode horse five miles to ranch through five feet of snow to feed livestock as owner was unable to get home in storm."

Warroad, Minnesota - "Took three persons from wreck to a hospital for treatment."

Not all the unusual services were in behalf of humans. Storm-scattered livestock were rounded up, and patrolmen on their treks scattered food on the snow for pheasants and other birds.

The men maintained their regular patrols throughout the storm where it was at all possible.

Throughout the years, the Patrol Service has built up an imposing record of such exploits. Perhaps none is more remarkable than that credited to Dana M. Wright, who five years ago, when he was 60 years old, carried a stricken woman several miles on his shoulders, breaking through drifts on snowshoes, to save her life.

Wright retired from service three years ago. He is a powerful man, nearly six feet tall, and weighing, in the days of his rescue feat, about 190 pounds. A veteran of the first world war, he prided himself on his strength and vigor.

As Customs officials here recall the story, Wright was making his patrol on snowshoes in a blizzard. He came upon an isolated farm house,

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Sunday, March 7, 1943

Press Service
No. 35-57

Braving 7-foot snow drifts and temperatures that ranged to 50 degrees below zero, the Treasury's Customs Patrol officers along 3,600 miles of our northern boundary became agents of mercy this winter, preserving lives and property in scores of cases, Secretary Morgenthau revealed today.

Particularly in the northwest, with the worst storm in thirty years virtually paralyzing large areas, the patrolmen resorted to snowshoes, horses and motor sleds where automobiles could not penetrate blocked roads. They performed such services as getting food and fuel through to isolated ranches and communities, providing medical attention for the sick, and rescuing stranded travelers under conditions where death from freezing was a very real danger.

The feat of Customs Patrol Inspector Floyd E. Grimes of the Warroad, Minnesota, unit is typical of dozens of other rescue missions participated in by the Treasury men. Enlisting the aid of two Minnesota game wardens, he set out in a motor sled to search for a mail carrier missing five days. The party made the search in a terrific blizzard and located the mail carrier in a cabin on an island. His wind-sled had broken down, and he had no means of communication with Warroad. Grimes gave first aid for frost-bitten feet to the postal employe and another man; and driving blind in the storm, with the aid of a compass, got the victims back to the town.

Near St. Albans, Vermont, Inspector A. R. Sellers saved a motorist and his five-year old daughter from possible death. The motorist only a few days previously had been released from a hospital after a major operation, and he and the child were suffering severely from the cold. The Customs officer and associates pulled the car from a ditch, and Sellers drove the pair to safety.

Terse accounts of such relief work fill the routine reports reaching W. R. Johnson, Commissioner of Customs. It is all in the day's work in the eyes of the patrolmen and few of the incidents cited even mention the names of the men who figured in them. Customs men accept no pay for their extraordinary services to the public.

Here are just a few of the unusual services arising from the recent storm.

Blaine, Washington - "Transported a man to a Bellingham Hospital where he gave a blood transfusion, and then returned him to his home in Blaine."

Treasury Dept
Wash

For Release, Morning News
Sunday, March 7, 1943

Press Service
No. 35-57

Braving 7-foot snow drifts and temperatures that ranged to 50 degrees below zero, the Treasury's Customs Patrol officers along 3,600 miles of our northern boundary became agents of mercy this winter, preserving lives and property in scores of cases, Secretary Morgenthau revealed today.

double

Particularly in the northwest, with the worst storm in thirty years virtually paralyzing large areas, the patrolmen resorted to snowshoes, horses and motor sleds where automobiles could not penetrate blocked roads. They performed such services as getting food and fuel through to isolated ranches and communities, providing medical attention for the sick, and rescuing stranded travelers under conditions where death from freezing was a very real danger.

Single

The feat of Customs Patrol Inspector Floyd E. Grimes of the Warroad, Minnesota, unit is typical of dozens of other rescue missions participated in by the Treasury men. Enlisting the aid of two Minnesota game wardens, he set out in a motor sled to search for a mail carrier missing five days. The party made the search in a terrific blizzard and located the mail carrier in a cabin on an island. His wind-sled had broken down, and he had no means of communication with Warroad. Grimes gave first aid for frost-bitten feet to the postal employe and another man; and driving blind in the storm, with the aid of a compass, got the victims back to the town.

Near St. Albans, Vermont, Inspector A. R. Sellers saved a motorist and his five-year old daughter from possible death. The motorist only a few days previously had been released from a hospital after a major operation, and he and the child were suffering severely from the cold. The Customs officer and associates pulled the car from a ditch, and Sellers drove the pair to safety.

Terse accounts of such relief work fill the routine reports reaching W. R. Johnson, Commissioner of Customs. It is all in the day's work in the eyes of the patrolmen and few of the incidents cited even mention the names of the men who figured in them. Customs men accept no pay for their extraordinary services to the public.

Here are just a few of the unusual services arising from the recent storm.

2

Blaine, Washington - "Transported a man to a Bellingham Hospital where he gave a blood transfusion, and then returned him to his home in Blaine".

Turner, Montana - "Assisted in getting fuel truck through in raging storm. Fuel was needed badly in town".

Sumas, Washington - "Located a state highway crew to clear a road to a farmer's residence so that a physician could get through to perform an emergency operation".

Northport, Washington - "Helped carry a sick man from his residence in the wooded hills over a snow covered trail to the main highway where an ambulance was waiting."

Opheim, Montana - "Assisted in opening roads to get a young girl to a hospital for an operation."

Westhope, North Dakota - "Bought and delivered a pair of overshoes to a farmer so that his son might get to school." (What the boy thought of this service is not reported.)

Goldbutte, Montana - "Assisted in getting badly needed food supply from drift bound car to rancher's home several miles away."

Peskan, Montana - "Rode horse five miles to ranch through five feet of snow to feed livestock as owner was unable to get home in storm."

Warroad, Minnesota - "Took three persons from wreck to a hospital for treatment."

Not all the unusual services were in behalf of humans. Storm-scattered livestock were rounded up, and patrolmen on their treks scattered food on the snow for pheasants and other birds.

The men maintained their regular patrols throughout the storm where it was at all possible.

Throughout the years, the Patrol Service has built up an imposing record of such exploits. Perhaps none is more remarkable than that credited to Dana M. Wright, who five years ago, when he was 60 years old, carried a stricken woman several miles on his shoulders, breaking through drifts on snowshoes, to save her life.

Wright retired from service three years ago. He is a powerful man, nearly six feet tall, and weighing, in the days of his rescue feat, about 190 pounds. A veteran of the first world war, he prided himself on his strength and vigor.

As Customs officials here recall the story, Wright was making his patrol on snowshoes in a blizzard. He came upon an isolated farm house, near Hannah, North Dakota, and found man and wife stricken with pneumonia, the wife desperately ill. Wright wrapped the woman carefully to protect her from the cold, and carried her to the nearest settlement.

The detection and prevention of smuggling is the primary function of the service, but now, in wartime, it also cooperates with the Canadian Royal Mounted Police and United States Immigration and Naturalization service officers in defense measures.

In addition to the Northwest and Northeast patrol districts, there is a Southwest District, stretching from Brownsville, Texas, to San Diego, where constant patrol is maintained along the hundreds of miles of sun-baked desert and mesquite badlands. The men of the Customs Patrol remain long away from their posts, and frequently are in danger. The Bureau has a long honor roll of officers who have lost their lives in line of duty.

Men of the patrol can build a fire without matches, read natural signs, and be self-supporting and self-sufficient with a minimum of equipment. They wear a distinctive uniform, with sidearms, and are equipped with horses, automobiles, speedboats; and in the winter resort to snowshoes and snowcycles along the northern border. They are on duty day and night for long hours.

Service to the public beyond the call of official duty is traditional with them. Virtually all are experts in administering first aid. Complete first aid equipment is carried on all vehicles used by the Service. A recent report from the Northwest district alone detailed fifty instances of emergency treatment administered by Customs personnel within a period of a few weeks, in a number of cases saving lives that otherwise would have been lost.

Thomas J. Gorman, Deputy Commissioner, heads the Division of Investigations and Patrol of the Bureau of Customs. The Northwest Patrol with headquarters at Havre, Montana, is headed by Otis M. Thompson, District Superintendent. The Northeast District Superintendent is W. E. McKay, with headquarters at Buffalo, New York. The Southwest District is directed from El Paso by Superintendent Grover C. Webb. Each district has a personnel of about 150 men, organized into companies along semi-military lines. Intelligence, courage, resourcefulness, trustworthiness, physical stamina, and law enforcement experience are the qualities stressed in enlisting men for this service.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, March 3, 1943.

Press Service
No. 35-58

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	Feb. 20, 1943	197,992,218
Colombia	520,084,629	"	200,098,859
Costa Rica	33,019,264	"	7,820,380
Cuba	13,212,917	"	7,013,254
Dominican Republic	17,533,713	"	9,133,570
Ecuador	24,767,094	"	11,634,073
El Salvador	99,680,284	"	23,701,575
Guatemala	88,334,442	"	26,582,903
Haiti	45,400,298	"	33,789,975
Honduras	2,908,617	"	1,240,067
Mexico	78,758,056	"	18,589,912
Nicaragua	32,462,515	"	364,770
Peru	4,127,276	"	155
Venezuela	61,254,106	"	22,030,021
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	"	19,088,310

1/ Quotas revised.

-oOo-

FOR IMMEDIATE RELEASE,
March 2, 1943.

35-58

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	Feb. 20, 1943	197,992,218
Colombia	520,084,629	"	200,098,859
Costa Rica	33,019,264	"	7,820,380
Cuba	13,212,917	"	7,013,254
Dominican Republic	17,533,713	"	9,133,570
Ecuador	24,767,094	"	11,634,073
El Salvador	99,680,284	"	23,701,575
Guatemala	88,334,442	"	26,582,903
Haiti	45,400,298	"	33,789,975
Honduras	2,908,617	"	1,240,067
Mexico	78,758,056	"	18,589,912
Nicaragua	32,462,515	"	364,770
Peru	4,127,276	"	155
Venezuela	61,254,106	"	22,030,021
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	"	19,088,310

1/ Quotas revised.

-oOo-

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 March 10, 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

~~XXXXX~~

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 5, 1943 ~~(xx)~~.

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000 ~~(xx)~~, or thereabouts, of 91 ~~(xx)~~-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated March 10, 1943 ~~(xx)~~, and will mature June 9, 1943 ~~(xx)~~, 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 ~~xxxxxxx~~ time, Monday, March 8, 1943 ~~(xx)~~. 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

C.P. 35-59

over

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 5, 1943.

The Secretary of the Treasury, by this public notice, invites tenders for $700,000,000, 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 March 10, 1943, and will mature June 9, 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, March 8, 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 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 March 10, 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,

(Over)

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.

- oOo -

March 3, 1943

STATUTORY DEBT LIMITATION
AS OF FEBRUARY 28, 1943

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 February 28, 1943:			
Interest-bearing:			
Bonds -			
Treasury	$49,273,464,150		
Savings (maturity value)*	20,959,053,850		
Depositary	144,186,000		
Adjusted Service	723,800,207	$71,100,504,207	
Treasury notes	22,154,476,350		
Certificates of indebtedness	15,059,710,000		
Treasury bills (maturity value)	8,231,895,000	45,446,081,350	
		116,546,585,557	
Matured obligations, on which interest has ceased		69,454,850	
Bearing no interest (U.S. War Savings stamps)		224,356,248	116,840,396,655
Face amount of obligations issuable under above authority			$ 8,159,603,345

Reconcilement with Statement of the Public Debt
(On the basis of daily Treasury Statements)
February 28, 1943

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act, as amended		$116,840,396,655
Deduct unearned discount on Savings bonds (difference between maturity value and current redemption value)		3,891,581,357
		112,948,815,298
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Pre-War, etc.)	195,960,420	
Matured obligations on which interest has ceased	10,290,275	
Bearing no interest	868,622,802	1,074,873,497
Total gross public debt outstanding February 28, 1943		$114,023,688,795

* Approximate maturity value. Principal amount (current redemption value) according to statement of the public debt on the basis of daily Treasury Statements $17,067,472,493.

March 4, 1943

STATUTORY DEBT LIMITATION
AS OF FEBRUARY 28, 1943

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 February 28, 1943:			
Interest-bearing:			
Bonds -			
Treasury	$49,273,464,150		
Savings (maturity value)*	20,959,053,850		
Depositary	144,186,000		
Adjusted Service	723,800,207	$71,100,504,207	
Treasury notes	22,154,476,350		
Certificates of indebtedness	15,059,710,000		
Treasury bills (maturity value)	8,231,895,000	45,446,081,350	
		116,546,585,557	
Matured obligations, on which interest has ceased		69,454,850	
Bearing no interest (U.S. War Savings stamps)		224,356,248	116,840,396,655
Face amount of obligations issuable under above authority			$ 8,159,603,345

Reconcilement with Statement of the Public Debt
(On the basis of daily Treasury Statements)
February 28, 1943

Total face amount of outstanding public debt obligations issued under authority of the Second Liberty Bond Act, as amended		$116,840,396,655
Deduct unearned discount on Savings bonds (difference between maturity value and current redemption value)		3,891,581,357
		112,948,815,298
Add other public debt obligations outstanding but not subject to the statutory limitation:		
Interest-bearing (Pre-War, etc.)	195,960,420	
Matured obligations on which interest has ceased	10,290,275	
Bearing no interest	868,622,802	1,074,873,497
Total gross public debt outstanding February 28, 1943		$114,023,688,795

* Approximate maturity value. Principal amount (current redemption value) according to statement of the public debt on the basis of daily Treasury Statements $17,067,472,493.

Comparison of principal items of assets and liabilities of national banks - continued
(In thousands of dollars)

	Dec. 31, 1942	June 30, 1942	Dec. 31, 1941	Increase or decrease since June 30, 1942		Increase or decrease since Dec. 31, 1941	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships and corporations:							
Demand	$26,730,691	$21,945,397	$20,480,952	$4,785,294	21.81	$6,249,739	30.51
Time	8,307,519	7,841,032	7,964,912	466,487	5.95	342,607	4.30
Postal Savings deposits	9,073	14,196	15,061	-5,123	-36.09	-5,988	-39.76
Deposits of U. S. Government	4,833,109	1,175,214	1,127,673	3,657,895	311.25	3,705,436	328.59
Deposits of States & political subdivisions	2,695,194	2,741,720	2,590,940	-46,526	-1.70	104,254	4.02
Deposits of banks	1/7,401,534	1/6,498,697	6,789,685	902,837	13.89	611,849	9.01
Other deposits (certified and cashiers' checks, etc.)	671,696	442,861	585,549	228,835	51.67	86,147	14.71
Total deposits	1/50,648,816	1/40,659,117	39,554,772	9,989,699	24.57	11,094,044	28.05
Bills payable, rediscounts & other liabilities for borrowed money	3,516	2,014	3,778	1,502	74.58	-262	-6.93
Other liabilities	390,291	378,342	330,585	11,949	3.16	59,706	18.06
Total liabilities, excluding capital accounts	1/51,042,623	1/41,039,473	39,889,135	10,003,150	24.37	11,153,488	27.96
CAPITAL ACCOUNTS							
Capital stock:							
Preferred stock	146,047	152,379	168,530	-6,332	-4.16	-22.483	-13.34
Common stock	1,357,635	1,355,291	1,347,264	2,344	.17	10,371	.77
Total	1,503,682	1,507,670	1,515,794	-3,988	-.26	-12,112	-.80
Surplus	1,438,645	1,411,407	1,388,672	27,238	1.93	49,973	3.60
Undivided profits & reserves	796,028	760,415	744,633	35,613	4.68	51,395	6.90
Total capital accounts	3,738,355	3,679,492	3,649,099	58,863	1.60	89,256	2.45
Total liabilities & capital accounts	1/54,780,978	1/44,718,965	43,538,234	10,062,013	22.50	11,242,744	25.82
Reciprocal balances with banks in the United States	349,306	410,221	---	-60,915	-14.85	---	--
Ratio of loans to total deposits	20.14%	26.81%	29.71%				

NOTE: Minus sign denotes decrease.

1/ Excludes reciprocal interbank demand balances with banks in the United States, the amounts of which are shown above. In call reports prior to June 30, 1942, reciprocal balances were reported "gross".

-oOo-

Statement showing comparison of principal items of assets and liabilities of active national banks as of December 31, 1942, June 30, 1942, and December 31, 1941.

(In thousands of dollars)

	Dec. 31, 1942	June 30, 1942	Dec. 31, 1941	Increase or decrease since June 30, 1942		Increase or decrease since Dec. 31, 1941	
				Amount	Percent	Amount	Percent
Number of banks	5,087	5,107	5,123	-20	-.39	-36	-.70
ASSETS							
Loans on real estate	$2,187,264	$2,247,061	$2,255,408	-$59,797	-2.66	-$68,144	-3.02
Other loans, including overdrafts	8,013,534	8,654,734	9,496,384	-641,200	-7.41	-1,482,850	-15.61
Total loans	10,200,798	10,901,795	11,751,792	-700,997	-6.43	-1,550,994	-13.20
U. S. Government securities:							
Direct obligations	22,261,410	13,299,723	9,786,743	8,961,687	67.38	12,474,667	127.46
Obligations fully guaranteed	1,563,941	1,629,269	2,286,309	-65,328	-4.01	-722,368	-31.60
Obligations of States and political subdivisions	2,022,493	1,960,534	2,024,715	61,959	3.16	-2,222	-.11
Other bonds, notes and debentures	1,441,184	1,558,910	1,588,006	-117,726	-7.55	-146,822	-9.25
Corporate stocks, including stock of Federal Reserve Banks	193,760	194,952	201,735	-1,192	-.61	-7,975	-3.95
Total investments	27,482,788	18,643,388	15,887,508	8,839,400	47.41	11,595,280	72.98
Total loans and investments	37,683,586	29,545,183	27,639,300	8,138,403	27.55	10,044,286	36.34
Currency and coin	733,499	728,309	786,501	5,190	.71	-53,002	-6.74
Reserve with Federal Reserve Banks	8,249,513	7,489,119	7,399,238	760,394	10.15	850,275	11.49
Balances with other banks	1/7,267,258	1/6,099,135	6,816,191	1,168,123	19.15	451,067	6.62
Total cash, balances with other banks, including reserve balances and cash items in process of collection	1/16,250,270	1/14,316,563	15,001,930	1,933,707	13.51	1,248,340	8.32
Other assets	847,122	857,219	897,004	-10,097	-1.18	-49,882	-5.56
Total assets	1/54,780,978	1/44,718,965	43,538,234	10,062,013	22.50	11,242,744	25.82

$8,896,000,000 more than held by the banks on June 30, 1942, and $11,752,000,000 more than held in December the year previous. The direct and indirect obligations held on December 31 last were $22,261,000,000 and $1,564,000,000, respectively. Other bonds, stocks, and securities held totaling $3,657,000,000, including obligations of States and political subdivisions of $2,022,000,000, showed decreases in the six and twelve month periods of $57,000,000 and $157,000,000, respectively.

Cash of $733,000,000, balances with other banks, excluding reciprocal balances, of $7,267,000,000, and reserve with Federal Reserve banks of $8,250,000,000, a total of $16,250,000,000, increased $1,934,000,000 since June, and $1,248,000,000 since December 1941.

Bills payable, rediscounts, and other liabilities for borrowed money of $3,500,000 showed an increase of $1,500,000 since June, but a decrease of $262,000 in the amount reported as of December 1941.

The unimpaired capital stock of the banks was $1,504,000,000, including $146,000,000 preferred stock. Surplus of $1,439,000,000, undivided profits of $541,000,000, and reserves of $255,000,000, a total of $2,235,000,000, increased $63,000,000 and $101,000,000 in the six and twelve month periods, respectively.

The percentage of loans and discounts to total deposits on December 31,1942, was 20.14, in comparison with 26.81 on June 30, 1942, and 29.71 on December 31, 1941.

O.K. W.A.K. WPM C.F.D. Miss Simpson

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS, Tuesday, March 9, 1943.

Press Service
No. 35-61

The total assets of national banks on December 31 last amounted to nearly $55,000,000,000, it was announced today by Comptroller of the Currency Preston Delano. Returns from the call covered the 5,087 active national banks in the United States and possessions. The assets reported were greater by $10,062,000,000 than those reported by the 5,107 national banks on June 30, 1942, the date of the previous call, and showed an increase of $11,243,000,000 over the amount reported by the 5,123 active banks on December 31, 1941. Since the current figures exclude $349,000,000 of reciprocal interbank demand balances, reported gross on call dates prior to June 30, 1942, the increase in the total assets in December 1942 over December 1941 on a comparable basis would be greater by that amount.

Loans and discounts as of December 31, 1942 were $10,201,000,000, a decrease of $701,000,000 since June 1942 and a decrease of $1,551,000,000 since December 1941.

The deposits totaled $50,649,000,000, an increase since June of $9,990,000,000, and an increase over December 31, 1941 of $11,094,000,000 which, on a comparable basis, would be further increased by $349,000,000 of reciprocal bank balances. Deposits at the latest call date consisted of demand and time deposits of individuals, partnerships, and corporations of $26,731,000,000 and $8,308,000,000, respectively, United States Government deposits of $4,833,000,000, deposits of States and political subdivisions of $2,695,000,000, postal savings of $9,000,000, certified and cashiers' checks, etc. of $672,000,000, and deposits of banks, excluding reciprocal balances, of $7,401,000,000.

Investments by the banks in United States Government obligations direct and guaranteed as of December 31, 1942, aggregated $23,825,000,000. These were

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 9, 1943.
3/6/43

Press Service
No. 35-61

The total assets of national banks on December 31 last amounted to nearly $55,000,000,000, it was announced today by Comptroller of the Currency Preston Delano. Returns from the call covered the 5,087 active national banks in the United States and possessions. The assets reported were greater by $10,062,000,000 than those reported by the 5,107 national banks on June 30, 1942, the date of the previous call, and showed an increase of $11,243,000,000 over the amount reported by the 5,123 active banks on December 31, 1941. Since the current figures exclude $349,000,000 of reciprocal interbank demand balances, reported gross on call dates prior to June 30, 1942, the increase in the total assets in December 1942 over December 1941 on a comparable basis would be greater by that amount.

Loans and discounts as of December 31, 1942 were $10,201,000,000, a decrease of $701,000,000 since June 1942 and a decrease of $1,551,000,000 since December 1941.

The deposits totaled $50,649,000,000, an increase since June of $9,990,000,000, and an increase over December 31, 1941 of $11,094,000,000 which, on a comparable basis, would be further increased by $349,000,000 of reciprocal bank balances. Deposits at the latest call date consisted of demand and time deposits of individuals, partnerships, and corporations of $26,731,000,000 and $8,308,000,000, respectively, United States Government deposits of $4,833,000,000, deposits of States and political subdivisions of $2,695,000,000, postal savings of $9,000,000, certified and cashiers' checks, etc., of $672,000,000, and deposits of banks, excluding reciprocal balances, of $7,401,000,000.

Investments by the banks in United States Government obligations direct and guaranteed as of December 31, 1942, aggregated $23,825,000,000. These were $8,896,000,000 more than held by the banks on June 30, 1942, and $11,752,000,000 more than held in December the year previous. The direct and indirect obligations held on December 31 last were $22,261,000,000 and $1,564,000,000, respectively. Other bonds, stocks, and securities held totaling $3,657,000,000, including obligations of States and political subdivisions of $2,022,000,000, showed decreases in the six and twelve month periods of $57,000,000 and $157,000,000, respectively.

Cash of $733,000,000, balances with other banks, excluding reciprocal balances, of $7,267,000,000, and reserve with Federal Reserve banks of $8,250,000,000, a total of $16,250,000,000, increased $1,934,000,000 since June, and $1,248,000,000 since December 1941.

Bills payable, rediscounts, and other liabilities for borrowed money of $3,500,000 showed an increase of $1,500,000 since June, but a decrease of $262,000 in the amount reported as of December 1941.

The unimpaired capital stock of the banks was $1,504,000,000, including $146,000,000 preferred stock. Surplus of $1,439,000,000, undivided profits of $541,000,000, and reserves of $255,000,000, a total of $2,235,000,000, increased $63,000,000 and $101,000,000 in the six and twelve month periods, respectively.

The percentage of loans and discounts to total deposits on December 31, 1942, was 20.14, in comparison with 26.81 on June 30, 1942, and 29.71 on December 31, 1941.

Statement showing comparison of principal items of assets and liabilities of active national banks as of December 31, 1942, June 30, 1942, and December 31, 1941.

(In thousands of dollars)

	Dec. 31, 1942	June 30, 1942	Dec. 31, 1941	Increase or decrease since June 30, 1942		Increase or decrease since Dec. 31, 1941	
				Amount	Percent	Amount	Percent
Number of banks	5,087	5,107	5,123	-20	-.39	-36	-.70
ASSETS							
Loans on real estate	$2,187,264	$2,247,061	$2,255,408	-$59,797	-2.66	-$68,144	-3.02
Other loans, including overdrafts	8,013,534	8,654,734	9,496,384	-641,200	-7.41	-1,482,850	-15.61
Total loans	10,200,798	10,901,795	11,751,792	-700,997	-6.43	-1,550,994	-13.20
U. S. Government securities							
Direct obligations	22,261,410	13,299,723	9,786,743	8,961,687	67.38	12,474,667	127.46
Obligations fully guaranteed	1,563,941	1,629,269	2,286,309	-65,328	-4.01	-722,368	-31.60
Obligations of States and political subdivisions	2,022,493	1,960,534	2,024,715	61,959	3.16	-2,222	-.11
Other bonds, notes and debentures	1,441,184	1,558,910	1,588,006	-117,726	-7.55	-146,822	-9.25
Corporate stocks, including stock of Federal Reserve Banks	193,760	194,952	201,735	-1,192	-.61	-7,975	-3.95
Total investments	27,482,788	18,643,388	15,887,508	8,839,400	47.41	11,595,280	72.98
Total loans and investments	37,683,586	29,545,183	27,639,300	8,138,403	27.55	10,044,286	36.34
Currency and coin	733,499	728,309	786,501	5,190	.71	-53,002	-6.74
Reserve with Federal Reserve Banks	8,249,513	7,489,119	7,399,238	760,394	10.15	850,275	11.49
Balances with other banks	1/ 7,267,258	1/6,099,135	6,816,191	1,168,123	19.15	451,067	6.62
Total cash, balances with other banks, including reserve balances and cash items in process of collection	1/16,250,270	1/14,316,563	15,001,930	1,933,707	13.51	1,248,340	8.32
Other assets	847,122	857,219	897,004	-10,097	-1.18	-49,882	-5.56
Total assets	1/54,780,978	1/44,718,965	43,538,234	10,062,013	22.50	11,242,744	25.82

Comparison of principal items of assets and liabilities of national banks - continued
(In thousands of dollars)

	Dec. 31, 1942	June 30, 1942	Dec. 31, 1941	Increase or decrease since June 30, 1942		Increase or decrease since Dec. 31, 1941	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships and corporations:							
Demand	$26,730,691	$21,945,397	$20,480,952	$4,785,294	21.81	$6,249,739	30.51
Time	8,307,519	7,841,032	7,964,912	466,487	5.95	342,607	4.30
Postal Savings deposits	9,073	14,196	15,061	-5,123	-36.09	-5,988	-39.76
Deposits of U. S. Government	4,833,109	1,175,214	1,127,673	3,657,895	311.25	3,705,436	328.59
Deposits of States & political subdivisions	2,695,194	2,741,720	2,590,940	-46,526	-1.70	104,254	4.02
Deposits of banks	1/7,401,534	1/6,498,697	6,789,685	902,837	13.89	611,849	9.01
Other deposits (certified and cashiers' checks, etc.)	671,696	442,861	585,549	228,835	51.67	86,147	14.71
Total deposits	1/50,648,816	1/40,659,117	39,554,772	9,989,699	24.57	11,094,044	28.05
Bills payable, rediscounts & other liabilities for borrowed money	3,516	2,014	3,778	1,502	74.58	-262	-6.93
Other liabilities	390,291	378,342	330,585	11,949	3.16	59,706	18.06
Total liabilities, excluding capital accounts	1/51,042,623	1/41,039,473	39,889,135	10,003,150	24.37	11,153,488	27.96
CAPITAL ACCOUNTS							
Capital stock:							
Preferred stock	146,047	152,379	168,530	-6,332	-4.16	-22,483	-13.34
Common stock	1,357,635	1,355,291	1,347,264	2,344	.17	10,371	.77
Total	1,503,682	1,507,670	1,515,794	-3,988	-.26	-12,112	-.80
Surplus	1,438,645	1,411,407	1,388,672	27,238	1.93	49,973	3.60
Undivided profits & reserves	796,028	760,415	744,633	35,613	4.68	51,395	6.90
Total capital accounts	3,738,355	3,679,492	3,649,099	58,863	1.60	89,256	2.45
Total liabilities & capital accounts	1/54,780,978	1/44,718,965	43,538,234	10,062,013	22.50	11,242,744	25.82
Reciprocal balances with banks in the United States	349,306	410,221	---	-60,915	-14.85	---	---
Ratio of loans to total deposits	20.14%	26.81%	29.71%				

NOTE: Minus sign denotes decrease.

1/ Excludes reciprocal interbank demand balances with banks in the United States, the amounts of which are shown above. In call reports prior to June 30, 1942, reciprocal balances were reported "gross".

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, March 9, 1943.

Press Service
35-62

The Secretary of the Treasury announced last evening that the tenders for $700,000,000 or thereabouts, of 91-day Treasury bills to be dated March 10 and to mature June 9, 1943, which were offered on March 5, 1943, were opened at the Federal Reserve Banks on March 8.

The details of this issue are as follows:

Total applied for - $1,382,297,000
Total accepted - 705,256,000

Range of accepted bids:

High	- 99.930	Equivalent rate of discount approx. 0.277% per annum
Low	- 99.905	" " " " " 0.376% " "
Average price	- 99.906	" " " " " 0.371% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 52,400,000	$ 37,502,000
New York	862,808,000	328,292,000
Philadelphia	24,731,000	18,985,000
Cleveland	24,631,000	21,628,000
Richmond	29,275,000	25,806,000
Atlanta	13,935,000	12,093,000
Chicago	169,025,000	82,294,000
St. Louis	46,242,000	26,655,000
Minneapolis	20,828,000	20,755,000
Kansas City	26,599,000	21,076,000
Dallas	10,178,000	9,894,000
San Francisco	101,645,000	100,276,000
TOTAL	$1,382,297,000	$705,256,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 9, 1943.
3/8/43

Press Service
No. 35-62

The Secretary of the Treasury announced last evening that the tenders for $700,000,000, or thereabouts, of 91-day Treasury bills to be dated March 10 and to mature June 9, 1943, which were offered on March 5, 1943, were opened at the Federal Reserve Banks on March 8.

The details of this issue are as follows:

Total applied for - $1,382,297,000
Total accepted - 705,256,000

Range of accepted bids:

High	- 99.930	Equivalent rate of discount approx.	0.277% per annum
Low	- 99.905	" " " " "	0.376% per annum
Average price	- 99.906	" " " " "	0.371% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 52,400,000	$ 37,502,000
New York	862,808,000	328,292,000
Philadelphia	24,731,000	18,985,000
Cleveland	24,631,000	21,628,000
Richmond	29,275,000	25,806,000
Atlanta	13,935,000	12,093,000
Chicago	169,025,000	82,294,000
St. Louis	46,242,000	26,655,000
Minneapolis	20,828,000	20,755,000
Kansas City	26,599,000	21,076,000
Dallas	10,178,000	9,894,000
San Francisco	101,645,000	100,276,000
TOTAL	$1,382,297,000	$705,256,000

-oOo-

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

FOR IMMEDIATE RELEASE
Monday, March 8, 1943

Press Release No.

Commissioner of Internal Revenue Guy T. Helvering today emphasized that there will not be a blanket extension for the filing of 1942 individual and corporation income tax returns. He pointed out that penalties and interest will attach if the returns are not timely filed.

Some reports have been received by the Bureau of Internal Revenue that a small number of taxpayers are filing returns without remitting the first quarterly payment. The Commissioner advises that where a taxpayer fails to pay the first quarterly payment, the whole amount of the tax liability must be paid upon notice and demand from the Collector.

The Commissioner stated that there was no reason for misunderstanding on the part of taxpayers since representatives of the Senate and of the House of Representatives, of the Treasury Department and of the Bureau of Internal Revenue, have repeatedly, over the radio and through the public press, advised the taxpayers of the country that returns must be filed and tax paid on or before March 15th.

In meritorious cases the local Collector of Internal Revenue has authority to grant a sixty-day extension. It is felt that all taxpayers, as a part of the war effort, will cooperate in filing timely returns.

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

FOR IMMEDIATE RELEASE
Monday, March 8, 1943

Press Release No. 35-63

Commissioner of Internal Revenue Guy T. Helvering today emphasized that there will not be a blanket extension for the filing of 1942 individual and corporation income tax returns. He pointed out that penalties and interest will attach if the returns are not ~~timely~~ filed on time.

Some reports have been received by the Bureau of Internal Revenue that a small number of taxpayers are filing returns without remitting the first quarterly payment. The Commissioner advised that where a taxpayer fails to pay the first quarterly payment, the whole amount of the tax liability must be paid upon notice and demand from the Collector.

The Commissioner stated that there was no reason for misunderstanding on the part of taxpayers since representatives of the Senate and of the House of Representatives, of the Treasury Department and of the Bureau of Internal Revenue, have repeatedly, over the radio and through the public press, advised the taxpayers of the country that returns must be filed and tax paid on or before March 15th.

In meritorious cases the local Collector of Internal Revenue has authority to grant a sixty-day extension. It is felt that all taxpayers, as a part of the war effort, will cooperate in filing timely returns.

Miss Simpson

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

FOR IMMEDIATE RELEASE
Monday, March 8, 1943

Press Release No. 35-63

Commissioner of Internal Revenue Guy T. Helvering today emphasized that there will not be a blanket extension for the filing of 1942 individual and corporation income tax returns. He pointed out that penalties and interest will attach if the returns are not ~~timely~~ filed on time.

Some reports have been received by the Bureau of Internal Revenue that a small number of taxpayers are filing returns without remitting the first quarterly payment. The Commissioner advised that where a taxpayer fails to pay the first quarterly payment, the whole amount of the tax liability must be paid upon notice and demand from the Collector.

The Commissioner stated that there was no reason for misunderstanding on the part of taxpayers since representatives of the Senate and of the House of Representatives, of the Treasury Department and of the Bureau of Internal Revenue, have repeatedly, over the radio and through the public press, advised the taxpayers of the country that returns must be filed and tax paid on or before March 15th.

In meritorious cases the local Collector of Internal Revenue has authority to grant a sixty-day extension. It is felt that all taxpayers, as a part of the war effort, will cooperate in filing timely returns.

TREASURY DEPARTMENT
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE,
Monday, March 8, 1943.

Press Service
No. 35-63

Commissioner of Internal Revenue Guy T. Helvering today emphasized that there will not be a blanket extension for the filing of 1942 individual and corporation income tax returns. He pointed out that penalties and interest will attach if the returns are not filed on time.

Some reports have been received by the Bureau of Internal Revenue that a small number of taxpayers are filing returns without remitting the first quarterly payment. The Commissioner advised that where a taxpayer fails to pay the first quarterly payment, the whole amount of the tax liability must be paid upon notice and demand from the Collector.

The Commissioner stated that there was no reason for misunderstanding on the part of taxpayers since representatives of the Senate and of the House of Representatives, of the Treasury Department and of the Bureau of Internal Revenue, have repeatedly, over the radio and through the public press, advised the taxpayers of the country that returns must be filed and tax paid on or before March 15th.

In meritorious cases the local Collector of Internal Revenue has authority to grant a sixty-day extension. It is felt that all taxpayers, as a part of the war effort, will cooperate in filing timely returns.

-oOo-

Miss Simpson
35-64

FOR IMMEDIATE RELEASE
March 9, 1943.

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	Feb. 27, 1943	210,420,323
Colombia	520,084,629	"	219,788,391
Costa Rica	33,019,264	"	9,616,694
Cuba	13,212,917	"	8,126,755
Dominican Republic	17,533,713	"	9,349,179
Ecuador	24,767,094	"	12,192,231
El Salvador	99,680,284	"	29,935,094
Guatemala	88,334,442	"	30,727,098
Haiti	45,400,298	"	33,789,977
Honduras	2,908,617	"	1,239,899
Mexico	78,758,056	"	20,145,243
Nicaragua	32,462,515	"	2,357,740
Peru	4,127,276	"	155
Venezuela	61,254,106	"	22,029,625
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	"	19,529,387

1/ Quotas revised.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, March 10, 1943.

Press Service
No. 35-64

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	Feb. 27, 1943	210,420,323
Colombia	520,084,629	"	219,788,391
Costa Rica	33,019,264	"	9,616,694
Cuba	13,212,917	"	8,126,755
Dominican Republic	17,533,713	"	9,349,179
Ecuador	24,767,094	"	12,192,231
El Salvador	99,680,284	"	29,935,094
Guatemala	88,334,442	"	30,727,098
Haiti	45,400,298	"	33,789,977
Honduras	2,908,617	"	1,239,899
Mexico	78,758,056	"	20,145,243
Nicaragua	32,462,515	"	2,357,740
Peru	4,127,276	"	155
Venezuela	61,254,106	"	22,029,625
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	"	19,529,387

1/ Quotas revised.

-oOo-

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 Feb. 27, 1943	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 21, 1942, to Feb. 27, 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.

-oOo-

FOR IMMEDIATE RELEASE
March 9, 1943.

Miss Simpson 35-65

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 February 27, 1943.

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 Feb. 27, 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 Feb. 27, 1943.
Egypt and the Anglo-Egyptian Sudan.........	783,816	-		33,114,755
Peru....................	247,952	247,952		889,234
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	34,003,989

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, March 10, 1943.

Press Service
No. 35-65

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 February 27, 1943.

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 Feb.27, 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 Feb. 27, 1943.
Egypt and the Anglo-Egyptian Sudan..........	783,816	-		33,114,755
Peru....................	247,952	247,952		889,234
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	34,003,989

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 of the quotas shall be filled by cotton wastes other than card strips 2/ 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 Feb. 27, 1943	ESTABLISHED 33-1/3% of Total Quota	Imports Sept. 21, 1942, to Feb. 27, 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	-
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	-
	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.

-oOo-

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of February 27, 1943
Silver or black foxes, furs, and articles:	Month of Feb.	17,500	Number	5,098
Foxes valued under $250 ea. and whole furs and skins	Canada Other than Canada	7,500	Number	5
Tails	12 months from Dec. 1, 1942	5,000	Piece	462
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	25

-oOo-

Miss Simpson
35/66

FOR IMMEDIATE RELEASE,
March 9, 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 January 30, 1943, inclusive, as follows:

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of February 27, 1943.
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	873
Cream, fresh or sour	Calendar year	1,500,000	Gallon	83
Fish, fresh or frozen filleted, etc., cod, haddock, hake, pollock, cusk and rosefish	Calendar year	15,000,000	Pound	1,272,877
White or Irish potatoes	12 months from Sept. 15, 1942			
certified seed	12 months from	90,000,000	Pound	34,470,704
Other	Sept. 15	60,000,000	Pound	576,891
Red cedar shingles	Calendar year	2,506,072	Square	182,388
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	5,188,006
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	24,018

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, March 10, 1943.

Press Service
No. 35-66

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 January 30, 1943, inclusive, as follows:

Commodity	Established Quota		Unit of Quantity	Imports as of February 27, 1943
	Period and Country	Quantity		
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	873
Cream, fresh or sour	Calendar year	1,500,000	Gallon	83
Fish, fresh or frozen filleted, etc., cod, haddock, hake, pollock, cusk and rosefish	Calendar year	15,000,000	Pound	1,272,877
White or Irish potatoes	12 months from Sept. 15, 1942			
certified seed	12 months from	90,000,000	Pound	34,470,704
Other	Sept. 15	60,000,000	Pound	576,891
Red cedar shingles	Calendar year	2,506,072	Square	182,388
Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco), and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	5,188,006
Molasses and sugar sirups containing soluble nonsugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	24,018

Commodity	Established Quota: Period and Country	Established Quota: Quantity	Unit of Quantity	Imports as of February 27, 1943.
Silver or black foxes, furs, and articles:				
Foxes valued under $250 ea. and whole furs and skins	Month of Feb. Canada	17,500	Number	5,098
	Other than Canada	7,500	Number	5
Tails	12 months from Dec. 1, 1942	5,000	Piece	462
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	25

-oOo-

35-67

FOR IMMEDIATE RELEASE,
March 9, 1943.

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 Feb. 27, 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, Feb. 27, 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

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, March 11, 1943.

Press Service
No. 35-67

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 Feb. 27, 1943	Established Quota	Imports May 29, 1942, Feb. 27, 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

-oOo-

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 March 17, 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

~~ALPHA~~

TREASURY DEPARTMENT

35-68

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 12, 1943.

The Secretary of the Treasury, by this public notice, invites tenders for $800,000,000, 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 March 17, 1943, and will mature June 16, 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, March 15, 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

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 12, 1943.
3-11-43

The Secretary of the Treasury, by this public notice, invites tenders for $800,000,000, 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 March 17, 1943, and will mature June 16, 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, March 15, 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 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 March 17, 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.

-oOo-

Circulation, and a member of the Advertising Council, the official advertising body which cooperates with Government agencies.

-oOo-

MW

CP.

Treasury Department
Washington

For Immediate Release,
Thursday, March 11, 1943

Press Service
No. 35-69

Secretary Morgenthau announced today the appointment of Stuart Peabody, director of advertising for the Borden Company of New York City, as Advertising Specialist in charge of promotion incident to the Second War Loan campaign which begins on April 12.

In his new capacity, Mr. Peabody will assist William M. Robbins, named recently by Mr. Morgenthau to head the new United States Treasury War Finance Committee.

Mr. Peabody, ~~who~~ will serve for the duration of the drive, ~~is fifty years old~~. He has been affiliated with the Borden Company for the last nineteen years, all of which have been spent in the advertising field, and has been granted a leave of absence to aid the Treasury.

He is a former president of the Association of National Advertisers, a director of the Audit Bureau of

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, March 11, 1943.

Press Service
No. 35-69

Secretary Morgenthau announced today the appointment of Stuart Peabody, director of advertising for the Borden Company of New York City, as Advertising Specialist in charge of promotion incident to the Second War Loan campaign which begins on April 12.

In his new capacity, Mr. Peabody will assist William M. Robbins, named recently by Mr. Morgenthau to head the new United States Treasury War Finance Committee.

Mr. Peabody will serve for the duration of the drive. He has been affiliated with the Borden Company for the last nineteen years, all of which have been spent in the advertising field, and has been granted a leave of absence to aid the Treasury.

He is a former president of the Association of National Advertisers, a director of the Audit Bureau of Circulation, and a member of the Advertising Council, the official advertising body which cooperates with Government agencies.

-oOo-

Effect of Ruml Plan

All Income Groups.

The total estimated amount of income taxes to be reported by individuals on 1942 incomes is $9,815,000,000. Under the original Ruml Plan, this represents the amount to be canceled in order to place all taxpayers on a pay-as-you-go basis.

The distribution by net income classes is as follows:

Table 1. Estimated number of taxpayers, net income, and taxes for 1942, by net income classes; and average tax

Net income classes	Number of taxpayers	Net income (In millions of dollars)	Income tax (In millions of dollars)	Average tax per taxpayer
Under $1,000	9,385,000	$ 7,518	$ 318	$ 33.88
$1,000 - 2,000	17,363,000	25,802	2,170	124.98
$2,000 - 3,000	6,887,000	16,564	1,176	170.76
$3,000 - 4,000	2,697,000	9,349	927	343.72
$4,000 - 5,000	1,176,000	5,252	645	548.47
$5,000 - 10,000	943,000	6,178	1,024	1,085.90
$10,000 - 25,000	299,000	4,369	1,193	3,989.97
$25,000 - 100,000	75,000	3,051	1,470	19,600.00
$100,000 - 200,000	4,300	568	397	92,325.54
$200,000 - 500,000	1,200	345	275	229,166.67
$500,000 - 1,000,000	200	147	126	630,000.00
$1,000,000 and over	60	99	94	1,566,666.64
Total	38,831,560	$79,242	$9,815	$ 252.76

Table 2. Amount of taxes to be canceled at selected levels of net income.

Married persons - No dependents

Net income before personal exemption	Amount of tax at 1942 rates 1/	Net income after tax
$ 1,200	$ -	$ 1,200
1,300	13	1,287
1,500	48	1,452
2,000	140	1,860
2,500	232	2,268
3,000	324	2,676
4,000	532	3,468
5,000	746	4,254
10,000	2,152	7,848
15,000	4,052	10,948
20,000	6,452	13,548
25,000	9,220	15,780
50,000	25,328	24,672
100,000	64,060	35,940
500,000	414,000	86,000
1,000,000	854,000	146,000
5,000,000	4,374,000	626,000

1/ Excludes Victory Tax. Rates based on 1942 Revenue Act, assumes maximum earned income credit and no net long-term gains.

March 11, 1943.

Miss Simpson

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, March 13, 1943.

Press Service
No. 35-70

(The following address by SECRETARY MORGENTHAU at ceremonies celebrating completion of a War Savings Bond campaign for a new cruiser ATLANTA is part of a program that will be broadcast at 10:30 p.m., Eastern War Time, Friday, March 12, 1943, from the Capital City Auditorium, Atlanta, Georgia, over the Blue Network.)

(text returned to Miss Chauncey at her request)

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, March 13, 1943.
3/11/43

Press Service
No. 35-70

(The following address by SECRETARY MORGENTHAU at ceremonies celebrating completion of a War Savings Bond campaign for a new cruiser ATLANTA is part of a program that will be broadcast at 10:30 p.m., Eastern War Time, Friday, March 12, 1943, from the Capital City Auditorium, Atlanta, Georgia, over the Blue Network. Secretary Morgenthau will speak from Washington.)

I welcome the opportunity to join the Secretary of the Navy in congratulating the people of Atlanta and the people of Georgia on putting their dollars to work for victory. I regret greatly that circumstances which arose at the last moment have made it impossible for me to be present in person with you in Atlanta tonight, as I had planned.

I have watched with admiration on other occasions the contributions made by the people of Georgia to meeting the wartime needs of their country. And now the people of Atlanta and their neighbors have responded with the unconquerable Georgia fighting spirit to a new challenge. They have made it certain that our flag will proudly fly again on a new ATLANTA to take the honored place of that other ATLANTA which went down in glorious combat off the coast of Guadalcanal.

The people of other communities can -- and I hope they will -- follow your example. Not all will be able to pay for cruisers or battleships, but all can buy implements of war according to their abilities, from the great battleship down to the humble but mightily useful jeep. All these are tools of freedom.

So, too, are dollars the tools of freedom. The dollars you save and turn over to the use of your government today are fighting dollars. This is true of tax dollars as well as of bond dollars. Out of every hundred dollars of taxes paid on March 15, ninety-five dollars will go directly to pay the costs of this war, to supply our men at the front, to smash the Axis.

Next Monday night is the zero hour when billions of these dollars are due to go over the top to battle. There have been baseless rumors that somehow this zero hour will never come off; that somehow the taxes due on March 15 are to be forgiven or forgotten. It would be tragic for our war effort if these rumors should be widely believed. They are utterly false. We have ruthless enemies to fight and your tax dollars are desperately needed in the battle. Any American who wilfully neglects to pay his taxes on time or to invest every cent he can in War Bonds is surely giving aid and comfort to the enemy.

Even as you meet in Atlanta tonight your dollars are fighting the enemy. They are also fighting an important battle here on the home front. Every dollar you put into war bonds or taxes helps to keep prices down. Every dollar put into war bonds also creates future purchasing power that will mean jobs for our fighting men when they return. Your bond dollars and your tax dollars are double duty dollars.

We have a job to do and we are all called for service to our country. Our dollars are called to service too.

Let us all ask ourselves, "Shall we be more tender with our dollars than with the lives of our sons?"

Only a great outpouring of the people's money can provide a sufficient answer to our war needs. It is by such democratic initiative and community spirit as you of Atlanta have shown that a great democracy will meet the challenge of the enemy and keep faith with our men who fight on land and sea and in the air.

-oOo-

In addition to the foregoing securities offered during the month of April, the Treasury will offer on April 20, outside of the Second War Loan campaign, a 7/8 per cent one-year certificate of indebtedness dated May 1, in exchange for the Treasury certificates of indebtedness in the amount of $1,506,000,000, and Commodity Credit Corporation notes in the amount of $289,000,000, all maturing on that day. This exchange offering should not be considered as a precedent for future refunding operations of the Treasury.

On individual subscriptions of $1,000 or less, no accrued interest will be charged on the 2% or 2½% Bonds during the period of the drive, but accrued interest from April 15 will be collected on all subscriptions in excess of that amount entered after that date.

3. A 7/8 per cent Certificate of Indebtedness dated April 15, 1943, due April 1, 1944. This security will be available for subscription by commercial banks for their own account for the first three days of the drive, namely, April 12, 13 and 14, and will be available for subscription by all classes of investors during the entire period of the drive. Sales to commercial banks will be limited to $2,000,000,000 or thereabouts. Applications from commercial banks up to $100,000 will be allotted in full and larger bank subscriptions on an equal percentage basis, and all applications from other than commercial banks will be allotted in full. The certificates will be in denominations of $1,000 to $1,000,000 and will be issued in coupon form only.

4. Tax Savings Notes of Series C.

5. Series E War Savings Bonds.

6. United States Savings Bonds, Series F and G.

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

applications from other than commercial banks will be allotted in full. These bonds will be in denominations of from $500 to $1,000,000 and will be issued in coupon or registered form at the option of the buyer.

The offerings to be sold under the direction of the War Finance Committee will consist of:

1. Twenty-six year $2\frac{1}{2}$ per cent bonds dated April 15, 1943, due June 15, 1969, callable June 15, 1964, 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 own these bonds until April 15, 1953. There will be no limit to the amount of this issue and no restriction upon the issuance excepting the temporary exclusion of commercial banks from ownership for their own account. Subscription books will be opened April 12 and will remain open several weeks. The bonds will be sold in denominations from $500 to $1,000,000.

2. Two per cent Treasury bonds dated April 15, 1943, due September 15, 1952, callable September 15, 1950. This security will be available for subscription by commercial banks for their own account for the period April 28, 29 and 30 ~~inclusive~~. It will be available for subscription by all other classes of investors for the entire period of the drive. Sales to commercial banks will be limited to $2,000,000,000 or thereabouts. Applications from commercial banks in amounts up to $100,000 will be allotted in full and larger bank subscriptions on an equal percentage basis. All

Treasury Dept
Washington

For Release Morning Newspapers 35-71
~~Thurs~~ Friday, March 12, 1943

Secretary Morgenthau announced today that the United States Treasury will borrow during the month of April the huge sum of $13,000,000,000 in its Second War Loan drive.

"Eight billion dollars of this total," he said, "will come from non-banking investors and the balance from banking sources, including the ~~ww~~ increased weekly offerings of Treasury Bills.

"This money, which is needed to back up our armed forces, will be raised through the continuing sale of War Savings Bonds, and Tax Savings Notes, Treasury bills, and the offering of a number of new Treasury issues designed for every class and type of investor.

"As we move forward into full production in the war effort, it is increasingly important that every American invest in his Government's securities to the limit of his or her ability.

"As announced on March 3, a new organization under the title of United States Treasury War Finance Committee, will conduct the sales campaign beginning April 12 on the several issues of securities offered. In order to combine all of our forces behind the Second War Loan drive, this organization will bring together the Victory Fund Committees, which so successfully carried out the December campaign, and the War Savings Staff organizations, which have done such a grand job in the sale of War Savings securities. The President of the Federal Reserve Bank in each of the twelve districts is Chairman of the War Finance Committee in his district and will be in complete charge of the drive for that area."

TREASURY DEPARTMENT
Washington

For Release, Morning Newspapers
Friday, March 12, 1943

Press Service
No. 35-71

Secretary Morgenthau announced today that the United States Treasury will borrow during the month of April the huge sum of $13,000,000,000 in its Second War Loan drive.

"Eight billion dollars of this total," he said, "will come from non-banking investors and the balance from banking sources, including the increased weekly offerings of Treasury Bills.

"This money, which is needed to back up our armed forces, will be raised through the continuing sale of War Savings Bonds, and Tax Savings Notes, Treasury Bills, and the offering of a number of new Treasury issues designed for every class and type of investor.

"As we move forward into full production in the war effort, it is increasingly important that every American invest in his Government's securities to the limit of his or her ability.

"As announced on March 3, a new organization under the title of United States Treasury War Finance Committee, will conduct the sales campaign beginning April 12 on the several issues of securities offered. In order to combine all of our forces behind the Second War Loan drive, this organization will bring together the Victory Fund Committees, which so successfully carried out the December campaign, and the War Savings Staff organizations, which have done such a grand job in the sale of War Savings securities. The President of the Federal Reserve Bank in each of the twelve districts is Chairman of the War Finance Committee in his district and will be in complete charge of the drive for that area."

The offerings to be sold under the direction of the War Finance Committee will consist of:

1. Twenty-six year $2\frac{1}{2}$ per cent bonds dated April 15, 1943, due June 15, 1969, callable June 15, 1964, 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 own these bonds until April 15, 1953. There will be no limit to the amount of this issue and no restriction upon the issuance excepting the temporary exclusion of commercial banks from ownership for their own account. Subscription books will be opened April 12 and will remain open several weeks. The bonds will be sold in denominations from $500 to $1,000,000.

2. Two per cent Treasury bonds dated April 15, 1943, due September 15, 1952, callable September 15, 1950. This security will be available for subscription by commercial banks for their own account for the period April 28, 29 and 30. It will be available for subscription by all other classes of investors for the entire period of the drive. Sales to commercial banks will be limited to $2,000,000,000 or thereabouts. Applications from commercial banks in amounts up to $100,000 will be allotted in full and larger bank subscriptions on an equal percentage basis. All applications from other than commercial banks will be allotted in full. These bonds will be in denominations of from $500 to $1,000,000 and will be issued in coupon or registered form at the option of the buyer.

On individual subscriptions of $1,000 or less, no accrued interest will be charged on the 2% or 2½% Bonds during the period of the drive, but accrued interest from April 15 will be collected on all subscriptions in excess of that amount entered after that date.

3. A 7/8 per cent Certificate of Indebtedness dated April 15, 1943, due April 1, 1944. This security will be available for subscription by commercial banks for their own account for the first three days of the drive, namely, April 12, 13 and 14, and will be available for subscription by all classes of investors during the entire period of the drive. Sales to commercial banks will be limited to $2,000,000,000 or thereabouts. Applications from commercial banks up to $100,000 will be allotted in full and larger bank subscriptions on an equal percentage basis, and all applications from other than commercial banks will be allotted in full. The certificates will be in denominations of $1,000 to $1,000,000 and will be issued in coupon form only.

4. Tax Savings Notes of Series C.

5. Series E War Savings Bonds.

6. United States Savings Bonds, Series F and G.

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

In addition to the foregoing securities offered during the month of April, the Treasury will offer on April 20, outside of the Second War Loan campaign, a 7/8 per cent one-year certificate of indebtedness dated May 1, in exchange for the Treasury certificates of indebtedness in the amount of $1,506,000,000, and Commodity Credit Corporation notes in the amount of $289,000,000, all maturing on that day. This exchange offering should not be considered as a precedent for future refunding operations of the Treasury.

oOo

"This year for the first time it is not necessary for you to have your tax return notarized. It can be signed and mailed along with the first quarterly payment. So if you can't get to the Collector's office, be sure to mail your return in time so that it will be postmarked before midnight Monday, March 15. That will be accepted as filed on time. And remember that in addition to filing your return, at least one-quarter of the tax must be paid by midnight Monday."

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, March 14, 1943.

zPress Service
No. 35-72

Congressional tax leaders united today in an appeal to last-minute income tax filers to get their returns in before the Monday midnight deadline.

Senators Walter F. George and Arthur H. Vandenberg of the Senate Finance Committee and Representatives Robert L. Doughton and Allen T. Treadway of the House Ways and Means Committee made the following joint statement:

"Monday is the last day for getting in your income tax returns on 1942 income and paying the first quarterly installment of your tax. No new revenue plan now before Congress or that might come before Congress changes or postpones that obligation in the slightest. It is the duty and the privilege of every one of us to send our fighting dollars into battle along side of our fighting men.

"This is a legal and patriotic responsibility on all single persons who received $500 or more last year and on all married people who received, together, $1,200. The nation needs your taxes to smash the Axis. For the benefit of late filers, all Internal Revenue offices will be kept open until midnight Monday. Be sure that your return is in before that time.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, March 14, 1943.
3/12/43

Press Service
No. 35-72

Congressional tax leaders united today in an appeal to last-minute income tax filers to get their returns in before the Monday midnight deadline.

Senators Walter F. George and Arthur H. Vandenberg of the Senate Finance Committee and Representatives Robert L. Doughton and Allen T. Treadway of the House Ways and Means Committee made the following joint statement:

"Monday is the last day for getting in your income tax returns on 1942 income and paying the first quarterly installment of your tax. No new revenue plan now before Congress or that might come before Congress changes or postpones that obligation in the slightest. It is the duty and the privilege of every one of us to send our fighting dollars into battle alongside of our fighting men.

"This is a legal and patriotic responsibility on all single persons who received $500 or more last year and on all married people who received, together, $1,200. The nation needs your taxes to smash the Axis. For the benefit of late filers, all Internal Revenue offices will be kept open until midnight Monday. Be sure that your return is in before that time.

"This year for the first time it is not necessary for you to have your tax return notarized. It can be signed and mailed along with the first quarterly payment. So if you can't get to the Collector's office, be sure to mail your return in time so that it will be postmarked before midnight Monday, March 15. That will be accepted as filed on time. And remember that in addition to filing your return, at least one-quarter of the tax must be paid by midnight Monday."

-oOo-

Mr Schwarz

March 6, 1943.

TO MR. D. W. BELL:

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

Sales	$91,423,900
Purchases	1,150,000
Net Sales	$90,273,900

(Initialed) R. W. M.

gwm:eal

Copy to: Mr. Schwarz
Mr. Heffelfinger
Miss Sanford
File

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, ~~February 15~~, March 15, 1943.

Press Service
No. ~~35-38~~ 35-73

During the month of ~~January~~ February, 1943, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of ~~$14,500,000~~ $90,273,900, Secretary Morgenthau announced today.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, March 15, 1943.

Press Service
No. 35-73

During the month of February, 1943, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $90,273,900, Secretary Morgenthau announced today.

-oOo-

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, March 16, 1943.

Press Service

35-7

The Secretary of the Treasury announced last evening that the tenders for $800,000,000 or thereabouts, of 91-day Treasury bills to be dated March 17 and to mature June 16, 1943, which were offered on March 12, 1943, were opened at the Federal Reserve Banks on March 15.

The details of this issue are as follows:

Total applied for - $1,302,725,000
Total accepted - 802,171,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.297% per annum
Low	- 99.905	" " " " " 0.376% " "
Average price	- 99.906	" " " " " 0.373% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 28,695,000	$ 22,083,000
New York	848,282,000	452,804,000
Philadelphia	33,625,000	23,787,000
Cleveland	18,440,000	17,700,000
Richmond	27,435,000	23,910,000
Atlanta	13,121,000	10,621,000
Chicago	189,778,000	127,970,000
St. Louis	28,695,000	14,593,000
Minneapolis	4,193,000	4,117,000
Kansas City	26,638,000	23,783,000
Dallas	16,422,000	15,262,000
San Francisco	67,401,000	65,541,000
TOTAL	$1,302,725,000	$802,171,000

Em
C.P.D.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 16, 1943.
3-15-43

Press Service
No. 35-74

The Secretary of the Treasury announced last evening that the tenders for $800,000,000, or thereabouts, of 91-day Treasury bills to be dated March 17 and to mature June 16, 1943, which were offered on March 12, 1943, were opened at the Federal Reserve Banks on March 15.

The details of this issue are as follows:

Total applied for - $1,302,725,000
Total accepted - 802,171,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.297% per annum
Low	- 99.905	Equivalent rate of discount approx. 0.376% per annum
Average price	- 99.906	Equivalent rate of discount approx. 0.373% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 28,695,000	$ 22,083,000
New York	848,282,000	452,804,000
Philadelphia	33,625,000	23,787,000
Cleveland	18,440,000	17,700,000
Richmond	27,435,000	23,910,000
Atlanta	13,121,000	10,621,000
Chicago	189,778,000	127,970,000
St. Louis	28,695,000	14,593,000
Minneapolis	4,193,000	4,117,000
Kansas City	26,638,000	23,783,000
Dallas	16,422,000	15,262,000
San Francisco	67,401,000	65,541,000
TOTAL	$1,302,725,000	$802,171,000

-oOo-

Immediate Rel.

35-75

Secretary Morgenthau today announced the appointment of William H. Woolf as Chief of the Intelligence Unit of the Bureau of Internal Revenue. The appointment was made upon the recommendation of Commissioner of Internal Revenue Guy. T. Helvering.

Mr. Woolf, who came to the Treasury in 1919 with the establishing of the Intelligence Unit, has been Acting Chief since April of last year, when Elmer L. Irey, who was head of the Unit for twenty-three years, relinquished the post to devote full time to his position of Chief Coordinator of Treasury Enforcement Agencies.

Mr. Woolf is one of the group ~~of six investigators~~ recruited from the Postal Inspection service in 1919 to organize machinery for prosecuting income tax frauds against the Government.

He was Assistant Chief under Mr. Irey from the start, with his responsibilities spreading as the fledgling investigative unit grew into one of the most effective of Federal law enforcement organizations.

~~Mr. Woolf's tenure with the Unit has seen many millions of dollars in penalties, fines and additional tax assessments drawn into the Treasury, and hundreds of evaders sent to prison, including gang overlords and notorious political grafters as well as just plain chisellers of high and low estate.~~

Mr. Woolf began his Government service in 1909 with a temporary clerical appointment in the Department of Agriculture. He went to the Post Office in 1910, and served that Department for nine years before transferring to the Treasury.

WHS

TO: Commissioner Helvering

For approval, please.

(os)
3/1

COMMISSIONER
MAR 15 1943
INTERNAL REVENUE

Confer with Mr. Woodall Any question

OK G.T.H.

FROM: MR. SCHWARZ

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, March 17, 1943.

Press Service
No. 35-75

Secretary Morgenthau today announced the appointment of William H. Woolf as Chief of the Intelligence Unit of the Bureau of Internal Revenue. The appointment was made upon the recommendation of Commissioner of Internal Revenue Guy T. Helvering.

Mr. Woolf, who came to the Treasury in 1919 with the establishing of the Intelligence Unit, has been Acting Chief since April of last year, when Elmer L. Irey, who was head of the Unit for twenty-three years, relinquished the post to devote full time to his position of Chief Coordinator of Treasury Enforcement Agencies.

Mr. Woolf is one of the group recruited from the Postal Inspection service in 1919 to organize machinery for prosecuting income tax frauds against the Government.

He was Assistant Chief under Mr. Irey from the start, with his responsibilities spreading as the fledgling investigative unit grew into one of the most effective of Federal law enforcement organizations.

Mr. Woolf began his Government service in 1909 with a temporary clerical appointment in the Department of Agriculture. He went to the Post Office in 1910, and served that Department for nine years before transferring to the Treasury.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, March 17, 1943.

Press Service
No. 35-76

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	2,172,359,753	March 6, 1943	249,516,091
Colombia	735,840,277	"	238,840,849
Costa Rica	46,718,031	"	10,099,826
Cuba	18,692,451	"	8,368,522
Dominican Republic	25,752,947	"	9,469,084
Ecuador	35,041,235	"	12,351,655
El Salvador	140,776,585	"	31,858,489
Guatemala	124,978,598	"	34,065,185
Haiti	64,236,136	"	35,645,271
Honduras	4,278,467	"	1,239,899
Mexico	111,292,661	"	23,163,752
Nicaragua	45,818,819	"	3,042,702
Peru	5,839,588	"	159
Venezuela	90,021,490	"	27,658,687
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	75,969,017	"	20,549,221

1/ Quotas revised as of March 5, 1943.

-oOo-

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 March 24, 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

~~ALPHA~~

TREASURY DEPARTMENT

Washington

35-77

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 19, 1943.

The Secretary of the Treasury, by this public notice, invites tenders for $800,000,000, 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 March 24, 1943, and will mature June 23, 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, March 22, 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

Form C.P.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 19, 1943.

The Secretary of the Treasury, by this public notice, invites tenders for $800,000,000, 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 March 24, 1943, and will mature June 23, 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, March 22, 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 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 March 24, 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.

-oOo-

~~Eugene Meyer of Washington, D. C., publisher of the Washington Post.~~

H. W. Stodghill of Philadelphia, Pa., business manager of the Philadelphia Bulletin.

~~Fleming Newbold of Washington, D. C., business manager of the Washington Star.~~

Government officials present, in addition to Secretary Morgenthau, will be Vice-Chairman Ronald Ransom of the Board of Governors of the Federal Reserve System, Gardner Cowles, Jr., Deputy Director of the Office of War Information in charge of domestic operations; James C. Rogers, Jr., of the Office of War Information, Donald Sterling, special consultant to Chairman Donald Nelson of the War Production Board; Under Secretary of the Treasury Daniel W. Bell, Assistant Secretary of the Treasury Herbert E. Gaston, William M. Robbins, Chairman of the United States Treasury War Finance Committee; Harold N. Graves and George Buffington, Assistants to the Secretary of the Treasury; Stuart Peabody, advertising specialist for the Second War Loan drive, and Wesley Lindow of the Treasury's Division of Research and Statistics.

oOo

E. S. Friendly and Chester LaRoche of New York City and Linwood I. Noyes of Ironwood, Mich., representing the Advertising Council, Inc.

E. H. Abels of Lawrence, Kan., president of the National Editorial Association.

A. C. Hudnutt of Elyria, Ohio, president of the Inland Daily Press Association.

O. G. Andrews of New London, Conn., president of the New England Daily Newspaper Association.

Charles P. Manship ~~xxxxxx~~ of Baton Rouge, La., president of the Southern Newspaper Publishers Association.

Cranston Williams of New York City, general manager of the American Newspaper Publishers Association.

M. W. Baskervill of Baltimore, ~~Thomas White of New York City~~ representing the Hearst Publications.

~~George B. Parker of Washington, D. C., xxxxx xx representing the Scripps-Howard Newspapers.~~

Frank E. Gannett of Rochester, N. Y., president of the Frank E. Gannett Newspapers

~~Governor James M. Cox of Dayton, Ohio, publisher of the James M. Cox Newspapers.~~

Roy D. Moore of Canton, Ohio, vice-president and general manager of the Brush-Moore Newspapers and State Administrator for Ohio of the War Savings Staff.

For immediate release

Leaders of the American press will meet with Government officials ~~Saturday~~ tomorrow in the Treasury to discuss plans for cooperating in the $13,000,000,000 Second War Loan drive to be launched April 12, Secretary Morgenthau announced today.

Representatives of publishers, editors, newspaper chains and the advertising industry will talk over suggestions for the campaign with officials of the Treasury, the Federal Reserve System and the Office of War Information. Goal of the discussions will be a comprehensive program for newspaper and advertising participation in the war financing drive.

The following have accepted Secretary Morgenthau's invitation to the conferences:

Walter M. Dear of Jersey City, N. J., president of the American Newspaper Publishers Association.

John S. Knight of Miami, Fla., vice president of the American Society of Newspaper Editors.

Basil L. Walters of Minneapolis, Minn., ~~a~~ secretary of the American Society of Newspaper Editors.

General Marshall

General Surles

TREASURY

Secretary Morgenthau

Mr. Bell

Mr. Gaston

Mr. Peabody

Mr. Graves

Mr. Buffington

Mr. Lindow

Mr. Robbins.

FEDERAL RESERVE

Mr. Eccles (or alternate)

35-78

3-21-43

PUBLISHERS

Roy D. Moore, President,
Brush Moore Newspapers,
State Administrator, War Savings Staff,
Cleveland, Ohio.

Cranston Williams, Gen. Mgr.,
American Newspaper Publishers Assn
370 Lexington Avenue,
New York City.

Linwood I. Noyes,
Advertising Council,
The Globe,
Ironwood, Michigan.

E. S. Friendly,
Advertising Council,
New York Sun,
New York City.

Walter M. Dear, President,
American Newspaper Publishers Assn.,
Jersey Journal,
Jersey City, N. J.

Charles P. Manship, President,
Southern Newspaper Publishers Assn
State Times and Advocate,
Baton Rouge, Louisiana.

O. G. Andrews, President,
New England Daily Newspaper Assn.,
New London, Connecticut.

George B. Parker, Editor in Chief,
Scripps-Howard Newspaper Alliance,
Washington, D. C.
(Alternate of Mr. Roy Howard)

A. C. Hudnutt, President,
Inland Daily Press Assn.,
Chronicle-Telegram,
Elyria, Ohio.

Frank E. Gannett,
Rochester Times Union,
Rochester, New York.

Basil L. Walters, Managing Editor,
The Star Journal,
Minneapolis, Minnesota.
(Alternate of Roy Roberts,ASNE)

John S. Knight, Vice President,
American Society of Newspaper Editors,
Miami Herald, Miami, Florida.

E. H. Abels,
National Editorial Association,
The Outlook,
Lawrence, Kansas.

Thomas White,
Hearst Publications,
959 - 8th Avenue, New York City.
(Alternate of J.D.Gortatowsky)

Governor James M. Cox,
Publisher, Miami Daily News and
Dayton (Ohio) Daily News.

Mr. H. W. Stodghill,
Business Manager,
Philadelphia Bulletin,
Philadelphia, Pennsylvania.

O. W. I.

Mr. Cowles

Mr. Rogers

specialist for the Second War Loan drive, and Wesley Lindow of the Treasury's Division of Research and Statistics.

-oOo-

OW
CPS.

Frank E. Gannett of Rochester, N. Y., president of the ~~Frank E.~~ Gannett Newspapers.

Roy D. Moore of Canton, Ohio, vice president and general manager of the Brush-Moore Newspapers and State Administrator for Ohio of the War Savings Staff.

H. W. Stodghill of Philadelphia, Pa., business manager of the Philadelphia Bulletin.

Government officials present, in addition to Secretary Morgenthau, were Vice-Chairman Ronald Ransom of the Board of Governors of the Federal Reserve System; Gardner Cowles, Jr., Domestic ~~Deputy~~ Director of the Office of War Information ~~in charge of domestic operations~~; James C. Rogers, Jr., of the Office of War Information; Under Secretary of the Treasury Daniel W. Bell; Assistant Secretary of the Treasury Herbert E. Gaston; William M. Robbins, Chairman of the United States Treasury War Finance Committee; Theodore R. Gamble and ~~Harold N. Graves and~~ George Buffington, Assistants to the Secretary of the Treasury; Stuart Peabody, advertising

Basil L. Walters of Minneaoplis, Minn., secretary of the American Society of Newspaper Editors.

E. S. Friendly and Chester LaRoche of New York City and Linwood I. Noyes of Ironwood, Mich., representing the Advertising Council, Inc.

E. H. Abels of Lawrence, Kan., president of the National Editorial Association.

A. C. Hudnutt of Elyria, Ohio, president of the Inland Daily Press Association.

O. G. Andrews of New London, Conn., president of the New England Daily Newspaper Association.

Charles P. Manship of Baton Rouge, La., president of the Southern Newspaper Publishers Association.

Cranston Williams of New York City, general manager of the American Newspaper Publishers Association.

W. M. Baskervill of Baltimore, representing the Hearst Publications.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS, Sunday, March 21, 1943.

Press Service No. 35-78

Leaders of the American press conferred with Government officials yesterday in the Treasury to discuss plans for cooperating in the $13,000,000,000 Second War Loan drive to be launched April 12, Secretary Morgenthau announced.

Representatives of publishers, editors, newspaper chains and the advertising industry studied suggestions for the campaign with officials of the Treasury, the Federal Reserve System and the Office of War Information. Goal of the meeting was a comprehensive program for newspaper and advertising participation in the war financing drive.

The following accepted Secretary Morgenthau's invitation to the conference:

Walter M. Dear of Jersey City, N. J., president of the American Newspaper Publishers Association.

John S. Knight of Miami, Fla., vice president of the American Society of Newspaper Editors.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, March 21, 1943.
3-20-43

Press Service
No. 35-78

Leaders of the American press conferred with Government officials yesterday in the Treasury to discuss plans for cooperating in the $13,000,000,000 Second War Loan drive to be launched April 12, Secretary Morgenthau announced.

Representatives of publishers, editors, newspaper chains and the advertising industry studied suggestions for the campaign with officials of the Treasury, the Fed- Reserve System and the Office of War Information. Goal of the meeting was a comprehensive program for newspaper and advertising participation in the war financing drive.

The following accepted Secretary Morgenthau's invitation to the conference:

Walter M. Dear of Jersey City, N. J., president of the American Newspaper Publishers Association.

John S. Knight of Miami, Fla., vice president of the American Society of Newspaper Editors.

Basil L. Walters of Minneapolis, Minn., secretary of the American Society of Newspaper Editors.

E. S. Friendly and Chester LaRoche of New York City and Linwood I. Noyes of Ironwood, Mich., representing the Advertising Council, Inc.

E. H. Abels of Lawrence, Kan., president of the National Editorial Association.

A. C. Hudnutt of Elyria, Ohio, president of the Inland Daily Press Association.

O. G. Andrews of New London, Conn., president of the New England Daily Newspaper Association.

Charles P. Manship of Baton Rouge, La., president of the Southern Newspaper Publishers Association.

Cranston Williams of New York City, general manager of the American Newspaper Publishers Association.

W. M. Baskervill of Baltimore, representing the Hearst Publications.

Frank E. Gannett of Rochester, N. Y., president of the Gannett Newspapers.

Roy D. Moore of Canton, Ohio, vice president and general manager of the Brush-Moore Newspapers and State Administrator for Ohio of the War Savings Staff.

H. W. Stodghill of Philadelphia, Pa., business manager of the Philadelphia Bulletin.

Government officials present, in addition to Secretary Morgenthau, were Vice-Chairman Ronald Ransom of the Board of Governors of the Federal Reserve System; Gardner Cowles, Jr., Domestic Director of the Office of War Information; James C. Rogers, Jr., of the Office of War Information; Under Secretary of the Treasury Daniel W. Bell; Assistant Secretary of the Treasury Herbert E. Gaston; William M. Robbins, Chairman of the United States Treasury War Finance Committee; Theodore R. Gamble and George Buffington, Assistants to the Secretary of the Treasury; Stuart Peabody, advertising specialist for the Second War Loan drive, and Wesley Lindow of the Treasury's Division of Research and Statistics.

-oOo-

unrelenting emphasis upon the necessity for more taxes, more saving, and more sacrifice, the Treasury is today laying the basis for a more prosperous and durable peace. The same policies, moreover, will give the Treasury in the post-war period that freedom of action and that flexibility of maneuver so vital for coping with unforeseen developments bound to arise.

un-

The war has opened our eyes to the unimagined productivity of Industrial and Agricultural America. Wartime shortages of peacetime goods and services have not blinded us to the enormous potentialities for abundance in our dynamic industrial society. It is precisely this unexampled capacity to produce, shorn of its fetters, upon which the future welfare and prosperity of our people ultimately depend. If in the peace to come we realize the potentialities for abundance inherent in our great productivity and do not permit our precious resources to lie idle in stagnant pools, we have little to fear as a nation. The promise of plenty exists today; the fact of plenty waits on the morrow.

-oOo-

internal?

to expenses incurred in securing our income and variations in the cost of providing a basic living standard. The post-war period may require a substantial reorientation in our business and consumption taxes. It will undoubtedly involve active effort to avoid international double taxation and better integration of the Federal tax system with those of State and local governments. While we will want to shun taxes that hinder business enterprise, we will also want to employ the tax system to its utmost as an instrument for stimulating business enterprise in areas required by the public interest. Finally, we will have the problem of making certain that our taxes do not place unnecessary compliance problems on taxpayers or entail unnecessary public expense.

These are but a few of the post-war problems suggested by our prospective debt.

In the immediate post-war period there is a strong probability that the reconversion of industry from wartime to peacetime uses, the development of new industries, the satisfaction of the accumulating demand for peacetime consumers' goods, the need for capital replacements which are anticipated in the ample depreciation and depletion reserves now accumulating, and the satisfaction of at least minimum demands from abroad for relief and rehabilitation will constitute collectively an effective buffer to a possible post-war depression. The huge backlog of post-war purchasing power exemplified in our own War Bonds is indeed added assurance in this respect.

These factors making for industrial revival are by no means free of certain dangers, however. It took us months to mobilize our peacetime industries for war; it will take months in turn to complete the process of industrial demobilization for peace. What this involves for the American people is fairly clear. It means that we must reorient our wartime ways of doing things, our wartime ways of buying and living, not all at once, but gradually; it means we must be on our guard against post-war inflation in the same way that today we are on guard against wartime inflation. An intemperate buying-spree immediately upon the termination of the war might have precisely the same effect as that at the close of the last war, when the cost of living spiraled upward 29 percent between November 1918 and June 1920. We must not permit war weariness and a desire to return to "normalcy" to rob us of the very fruits of victory. This will not happen if the demobilization of wartime habits of spending and saving proceeds at the pace of our industrial demobilization.

But we must look beyond the period of transition from war to peace, to the period when our peace economy will once more be reestablished to perform its normal functions. The outlines of that longer period are not as clearly defined as we should like them to be. To some extent, however, we are shaping the character of that longer period by the plans, and especially the activities, we are now undertaking. By its constant, smoothly. Its peacetime purpose is to provide the American people with a backlog of savings that will come in good stead indeed when once again the sword is beaten into the ploughshare. The fact that at the present time there are over 50 million investors in War Bonds, and 25 million participants in payroll savings plans alone, is an eloquent tribute to the contribution that wartime financing is making to the solution of post-war problems.

It would be easy to exaggerate, however, the contribution of wartime financing to the solution of post-war problems. This I have no intention of doing. The fact is that the war, in spite of all that we may do now, will leave us heir to a host of problems long after the guns have ceased firing and the world has settled down to the quiet pursuits of peace. These problems are by no means insoluble; nor are they so intractable or laden with heavy forebodings as some present-day Cassandras would have us believe. To their solution, however, we will have to bring intelligent insight and sympathetic understanding.

I can raise here only one of the domestic problems that will face us in the post-war period — the problem of the debt. By the end of June, 1944, we will have a federal debt of something like 210 billion dollars unless additional tax legislation is passed. The mere servicing of this debt will involve interest payments of ~~between~~ slightly more than 4 ~~and 5~~ billion dollars — approximately equal to the total receipts of the Federal Government in 1936. And if the war continues beyond the middle of 1944, the debt of course will continue to mount.

While an internal debt, such as ours will be, ~~serves neither~~ to enrich nor to impoverish a nation — the ~~taxes raised~~ to service the debt being restored to the people by war of interest payments — it does raise a number of serious problems. I can do no more than pose them. Way

There will be the problem of what kind of taxes to employ to service and repay the debt. This will be important because it will involve a possible redistribution of the costs of the war among individuals. It will also involve the impact of taxes on investment, consumption, and, therefore, the national income. The magnitude of the debt will likewise affect the Government's freedom of action and raise problems in regard to banking and currency policy. Above all, a debt as large as we are likely to have will make it more imperative than ever that reasonably full employment with a high national income be preserved in the post-war period. Otherwise, it is not difficult to contemplate how oppressive the burden of debt might easily become.

The magnitude of the Government's fixed obligations together with its current revenue requirements in the post-war period will raise other problems relating to the tax system. The principle of ability-to-pay must be preserved. It should be possible, however, to go beyond the present techniques for measuring personal taxpaying ability toward a more accurate concept of net income giving more adequate recognition

The Treasury Prepares for Post-War Problems

There can be no hard and fast boundary line between the policies necessary for winning the war and those for winning the peace. The character of our problems in the post-war period will be determined in large measure by the plans, and especially the activities, we undertake today. War policies that also contribute to the solution of post-war problems are better policies, therefore, than those that do not.

Our present struggle against wartime inflation is a signal example of the contribution that can be made by a policy designed for winning of the war to the winning of the peace. Fiscal and non-fiscal measures designed to prevent inflation will aid us in winning the war — by forestalling a ruinous rise in the cost of living, by keeping down Government costs, by encouraging production and not speculation, by maintaining the public debt within manageable bounds. By the same token, however, these very wartime measures are contributing greatly to the prevention of post-war deflation with its attendant chain of personal tragedy, economic chaos, and social unrest.

Taxes provide another case in point. At a time when about sixty cents of every dollar of income earned in the country is represented by Government purchases of tanks, ships, and planes, it is impossible to exaggerate the Government's needs for additional revenues. It cannot be stressed too often also how vital these additional revenues are for apportioning the costs of the war fairly and equitably, preventing rises in the cost of living, and maintaining morale. Yet, it is not the contribution of taxes to the more effective prosecution of the war that is alone involved; it is also the beneficent effects of increased taxes today on the world of tomorrow. Wartime taxes mean we pay for war once and for all now; wartime borrowing means we postpone the final redistribution of the costs of the war until the post-war furute. By taxing ourselves to the utmost today, when few civilian goods are available for purchase anyway, we reduce by so much the taxes we will have to impose on ourselves tomorrow, when plenty of goods will be available for purchase.

Finally, we have the case of wartime borrowings. While the Treasury's policy is to tax more and borrow less, it is impossible, let alone desirable, to finance the gigantic costs of this war from taxes alone. Government borrowings are therefore necessary. The policy of the Treasury has been to raise as large a proportion of the borrowed funds it requires from individuals, fiduciaries, trusts, and corporations rather than from the banks; to borrow old money rather than new money. This policy, like the others, has a dual purpose. Its wartime purpose is to match the diversion of our production from peacetime to wartime use by corresponding diversion of our income and savings from peacetime to wartime use, thereby contributing to the prosecution of the war by seeing that our production and financial gears mesh

35-79

Monday PMs (UP)

Secretary Morgenthau today made public the following statement, written at the request of the United Press for a discussion under the caption, "The Treasury Prepares for Post-War Problems":

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS,
Monday, March 22, 1943.

Press Service
No. 35-79

Secretary Morgenthau today made public the following statement, written at the request of the United Press for a discussion under the caption, "The Treasury Prepares for Post-War Problems":

There can be no hard and fast boundary line between the policies necessary for winning the war and those for winning the peace. The character of our problems in the post-war period will be determined in large measure by the plans, and especially the activities, we undertake today. War policies that also contribute to the solution of post-war problems are better policies, therefore, than those that do not.

Our present struggle against wartime inflation is a signal example of the contribution that can be made by a policy designed for winning of the war to the winning of the peace. Fiscal and non-fiscal measures designed to prevent inflation will aid us in winning the war -- by forestalling a ruinous rise in the cost of living, by keeping down Government costs, by encouraging production and not speculation, by maintaining the public debt within manageable bounds. By the same token, however, these very wartime measures are contributing greatly to the prevention of post-war deflation with its attendant chain of personal tragedy, economic chaos, and social unrest.

Taxes provide another case in point. At a time when about sixty cents of every dollar of income earned in the country is represented by Government purchases of tanks, ships, and planes, it is impossible to exaggerate the Government's needs for additional revenues. It cannot be stressed too often also how vital these additional revenues are for apportioning the costs of the war fairly and equitably, preventing rises in the cost of living, and maintaining morale. Yet, it is not the contribution of taxes to the more effective prosecution of the war that is alone involved; it is also the beneficent effects of increased taxes today on the world of tomorrow. Wartime taxes mean we pay for war once and for all now; wartime borrowing means we postpone the final redistribution of the costs of the war until the post-war future. By taxing ourselves to the utmost today, when few civilian goods are available for purchase anyway, we reduce by so much the taxes we will have to impose on ourselves tomorrow, when plenty of goods will be available for purchase.

Finally, we have the case of wartime borrowings. While the Treasury's policy is to tax more and borrow less, it is impossible, let alone desirable, to finance the gigantic costs of this war from taxes alone. Government borrowings are therefore necessary. The policy of the Treasury has been to raise as large a proportion of the borrowed funds it requires from individuals, fiduciaries, trusts, and corporations rather than from the banks; to borrow old money rather than new money. This policy, like the others, has a dual purpose. Its wartime purpose is to match the diversion of our production from peacetime to wartime use by corresponding diversion of our income and savings from peacetime to wartime use, thereby contributing to the prosecution of the war by seeing that our production and financial gears mesh smoothly. Its peacetime purpose is to provide the American people with a backlog of savings that will come in good stead indeed when once again the sword is beaten into the ploughshare. The fact that at the present time there are over 50 million investors in War Bonds, and 25 million participants in payroll savings plans alone, is an eloquent tribute to the contribution that wartime financing is making to the solution of post-war problems.

It would be easy to exaggerate, however, the contribution of wartime financing to the solution of post-war problems. This I have no intention of doing. The fact is that the war, in spite of all that we may do now, will leave us heir to a host of problems long after the guns have ceased firing and the world has settled down to the quiet pursuits of peace. These problems are by no means insoluble; nor are they so intractable or laden with heavy forebodings as some present-day Cassandras would have us believe. To their solution, however, we will have to bring intelligent insight and sympathetic understanding.

I can raise here only one of the domestic problems that will face us in the post-war period -- the problem of the debt. By the end of June, 1944, we will have a federal debt of something like 210 billion dollars unless additional tax legislation is passed. The mere servicing of this debt will involve interest payments of more than 4 billion dollars -- approximately equal to the total receipts of the Federal Government in 1936. And if the war continues beyond the middle of 1944, the debt of course will continue to mount.

While an internal debt, such as ours will be, serves neither to enrich nor to impoverish a nation -- the taxes raised to service the debt being restored to the people by way of interest payments -- it does raise a number of serious problems. I can do no more than pose them.

There will be the problem of what kind of taxes to employ to service and repay the debt. This will be important because it will involve a possible redistribution of the costs of the war among individuals. It will also involve the impact of taxes on investment, consumption, and, therefore, the national income. The magnitude of the debt will likewise affect the Government's freedom of action and raise problems in regard to banking and currency policy. Above all, a debt as large as we are likely to have will make it more imperative than ever that reasonably full employment with a high national income be preserved in the post-war period. Otherwise, it is not difficult to contemplate how oppressive the burden of debt might easily become.

The magnitude of the Government's fixed obligations together with its current revenue requirements in the post-war period will raise other problems relating to the tax system. The principle of ability-to-pay must be preserved. It should be possible, however, to go beyond the present techniques for measuring personal taxpaying ability toward a more accurate concept of net income giving more adequate recognition to expenses incurred in securing our income and variations in the cost of providing a basic living standard. The post-war period may require a substantial reorientation in our business and consumption taxes. It will undoubtedly involve active effort to avoid international double taxation and better integration of the Federal tax system with those of State and local governments. While we will want to shun taxes that hinder business enterprise, we will also want to employ the tax system to its utmost as an instrument for stimulating business enterprise in areas required by the public interest. Finally, we will have the problem of making certain that our taxes do not place unnecessary compliance problems on taxpayers or entail unnecessary public expense.

These are but a few of the post-war problems suggested by our prospective debt.

In the immediate post-war period there is a strong probability that the reconversion of industry from wartime to peacetime uses, the development of new industries, the satisfaction of the accumulating demand for peacetime consumers' goods, the need for capital replacements which are anticipated in the ample depreciation and depletion reserves now accumulating, and the satisfaction of at least minimum demands from abroad for relief and rehabilitation will constitute collectively an effective buffer to a possible post-war depression. The huge backlog of post-war purchasing power exemplified in our own War Bonds is indeed added assurance in this respect.

These factors making for industrial revival are by no means free of certain dangers, however. It took us months to mobilize our peacetime industries for war; it will take months in turn to complete the process of industrial demobilization for peace. What this involves for the American people is fairly clear. It means that we must reorient our wartime ways of doing things, our wartime ways of buying and living, not all at once, but gradually; it means we must be on our guard against post-war inflation in the same way that today we are on guard against wartime inflation. An intemperate buying-spree immediately upon the termination of the war might have precisely the same effect as that at the close of the last war, when the cost of living spiraled upward 29 percent between November 1918 and June 1920. We must not permit war weariness and a desire to return to "normalcy" to rob us of the very fruits of victory. This will not happen if the demobilization of wartime habits of spending and saving proceeds at the pace of our industrial demobilization.

But we must look beyond the period of transition from war to peace, to the period when our peace economy will once more be reestablished to perform its normal functions. The outlines of that longer period are not as clearly defined as we should like them to be. To some extent, however, we are shaping the character of that longer period by the plans, and especially the activities, we are now undertaking. By its constant, unrelenting emphasis upon the necessity for more taxes, more saving, and more sacrifice, the Treasury is today laying the basis for a more prosperous and durable peace. The same policies, moreover, will give the Treasury in the post-war period that freedom of action and that flexibility of maneuver so vital for coping with unforeseen developments bound to arise.

The war has opened our eyes to the unimagined productivity of Industrial and Agricultural America. Wartime shortages of peacetime goods and services have not blinded us to the enormous potentialities for abundance in our dynamic industrial society. It is precisely this unexampled capacity to produce, shorn of its fetters, upon which the future welfare and prosperity of our people ultimately depend. If in the peace to come we realize the potentialities for abundance inherent in our great productivity and do not permit our precious resources to lie idle in stagnant pools, we have little to fear as a nation. The promise of plenty exists today; the fact of plenty waits on the morrow.

-oOo-

35-80

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, March 23, 1943.

Press Service

The Secretary of the Treasury announced last evening that the tenders for $800,000,000 or thereabouts, of 91-day Treasury bills to be dated March 24 and to mature June 23, 1943, which were offered on March 19, 1943, were opened at the Federal Reserve Banks on March 22.

The details of this issue are as follows:

Total applied for - $1,329,871,000
Total accepted - 802,051,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.297% per annum
Low	- 99.905	" " " " " 0.376% " "
Average price	- 99.906	" " " " " 0.373% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 47,009,000	$ 36,104,000
New York	908,946,000	477,130,000
Philadelphia	26,470,000	19,572,000
Cleveland	27,781,000	22,776,000
Richmond	26,642,000	23,390,000
Atlanta	12,730,000	9,983,000
Chicago	136,838,000	96,941,000
St. Louis	30,464,000	16,192,000
Minneapolis	7,798,000	7,707,000
Kansas City	18,451,000	15,728,000
Dallas	13,597,000	12,108,000
San Francisco	73,145,000	64,420,000
TOTAL	$1,329,871,000	$802,051,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 23, 1943.
3-22-43

Press Service
No. 35-80

The Secretary of the Treasury announced last evening that the tenders for $800,000,000, or thereabouts, of 91-day Treasury bills to be dated March 24 and to mature June 23, 1943, which were offered on March 19, 1943, were opened at the Federal Reserve Banks on March 22.

The details of this issue are as follows:

Total applied for - $1,329,871,000
Total accepted - 802,051,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.297% per annum
Low	- 99.905	Equivalent rate of discount approx. 0,376% per annum
Average price	- 99.906	Equivalent rate of discount approx. 0.373% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 47,009,000	$ 36,104,000
New York	908,946,000	477,130,000
Philadelphia	26,470,000	19,572,000
Cleveland	27,781,000	22,776,000
Richmond	26,642,000	23,390,000
Atlanta	12,730,000	9,983,000
Chicago	136,838,000	96,941,000
St. Louis	30,464,000	16,192,000
Minneapolis	7,798,000	7,707,000
Kansas City	18,451,000	15,728,000
Dallas	13,597,000	12,108,000
San Francisco	73,145,000	64,420,000
TOTAL	$1,329,871,000	$802,051,000

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, March 22, 1943.

Press Service
No. 35-81

Reports from the sixty-four collection districts of the Bureau of Internal Revenue showed a total of $3,545,818,548 in income and excess profits taxes had been collected and deposited this month through March 20, Commissioner Guy T. Helvering reported to Secretary Morgenthau today. This compares with a total of $2,572,644,577 for the same period a year ago. The amounts deposited by collection districts are as follows:

Districts	Total Income and Excess Profits Tax Collected and Deposited March 1 - 20, 1943	Total Income and Excess Profits Tax Collected and Deposited March 1 - 20, 1942
Alabama	16,730,145	13,292,088
Arizona	6,486,415	4,758,779
Arkansas	11,651,419	8,779,398
1st California	102,463,663	72,875,535
6th California	81,486,446	47,742,134
Colorado	22,897,700	13,235,350
Connecticut	80,670,928	85,778,097
Delaware	80,305,583	65,562,667
Florida	32,140,589	25,035,965
Georgia	27,893,889	17,217,132
Hawaii	16,587,981	8,073,641
Idaho	6,619,373	3,969,588
1st Illinois	273,483,252	193,601,116
8th Illinois	57,236,629	26,804,428
Indiana	43,487,383	53,180,449
Iowa	31,823,428	16,196,508
Kansas	40,538,001	16,328,365
Kentucky	17,855,333	14,089,637
Louisiana	34,799,349	25,178,966
Maine	15,013,313	9,528,248
Maryland	84,962,902	57,546,496
Massachusetts	124,590,197	49,171,279
Michigan	88,974,034	145,031,041
Minnesota	71,961,912	32,413,064
Mississippi	12,538,813	8,239,692
1st Missouri	77,157,205	45,615,854
6th Missouri	33,442,090	15,611,102
Montana	9,985,948	5,500,815
Nebraska	16,419,427	8,873,705
Nevada	5,257,214	3,076,778
New Hampshire	7,877,522	6,657,990
1st New Jersey	16,966,758	16,546,422
5th New Jersey	80,402,955	71,561,406
New Mexico	5,176,506	2,839,103
1st New York	65,447,407	54,871,202
2nd New York	364,638,606	251,970,900
3rd New York	252,130,138	176,725,147
14th New York	111,168,363	72,959,313
21st New York	34,794,571	25,492,323
28th New York	65,631,613	40,859,104
North Carolina	55,060,931	29,051,060
North Dakota	5,175,224	1,679,068
1st Ohio	71,196,395	51,756,353
10th Ohio	19,738,039	26,326,055
11th Ohio	24,759,850	15,245,119
18th Ohio	145,485,711	103,516,573
Oklahoma	25,659,693	18,751,918
Oregon	13,709,287	10,066,278
1st Pennsylvania	152,212,500	86,761,980
12th Pennsylvania	49,724,747	31,744,169
23rd Pennsylvania	150,061,326	124,943,615
Rhode Island	23,920,532	16,592,611
South Carolina	18,789,415	11,676,146
South Dakota	5,250,687	2,069,911
Tennessee	22,489,989	22,518,770
1st Texas	47,059,419	43,203,997
2nd Texas	23,355,488	23,573,593
Utah	8,315,117	5,407,912
Vermont	8,056,521	4,570,449
Virginia	38,976,444	31,514,026
Washington	22,829,406	34,454,400
West Virginia	19,905,303	19,489,294
Wisconsin	60,106,261	42,258,292
Wyoming	4,285,263	2,682,161

The Committee recognizes that the idea of a joint Federal-State agency is not new or original. The creation of such an agency has been widely endorsed. The Committee takes the view that the creation of an Authority would provide the stimulus necessary to get coordination actively under way.

Other Subjects Covered by the Report

The Report of the Committee examines a wide variety of problems within the general field of Federal-State-local fiscal relations. In some cases it makes specific recommendations for the elimination of conflicts; in others, it confines itself to suggesting possible methods of approach.

The Report considers in detail the coordination of Federal and State taxes in the fields of income, death, tobacco, liquor, automotive, sales, business, stock-transfer, and payroll taxation. In connection with several of these taxes, it stresses the need for Federal-State cooperation in tax administration as a means of achieving coordination. In the area of tax immunities, it discusses payments in lieu of taxes, State and local taxation of government contracts, and tax-exempt securities.

In addition, the Report examines (1) the need for independent sources of local revenue, (2) the reallocation of functions among layers of government, (3) the need for Federal participation in the financing of public education, (4) the removal of trade barriers and the coordination of other interstate relations, and (5) the cost of tax administration and taxpayers' compliance.

Suggested Disposition of the Report

We recommend that you accept the Report of the Committee on Intergovernmental Fiscal Relations, release it to the Press on April 8, 1943, and authorize its publication as a Congressional document later this spring. A memorandum to the President, advising him of the status of the Report and transmitting a copy for his examination is attached for your signature. A draft of a letter transmitting the Report to the members of the Senate Finance Committee and of the House Ways and Means Committee is also attached.

Treasury Department
Division of Tax Research
March 24, 1943

Major Recommendation

To satisfy these requirements, the Committee proposes that the Congress, with the active support of the States, create a joint Federal-State Fiscal Authority. The Authority would administer no taxes and would dictate no decisions to either the Federal Government or the States. It would be a continuous, official advisory and negotiating body, qualified to make impartial suggestions on matters of conflicting taxation and joint fiscal policy to the Congress, to the Treasury, and to the Governors, tax officials and legislators of the States. The Authority would express advisory opinions on proposals for intergovernmental fiscal coordination and from time to time would be required to make recommendation for the solution of specific problems. The Authority would develop a program for dealing systematically with local taxation of Federal properties and Federal transactions. It would gather and disseminate information on intergovernmental fiscal relations, conduct necessary research, and facilitate the improvement of public financial reporting by governmental units.

The Committee suggests that the Authority be composed of three full-time members, one to be appointed by the President, one to be designated by the States, and the third to be selected by these two members. The State member would be selected by a conference of delegates named for that purpose by the Governors. The Committee suggests that the Authority be assisted by an advisory council representing Congressional Committees and recognized organizations of State, local and Federal officials.

The Committee proposes that an initial annual budget of approximately $150,000 to $200,000 be authorized; that half of this fund be appropriated by the Federal Government without any contingent (matching) requirements; and that the other half be raised from State legislatures through ~~their~~ Governors and their delegates. The Committee foresees that the process of providing State financial support will involve delay and uncertainty, and proposes that the Federal share be sufficient to enable the Authority to make a showing.

information which will be helpful to members of Congress and to others concerned with the problem of intergovernmental fiscal relations.

Thesis of the Report

The Committee reports that the area and volume of overlapping Federal, State, and local taxes continue to increase in spite of the universal recognition that tax conflicts are bad for the taxpayer, bad for the governments involved, and bad for the Federal system of government itself. It expresses the view that the answer to the problem of intergovernmental fiscal relations will not be found in a grand formula which endeavors to solve the problem for all time or even for a decade, because there can be no final solution for a continually shifting problem. The Committee takes the view that the answer will be found in coordination and cooperation rather than subordination and coercion. The problem calls for a high degree of genuine mutuality and the States must be assured that intergovernmental cooperation will not take the form of Federal domination.

In the opinion of the Committee, a solution to the problem of intergovernmental fiscal relations must satisfy three conditions:

(1) It must be a truly cooperative effort, willingly joined in by both the Federal Government and the States;

(2) It must utilize legislative and administrative, not constitutional channels, in order to permit continual adaptation to changing needs; and

(3) It must utilize channels which are permanent, not temporary; governmental, not private; and impartial and expert, not partisan.

MEMORANDUM CONCERNING REPORT TO SECRETARY MORGENTHAU
BY THE COMMITTEE ON INTERGOVERNMENTAL FISCAL RELATIONS

~~March 24, 1943~~

~~MEMORANDUM FOR THE SECRETARY~~

~~Report of the Committee on Intergovernmental Fiscal Relations~~ to Secretary Morgenthau by

the Secretary of the Treasury

The Committee on Intergovernmental Fiscal Relations, which ~~you~~ designated in June, 1941, to examine the problem of Federal-State-local fiscal relations, has submitted its Report. ~~The staff of the Division of Tax Research reviewed the Report and edited it for publication.~~

The Report consists of six volumes. Volume I contains the Major Conclusions and Recommendations of the Committee. These are summarized at the end of Volume I in terms of an action program for each level of Government ~~at the end of Volume I~~. Volumes II through VI contain the Report of the Committee. ~~We have available 1500 copies of the Major Conclusions and Recommendations and 500 copies of the Report.~~ The Committee has also submitted a number of special studies prepared by members of its staff, with the understanding that those found suitable for publication would be edited by the Division of Tax Research and made available for distribution before the end of 1943.

~~Publication of the Report as a Congressional Document has been discussed with the chairmen of the House Ways and Means Committee and of the Senate Finance Committee. They were informed that~~ The Report was prepared within the Treasury and with the cooperation of responsible officials of the Treasury, but ~~that~~ the findings and recommendations are those of the Committee and do not necessarily reflect Treasury views. ~~Senator George and Congressman Doughton have approved publication of the Report, and~~ ~~we are~~ ~~advised that funds for this purpose are available from the appropriation to the Joint Committee on Internal Revenue Taxation.~~

The Report makes an important contribution to the problem of Federal-State-local fiscal relations in the United States and brings together a body of current

MEMORANDUM CONCERNING REPORT TO SECRETARY MORGENTHAU
BY THE COMMITTEE ON INTERGOVERNMENTAL FISCAL RELATIONS

The Committee on Intergovernmental Fiscal Relations, which the Secretary of the Treasury designated in June, 1941, to examine the problem of Federal-State-local fiscal relations, has submitted its Report.

The Report consists of six volumes. Volume I contains the Major Conclusions and Recommendations of the Committee. These are summarized at the end of Volume I in terms of an action program for each level of Government. Volumes II through VI contain the Report of the Committee. The Committee has also submitted a number of special studies prepared by members of its staff, with the understanding that those found suitable for publication would be edited by the Division of Tax Research and made available for distribution before the end of 1943.

The Report was prepared within the Treasury and with the cooperation of responsible officials of the Treasury, but the findings and recommendations are those of the Committee and do not necessarily reflect Treasury views.

The Report makes an important contribution to the problem of Federal-State-local fiscal relations in the United States and brings together a body of current information which will be helpful to members of Congress and to others concerned with the problem of intergovernmental fiscal relations.

Thesis of the Report

The Committee reports that the area and volume of overlapping Federal, State, and local taxes continue to increase in spite of the universal recognition that tax conflicts are bad for the taxpayer, bad for the governments involved, and bad for the Federal system of government itself. It expresses the view that the answer to the problem of intergovernmental fiscal relations will not be found in a grand formula which endeavors to solve the problem for all time or even for a decade, because there can be no final solution for a continually shifting problem. The Committee takes the view that the answer will be found in coordination and cooperation rather than subordination and coercion. The problem calls for a high degree of genuine mutuality and the States must be assured that intergovernmental cooperation will not take the form of Federal domination.

In the opinion of the Committee, a solution to the problem of intergovernmental fiscal relations must satisfy three conditions:

(1) It must be a truly cooperative effort, willingly joined in by both the Federal Government and the States;

(2) It must utilize legislative and administrative, not constitutional channels, in order to permit continual adaptation to changing needs; and

(3) It must utilize channels which are permanent, not temporary; governmental, not private; and impartial and expert, not partisan.

Major Recommendation

To satisfy these requirements, the Committee proposes that the Congress, with the active support of the States, create a joint Federal-State Fiscal Authority. The Authority would administer no taxes and would dictate no decisions to either the Federal Government or the States. It would be a continuous, official advisory and negotiating body, qualified to make impartial suggestions on matters of conflicting taxation and joint fiscal policy to the Congress, to the Treasury, and to the Governors, tax officials and legislators of the States. The Authority would express advisory opinions on proposals for intergovernmental fiscal coordination and from time to time would be required to make recommendation for the solution of specific problems. The Authority would develop a program for dealing systematically with local taxation of Federal properties and Federal transactions. It would gather and disseminate information on intergovernmental fiscal relations, conduct necessary research, and facilitate the improvement of public financial reporting by governmental units.

The Committee suggests that the Authority be composed of three full-time members, one to be appointed by the President, one to be designated by the States, and the third to be selected by these two members. The State member would be selected by a conference of delegates named for that purpose by the Governors. The Committee suggest that the Authority be assisted by an advisory council representing Congressional Committees and recognized organizations of State, local and Federal officials.

The Committee proposes that an initial annual budget of approximately $150,000 to $200,000 be authorized; that half of this fund be appropriated by the Federal Government without any contingent (matching) requirements; and that the other half be raised from State legislatures through their Governors and their delegates. The Committee foresees that the process of providing State financial support will involve delay and uncertainty, and proposes that the Federal share be sufficient to enable the Authority to make a showing.

The Committee recognizes that the idea of a joint Federal-State agency is not new or original. The creation of such an agency has been widely endorsed. The Committee takes the view that the creation of an Authority would provide the stimulus necessary to get coordination actively under way.

Other Subjects Covered by the Report

The Report of the Committee examines a wide variety of problems within the general field of Federal-State-local fiscal relations. In some cases it makes specific recommendations for the elimination of conflicts; in others, it confines itself to suggesting possible methods of approach.

The Report considers in detail the coordination of Federal and State taxes in the fields of income, death, tobacco, liquor, automotive, sales, business, stock-transfer, and payroll taxation. In connection with several of these taxes, it stresses the need for Federal-State cooperation in tax administration as a means of achieving coordination. In the area of tax immunities, it discusses payments in lieu of taxes, State and local taxation of government contracts, and tax-exempt securities.

In addition, the Report examines (1) the need for independent sources of local revenue, (2) the reallocation of functions among layers of government, (3) the need for Federal participation in the financing of public education, (4) the removal of trade barriers and the coordination of other interstate relations, and (5) the cost of tax administration and taxpayers' compliance.

Treasury Department
Division of Tax Research
March 24, 1943

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS
Thursday, March 25, 1943

Press Service
No. 35-82

Secretary of the Treasury Morgenthau today made public statistics from the preliminary report, Statistics of Income for 1941, Part 1, compiled from individual income tax returns and taxable fiduciary income tax returns for 1941 filed in the period January through June 1942, prepared under the direction of Commissioner of Internal Revenue Guy T. Helvering.

The total number of returns filed is 25,618,013, of which 15,477,996 are individual returns, Form 1040; and 10,057,299 are the optional form, Form 1040A, filed by individuals with certain gross income of $3,000 or less; and 82,718 are taxable fiduciary returns, Form 1041.

The total net income reported is $58,862,154,484 and total tax is $3,892,410,074.

There are 17,417,215 taxable returns of which 17,416,919 show net income of $45,986,130,727, and 296 show deficit of $7,557,945, owing to net long-term capital loss but with $2,303,376 alternative tax.

Of the nontaxable individual returns, 8,101,499 show net income of $12,876,023,757, -- nontaxable because exemptions and credits exceed income; and 99,299 show a deficit of $284,023,492, -- returns on which deductions equal or exceed total income.

For all returns with net income, the average tax is $152 and the effective tax rate is 6.6 per cent; for the taxable returns with net income the average tax is $223 and the effective tax rate is 8.5 per cent.

The increase or decrease in the number of returns, the net income, deficit, and taxes in this report compared with the same items in the preliminary report for 1940, is shown in the following table.

Individual returns and taxable fiduciary returns, 1941 and 1940;
Number of returns, net income, deficit, and taxes

(Money figures in thousands)

	Preliminary report		Increase or decrease(-) 1941 over 1940	
	1941	1940	Amount	Percent
Total individual and taxable fiduciary returns:				
Number of returns	1/25,618,013	14,475,740	11,142,273	76.97
Net income	58,862,154	36,231,054	22,631,100	62.46
Deficit	291,581	244,555	47,026	19.23
Total tax	2/3,892,410	1,494,139	2,398,271	160.51
Taxable individual and fiduciary returns:				
With net income:				
Number of returns	17,416,919	7,389,271	10,027,648	135.71
Net income	1/45,986,131	23,418,412	22,567,719	96.37
Tax	2/3,890,107	1,493,666	2,396,441	160.44
Normal tax	556,586	403,434	153,152	37.96
Surtax	1,903,558	425,012	1,478,546	347.88
Alternative tax 3/	1,067,959	536,802	531,158	98.95
Defense tax 4/	1,142	128,418	- 127,276	-99.11
Optional tax	360,861	-	-	-
Individual returns with no net income:				
Number of returns	296	46	250	543.48
Deficit	7,558	2,551	5,007	196.31
Alternative tax	5/2,303	473	1,830	387.02
Nontaxable individual returns:				
With net income 6/:				
Number of returns	8,101,499	7,020,355	1,081,144	15.40
Net income	12,876,024	12,812,642	63,381	.49
With no net income 7/:				
Number of returns	99,299	66,068	33,231	50.30
Deficit	284,023	242,005	42,019	17.36

For footnotes, see p. 11.

The major changes in law affecting the income data on returns for the taxable year 1941, are: Elimination of the defense tax; imposition of surtax upon the entire surtax net income with an increase in the surtax rates; provision for an optional tax on individuals with certain gross income of $3,000 or less, in lieu of the normal tax and surtax; reduction in the amount of gross income for which a return is required to be filed (1) from $2,000 to $1,500 for a married person living with husband or wife for the entire taxable year, or a person who is head of a family, and (2) from $800 to $750 for a single person, a married person not living with husband or wife, or an estate; reduction of the personal exemption (1) from $2,000 to $1,500 for a married person living with husband or wife for the entire taxable year or a person who is head of a family, and (2) from $800 to $750 for a single person, a married person not living with husband or wife, or an estate; and disallowance of credit for one dependent when taxpayer is head of a family by reason of one or more dependents for whom he would be entitled to credit.

The Public Debt Act of 1941 provides for the taxation of interest on obligations issued on and after March 1, 1941 by the United States or any agency or instrumentality thereof.

The returns included in this report are, in general, for the calendar year ended December 31, 1941; however, there are included a number of returns for a fiscal year, other than a calendar year, ending within the period July 1941 through June 1942, and part year returns for which the greater part of the accounting period falls in 1941. Returns from which data are tabulated are Forms 1040, 1040A, 1040B, and 1041. Tentative returns and amended returns are excluded.

The statistics are taken from the returns as filed by the taxpayer, prior to any revisions that may be made as a result of audit by the Bureau of Internal Revenue. Data for taxable fiduciary returns, for individual returns with net income of $25,000 and over, and for individuals with no net income are completely tabulated from each such return. Data for individual returns with net income under $25,000 are estimated on basis of samples.

Data for individual returns, Form 1040A, are tabulated separately from data for returns, Form 1040, for the first time. Form 1040A, for 1941, is an optional return which may be used by individuals with certain gross income of $3,000 or less. The amount of net income is not reported, therefore a distribution by net income classes is not possible. Gross income is tabulated both as total income and net income and the optional tax, paid in lieu of normal tax and surtax, is entered as total tax. The amount of personal exemption is determined from the taxpayer's status as indicated on the return. Earned income credit is computed as 10 percent of the gross income.

The four tables in this release present information by net income classes. Composite data for individual and taxable fiduciary returns are shown in tables 1 and 2, while data for individual returns, exclusively, are shown in tables 1-A and 2-A.

Income from the various sources in tables 2 and 2-A is the net amount, that is, the excess of gross receipts over deductions, as reported in the schedules on the returns, and the aggregate tabulated for each source is the sum of the net amounts of income from that source. Negative amounts reported under "Income" are transferred in tabulation to deductions, and included in the amount tabulated for a specified deduction or in "Other deductions."

Table 1. - Individual returns and taxable fiduciary returns, with net income, 1941, by taxable and nontaxable returns, by net income classes, and taxable returns by type of tax liability; also aggregates for taxable and nontaxable individual returns with no net income: Number of returns, net income, personal exemption, credit for dependents, earned income credit, total tax, normal tax, surtax, alternative tax, defense tax, average total tax, and effective tax rate

(Returns filed in period January through June 1942)

(Net income classes and money figures, except average total tax, in thousands of dollars)

	Net income 8/ classes	Number of returns	Net income 1/	Personal exemption 9/	Credit for dependents (individual returns)	Earned income credit 10/ (individual returns)	Total tax 2/	Returns with normal tax and surtax 11/						
								Number of returns	Net income 8/	Tax				
										Total (Col. 11 + 12 + 13)	Normal tax	Surtax	Defense tax 4/	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
	Taxable individual and fiduciary returns:													
	With net income:													
1	Form 1040A (est.) 12/	6,099,518	10,714,216	5,963,720	333,310	1,071,422	360,861	-	-	-	-	-	-	1
	Form 1040 and 1041:													
2	Under 5 (est.)	10,384,633	23,943,978	12,650,787	1,745,034	2,344,402	882,151	10,384,291	23,942,637	880,837	289,487	591,340	9	2
3	5 under 10 (est.)	623,770	4,192,036	846,438	255,166	329,833	391,289	622,000	4,177,173	386,945	110,014	276,891	40	3
4	10 under 25 (est.)	241,388	3,563,744	308,489	96,614	207,528	678,242	204,773	2,924,533	525,245	95,446	429,650	149	4
5	25 under 50	48,318	1,632,764	60,371	18,654	47,534	560,403	28,661	953,570	315,640	34,928	280,540	172	5
6	50 under 100	14,514	971,327	17,832	5,526	15,550	452,337	6,739	444,533	203,751	16,973	186,613	165	6
7	100 under 150	2,658	320,137	3,220	948	2,809	174,116	915	109,761	59,982	4,244	55,675	63	7
8	150 under 300	1,551	308,500	1,844	551	1,571	179,352	426	83,297	50,695	3,358	47,302	36	8
9	300 under 500	357	135,829	431	124	337	81,385	69	25,816	17,238	1,024	16,214	-	9
10	500 under 1,000	161	110,305	182	49	136	69,224	18	11,942	8,937	499	8,416	22	10
11	1,000 and over	51	93,292	57	16	40	60,746	10	15,312	11,530	611	10,918	-	11
12	Total returns with net income	17,416,919	45,986,131	19,853,369	2,455,991	4,021,161	3,890,107	11,247,902	32,688,573	2,460,800	556,586	1,903,558	655	12
13	With no net income, Form 1040 5/	296	13/ 7,558	278	52	190	2,303	-	-	-	-	-	-	13
14	Total taxable returns	17,417,215	14/ 45,978,573	19,853,647	2,456,044	4,021,351	3,892,410	11,247,902	32,688,573	2,460,800	556,586	1,903,558	655	14
	Nontaxable individual returns:													
	With net income 6/:													
15	Form 1040A (est.) 12/	3,957,781	6,977,203	5,773,358	3,127,887	697,720	-	-	-	-	-	-	-	15
	Form 1040:													
16	Under 5 (est.)	4,143,718	5,898,820	5,631,015	1,742,513	51,483	-	-	-	-	-	-	-	16
17	Total returns with net income	8,101,499	12,876,024	11,404,373	4,870,400	749,203	-	-	-	-	-	-	-	17
18	With no net income, Form 1040 7/	99,299	13/ 284,023	(15)	(15)	(15)	-	-	-	-	-	-	-	18
19	Total nontaxable returns	8,200,798	14/ 12,592,000	(15)	(15)	(15)	-	-	-	-	-	-	-	19
20	Grand total (14 + 19 or 21 + 22)	25,618,013	14/ 58,570,573	(15)	(15)	(15)	3,892,410	11,247,902	32,688,573	2,460,800	556,586	1,903,558	655	20
21	Individual returns and taxable fiduciary returns with net income (12 + 17)	25,518,418	58,862,154	31,257,742	7,326,392	4,770,364	3,890,107	11,247,902	32,688,573	2,460,800	556,586	1,903,558	655	21
22	Individual returns with no net income (13 + 18)	99,595	13/ 291,581	(15)	(15)	(15)	2,303	-	-	-	-	-	-	22

For footnotes, see page 11.

Table 1. - Individual returns and taxable fiduciary returns, with net income, 1941, by taxable and nontaxable returns, by net income classes, and taxable returns by type of tax liability; also aggregates for taxable and nontaxable individual returns with no net income: Number of returns, net income, personal exemption, credit for dependents, earned income credit, total tax, normal tax, surtax, alternative tax, defense tax, average total tax, and effective tax rate - Continued

(Returns filed in period January through June 1942)

(Net income classes and money figures, except average total tax, in thousands of dollars)

	Net income 8/ classes	Returns with alternative tax 3/: Number of returns	Returns with alternative tax 3/: Net income 8/	Returns with alternative tax 3/: Tax: Total (col. 17 + 18)	Returns with alternative tax 3/: Tax: Alternative tax	Returns with alternative tax 3/: Tax: Defense tax 4/	Average total tax (col. 7 ÷ 2)	Effective tax rate, percent (returns with net income) (col. 7 ÷ 3)	
	(1)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	
	Taxable individual and fiduciary returns:								
	With net income:								
1	Form 1040A (est.) 12/	-	-	-	-	-	59	3.37	1
	Form 1040 and 1041:								
2	Under 5 (est.)	342	1,341	1,314	1,314	-	85	3.68	2
3	5 under 10 (est.)	1,770	14,864	4,344	4,344	-	627	9.33	3
4	10 under 25 (est.)	36,615	639,211	152,997	152,995	3	2,810	19.03	4
5	25 under 50	19,657	679,194	244,763	244,709	54	11,598	34.32	5
6	50 under 100	7,775	526,795	248,586	248,508	79	31,166	46.57	6
7	100 under 150	1,743	210,376	114,133	114,114	19	65,506	54.39	7
8	150 under 300	1,125	225,204	128,657	128,574	83	115,636	58.14	8
9	300 under 500	288	110,013	64,147	64,060	87	227,969	59.92	9
10	500 under 1,000	143	98,363	60,288	60,256	32	429,965	62.76	10
11	1,000 and over	41	77,980	49,216	49,085	131	1,191,098	65.11	11
12	Total returns with net income	69,499	2,583,342	1,068,446	1,067,959	487	223	8.46	12
13	With no net income, Form 1040 5/	276	13/7,558	2,303	2,303	-	7,782	-	13
14	Total taxable returns	69,795	14/2,575,784	1,070,750	1,070,263	487	223	-	14
	Nontaxable individual returns:								
	With net income 6/:								
15	Form 1040A (est.) 12/	-	-	-	-	-	-	-	15
	Form 1040:								
16	Under 5 (est.)	-	-	-	-	-	-	-	16
17	Total returns with net income	-	-	-	-	-	-	-	17
18	With no net income, Form 1040 7/	-	-	-	-	-	-	-	18
19	Total nontaxable returns	-	-	-	-	-	-	-	19
20	Grand total (14 + 19 or 21 + 22)	69,795	14/2,575,784	1,070,750	1,070,263	487	(16)	-	20
21	Individual returns and taxable fiduciary returns with net income (12 + 17)	69,499	2,583,342	1,068,446	1,067,959	487	152	6.61	21
22	Individual returns with no net income (13 + 18)	296	13/7,558	2,303	2,303	-	(16)	-	22

For footnotes, see page 11.

Table 1-A. - Individual returns with net income, not including fiduciary returns, 1941, by taxable and nontaxable returns, by net income classes, and taxable returns by type of tax liability; also aggregates for taxable and nontaxable individual returns with no net income: Number of returns, net income, personal exemption, credit for dependents, earned income credit, tax, normal tax, surtax, alternative tax, defense tax average total tax, and effective tax rate
(Returns filed in period January through June 1942)
(Net income classes and money figures, except average total tax, in thousands of dollars)

	Net income classes	Number of returns	Net income 3/	Personal exemption 9/	Credit for dependents	Earned income credit 10/	Total tax 2/	Returns with normal tax and surtax 11/						
								Number of returns	Net income	Total (col. 11 + 12 + 13)	Normal tax	Surtax	Defense tax 4/	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
	Taxable individual returns:													
	With net income:													
1	Form 1040A (est.) 12/	6,099,518	10,714,216	5,963,720	333,310	1,071,422	360,861	-	-	-	-	-	-	1
	Form 1040:													
2	Under 5 (est.)	10,314,339	23,858,305	12,631,260	1,745,034	2,344,402	875,261	10,314,009	23,857,000	873,961	286,922	587,033	6	2
3	5 under 10 (est.)	617,312	4,146,980	844,071	255,166	329,833	385,140	615,600	4,132,591	380,990	108,359	272,595	36	3
4	10 under 25 (est.)	237,406	3,503,428	307,074	96,614	207,528	664,801	201,488	2,876,199	514,944	93,591	421,225	128	4
5	25 under 50	47,016	1,587,972	59,914	18,654	47,534	544,622	27,940	928,914	306,975	33,960	272,870	144	5
6	50 under 100	14,051	939,924	17,670	5,526	15,550	438,531	6,519	429,810	196,883	16,394	180,355	134	6
7	100 under 150	2,553	307,890	3,181	948	2,809	168,109	874	105,050	57,398	4,057	53,292	48	7
8	150 under 300	1,477	293,748	1,821	551	1,571	171,887	408	79,826	48,592	3,221	45,350	22	8
9	300 under 500	339	129,246	423	124	337	77,992	66	24,742	16,523	981	15,542	-	9
10	500 under 1,000	146	98,985	178	49	136	63,860	15	10,420	7,426	414	7,012	-	10
11	1,000 and over	44	81,630	55	16	40	54,526	8	13,161	9,944	526	9,418	-	11
12	Total returns with net income	17,334,201	45,662,324	19,829,368	2,455,991	4,021,161	3,805,589	11,166,927	32,457,713	2,413,636	548,425	1,864,693	518	12
13	With no net income, Form 1040 5/	296	13/7,558	278	52	190	2,303	-	-	-	-	-	-	13
14	Total taxable returns	17,334,497	14/45,654,766	19,829,646	2,456,044	4,021,351	3,807,893	11,166,927	32,457,713	2,413,636	548,425	1,864,693	518	14
	Nontaxable individual returns:													
	With net income 6/:													
15	Form 1040A (est.) 12/	3,957,781	6,977,203	5,773,358	3,127,887	697,720	-	-	-	-	-	-	-	15
	Form 1040:													
16	Under 5 (est.)	4,143,718	5,898,820	5,631,015	1,742,513	51,483	-	-	-	-	-	-	-	16
17	Total returns with net income	8,101,499	12,876,024	11,404,373	4,870,401	749,203	-	-	-	-	-	-	-	17
18	With no net income, Form 1040 7/	99,299	13/284,023	(15)	(15)	(15)	-	-	-	-	-	-	-	18
19	Total nontaxable returns	8,200,798	14/12,592,000	(15)	(15)	(15)	-	-	-	-	-	-	-	19
20	Grand total (14 + 19 or 21 + 22)	25,535,295	14/58,246,766	(15)	(15)	(15)	3,807,893	11,166,927	32,457,713	2,413,636	548,425	1,864,693	518	20
21	Individual returns with net income (12 + 17)	25,435,700	58,538,347	31,233,740	7,326,392	4,770,364	3,805,589	11,166,927	32,457,713	2,413,636	548,425	1,864,693	518	21
22	Individual returns with no net income (13 + 18)	99,595	13/291,581	(15)	(15)	(15)	2,303	-	-	-	-	-	-	22

For footnotes, see page 11

Table 1-A. - Individual returns with net income, not including fiduciary returns, 1941, by taxable and nontaxable returns, by net income classes, and taxable returns by type of tax liability; also aggregates for taxable and nontaxable individual returns with no net income: Number of returns, net income, personal exemption, credit for dependents, earned income credit, tax, normal tax, surtax, alternative tax, defense tax, average total tax, and effective tax rate - Continued
(Returns filed in period January through June 1942)
(Net income classes and money figures, except average total tax, in thousands of dollars)

	Net income classes	Returns with alternative tax 3/					Average total tax (col. 7 ÷ 2)	Effective tax rate, percent (returns with net income) (col. 7 ÷ 3)	
		Number of returns	Net income	Tax					
				Total (col. 17 + 18)	Alternative tax	Defense tax 4/			
	(1)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	
	Taxable individual returns:								
	With net income:								
1	Form 1040A (est.) 12/	-	-	-	-	-	59	3.37	1
	Form 1040:								
2	Under 5 (est.)	330	1,305	1,300	1,300	-	85	3.67	2
3	5 under 10 (est.)	1,712	14,389	4,150	4,150	-	624	9.29	3
4	10 under 25 (est.)	35,918	627,229	149,857	149,855	2	2,800	18.98	4
5	25 under 50	19,076	659,058	237,648	237,605	43	11,584	34.30	5
6	50 under 100	7,532	510,113	241,648	241,587	61	31,210	46.66	6
7	100 under 150	1,679	202,840	110,711	110,698	14	65,848	54.60	7
8	150 under 300	1,069	213,922	123,295	123,237	58	116,376	58.52	8
9	300 under 500	273	104,504	61,468	61,381	87	230,064	60.34	9
10	500 under 1,000	131	88,565	56,434	56,402	32	437,399	64.52	10
11	1,000 and over	36	68,468	44,582	44,540	42	1,239,220	66.80	11
12	Total returns with net income	67,756	2,490,395	1,031,092	1,030,754	338	220	8.33	12
13	With no net income, Form 1040 5/	296	13/7,558	2,303	2,303	-	7,782	-	13
14	Total taxable returns	68,052	14/2,482,837	1,033,396	1,033,057	338	220	-	14
	Nontaxable individual returns:								
	With net income 6/:								
15	Form 1040A (est.) 12/	-	-	-	-	-	-	-	15
	Form 1040:								
16	Under 5 (est.)	-	-	-	-	-	-	-	16
17	Total returns with net income	-	-	-	-	-	-	-	17
18	With no net income, Form 1040 7/	-	-	-	-	-	-	-	18
19	Total nontaxable returns	-	-	-	-	-	-	-	19
20	Grand total (14 + 19 or 21 + 22)	68,052	14/2,482,837	1,033,396	1,033,057	338	(16)	-	20
21	Individual returns with net income (12 + 17)	67,756	2,490,395	1,031,092	1,030,754	338	150	6.50	21
22	Individual returns with no net income (13 + 18)	296	13/7,558	2,303	2,303	-	(16)	-	22

For footnotes, see page 11

Table 2. - Individual returns and taxable fiduciary returns, with net income, 1941, by net income classes; also aggregate for individual returns with no net income: Number of returns, sources of income and deductions, and net income
(Returns filed in period January through June 1942)
(Net income classes and money figures in thousands of dollars)

Net income 8/ classes	Number of returns	Sources of income: Salaries and other compensation (individual returns)	Dividends from domestic and foreign corporations 17/	Interest: Bank deposits, notes, mortgages, corporation bonds	Interest: Government obligations: Partially tax-exempt (subject to surtax only) 18/	Interest: Government obligations: Taxable (subject to normal tax and surtax) 19/	Dividends on share accounts in Federal savings and loan associations (subject to surtax only) 20/	Rents and royalties	Annuities (individual returns) 21/	Capital gain 22/: Short-term 23/: Net short-term capital gain (included in total income and net income)	Capital gain 22/: Short-term 23/: Net short-term capital loss of preceding taxable year deducted 24/	Capital gain 22/: Short-term 23/: Current year net short-term capital gain 25/	Capital gain 22/: Net long-term capital gain 26/	Net gain from sales of property other than capital assets 27/	Business profit 28/	Partnership profit 29/
Individual returns and taxable fiduciary returns with net income:																
Form 1040A (est.) 12/	10,057,299	17,440,340	(36)	(36)	(36)	(36)	(36)	(36)	(36)	-	-	-	-	-	-	-
Form 1040 and 1041:																
Under 5 (est.)	14,528,351	25,624,691	1,260,915	577,958	41,213	15,818	452	1,063,978	120,083	42,430	240	42,670	56,998	29,842	3,920,341	587,000
5 under 10 (est.)	623,770	2,452,130	473,879	125,177	13,996	1,612	1,220	161,227	13,040	24,563	681	25,244	32,375	11,851	927,513	423,117
10 under 25 (est.)	241,388	1,723,835	626,362	117,174	17,138	1,461	1,197	130,021	9,224	27,156	1,596	28,752	44,340	9,410	662,310	540,618
25 under 50	48,318	649,935	435,516	49,894	7,792	644	2,322	53,108	4,019	14,598	599	15,197	34,578	2,328	218,294	293,884
50 under 100	14,514	320,575	328,469	23,808	4,382	198	355	24,510	2,300	9,291	552	9,843	35,373	1,340	98,769	181,722
100 under 150	2,658	79,992	134,016	7,292	1,570	90	15	7,351	521	2,623	632	3,254	19,179	245	28,972	52,899
150 under 300	1,551	57,442	138,456	6,574	1,438	93	10	6,938	492	2,920	172	3,091	35,132	246	25,316	43,314
300 under 500	357	14,830	64,468	1,801	378	28	10	2,449	262	1,272	38	1,310	26,899	23	7,866	13,461
500 under 1,000	161	4,974	63,741	1,834	121	14	-	2,204	64	326	8	334	24,598	4	3,144	6,466
1,000 and over	51	1,242	60,848	674	56	8	(37)	92	127	1,579	2	1,581	25,075	30	1,720	1,614
Total returns with net income	25,518,418	48,369,987	3,586,670	912,185	88,084	19,966	5,582	1,451,877	150,131	126,758	4,519	131,277	334,547	55,318	5,894,245	2,144,094
Individual returns with no net income 7/	99,595	57,477	86,129	19,957	731	1,350	15	31,478	2,145	4,487	23	4,510	4,329	2,410	18,852	12,428
Grand total	25,618,013	48,427,464	3,672,799	932,142	88,815	21,315	5,597	1,483,355	152,276	131,245	4,542	135,787	338,876	57,728	5,913,097	2,156,522

Net income 8/ classes	Sources of income - Continued: Income from fiduciaries 30/	Sources of income - Continued: Other income 31/	Sources of income - Continued: Total income	Deductions: Net long-term capital loss 22/ 26/	Deductions: Net loss from sales of property other than capital assets 27/	Deductions: Business loss 28/	Deductions: Partnership loss 29/	Deductions: Contributions 32/ (individual returns)	Deductions: Interest paid 33/	Deductions: Taxes paid 33/	Deductions: Losses from fire, storm, etc. 33/ 34/ (individual returns)	Deductions: Bad debts 33/ (individual returns)	Deductions: Other deductions 35/	Deductions: Total deductions 35/	Amount distributable to beneficiaries (fiduciary returns)	Net income 1/
Individual returns and taxable fiduciary returns with net income:																
Form 1040A (est.) 12/	-	251,079	17,691,420	-	-	-	-	-	-	-	-	-	-	-	-	17,691,420
Form 1040 and 1041:																
Under 5 (est.)	145,506	197,938	33,685,163	302,989	36,114	51,033	9,173	715,936	728,539	1,225,786	38,569	54,046	497,045	3,659,230	183,135	29,842,798
5 under 10 (est.)	121,100	58,727	4,841,527	130,179	9,624	15,959	5,493	90,559	105,544	166,068	5,962	19,557	74,615	623,559	25,931	4,192,036
10 under 25 (est.)	173,519	53,256	4,137,022	150,734	7,007	17,696	5,994	74,810	73,559	139,113	4,430	19,470	53,337	546,150	27,127	3,563,744
25 under 50	117,845	21,328	1,906,085	72,943	2,592	9,518	2,857	38,254	27,360	68,106	1,286	10,284	21,884	255,085	18,235	1,632,764
50 under 100	88,995	10,919	1,131,006	38,320	1,358	6,387	1,654	27,399	15,023	42,380	795	5,134	12,793	151,242	8,436	971,327
100 under 150	35,874	2,218	372,857	9,970	397	2,178	753	11,397	4,957	14,010	178	1,791	3,855	49,485	3,236	320,137
150 under 300	42,835	2,295	363,500	9,667	206	2,965	1,156	12,655	4,350	13,227	159	3,207	5,147	52,738	2,261	308,500
300 under 500	24,098	489	158,333	3,507	108	1,219	246	5,957	1,424	6,194	26	1,002	2,074	21,757	747	135,829
500 under 1,000	23,260	636	131,385	1,962	202	767	6	6,506	904	4,698	345	937	1,663	17,990	3,090	110,305
1,000 and over	22,770	46	115,881	3,316	42	2,613	2	6,950	766	3,964	98	326	1,961	20,038	2,550	93,292
Total returns with net income	795,802	598,932	64,534,177	723,587	57,649	110,335	27,335	990,424	962,428	1,683,545	51,848	115,752	674,372	5,397,275	274,748	58,862,154
Individual returns with no net income 7/	14,414	4,228	260,428	200,481	35,194	103,268	24,124	5,287	26,929	30,058	12,520	57,439	56,710	552,010	-	13/291,581
Grand total	810,217	603,160	64,794,606	924,068	92,843	213,603	51,459	995,710	989,357	1,713,603	64,369	173,192	731,082	5,949,285	274,748	14/58,570,573

For footnotes, see p. 11.

Table 2-A. - Individual returns with net income, not including fiduciary returns, 1941, by net income classes; also aggregate for individual returns with no net income: Number of returns, sources of income and deductions, and net income
(Returns filed in period January through June 1942)
(Net income classes and money figures in thousands of dollars)

Net income classes	Number of returns	Sources of income														
				Interest						Capital gain 22/						
					Government obligations					Short-term 23/						
		Salaries and other compensation	Dividends from domestic and foreign corporations 17/	Bank deposits, notes, mortgages, corporation bonds	Partially tax-exempt (subject to surtax only) 18/	Taxable (subject to normal tax and surtax) 19/	Dividends on share accounts in Federal savings and loan associations (subject to surtax only) 20/	Rents and royalties	Annuities 21/	Net short-term capital gain (included in total income and net income)	Net short-term capital loss of preceding taxable year deducted 24/	Current year net short-term capital gain 25/	Net long-term capital gain 26/	Net gain from sales of property other than capital assets 27/	Business profit 28/	Partnership profit 29/
Returns with net income:																
Form 1040A (est.) 12/	10,057,299	17,440,340	(36)	(36)	(36)	(36)	(36)	(36)	(36)	-	-	-	-	-	-	-
Form 1040 and 1041:																
Under 5 (est.)	14,458,057	25,624,691	1,102,219	514,083	31,653	15,176	316	1,030,796	120,083	36,239	155	36,394	42,606	28,258	3,912,197	583,899
5 under 10 (est.)	617,312	2,452,130	426,449	116,728	12,518	1,509	1,199	153,509	13,040	22,504	644	23,148	27,568	11,321	924,362	421,124
10 under 25 (est.)	237,406	1,723,835	566,896	109,006	15,386	1,368	1,182	122,299	9,224	24,290	1,509	25,799	37,739	9,042	658,881	536,098
25 under 50	47,016	649,935	390,650	46,140	7,156	584	2,321	49,020	4,019	12,582	584	13,166	28,721	2,205	216,225	290,347
50 under 100	14,051	320,575	302,303	22,369	4,080	190	341	22,649	2,300	7,509	478	7,987	29,837	1,218	97,376	178,505
100 under 150	2,553	79,992	124,130	6,669	1,468	82	15	6,829	521	2,331	630	2,961	15,968	218	28,633	51,900
150 under 300	1,477	57,442	127,555	6,136	1,363	86	9	6,466	492	2,801	169	2,970	30,216	243	24,495	43,294
300 under 500	339	14,830	59,544	1,641	373	27	10	2,228	262	1,088	38	1,125	24,332	19	7,866	13,461
500 under 1,000	146	4,974	56,094	1,763	103	11	-	2,204	64	322	5	327	17,382	4	3,067	6,466
1,000 and over	44	1,242	53,291	663	54	8	(37)	92	127	561	2	563	19,264	30	1,720	1,614
Total returns with net income	25,435,700	48,369,987	3,209,132	825,198	74,155	19,042	5,394	1,396,092	150,131	110,228	4,214	114,442	273,633	52,558	5,874,821	2,126,707
Individual returns with no net income 7/	99,595	57,477	86,129	19,957	731	1,350	15	31,478	2,145	4,487	23	4,510	4,329	2,410	18,852	12,428
Grand total	25,535,295	48,427,464	3,295,261	845,155	74,885	20,392	5,408	1,427,570	152,276	114,715	4,237	118,951	277,962	54,968	5,893,672	2,139,135

Net income classes	Sources of income - Continued			Deductions											Net income 1/
	Income from fiduciaries 30/	Other income 31/	Total income	Net long-term capital loss 22/ 26/	Net loss from sales of property other than capital assets 27/	Business loss 28/	Partnership loss 29/	Contributions 32/	Interest paid 33/	Taxes paid 33/	Losses from fire, storm, etc. 33/ 34/	Bad debts 33/	Other deductions 35/	Total deductions 35/	
Returns with net income:															
Form 1040A (est.) 12/	-	251,079	17,691,420	-	-	-	-	-	-	-	-	-	-	-	17,691,420
Form 1040 and 1041:															
Under 5 (est.)	141,367	194,391	33,377,976	298,594	35,762	50,802	9,050	715,936	724,530	1,213,547	38,569	54,046	480,014	3,620,850	29,757,125
5 under 10 (est.)	119,132	57,343	4,760,437	128,113	9,489	15,844	5,432	90,559	104,382	163,388	5,962	19,557	70,732	613,457	4,146,980
10 under 25 (est.)	171,383	52,037	4,038,668	148,690	6,873	17,530	5,908	74,810	71,830	136,243	4,430	19,470	49,455	535,240	3,503,428
25 under 50	115,608	20,414	1,835,926	71,173	2,517	9,426	2,851	38,254	25,988	66,398	1,286	10,284	19,778	247,954	1,587,972
50 under 100	88,153	10,434	1,087,840	37,803	1,350	6,286	1,650	27,399	14,405	41,398	795	5,134	11,696	147,916	939,924
100 under 150	35,154	2,003	355,912	9,661	396	2,171	751	11,397	4,642	13,590	178	1,791	3,445	48,022	307,890
150 under 300	42,389	2,146	345,132	9,496	206	2,965	1,155	12,655	4,144	12,789	159	3,207	4,608	51,385	293,748
300 under 500	24,097	475	150,251	3,488	108	1,219	246	5,957	1,205	5,882	26	1,002	1,873	21,005	129,246
500 under 1,000	23,260	636	116,350	1,959	202	767	6	6,506	880	4,174	345	937	1,588	17,365	98,985
1,000 and over	22,770	46	101,482	3,278	42	2,613	2	6,950	759	3,947	98	326	1,838	19,853	81,630
Total returns with net income	783,313	591,004	63,861,394	712,254	56,943	109,623	27,053	990,424	952,765	1,661,357	51,848	115,752	645,026	5,323,047	58,538,347
Individual returns with no net income 7/	14,414	4,228	260,428	200,481	35,194	103,268	24,124	5,287	26,929	30,058	12,520	57,439	56,710	552,010	13/291,581
Grand total	797,727	595,232	64,121,822	912,735	92,137	212,890	51,177	995,710	979,695	1,691,416	64,369	173,192	701,736	5,875,057	14/58,246,766

For footnotes, see p. 11.

Footnotes

1/ Net income is the sum of (1) net income on Form 1040, (2) gross income on Form 1040A, and (3) on tables including fiduciary returns, Form 1041, the net income taxable to the fiduciary.

2/ Aggregate of normal tax, surtax, alternative tax, defense tax, and the optional tax reported on Form 1040A.

3/ Alternative tax is reported on (1) returns with net long-term capital gain when such alternative tax computed on ordinary net income is less than the combined normal tax and surtax computed on net income including net long-term capital gain, and (2) returns with net long-term capital loss when such alternative tax computed on ordinary net income is greater than the combined normal tax and surtax computed on net income after deducting net long-term capital loss.

4/ Defense tax is ten percent of the total income tax before deducting any credit, but not in excess of ten percent of the amount by which the net income exceeds such income tax. Reported only on returns with taxable year beginning prior to January 1, 1941.

5/ Alternative tax is reported on 296 individual returns with no net income due to net long-term capital loss. On such returns the combined normal tax and surtax computed on ordinary net income exceeds 30% of the net long-term capital loss.

6/ Personal exemption, credit for dependents, and earned income credit exceed net income. A negligible number of nontaxable individual returns in net income classes of $5,000 and over are tabulated with taxable returns.

7/ Total deductions equal or exceed total income.

8/ For taxable fiduciary returns, the net income used for classification and tabulation is the net income taxable to the fiduciary.

9/ For 1941, the personal exemption allowed the head of a family and a married person living with husband or wife for the entire year, was reduced from $2,000 to $1,500, and that of a single person, a married person not living with husband or wife, and an estate was reduced from $800 to $750. A trust is allowed, in lieu of the personal exemption, a credit of $100 against net income. The personal exemption tabulated for individual returns, Form 1040A, is determined from the taxpayer's status indicated on the return.

10/ On Form 1040A, earned income is computed as 10 percent of the gross income.

11/ Returns with normal tax and surtax are (1) returns without net long-term capital gain or loss, and (2) returns with net long-term capital gain or loss, which are subject to normal tax and surtax instead of alternative tax.

12/ Form 1040A, the optional return which may be filed if gross income from certain sources is not more than $3,000, does not provide for the amount of net income. Gross income is tabulated both as total income and as net income.

13/ Deficit.

14/ Net income less deficit.

15/ Not available.

16/ Not computed.

17/ Excludes dividends received through partnerships and fiduciaries, and dividends on share accounts in Federal savings and loan associations.

18/ Partially tax-exempt interest on Government obligations is interest on United States savings bonds and Treasury bonds owned in excess of $5,000, and obligations of instrumentalities of the United States other than those issued under the Federal Farm Loan Act or that act as amended, all of which were issued prior to March 1, 1941; such interest includes that received through partnerships and fiduciaries.

19/ Taxable interest on Government obligations is interest on Treasury notes issued on or after December 1, 1940 and on obligations of the United States or any agency or instrumentality thereof, issued on or after March 1, 1941.

20/ Dividends on share accounts includes such dividends received through partnerships and fiduciaries. For 1940, these dividends were reported in "Other income."

21/ Tabulated separately for the first time. For prior years included in "Other income."

22/ Capital gain or loss is the net gain or loss from sales or exchanges of capital assets, i.e., property held by the taxpayer (whether or not connected with his trade or business), but not (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, (3) property used in trade or business of a character which is subject to the allowance for depreciation, or (4) an obligation of the United States or any possession thereof, or of a State or Territory or any political subdivision thereof, or the District of Columbia, issued on or after March 1, 1941, on a discount basis and payable without interest at a fixed maturity date not exceeding one year from date of issue. The tabulated amounts include each participant's share of net capital gain or loss to be taken into account from partnerships and common trust funds.

23/ "Short-term" applies to capital assets held 18 months or less.

24/ Net short-term capital loss of preceding taxable year deducted is the amount deducted under the net short-term loss carry-over provision of the Internal Revenue Code. The amount carried over cannot exceed the net income for the year in which the loss is sustained, and can be deducted only to the extent of the current year net short-term capital gain.

25/ Current year net short-term capital gain before deducting net short-term capital loss of preceding taxable year. This amount would have been reported for computation of net income if the net short-term capital loss of preceding taxable year had not been deductible.

26/ "Long-term" applies to capital assets held over 18 months. Losses, from worthless stocks and bonds which are capital assets, are deducted in computing "Net long-term capital gain" and "Net long-term capital loss."

27/ Net gain or loss from the sales of (1) property used in trade or business of a character which is subject to the allowance for depreciation, and (2) obligations of the United States or any of its possessions, a State or Territory or any political subdivision thereof, or the District of Columbia, issued on or after March 1, 1941, on a discount basis and payable without interest at a fixed maturity date not exceeding one year from date of issue.

28/ Current year business profit or loss. Net operating loss deduction is reported in "Other deductions."

29/ Partnership profit or loss, as reported on the income tax return of the partner, excludes (1) partially tax-exempt interest on Government obligations issued prior to March 1, 1941, and (2) net gain or loss from sales or exchanges of capital assets, each of which is reported in its respective source of income or deduction, and (3) dividends on share accounts in Federal savings and loan associations which are reported in the schedule for interest on Government obligations but are tabulated separately. Charitable contributions and net operating loss deduction, not being deductible in computing partnership profit or loss, are reported on the partner's income tax return in "Contributions" and "Other deductions" respectively.

30/ Income from fiduciaries, as reported on the return of the beneficiary, excludes (1) partially tax-exempt interest on Government obligations issued prior to March 1, 1941, and (2) net gain or loss from sales or exchanges of capital assets received from common trust funds, each of which is reported in its respective source of income or deduction, (3) dividends on share accounts in Federal savings and loan associations which are reported in the schedule for interest on Government obligations but which are tabulated separately. The net operating loss deduction, not being deductible in computing income from common trust funds, is reported on the beneficiary's return in "Other deductions," however, the net operating loss deduction is deducted from all other fiduciary income reported on the beneficiary's return.

31/ Includes dividends, interest, rents, annuities and royalties, reported on Form 1040A. Unlike 1940, excludes annuities and dividends on share accounts in Federal savings and loan associations reported on Form 1040, both of which are tabulated separately.

32/ Include each partner's share of charitable contributions of partnerships.

33/ Excludes amount reported in schedule for (1) income from rents and royalties, and (2) profit or loss from business.

34/ Losses from fire, storm, shipwreck, or other casualty, or from theft, not compensated for by insurance or otherwise.

35/ Include net operating loss deduction. In table 2 amount includes losses from fire, storm, etc., and bad debts reported on fiduciary returns.

36/ Included in "Other income."

37/ Less than $500.

a period in 1934, when he served with the National Recovery Administration, and for the greater part of the past year, during which time he has been with the Special War Policies Unit of the Department of Justice. He is married and has two children.

Mr. Luxford has been with the Treasury since 1935, except for a brief period in 1939 and 1940 when he was engaged in the private practice of the law in St. Paul, Minnesota. Mr. Luxford received his undergraduate training at the [redacted] University of Iowa in Iowa City, Iowa; Creighton University, Omaha, Nebraska, and the Catholic University of America in Washington, D. C., receiving a [redacted] degree of bachelor of science from the last mentioned school. He also received a bachelor of laws ~~an LL. B~~ degree from the law school of [redacted] Catholic University, having graduated in 1935. He received a four-year scholarship at the Catholic University from the John K. Mullen of Denver Foundation. ~~Mr. Luxford was the first non-catholic to receive such an award, as well as the first person not residing in Colorado.~~ He is married and has one child.

Secretary Morgenthau today announced the appointment of Thomas J. Lynch of Toledo, Ohio; Eugene F. Roth of New York City, and Ansel F. Luxford of St. Paul, Minnesota, as Assistants General Counsel in the Treasury Department.

Mr. Lynch attended the University of Michigan School of Engineering and School of Law, receiving a ~~J. D.~~ degree of doctor of jurisprudence from the latter in 1925. He comes to the Treasury from the War Production Board, where he was an Assistant General Counsel. His Government experience includes service in the Anti-Trust Division of the Department of Justice and in the Securities and Exchange Commission. From the time of his graduation from Law School until he entered the Government service in 1934, Mr. Lynch was associated with the Toledo, Ohio, law firm of Marshall, Melhorn, Morlar and Martin. He is married and has three children.

Mr. Roth is a graduate of Columbia ~~College~~ University and of Columbia Law School, having graduated from the latter in 1926. Since graduation he has been engaged in the private practice of ~~the~~ law in ~~the City of~~ New York City, except for

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, March 23, 1943.

Press Service
No. 35-83

Secretary Morgenthau today announced the appointment of Thomas J. Lynch of Toledo, Ohio; Eugene F. Roth of New York City; and Ansel F. Luxford of St. Paul, Minnesota, as Assistants General Counsel in the Treasury Department.

Mr. Lynch attended the University of Michigan School of Engineering and School of Law, receiving a degree of doctor of jurisprudence from the latter in 1925. He comes to the Treasury from the War Production Board, where he was an Assistant General Counsel. His Government experience includes service in the Anti-Trust Division of the Department of Justice and in the Securities and Exchange Commission. From the time of his graduation from Law School until he entered the Government service in 1934, Mr. Lynch was associated with the Toledo, Ohio, law firm of Marshall, Melhorn, Morlar and Martin. He is married and has three children.

Mr. Roth is a graduate of Columbia University and of Columbia Law School, having graduated from the latter in 1926. Since graduation he has been engaged in the private practice of law in New York City, except for a period in 1934, when he served with the National Recovery Administration, and for the greater part of the past year, during which time he has been with the Special War Policies Unit of the Department of Justice. He is married and has two children.

Mr. Luxford has been with the Treasury since 1935, except for a brief period in 1939 and 1940 when he was engaged in the private practice of the law in St. Paul, Minnesota. Mr. Luxford received his undergraduate training at the University of Iowa in Iowa City, Iowa; Creighton University, Omaha, Nebraska, and the Catholic University of America in Washington, D. C., receiving a degree of bachelor of science from the last mentioned school. He also received a bachelor of laws degree from the law school of Catholic University, having graduated in 1935. He received a four-year scholarship at the Catholic University from the John K. Mullen of Denver Foundation. He is married and has one child.

-oOo-

35-84

FOR IMMEDIATE RELEASE,
March 23, 1943.

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	2,172,359,753	March 13, 1943	263,704,502
Colombia	735,840,277	"	242,004,816
Costa Rica	46,718,031	"	12,076,347
Cuba	18,692,451	"	8,368,539
Dominican Republic	25,752,947	"	9,513,794
Ecuador	35,041,235	"	12,350,491
El Salvador	140,776,585	"	42,671,971
Guatemala	124,978,598	"	36,737,893
Haiti	64,236,136	"	46,458,465
Honduras	4,278,467	"	1,344,991
Mexico	111,292,661	"	25,824,370
Nicaragua	45,818,819	"	5,306,728
Peru	5,839,588	"	159
Venezuela	90,021,490	"	29,350,632
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	75,969,017	"	22,921,471

1/ Quotas revised as of March 5, 1943.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, March 24, 1943.

Press Service
No. 35-84

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	2,172,359,753	March 13, 1943	263,704,502
Colombia	735,840,277	"	242,004,816
Costa Rica	46,718,031	"	12,076,347
Cuba	18,692,451	"	8,368,539
Dominican Republic	25,752,947	"	9,513,794
Ecuador	35,041,235	"	12,350,491
El Salvador	140,776,585	"	42,671,971
Guatemala	124,978,598	"	36,737,893
Haiti	64,236,136	"	46,458,465
Honduras	4,278,467	"	1,344,991
Mexico	111,292,661	"	25,824,370
Nicaragua	45,818,819	"	5,306,728
Peru	5,839,588	"	159
Venezuela	90,021,490	"	29,350,632
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	75,969,017	"	22,921,471

1/ Quotas revised as of March 5, 1943.

-oOo-

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 March 31, 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

~~ALPHA~~

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 26, 1943.
~~(1)~~

The Secretary of the Treasury, by this public notice, invites tenders for $ 800,000,000 ~~(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 March 31, 1943 ~~(4)~~, and will mature June 30, 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, March 29, 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

Em

35-85

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 26, 1943.
3-25-43

The Secretary of the Treasury, by this public notice, invites tenders for $800,000,000, 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 March 31, 1943, and will mature June 30, 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, March 29, 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 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 March 31, 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.

-oOo-

consumer spendings not only <u>this</u> year and not only <u>during</u> the war, but will have a very direct effect on consumer spendings <u>after</u> the war. If we use them wisely, the war bonds, the liquid balances, and the post-war credits accumulated during the war can provide America with an instrument for sustaining a high level of consumer spending after the war.

March 23, 1943

Compulsory lending is an effective anti-inflation device only to the extent that it applies to the low income groups who otherwise would do little saving. Other income groups can meet their compulsory lending requirements by diverting their savings to the Government rather than by curtailing their consumption. In other words, instead of reducing spending, lending may merely replace other investments.

Compulsory saving, on the other hand, imposes a legal obligation to save a specified fraction of income. The only way to meet the savings requirement is to spend less. While a firm compulsory saving measure offers a comprehensive solution to the problem of inflation, the plan is subject to formidable administrative difficulties.

V. Conclusion

I have indicated in general terms the impact of taxes on consumer spendings. The problem is one of immobilizing purchasing power in the hands of consumers, to prevent ~~the~~ high incomes from exerting inflationary pressures on the cost of living. Many measures have already been taken to this end and substantial assistance in combatting inflation is afforded us by the rising volume of savings and wide public acceptance of the need to refrain from spending. Nonetheless, much of the burden for combatting inflation must fall to the tax system. In deciding what particular taxes we will use for this purpose, it will be well to keep in mind that our taxes today affect the expense of goods more vital to health and efficiency, the consumer is given the opportunity of choosing his own necessities. The fact that excises are selective enables them to be used with more discretion than a general sales tax in discouraging the use of scarce goods and services, such as transportation and communication.

Corporation Taxes

The tax on corporation income at first sight seems only remotely related to the control of inflation. There are nevertheless close connections. On the one hand high excess profits tax rates reduce the incentive to keep business costs at a minimum since such increased costs have a relatively small effect on profits remaining after taxes. On the other hand, however, corporation taxes tend to curb purchasing power in the hands of the public. They reduce the income available for dividends.

Compulsory Lending and Saving

Two measures which assign tomorrow a prominent place in the framing of today's fiscal program are compulsory lending and compulsory saving. These measures are like taxes in that they compel the taxpayer to do specified things with his money. They are unlike taxes in that they give him a financial claim against the future. Therefore, they preserve the incentive to work by postponing rather than taxing away the rewards of labor.

In addition a sales tax itself is likely to generate an increase in prices which would reduce its anti-inflationary effects. Unless the tax were eliminated in computing farm parity prices, many farm prices and therefore food costs would be increased. The effect of a sales tax in generating wage increases to compensate for the higher cost of living must also be recognized.

Some of the objectionable features of the sales tax as we know it in this country could be mitigated by the allowance of personal exemptions. Last year the Treasury suggested a special kind of progressive sales tax with personal exemptions, which would be very effective from the point of view of controlling inflation. I refer to the spendings tax. In many ways, a spendings tax is especially suited to the needs of the present situation. It places a direct penalty on spendings in excess of the exempted minimum and encourages savings. Because the tax is adaptable to the use of exemptions and graduated rates, it can take into account differences in family status and general taxpaying capacity.

Selective Excises

Increases in the rates of excises offer only a limited opportunity for reducing general consumption. Since the commodities are largely non-necessities, the taxes have no particularly harmful effects on minimum living standards. While payment of the tax may be at

Individual Excess Income Tax

We have devoted considerable thought to a special kind of war-time income tax. I have reference to an excess income tax which would tax increases in individual incomes in a manner comparable to the way corporation income is taxed under the excess profits tax. I know that many of you here have discussed such a tax from time to time. For the most part, you are members of a fixed income group and have not received war-time increases in earnings comparable to the increases enjoyed by many others. I have brought along a number of copies of a memorandum in which the case for a special tax on increases in income is considered, which I'll be glad to leave with you. In that memorandum we conclude that there are a number of objections to such a tax. It would not be very effective from an anti-inflation viewpoint, would discriminate against many groups, and would be difficult to administer.

Sales Tax

The sales tax is urged as an effective means of checking consumption. Its capacity to do this lies in its peculiar ability to tap low incomes which cannot be reached efficiently by the income tax. However, there appears to be little virtue and much objection to curtailing the purchasing power necessary to maintain minimum health standards of these low-income people. Its cost in terms of physical efficiency and morale would be very great.

that subsistence living standards are not impaired. This is an essential part of the problem and we dare not overlook it. Such impairment would have a direct effect on the productive efficiency of the American people and could have disastrous results in terms of the war effort.

IV. The Impact of Various Taxes

In selecting the kind of taxes we will use, we can no longer be governed by revenue considerations alone. We must assign much weight to the effectiveness of the particular tax in reducing consumer spending and in allocating that reduction among the people.

Individual Income Tax

The effectiveness of the income tax in restricting consumer spending varies considerably at different income levels. In the income bracket just above personal exemptions it is likely that the tax achieves a dollar-for-dollar reduction in spending. In the upper brackets, however, consumer spending is probably curtailed only slightly and the tax is probably absorbed in large part out of savings. Those with small incomes usually save very little and when their taxes are raised have no choice but to reduce their spendings. Taxpayers with large incomes can adjust for their higher taxes by reducing current savings and liquidating accumulated assets. Placing the income tax on a pay-as-you-go basis with provision for substantial collection-at-the-source also would enhance the anti-inflationary effects of the income tax.

In 1943 individual incomes after direct personal taxes will aggregate $120 billion. In prosperous 1940 we had left only $74 billion after paying taxes, and in 1932, the corresponding figure was $46 billion. In other words, despite the substantial tax increases of the past few years, the American people will have considerably more money to spend and to save in 1943 than they had at any time before -- $46 billion more than in 1940, and $74 billion more than in 1932.

Hardships unavoidable

By citing these figures I do not mean to imply that the war is not imposing economic hardships. On the contrary, it is inevitable that hardships become the general rule rather than the exception. They are one of the inescapable costs of war. I believe, however, that if we use the tax system wisely, unnecessary hardships can be prevented and the burden more fairly distributed.

The reduction in consumption which is imposed on us by war is the cost we civilians must bear. To limit consumer expenditures, on the average, to $500 per capita -- the supply of civilian goods and services which the President tells us will be available for the average American next year - in a year when our incomes are very high, will require very drastic pruning. However, in making the additional cuts in consumption we must be doubly sure have declined as a result of the war and, to a lesser degree, those whose incomes have remained stable (a group with which you are well acquainted) are already finding it difficult to pay their present tax bills. Many are paying taxes out of small incomes or find it necessary to draw upon past savings. For these reasons, we must use the tax system as we would a delicate surgical tool and try to adjust it to the economic and family status of 135 million Americans with widely varying incomes, fixed commitments, and spending requirements.

The Complexity of the Task

I cannot over-emphasize the importance and difficulty of this task. We are dealing with millions of people and billions of dollars. We are dealing in aggregates so vast that few among us can comprehend them. We are dealing with human beings whose reactions are not wholly predictable. At every step we must make allowance for the human element in the equation. Never before has a Nation been called upon to handle a problem of these proportions and to make such adjustments in so short a time. These are the reasons why our problem is difficult.

On the other hand, the very fact that we need $16 billion of additional revenue primarily for anti-inflationary purposes means that we are well able to pay it. We need more taxation because our incomes are so much larger; we would need less taxation if our incomes were smaller.

liabilities they are accruing until the following March when they prepare their tax returns. A large number of them very recently discovered that they underestimated their taxes on 1942 incomes. This means that part of their savings proved to be illusory. Instead of turning out to be savings, they had to be used for the payment of taxes.

As soon as the Congress has enacted an adequate pay-as-you-go plan under which the tax liability of the vast majority of taxpayers will be collected at source, Americans will be better able to gear their savings to the income at their disposal, the income remaining after payment of taxes. This, I believe, will increase personal savings above what they would be in the absence of collection at source.

III. The Function of Taxes

I have enumerated a number of factors which are helping to avert inflation. However, more <u>needs</u> to be done and with the use of the tax system more <u>can</u> be done. Taxes can play an important part in the campaign against inflation by withdrawing purchasing power from consumers. Taxes, however, are powerful instruments and must be used with great care.

We are not imposing taxes for the first time. It isn't as if we were considering the first of our war tax increases. We are now considering adding $16 billion to a tax system which will already raise $35 billion during the coming fiscal year. Those Americans whose incomes

Government Promotion of Savings

Saving has increased in direct response to the campaign for the sale of War Bonds. In 1942, individuals invested $10.2 billion in United States securities. War Savings Bonds accounted for $8.5 billion. You all know that the Treasury Department has been promoting systematic investment in these bonds by regular deductions from pay envelopes. This program is succeeding. Although it has been in operation only a little more than a year, 20 million workers in 175,000 firms are now participating. An additional 5.4 million Federal, State and local employees and men and women in the armed forces are buying bonds in this manner.

The Treasury has announced a new Victory Loan drive for April to raise $13 billion. The success of the drive will depend on public participation since it is planned to raise almost two-thirds of the total from outside the banking system. Savings in all forms are valuable; put into war bonds, they are most directly helpful to the war effort.

Pay-as-you-go Taxation

A satisfactory pay-as-you-go income tax plan should also encourage people to save systematically. At present, with year-to-year changes in tax rates and exemption levels and with rapid changes in individual incomes, millions of taxpayers have no accurate conception of the tax

Simpler Ways of Living

These factors add up to simpler ways of living. Americans have been ready and willing to accept and even devise simpler ways of living. Not the ways of our forefathers, to be sure; in many respects our standard of living in this critical war period is higher than it was in the boom years following the first World War. Americans are better housed, for example, than they were then. But they have accepted simpler ways. We walk instead of ride, we travel less, we gave up long vacations, and dropped a lot of the frills that are out of keeping in time of war.

5 Keeping up with the Joneses has changed to keeping down with the Joneses. Keeping up appearances in war-time means keeping appearances correct in terms of the personal sacrifices which the war demands. This is a kind of voluntary sharing of civilian resources on a more equal basis. It also means added savings.

I think that in this war, America's consuming habits are benefiting from the experiences of the last war and the last depression. Unemployment and insecurity is still fresh in the minds of millions of workers. They are less inclined to put their higher earnings into silk shirts and more inclined to put them into savings than they were a generation ago. Farmers, too, have long memories and are apparently using some of their present prosperity to get out of debt.

the individual to get a better and wider view of the opportunities and benefits of investment. This is a normal development and would take place even if there were no war-time scarcities and special motivations to save more and spend less.

Difficulty of Spending

War-time scarcities and rationing make it impossible to spend as much as one would like. Many of the durable goods which became the symbol of the American standard of living have been taken off the market as plants and materials were diverted to war production.

In 1941, the American people spent over $11 billion on automobiles, electrical appliances and other durable consumers' goods. By 1942, total expenditures for these items declined to $7.6 billion, despite the higher level of incomes. Today, most of these durable goods, which symbolized the American standard of living, are no longer being produced. Expenditures are being limited to those small scattered stocks which still remain in the hands of dealers.

No Substantial Reduction in Standard of Living

Despite these curtailments in production, the standards of living and comfort have not declined as radically as one might expect. Americans have been able to get along with the old model a little longer without great hardship. Personal inventories have been called into the breach. A little patching and a little extra care in use of these precious hold-overs have helped the consumer to get along and save his current income. The old American proverb "Eat it up, wear it out, make it do," has become the order of the day.

The Savings Pattern

If the income of the American people is exceeding all records, so is the amount of their savings. Recent studies have brought this forcibly to our attention. It is estimated that in the year just past liquid savings of individuals amounted to about $25 ~~$26.5~~ billion. This compares with ~~the~~ $10 ~~$8.5~~ billion for 1941 and $5 ~~$3~~ billion for 1940. What savings will amount to this year depends on a number of interacting factors, such as the volume of production, the availability of consumers' goods and services, the success of price control and rationing programs, the stability of wage and salary rates, and the tax program itself.

The unprecedented volume of savings by individuals can be accounted for by a number of factors, some of which reflect the traditional habits of the American people. Others are the result of the war.

The Habit to Save

The American people traditionally save a substantial proportion of their income. Contractual commitments on insurance policies and repayments of mortgages and similar obligations absorb much of their income. Appreciable amounts are normally saved automatically out of the excess of income over current living requirements. Each additional dollar of income makes it easier to save more and permits

Some of the consequences of inflation are less tangible. Morale is undermined. War workers become involved in a struggle for higher wages to which they feel entitled because of the spiralling cost of living. Businessmen become absorbed in price variations and price disparities to the detriment of their productive efforts. In short, seeds of destruction are sown beneath the whole war effort.

3

The Steps That Have Been Taken

America is determined to avoid inflation and its consequences. Almost a year ago the President set forth a seven-point cost-of-living program. Since that time the Government has taken action along many fronts. Almost all prices were brought under price ceiling regulations, measures were adopted to stabilize wages and salaries, important rationing programs were instituted, consumer credit controls were tightened, and new taxes levied. Nevertheless, firmer measures are necessary if we are to succeed in stabilizing the cost of living. In this connection, increased taxation will perform an important function.

II. Factors Contributing to a Solution

At the same time I do not wish to imply that taxation alone must do the job. A number of other factors contribute to its solution by helping to keep consumer spending at safe levels.

The tax system can be used, and indeed should be used, as one of the instruments of public policy for protecting the standard of living by deterring consumer spending. I take it that we are all agreed that inflation must be prevented, and that we want the Government to use all the implements at its disposal for this purpose. To successfully combat inflation will require a herculean effort on the part of everyone. The effort, however, will be well rewarded, if inflation is prevented.

H

The Effects of Inflation

To consumers, inflation means ruinous increases in the cost of living. It means a shrinkage in the purchasing power of their current earnings and the confiscation of much of their past savings.

Wartime inflation piles additional hardships on top of these evils. By increasing the cost of the war it expands the public debt and intensifies the Government's revenue needs. By distorting the whole price structure it leads to waste and misdirected production and seriously disrupts the war economy. In addition, it makes post-war adjustment considerably more difficult and painful.

goods. The other 60 percent is producing guns, ships, planes, and the other instruments of war. As a result, some of the dollars in America's bulging pocketbooks find nothing to buy. A prosperity level of individual incomes is finding only a depression supply of consumers' goods. The excess purchasing power is exerting an inflationary pressure on prices. To relieve that pressure, consumer spending has to be reduced.

In the current year, income payments to individuals will amount to about $135 billion. Direct personal tax payments will reduce this sum by about $15 billion, so that consumers will have about $120 billion to spend and to save. On the supply side, it is unlikely that more than $75 billion worth of goods and services will be available for consumers to buy. This $45 billion difference between the $120 billion and the $75 billion must be saved or taxed away if the cost of living is to be safeguarded.

2

The President's Budget Message

This is the problem the President had in mind in his recent Budget Message, when he called upon Congress for revenue legislation which will not only provide revenue but will also support the stabilization program by deterring luxury or non-essential spending. I quote the President:

> "A large portion of [this] excess buying power must be recovered into the Treasury to prevent the excess from being used to bid up the price of scarce goods and thus undermine the stabilization program by breaking price ceilings, creating black markets, and increasing the cost of living."

(1)

(The following address by Randolph E. Paul, General Counsel for the Treasury, before the Schoolman's Week Convention at the University of Pennsylvania, is scheduled for delivery at 1:30 P.M., Eastern War Time, Friday, March 26, 1943, and is for release at that time.)

* * * * * * * * *

~~The Impact of Taxation on Consumer Spending~~ Stet

Your Chairman has asked me to discuss with you the impact of taxation on consumer spending. The reason for his selection of this particular topic is easy to see. There is a very close relationship between taxation and consumer spending.

Much of the economic discussion of the past dozen years deals directly with the subject. We talked a good deal about the impact of taxes on consumer spending all through the 30's. At that time we were concerned with a lack of balance between savings and investment, and sought to increase employment and national prosperity by increasing consumers' expenditures.

I. The New Problem

Today, we are confronted with the converse of that problem. We are trying to find ways and means to discourage consumer spending and to encourage saving.

Today's problem is a direct by-product of the war effort. The record level of production is creating larger incomes than the American people have ever enjoyed. At the same time we are able to devote only about 40 percent of our men and machinery to the production of civilian

85-86

TREASURY DEPARTMENT
Washington

(The following address by Randolph E. Paul, General Counsel for the Treasury, before the Schoolman's Week Convention at the University of Pennsylvania, is scheduled for delivery at 1:30 P.M., Eastern War Time, Friday, March 26, 1943, and is for release at that time.)

The Impact of Taxation on Consumer Spending

Your Chairman has asked me to discuss with you the impact of taxation on consumer spending. The reason for his selection of this particular topic is easy to see. There is a very close relationship between taxation and consumer spending.

Much of the economic discussion of the past dozen years deals directly with the subject. We talked a good deal about the impact of taxes on consumer spending all through the 30's. At that time we were concerned with a lack of balance between savings and investment, and sought to increase employment and national prosperity by increasing consumers' expenditures.

I. The New Problem

Today, we are confronted with the converse of that problem. We are trying to find ways and means to discourage consumer spending and to encourage saving.

Today's problem is a direct by-product of the war effort. The record level of production is creating larger incomes than the American people have ever enjoyed. At the same time we are able to devote only about 40 percent of our men and machinery to the production of civilian goods. The other 60 percent is producing guns, ships, planes, and the other instruments of war. As a result, some of the dollars in America's bulging pocketbooks find nothing to buy. A prosperity level of individual incomes is finding only a depression supply of consumers' goods. The excess purchasing power is exerting an inflationary pressure on prices. To relieve that pressure, consumer spending has to be reduced.

In the current year, income payments to individuals will amount to about $135 billion. Direct personal tax payments will reduce this sum by about $15 billion, so that consumers will have about $120 billion to spend and to save. On the supply side, it is unlikely that more than $75 billion worth of goods and services will be available for consumers to buy. This $45 billion difference between the $120 billion and the $75 billion must be saved or taxed away if the cost of living is to be safeguarded.

The President's Budget Message

This is the problem the President had in mind in his recent Budget Message, when he called upon Congress for revenue legislation which will not only provide revenue but will also support the stabilization program by deterring luxury or non-essential spending. I quote the President:

> "A large portion of [this] excess buying power must be recovered into the Treasury to prevent the excess from being used to bid up the price of scarce goods and thus undermine the stabilization program by breaking price ceilings, creating black markets, and increasing the cost of living."

The tax system can be used, and indeed should be used, as one of the instruments of public policy for protecting the standard of living by deterring consumer spending. I take it that we are all agreed that inflation must be prevented, and that we want the Government to use all the implements at its disposal for this purpose. To successfully combat inflation will require a Herculean effort on the part of everyone. The effort, however, will be well rewarded, if inflation is prevented.

The Effects of Inflation

To consumers, inflation means ruinous increases in the cost of living. It means a shrinkage in the purchasing power of their current earnings and the confiscation of much of their past savings.

Wartime inflation piles additional hardships on top of these evils. By increasing the cost of the war it expands the public debt and intensifies the Government's revenue needs. By distorting the whole price structure it leads to waste and misdirected production and seriously disrupts the war economy. In addition, it makes post-war adjustment considerably more difficult and painful.

Some of the consequences of inflation are less tangible. Morale is undermined. War workers become involved in a struggle for higher wages to which they feel entitled because of the spiralling cost of living. Businessmen become absorbed in price variations and price disparities to the detriment of their productive efforts. In short, seeds of destruction are sown beneath the whole war effort.

The Steps That Have Been Taken

America is determined to avoid inflation and its consequences. Almost a year ago the President set forth a seven-point cost-of-living program. Since that time the Government has taken action along many fronts. Almost all prices were brought under price ceiling regulations, measures were adopted to stabilize wages and salaries, important rationing programs were instituted, consumer credit controls were tightened, and new taxes levied. Nevertheless, firmer measures are necessary if we are to succeed in stabilizing the cost of living. In this connection, increased taxation will perform an important function.

II. Factors Contributing to a Solution

At the same time I do not wish to imply that taxation alone must do the job. A number of other factors contribute to its solution by helping to keep consumer spending at safe levels.

The Savings Pattern

If the income of the American people is exceeding all records, so is the amount of their savings. Recent studies have brought this forcibly to our attention. It is estimated that in the year just past liquid savings of individuals amounted to about $25 billion. This compares with $10 billion for 1941 and $5 billion for 1940. What savings will amount to this year depends on a number of interacting factors, such as the volume of production, the availability of consumers' goods and services, the success of price control and rationing programs, the stability of wage and salary rates, and the tax program itself.

The unprecedented volume of savings by individuals can be accounted for by a number of factors, some of which reflect the traditional habits of the American people. Others are the result of the war.

The Habit to Save

The American people traditionally save a substantial proportion of their income. Contractual commitments on insurance policies and repayments of mortgages and similar obligations absorb much of their income. Appreciable amounts are normally saved automatically out of the excess of income over current living requirements. Each additional dollar of income makes it easier to save more and permits the individual to get a better and wider view of the opportunities and benefits of investment. This is a normal development and would take place even if there were no war-time scarcities and special motivations to save more and spend less.

Difficulty of Spending

War-time scarcities and rationing make it impossible to spend as much as one would like. Many of the durable goods which became the symbol of the American standard of living have been taken off the market as plants and materials were diverted to war production.

In 1941, the American people spent over $11 billion on automobiles, electrical appliances and other durable consumers' goods. By 1942, total expenditures for these items declined to $7.6 billion, despite the higher level of incomes. Today, most of those durable goods, which symbolized the American standard of living, are no longer being produced. Expenditures are being limited to those small scattered stocks which still remain in the hands of dealers.

No Substantial Reduction in Standard of Living

Despite these curtailments in production, the standards of living and comfort have not declined as radically as one might expect. Americans have been able to get along with the old model a little longer without great hardship. Personal inventories have been called into the breach. A little patching and a little extra care in use of these precious hold-overs have helped the consumer to get along and save his current income. The old American proverb "Eat it up, wear it out, make it do," has become the order of the day.

Simpler Ways of Living

These factors add up to simpler ways of living. Americans have been ready and willing to accept and even devise simpler ways of living. Not the ways of our forefathers, to be sure; in many respects our standard of living in this critical war period is higher than it was in the boom years following the first World War. Americans are better housed, for example, than they were then. But they have accepted simpler ways. We walk instead of ride, we travel less, we gave up long vacations, and dropped a lot of the frills that are out of keeping in time of war.

Keeping up with the Joneses, has changed to keeping down with the Joneses. Keeping up appearances in war-time means keeping appearances correct in terms of the personal sacrifices which the war demands. This is a kind of voluntary sharing of civilian resources on a more equal basis. It also means added savings.

I think that in this war, America's consuming habits are benefiting from the experiences of the last war and the last depression. Unemployment and insecurity is still fresh in the minds of millions of workers. They are less inclined to put their higher earnings into silk shirts and more inclined to put them into savings than than they were a generation ago. Farmers, too, have long memories and are apparently using some of their present prosperity to get out of debt.

Government Promotion of Savings

Saving has increased in direct response to the campaign for the sale of War Bonds. In 1942, individuals invested $10.2 billion in United States securities. War Savings Bonds accounted for $8.5 billion. You all know that the Treasury Department has been promoting systematic investment in these bonds by regular deductions from pay envelopes. This program is succeeding. Although it has been in operation only a little more than a year, 20 million workers in 175,000 firms are now participating. An additional 5.4 million Federal, State and local employees and men and women in the armed forces are buying bonds in this manner.

The Treasury has announced a new Victory Loan drive for April to raise $13 billion. The success of the drive will depend on public participation since it is planned to raise almost two-thirds of the total from outside the banking system. Savings in all forms are valuable; put into war bonds, they are most directly helpful to the war effort.

Pay-as-you-go Taxation

A satisfactory pay-as-you-go income tax plan should also encourage people to save systematically. At present, with year-to-year changes in tax rates and exemption levels and with rapid changes in individual incomes, millions of taxpayers have no accurate conception of the tax liabilities they are accruing until the following March when they prepare their tax returns. A large number of them very recently discovered that they underestimated their taxes on 1942 incomes. This means that part of their savings proved to be illusory. Instead of turning out to be savings, they had to be used for the payment of taxes.

As soon as the Congress has enacted an adequate pay-as-you-go plan under which the tax liability of the vast majority of taxpayers will be collected at source, Americans will be better able to gear their savings to the income at their disposal, the income remaining after payment of taxes. This, I believe, will increase personal savings above what they would be in the absence of collection at source.

III. The Function of Taxes

I have enumerated a number of factors which are helping to avert inflation. However, more needs to be done and with the use of the tax system more can be done. Taxes can play an important part in the campaign against inflation by withdrawing purchasing power from consumers. Taxes, however, are powerful instruments and must be used with great care.

We are not imposing taxes for the first time. It isn't as if we were considering the first of our war tax increases. We are now considering adding $16 billion to a tax system which will already raise $35 billion during the coming fiscal year. Those Americans whose incomes have declined as a result of war and, to a lesser degree, those whose incomes have remained stable (a group with which you are well acquainted) are already finding it difficult to pay their present tax bills. Many are paying taxes out of small incomes or find it necessary to draw upon past savings. For these reasons, we must use the tax system as we would a delicate surgical tool and try to adjust it to the economic and family status of 135 million Americans with widely varying incomes, fixed commitments, and spending requirements.

<u>The Complexity of the Task</u>

I cannot over-emphasize the importance and difficulty of this task. We are dealing with millions of people and billions of dollars. We are dealing in aggregates so vast that few among us can comprehend them. We are dealing with human beings whose reactions are not wholly predictable. At every step we must make allowance for the human element in the equation. Never before has a Nation been called upon to handle a problem of these proportions and to make such adjustments in so short a time. These are the reasons why our problem is difficult.

On the other hand, the very fact that we need $16 billion of additional revenue primarily for anti-inflationary purposes means that we are well able to pay it. We need more taxation because our incomes are so much larger; we would need less taxation if our incomes were smaller.

In 1943 individual incomes after direct personal taxes will aggregate $120 billion. In prosperous 1940 we had left only $74 billion after paying taxes, and in 1932, the corresponding figure was $46 billion. In other words, despite the substantial tax increases of the past few years, the American people will have considerably more money to spend and to save in 1943 than they had at any time before -- $46 billion more than in 1940, and $74 billion more than in 1932.

<u>Hardships unavoidable</u>

By citing these figures I do not mean to imply that the war is not imposing economic hardships. On the contrary, it is inevitable that hardships become the general rule rather than the exception. They are one of the inescapable costs of war. I believe, however, that if we use the tax system wisely, unnecessary hardships can be prevented and the burden more fairly distributed.

The reduction in consumption which is imposed on us by war is the cost we civilians must bear. To limit consumer expenditures, on the average, to $500 per capita -- the supply of civilian goods and services which the President tells us will be available for the average American next year - in a year when our incomes are very high, will require very drastic pruning. However, in making the additional cuts in consumption we must be doubly sure that subsistence living standards are not impaired. This is an essential part of the problem and we dare not overlook it. Such impairment would have a direct effect on the productive efficiency of the American people and could have disastrous results in terms of the war effort.

IV. The Impact of Various Taxes

In selecting the kind of taxes we will use, we can no longer be governed by revenue considerations alone. We must assign much weight to the effectiveness of the particular tax in reducing consumer spending and in allocating that reduction among the people.

Individual Income Tax

The effectiveness of the income tax in restricting consumer spending varies considerably at different income levels. In the income bracket just above personal exemptions it is likely that the tax achieves a dollar-for-dollar reduction in spending. In the upper brackets, however, consumer spending is probably curtailed only slightly and the tax is probably absorbed in large part out of savings. Those with small incomes usually save very little and when their taxes are raised have no choice but to reduce their spendings. Taxpayers with large incomes can adjust for the higher taxes by reducing current savings and liquidating accumulated assets. Placing the income tax on a pay-as-you-go basis with provision for substantial collection-at-the-source also would enhance the anti-inflationary effects of the income tax.

Individual Excess Income Tax

We have devoted considerable thought to a special kind of war-time income tax. I have reference to an excess income tax which would tax increases in individual incomes in a manner comparable to the way corporation income is taxed under the excess profits tax. I know that many of you here have discussed such a tax from time to time. For the most part, you are members of a fixed income group and have not received war-time increases in earnings comparable to the increases enjoyed by many others. I have brought along a number of copies of a memorandum in which the case for a special tax on increases in income is considered, which I'll be glad to leave with you. In that memorandum we conclude that there are a number of objections to such a tax. It would not be very effective from an anti-inflation viewpoint, would discriminate against many groups, and would be difficult to administer.

Sales Tax

The sales tax is urged as an effective means of checking consumption. Its capacity to do this lies in its peculiar ability to tap low incomes which cannot be reached efficiently by the income tax. However, there appears to be little virtue and much objection to curtailing the purchasing power necessary to maintain minimum health standards of these low-income people. Its cost in terms of physical efficiency and morale would be very great.

In addition a sales tax itself is likely to generate an increase in prices which would reduce its anti-inflationary effects. Unless the tax were eliminated in computing farm parity prices, many farm prices and therefore food costs would be increased. The effect of a sales tax in generating wage increases to compensate for the higher cost of living must also be recognized.

Some of the objectionable features of the sales tax as we know it in this country could be mitigated by the allowance of personal exemptions. Last year the Treasury suggested a special kind of progressive sales tax with personal exemptions, which would be very effective from the point of view of controlling inflation. I refer to the spendings tax. In many ways, a spendings tax is especially suited to the needs of the present situation. It places a direct penalty on spendings in excess of the exempted minimum and encourages savings. Because the tax is adaptable to the use of exemptions and graduated rates, it can take into account differences in family status and general taxpaying capacity.

Selective Excises

Increases in the rates of excises offer only a limited opportunity for reducing general consumption. Since the commodities are largely non-necessities, the taxes have no particularly harmful effects on minimum living standards. While payment of the tax may be at the expense of goods more vital to health and efficiency, the consumer is given the opportunity of choosing his own necessities. The fact that excises are selective enables them to be used with more discretion than a general sales tax in discouraging the use of scarce goods and services, such as transportation and communication.

Corporation Taxes

The tax on corporation income at first sight seems only remotely related to the control of inflation. There are nevertheless close connections. On the one hand high excess profits tax rates reduce the incentive to keep business costs at a minimum since such increased costs have a relatively small effect on profits remaining after taxes. On the other hand, however, corporation taxes tend to curb purchasing power in the hands of the public. They reduce the income available for dividends.

Compulsory Lending and Saving

Two measures which assign tomorrow a prominent place in the framing of today's fiscal program are compulsory lending and compulsory saving. These measures are like taxes in that they compel the taxpayer to do specified things with his money. They are unlike taxes in that they give him a financial claim against the future. Therefore, they preserve the incentive to work by postponing rather than taxing away the rewards of labor.

Compulsory lending is an effective anti-inflation device only to the extent that it applies to the low income groups who otherwise would do little saving. Other income groups can meet their compulsory lending requirements by diverting their savings to the Government rather than by curtailing their consumption. In other words, instead of reducing spending, lending may merely replace other investments.

Compulsory saving, on the other hand, imposes a legal obligation to save a specified fraction of income. The only way to meet the savings requirement is to spend less. While a firm compulsory saving measure offers a comprehensive solution to the problem of inflation, the plan is subject to formidable administrative difficulties.

V. Conclusion

I have indicated in general terms the impact of taxes on consumer spendings. The problem is one of immobilizing purchasing power in the hands of consumers, to prevent high incomes from exerting inflationary pressures on the cost of living. Many measures have already been taken to this end and substantial assistance in combatting inflation is afforded us by the rising volume of savings and wide public acceptance of the need to refrain from spending. Nonetheless, much of the burden for combatting inflation must fall to the tax system. In deciding what particular taxes we will use for this purpose, it will be well to keep in mind that our taxes today affect consumer spendings not only this year and not only during the war, but will have a very direct effect on consumer spendings after the war. If we use them wisely, the war bonds, the liquid balances, and the post-war credits accumulated during the war can provide America with an instrument for sustaining a high level of consumer spending after the war.

-oOo-

11

Indent

12. Demand more equitable distribution of shared revenues, particularly motor vehicle taxes.

13. Provide for more adequate governmental accounting and reporting.

14. Cultivate an attitude which regards all governments as partners in a joint enterprise.

15. ~~Prepare for collaboration with the Federal Government in a post-war public investment program.~~

16. Collaborate with the Federal Government on a broader and more generous program of Federal aids, accepting controls, but insisting that they be cooperatively applied rather than dictated.

Indent

10

9

~~-11-~~

present

16. Cultivate an attitude that regards all governments as partners in a joint enterprise.

17. Collaborate with the Federal Government on a broader and more generous program of Federal aids, accepting controls, but insisting that they be cooperatively applied rather than dictated.

(action by)

~~III.~~ Municipal Governments: ← pull line

1. Negotiate with Federal representatives and collaborate in the development of a Federal-State Fiscal Authority.

2. Negotiate with Federal officials and Congress to inaugurate a program for the elimination of tax-exempt securities that will not fiscally embarrass States and municipalities.

3. In collaboration with States, refrain from demanding unreasonable war time aid from the Federal Government, thus recognizing the importance of local independence.

4. Apply surplus revenues, where possible, to the elimination of debt and the development of a reserve against war time loss of revenue and post-war need for public works.

5. Broaden the property tax program by supplementing the property tax with a rental tax on occupiers.

6. Strictly interpret property tax exemptions.

7. Inaugurate a thoroughgoing study of possible new sources of independent local revenue.

8. ~~Study successful procedures for safeguarding reserve funds, and enact legislation needed for this purpose.~~

9. ~~Develop more metropolitan cooperation and the use of large metropolitan districts for financing functions of common interest.~~

10. ~~Emphasize raw material producing districts' claim upon aids and shared taxes because their tax base does not represent their contribution to the national product.~~

11. Demand more equitable representation in State legislatures.

present

present

9/

(8)

4. In collaboration with municipalities, refrain from demanding unreasonable war time aid from the Federal Government, thus recognizing the importance of local independence.

5. Apply surplus revenues, where possible, to the elimination of debt and the development of a reserve against war time loss of revenue and post-war need for public works.

6. When revenues will permit, allow Federal income taxes as a deduction in calculating State income taxes.

7. Redouble attack on trade barriers, multiple taxation, and special inducements for the location of industry; use of education, reciprocal agreements, and interstate compacts toward these ends; pass legislation allowing credit to new residents for automobile license taxes paid in the same year to other States.

Submit

8. Collaborate with the Federal Government looking toward Federal arbitration of jurisdictional disputes and joint determination and promotion of uniform practices in income and business taxation especially with regard to questions of jurisdiction.

9. Further collaborate with the Federal Government in the joint administration of overlapping taxes.

10. Adopt legislation on their own initiative that would make payment of Federal automobile use tax a condition for the receipt of a State license.

11. Mitigate the rotten borough system by providing more adequate representation for cities in State legislatures.

12. Give more consideration to cities in the distribution of shared taxes, particularly motor vehicle taxes.

13. Adopt enabling legislation that would permit cities to supplement the general property tax with a rental tax on occupiers.

14. Adopt enabling legislation that would facilitate surplus financing during war time.

15. Adopt legislation requiring more adequate and more uniform governmental accounting and reporting.

30. Broaden Federal aid to include relief and elementary education.

31. Broaden the Social Security program to include uncovered groups under old-age insurance and unemployment compensation. This would not only provide more equitable coverage but would also make possible some simplification of payroll taxes.

Indent

32. ~~Recognize a national minimum status for elementary education by provision of a differential (equalization) grant.~~

33. Provide controls which will insure improvement in the division of educational revenues, local districting, and the quality of the educational product, at the same time insuring against coercive interference with local autonomy and minority views concerning education.

34. Provide for Federal scholarships to insure the adequate development of talent through higher education.

35. In the interest of simplification, repeal Federal liquor license fees, retaining licenses where needed for administration.

D. Contingent action.

36. ~~If a Federal retail sales tax is enacted, provide legislative implementation and administrative action to insure the fullest cooperative use of State personnel and machinery.~~

Action by

II. State Governments: ← full line

Indent

1. Negotiate with Federal representatives and collaborate in the development of a Federal-State Fiscal Authority.

2. Negotiate with Federal officials and Congress to inaugurate a program for the elimination of tax-exempt securities in such manner as not to embarrass States and municipalities fiscally.

3. Tighten property exemption provisions; relax ceiling and uniformity requirements as to local property tax levies; develop more adequate supervision of property tax administration.

Don't indent this line (7)

Indent

20. Cultivate an attitude which regards States and localities as partners in a joint enterprise.

B. For immediate or future action by the Federal Government:

21. Develop in consultation with the States, standard rules for income and death tax jurisdiction; develop suitable rewards for State compliance with these rules and other suitable procedures so that the Federal Government may serve as an umpire in multiple taxation disputes.

Indent

22. Develop in consultation with the States rules of uniform income tax procedure; promote the adoption of such rules looking toward single administration of a relatively uniform State and Federal income tax.

23. Adopt a Federal-Collection-State-Sharing program for the tobacco tax.

24. Enact legislation providing for Federal incorporation of corporations doing an interstate business.

25. Provide distribution of welfare grants to the States through a graduated bracket system as suggested in the Connally amendment.

C. For future action by the Federal Government:

26. Abandon motor vehicle taxes to the States, reserving the right to tax motor fuel used in aviation.

27. Inaugurate a thorough study of the cost of tax compliance and the burden of multiple taxation on interstate companies; reserve action on centralization of business taxes until this evidence is available.

Indent

~~28. Use a public investment technique (if necessary) to cope with post-war deflation and unemployment; dual budget; creative public works (health, housing, nutrition, and regional development); full liquidation of outlays.~~

29. Reduce repressiveness of the tax system by deemphasizing business taxes and by equalizing burden upon equity-financed companies compared with those financed by means of indebtedness (through a partial credit to the corporation for dividends paid out).

Indent

Indent

Indent

6/

5

-3-

10. Modify and improve the coordination and efficiency in the unemployment compensation by increasing the Federal credit from 90 to 100 percent and requiring the States to furnish part of the cost of administration.

11. ~~Disallow sales taxes as a deduction in Federal income tax practice; if the deduction is retained, make it general and not conditioned upon certain technicalities in the tax law.~~

12. Pay more heed to cost of compliance in framing tax laws.

13. Extend the Civil Service coverage to include all personnel engaged in Federal tax administration.

14. ~~Consider the provision of a suitable bond instrumentality for the investment of State and local surplus funds during the war. This might take the form of a non-negotiable bond redeemable after the emergency or upon a showing of war-created need, and to be matched by the Federal Government if used for approved public works. 1/~~

indent

15. Continue and enhance cooperative efforts to improve State and local accounting and reporting; provide annual compilation of cost of government and total taxes.

16. Expend more effort on Federal-State collaboration in the administration of overlapping taxes.

17. Repeal the automobile use tax, or, if it is retained, require receipt as a condition for obtaining a State license.

Indent

18. ~~Further promote better uniform governmental accounting and reporting.~~

19. ~~Assume the responsibility of annual calculation and publication of the over-all cost of government and other fundamental fiscal data.~~

~~1/ Written before recent developments which cover, to some extent, the needs of the States.~~

5/

(4)

~~-52-~~

[For immediate action by the Federal Government

~~XI. SUMMARY OF RECOMMENDATIONS IN TERMS OF AN ACTION PROGRAM FOR EACH LEVEL OF GOVERNMENT~~

~~I. Federal Government.~~

~~A. For immediate action.~~

1. Negotiate with State representatives and pass legislation to create a Federal-State Fiscal Authority.

2. Amend the income tax law to make State income taxes deductible on an accrual basis even though other expenses are reported on a cash basis.

3. Revise, modernize, and broaden the death tax credit.

4. Give the Federal estate tax a thorough overhauling, integrating death and gift taxes, substantially reducing exemptions and coordinating the Federal and State taxes.

5. Eliminate tax-exempt securities in a manner to secure States and municipalities against loss arising from the taxability of their securities.

6. Defeat discrimination resulting from State community-property laws by providing that they shall not apply in the operation of Federal tax laws.

7. Provide a clearing house and "board of appeals" (Federal-State Fiscal Authority) for more careful and consistent treatment of payments in lieu of property taxes on Federally owned property. Such payments should be generous, especially during the war.

8. Provide a special joint committee of Congress to consider legislative proposals for payments in lieu of taxes; provide facilities for maintaining a permanent inventory of Government property.

9. Allow State sales tax application to contractors working on Government orders.

Indent

Indent

such vital subjects as the overlapping of Federal-State-local taxes and the need for coordination of tax levies provides a basic fund of knowledge never before available to legislative and administrative bodies.

From the starting point of creation of a Federal-State Fiscal Authority, recommendations of the committee as embodied in its "action program for each level of Government" move across a broad range of intergovernmental fiscal relations. They deal with such important phases as overlapping tax systems, overlapping expenditures and debt systems, interstate cooperation, State-municipal relations, and the coordination of governmental operations generally. Running through all the recommendations is the theme of cooperative endeavor, with all governments regarded as partners in a joint enterprise.

Following are the principal features of the action program as the committee summarized them:

Commission provided Dr. Groves with part of his many qualifications for the responsibility of directing the committee's endeavors. Long a recognized authority on public finance, he is author of an outstanding textbook in this field, titled "Financing Government." In the committee sessions Dr. Groves was prepared to speak with particular knowledge of State affairs.

~~Pres.~~ Dr. Gulick, who is director of the Institute of Public Administration, has been a professor of municipal science and administration, a participant in much research by legislative committees and tax departments, and counsel to numerous public agencies on tax matters. He has been prominently identified with activities of such bodies as the Tax Research ~~Foundation~~ and the National Municipal League. OK

Dr. Newcomer, professor of economics at Vassar College, has studied intergovernmental fiscal problems for many years, in the United States and abroad. She took an important part in the Twentieth Century Fund study, "Facing the Tax Problem."

A small full-time staff of economists and tax specialists had the assistance of the Treasury Department's Division of Tax Research in making the factual surveys on which the report was based. Intergovernmental relations in several foreign countries were studied for ideas applicable to the American intergovernmental scene. The statistical material assembled by the committee on

Insert Fiscal Relations report release, p-3

Considered in much detail in the report are problems of coordinating Federal and State taxes in the fields of income, death, tobacco, liquor, automotive, sales, business, stock transfer, and payroll levies. The need for Federal-State cooperation in tax administration as a means of achieving coordination is stressed in connection with several of these taxes. Federal payments in lieu of taxes, State and local taxation of Government contracts, and tax-exempt securities are dealt with in the portion of the report relating to tax immunities.

In urging the importance of "coordination and cooperation rather than subordination and coercion" in attacking the intergovernmental problems, the committee rejected the idea that "a group of specialists could draft a formula or a set of specifications to satisfy all parties and resolve all the conflicts." Rather, it said, the unspectacular method of "nibbling" at the task, bit by bit, "promises most in the way of progress in what must be a cooperative venture."

Insert

The committee informed the Secretary that its report was "based on the assumption the United States will be on the winning side of the war and that the struggle will not be so long and exacting that all our institutions will need to be revolutionized to conform to military necessity."

2

Special funds were provided by Congress to meet part of the cost of the committee's study. Aid of the Institute of Public Administration, of New York, was made possible by a grant from the Carnegie Corporation. State and local governmental agencies gave the committee ready cooperation , and assistance came from many Federal sources.

3

Inquiries already made indicate that the report will be given widespread attention.

Dr. Groves served as the committee's chief of staff. He is professor of economics at the University of Wisconsin. Experience as a Wisconsin legislator and as a member of the Wisconsin Tax

The three members of the committee, Dr. Harold M. Groves, ~~Prof.~~ Dr. Luther Gulick, and Dr. Mabel Newcomer, were asked by the Secretary to reexamine the entire subject of intergovernmental fiscal relations, giving attention to both temporary wartime and permanent peacetime aspects of the subject's manifold questions. In making its report, the committee explained to Secretary Morgenthau that its research program was ~~had to be~~ curtailed because of wartime exigencies. Nevertheless, its inquiry into the field of interrelated governmental financial affairs has been one of the most vigorous and comprehensive ever made.

The report lays the groundwork for possible legislative and administrative efforts to remedy a lengthy list of economic ills to which the diversity of government in this country has given birth. Included in the scope of the inquiry were the affairs of about 165,000 American governments "of all shapes, sizes, populations, and degrees of sovereignty", the committee observed. Conflicts between these 165,000 jurisdictions, particularly conflicts growing out of revenue-raising enterprises, are numerous and many of them are deep-seated.

The committee pointed out that President Roosevelt repeatedly had expressed the belief that "no really satisfactory tax reform can be achieved without readjusting the Federal-State-local fiscal relationship," and Secretary Morgenthau asked the committee to direct its work toward that goal.

insert Fiscal Relations report, page 1

Copies of the report are being submitted by Secretary Morgenthau to President Roosevelt, to the Governors of the States, and to members of the House Ways and Means Committee and the Senate Finance Committee.

~~Siler - draft of proposed release,~~ Fiscal Relations report

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Wednesday, March 31, 1943
3/26/43

Press Service
No. 35-87

An action program for Federal, State and local governments designed to resolve conflicts between them over taxation and to improve all intergovernmental relations in fiscal affairs has been laid before Secretary of the Treasury Morgenthau by the Committee on Intergovernmental Fiscal Relations, it was announced at the Treasury Department today.

The committee completed two years' work by submitting an exhaustive report analyzing existing problems of Federal-State-local fiscal relations, stressing the importance of coordination and cooperation in dealing with these problems, and recommending specific steps to be taken by governmental agencies of all three levels, some immediately and others when circumstances permit.

Insert

Establishment of a Federal-State Fiscal Authority to stimulate efforts toward better coordination of related fiscal functions of governments is one of the committee's chief suggestions. The report presents a plan of organization for the Authority, calling for Congress to take the lead in providing legislative approval. Personnel of the Authority would consist of one member appointed by the President, one selected by a conference of delegates named by State Governors, and a third named by the first two.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, March 31, 1943.
3/26/43

Press Service
No. 35-87

An action program for Federal, State and local governments designed to resolve conflicts between them over taxation and to improve all intergovernmental relations in fiscal affairs has been laid before Secretary of the Treasury Morgenthau by the Committee on Intergovernmental Fiscal Relations, it was announced at the Treasury Department today.

The committee completed two years' work by submitting an exhaustive report analyzing existing problems of Federal-State-local fiscal relations, stressing the importance of coordination and cooperation in dealing with these problems, and recommending specific steps to be taken by governmental agencies of all three levels, some immediately and others when circumstances permit.

Copies of the report are being submitted by Secretary Morgenthau to President Roosevelt, to the Governors of the States, and to members of the House Ways and Means Committee and the Senate Finance Committee.

Establishment of a Federal-State Fiscal Authority to stimulate efforts toward better coordination of related fiscal functions of governments is one of the committee's chief suggestions. The report presents a plan of organization for the Authority, calling for Congress to take the lead in providing legislative approval. Personnel of the Authority would consist of one member appointed by the President, one selected by a conference of delegates named by State Governors, and a third named by the first two.

The three members of the committee, Dr. Luther Gulick, Dr. Harold M. Groves, and Dr. Mabel Newcomer, were asked by the Secretary to reexamine the entire subject of intergovernmental fiscal relations, giving attention to both temporary wartime and permanent peacetime aspects of the subject's manifold questions. In making its report, the committee explained to Secretary Morgenthau that its research program was curtailed because of wartime exigencies. Nevertheless, its inquiry into the field of interrelated governmental financial affairs has been one of the most vigorous and comprehensive ever made.

The report lays the groundwork for possible legislative and administrative efforts to remedy a lengthy list of economic ills to which the diversity of government in this country has given birth. Included in the scope of the inquiry were the affairs of about 165,000 American governments "of all shapes, sizes, populations, and degrees of sovereignty", the committee observed. Conflicts between these 165,000 jurisdictions, particularly conflicts growing out of revenue-raising enterprises, are numerous and many of them are deep-seated.

The committee pointed out that President Roosevelt repeatedly had expressed the belief that "no really satisfactory tax reform can be achieved without readjusting the Federal-State-local fiscal relationship", and Secretary Morgenthau asked the committee to direct its work toward that goal.

In urging the importance of "coordination and cooperation rather than subordination and coercion" in attacking the intergovernmental problems, the committee rejected the idea that "a group of specialists could draft a formula or a set of specifications to satisfy all parties and resolve all the conflicts." Rather, it said, the unspectacular method of "nibbling" at the task, bit by bit, "promises most in the way of progress in what must be a cooperative venture."

Considered in much detail in the report are problems of coordinating Federal and State taxes in the fields of income, death, tobacco, liquor, automotive, sales, business, stock transfer, and payroll levies. The need for Federal-State cooperation in tax administration as a means of achieving coordination is stressed in connection with several of these taxes. Federal payments in lieu of taxes, State and local taxation of Government contracts, and tax-exempt securities are dealt with in the portion of the report relating to tax immunities.

The committee informed the Secretary that its report was "based on the assumption the United States will be on the winning side of the war and that the struggle will not be so long and exacting that all our institutions will need to be revolutionized to conform to military necessity."

Special funds were provided by Congress to meet part of the cost of the committee's study. Aid of the Institute of Public Administration, of New York, was made possible by a grant from the Carnegie Corporation. State and local governmental agencies gave the committee ready cooperation, and assistance came from many Federal sources.

Inquiries already made indicate that the report will be given widespread attention.

Dr. Groves served as the committee's chief of staff. He is professor of economics at the University of Wisconsin. Experience as a Wisconsin legislator and as a member of the Wisconsin Tax Commission provided Dr. Groves with part of his many qualifications for the responsibility of directing the committee's endeavors. Long a recognized authority on public finance, he is author of an outstanding textbook in this field, titled "Financing Government." In the committee sessions Dr. Groves was prepared to speak with particular knowledge of State affairs.

Dr. Gulick, who is director of the Institute of Public Administration, has been a professor of municipal science and administration, a participant in much research by legislative committees and tax departments, and counsel to numerous public agencies on tax matters. He has been prominently identified with activities of such bodies as the Tax Research Foundation, and the National Municipal League.

Dr. Newcomer, professor of economics at Vassar College, has studied intergovernmental fiscal problems for many years, in the United States and abroad. She took an important part in the Twentieth Century Fund study, "Facing the Tax Problem."

A small full-time staff of economists and tax specialists had the assistance of the Treasury Department's Division of Tax Research in making the factual surveys on which the report was based. Intergovernmental relations in several foreign countries were studied for ideas applicable to the American intergovernmental scene. The statistical material assembled by the committee on such vital subjects as the overlapping of Federal-State-local taxes and the need for coordination of tax levies provides a basic fund of knowledge never before available to legislative and administrative bodies.

From the starting point of creation of a Federal-State Fiscal Authority, recommendations of the committee as embodied in its "action program for each level of Government" move across a broad range of intergovernmental fiscal relations. They deal with such important phases as overlapping tax systems, overlapping expenditures and debt systems, interstate cooperation, State-municipal relations, and the coordination of governmental operations generally. Running through all the recommendations is the theme of cooperative endeavor, with all governments regarded as partners in a joint enterprise.

Following are the principal features of the action program as the committee summarized them:

For immediate action by the Federal Government:

Negotiate with State representatives and pass legislation to create a Federal-State Fiscal Authority.

Amend the income tax law to make State income taxes deductible on an accrual basis even though other expenses are reported on a cash basis.

Revise, modernize, and broaden the death tax credit.

Give the Federal estate tax a thorough overhauling, integrating death and gift taxes, substantially reducing exemptions and coordinating the Federal and State taxes.

Eliminate tax-exempt securities in a manner to secure States and municipalities against loss arising from the taxability of their securities.

Defeat discrimination resulting from State community-property laws by providing that they shall not apply in the operation of Federal tax laws.

Provide a clearing house and "board of appeals" (Federal-State Fiscal Authority) for more careful and consistent treatment of payments in lieu of property taxes on Federally owned property. Such payments should be generous, especially during the war.

Provide a special joint committee of Congress to consider legislative proposals for payments in lieu of taxes; provide facilities for maintaining a permanent inventory of Government property.

Allow State sales tax application to contractors working on Government orders.

Modify and improve the coordination and efficiency in unemployment compensation by increasing the Federal credit from 90 to 100 percent and requiring the States to furnish part of the cost of administration.

Pay more heed to cost of compliance in framing tax laws.

Extend the Civil Service coverage to include all personnel engaged in Federal tax administration.

Continue and enhance cooperative efforts to improve State and local accounting and reporting; provide annual compilation of cost of government and total taxes.

Expend more effort on Federal-State collaboration in the administration of overlapping taxes.

Repeal the automobile use tax, or, if it is retained, require receipt as a condition for obtaining a State license.

Cultivate an attitude which regards States and localities as partners in a joint enterprise.

For immediate or future action by the Federal Government:

Develop in consultation with the States, standard rules for income and death tax jurisdiction; develop suitable rewards for State compliance with these rules and other suitable procedures so that the Federal Government may serve as an umpire in multiple taxation disputes.

Develop in consultation with the States rules of uniform income tax procedure; promote the adoption of such rules looking toward single administration of a relatively uniform State and Federal income tax.

Adopt a Federal collection-State sharing program for the tobacco tax.

Enact legislation providing for Federal incorporation of corporations doing an interstate business.

Provide distribution of welfare grants to the States through a graduated bracket system as suggested in the Connally amendment.

For future action by the Federal Government:

Abandon motor vehicle taxes to the States, reserving the right to tax motor fuel used in aviation.

Inaugurate a thorough study of the cost of tax compliance and the burden of multiple taxation on interstate companies; reserve action on centralization of business taxes until this evidence is available.

Reduce repressiveness of the tax system by deemphasizing business taxes and by equalizing burden upon equity-financed companies compared with those financed by means of indebtedness (through a partial credit to the corporation for dividends paid out).

Broaden Federal aid to include relief and elementary education.

Broaden the Social Security program to include uncovered groups under old-age insurance and unemployment compensation. This would not only provide more equitable coverage but would also make possible some simplification of payroll taxes.

Provide controls which will insure improvement in the division of educational revenues, local districting, and the quality of the educational product, at the same time insuring against coercive interference with local autonomy and minority views concerning education.

Provide for Federal scholarships to insure the adequate development of talent through higher education.

In the interest of simplification, repeal Federal liquor license fees, retaining licenses where needed for administration.

Action by State Governments:

Negotiate with Federal representatives and collaborate in the development of a Federal-State Fiscal Authority.

Negotiate with Federal officials and Congress to inaugurate a program for the elimination of tax-exempt securities in such manner as not to embarrass States and municipalities fiscally.

Tighten property exemption provisions; relax ceiling and uniformity requirements as to local property tax levies; develop more adequate supervision of property tax administration.

In collaboration with municipalities, refrain from demanding unreasonable war time aid from the Federal Government, thus recognizing the importance of local independence.

Apply surplus revenues, where possible, to the elimination of debt and the development of a reserve against war time loss of revenue and post-war need for public works.

When revenues will permit, allow Federal income taxes as a deduction in calculating State income taxes.

Redouble attack on trade barriers, multiple taxation, and special inducements for the location of industry; use of education, reciprocal agreements, and interstate compacts toward these ends; pass legislation allowing credit to new residents for automobile license taxes paid in the same year to other States.

Collaborate with the Federal Government looking toward Federal arbitration of jurisdictional disputes and joint determination and promotion of uniform practices in income and business taxation especially with regard to questions of jurisdiction.

Further collaborate with the Federal Government in the joint administration of overlapping taxes.

Adopt legislation on their own initiative that would make payment of Federal automobile use tax a condition for the receipt of a State license.

Mitigate the rotten borough system by providing more adequate representation for cities in State legislatures.

Give more consideration to cities in the distribution of shared taxes, particularly motor vehicle taxes.

Adopt enabling legislation that would permit cities to supplement the general property tax with a rental tax on occupiers.

Adopt enabling legislation that would facilitate surplus financing during war time.

Adopt legislation requiring more adequate and more uniform governmental accounting and reporting.

Cultivate an attitude that regards all governments as partners in a joint enterprise.

Collaborate with the Federal Government on a broader and more generous program of Federal aids, accepting controls, but insisting that they be cooperatively applied rather than dictated.

Action by Municipal Governments:

Negotiate with Federal representatives and collaborate in the development of a Federal-State Fiscal Authority.

Negotiate with Federal officials and Congress to inaugurate a program for the elimination of tax-exempt securities that will not fiscally embarrass States and municipalities.

In collaboration with States, refrain from demanding unreasonable war time aid from the Federal Government, thus recognizing the importance of local independence.

Apply surplus revenues, where possible, to the elimination of debt and the development of a reserve against war time loss of revenue and post-war need for public works.

Broaden the property tax program by supplementing the property tax with a rental tax on occupiers.

Strictly interpret property tax exemptions.

Inaugurate a thoroughgoing study of possible new sources of independent local revenue.

Demand more equitable representation in State legislatures.

Demand more equitable distribution of shared revenues, particularly motor vehicle taxes.

Provide for more adequate governmental accounting and reporting.

Cultivate an attitude which regards all governments as partners in a joint enterprise.

Collaborate with the Federal Government on a broader and more generous program of Federal aids, accepting controls, but insisting that they be cooperatively applied rather than dictated.

-oOo-

TREASURY DEPARTMENT
Washington

(The following address by John L. Sullivan, Assistant Secretary of the Treasury, at the Portsmouth Navy Yard, Portsmouth, New Hampshire, is scheduled for delivery at 1:30 P.M., Monday, March 29, 1943, and is for release at that time.)

I am sure that you folks here today can appreciate how very, very happy I am to be able to meet with you upon this occasion. It is always a joy for a New Hampshire man to return here and to meet again with his old friends from Maine and New Hampshire. But today I have the unique privilege of representing two personal friends who are among the outstanding members of our Government in its fight for the survival of Democracy — two men who, each in his own way, is doing so much to speed the day of victory — the Secretary of the Treasury, Henry Morgenthau, Jr., and the Secretary of the Navy, Frank Knox. Moreover, as an official of the Treasury Department I have wanted for a long while to face some Navy people and tell them of the grand job they are doing on their War Bond campaign. You are doing a grand job, Navy, a job of which we at the Treasury are mighty proud.

Navy's War Bond sales record of $104,000,000 in 1942 led all other Government departments. Navy pioneered the payroll savings plan in the Federal service, and your original goal of "90-10" — at least 90 percent of employees investing more than 10 percent of payrolls in bonds — has been attained and surpassed.

I borrow a commendatory term of the Navy itself when I deliver to you workers of the Portsmouth Navy Yard, as representatives of the entire Navy, a richly-deserved "Well Done!" All of the 475,000 civilian workers of the Navy who are participating in the War Bond program through the payroll savings plan — who are investing a portion of their earnings regularly so that the war may be financed — deserve that praise.

I have seen here today men in uniform, men and women in working clothes, other men and women attired for office duties. But whatever your uniform, all of you are a part of the Navy. Whether on a battle front half way around the world, or engaged in production here in the Portsmouth Yard, or working in a Navy office, you are all engaged in a common undertaking — defeat, utter defeat — for a deadly and treacherous enemy — and glorious victory for America!

35-88

Never forget, and never doubt, you men and women of Portsmouth, that the battle of production is just as important as any other battle. A breakdown in production might bring defeat to our forces 10,000 miles away -- a speedup in production is certain to speed the day of victory. Without the ships, the guns, the tanks and the planes that American labor is producing, our men who serve them would be helpless.

I think that this ceremony here today bears testimony to the fact that the Commandant and the personnel of this Portsmouth Navy Yard appreciate the urgency of maximum production, and I want to congratulate Admiral Withers upon the realistic arrangements he has made for this occasion. No more fitting observance of this award can be imagined than that it should be conducted as it is conducted today without stopping for one moment the production of this great Yard.

The submarines that you build here are the means by which we are softening the supply lines of the enemy -- choking off his replacements, his food, his ammunition -- softening him for the final blow. The ships that you repair, whose battle wounds you heal, return to all the oceans of the world to do battle for us once again. Truly, yours is a great and highly important part in this war.

You have not only a great and important part to play -- but here at Portsmouth you have a glorious Navy tradition to emulate. In all our nation, no Navy Yard is so rich in its history of great men, and great ships, and great events. From the very beginning of our nation, Portsmouth has contributed to making our country free and keeping it free.

In this very harbor General John Sullivan, in capturing Fort William and Mary, committed the first overt act of the Revolution that made the United States a free nation. Here, 167 years ago the frigate Raleigh was built. Here in 1777 John Paul Jones took command of the Ranger and hoisted the first American flag to fly over an American warship.

In this southeast corner of New Hampshire nineteen days before the 4th day of July 1776, New Hampshire declared its independence of Britain. Here too, New Hampshire adopted the first constitutional form of civil government, again serving as a model for the other colonies and for this new nation. Through the years and through many wars the names of various ships are linked with Portsmouth. Admiral Farragut's flagship the Franklin was built here. The Constitution and the Kearserge were no strangers to these waters. It was at this Yard that the defeated Spanish admiral and the men of his destroyed fleet were landed. It was here at Portsmouth that the delegates of Russia and Japan met to draft a peace treaty. Surely yours is a great tradition and it is altogether fitting and proper that at this historic place you men and women should be making one of the more effective weapons that will result in another Japanese peace treaty, but one which this time will be dictated strictly in accordance with American terms.

The loyalty, determination and enthusiasm with which you have tackled your production jobs has been duplicated in your acceptance of and support of the War Bond program, which is another vitally important phase of America's war effort.

In this, you are not only giving much needed assistance to your Government in the financing of the war, but you also are helping yourselves. You are making one of the soundest of investments, and you are building for yourselves savings accounts that will guarantee your own personal security after the war is won.

You of Portsmouth should take special pride in the bond record you have established, because this Navy Yard was a "charter member" of the program. Your Bond sales organization got under full steam in October 1941, the month the campaign was launched.

Since that time, employees of Portsmouth have invested the magnificent sum of $4,099,000 in War Bonds. That sum is growing fast, in fact at such speed that now in March of 1943 your Bond purchase rate is nearly twice as high as it was just a few months ago in the latter part of 1942.

In employee participation, Portsmouth now is the top navy yard of the nation, with 96 percent of all workers enrolled on the payroll plan. The 12.1 percent of payroll that you are investing monthly in bonds puts you well up among the leaders on that score also. Fine work, Portsmouth. But where are those other 4 percent? Let's see you make it 100 percent within the next month.

By maintaining a standard of employee and payroll participation higher than the minimum standard of "90-10" for two successive months, January and February, you have qualified for the Secretary of the Navy's War Bond honor flag, and you are entitled to fly it as long as you maintain those percentages.

As a Treasury official, I should also like to compliment the employees of Portsmouth Navy Yard on the extremely low record of redemption of Bonds. Records for December indicate that Portsmouth cashed in less than 1 percent of the number of bonds issued in that month -- a percentage well below the national average.

That fact indicates conclusively that you people are really using your bonds to create a nest egg for the post-war period, and that you are determined not to cash them short of dire necessity or real emergency.

It has been a long hard fight for you to win the Secretary's flag, for the honor purposely was made difficult to attain. And while, as it flies above the Yard, it will be a sign of past achievement, let it also be a challenge to still greater effort in the future.

Credit for the award that you are receiving today is difficult to assign, because all of you are entitled to a share. But certainly the flag could not have been won without the keen interest and active support of Admiral Withers and other officers of the Yard -- without months of hard work on the part of Captain Hunt and the members of the Commandant's bond committee -- without the complete backing and help of department heads, shop masters and key civilian employees -- and finally and most important -- without the loyal and generous cooperation of more than 19,000 employees of Portsmouth Navy Yard who are buying bonds through the payroll savings plan.

Admiral Withers, in behalf of the Secretary of the Navy, and with the sincere personal congratulations of the Secretary of the Treasury I take great pride in presenting to you, to the Postsmouth Yard and to its employees the Secretary of the Navy's War Bond Honor Flag. Fly this flag proudly as visible evidence of your record, as convincing proof that Portsmouth is doing more than its share. To all the employees of this Yard who made this award possible I extend the hearty thanks of your Navy, your Treasury and your Nation.

* * * * * * *

the nest-egg which will enable them to buy a new home after the war, to put their children through school, or to provide that contentment in later years that can come only from a sense of personal financial security. At the Treasury, we are proud not only of the way the American people are purchasing these Bonds but are also proud and gratified at the way they are holding onto them.

On April 12th, the Second War Loan starts. The goal in this drive is $13 billion -- the biggest single peice of financing in the world's history. Of this $13 billion, the Treasury hopes and expects to raise $8 billion from non-banking investors. This campaign should represent the biggest securities sales campaign this country has ever experienced. There will be types of Federal securities tailored to meet the needs of every type of investor. There will be 300,000 volunteer workers and thousands of pages of sponsored advertising. I hope that during this campaign every citizen in America and every business concern will take advantage of this opportunity to join with their fellow Americans in helping to finance this war.

I submit to you that the conduct of the American people in the field of both taxes and Bonds should make us proud of the land in which we live and proud of our fellow citizens. Taxes and War Bonds. They represent a small price to pay for freedom of speech, freedom of worship, freedom from want, and freedom from fear. Taxes proudly paid and War Bonds bought without the argument of a gun at the head or a bayonet at the back. This is the war financing of a democracy at work -- the American people proudly, happily, ungrudgingly paying for the high privilege of being free and of being Americans.

- o o o -

Granted that this be done, I believe there is nothing the American people in their turn will not do to speed the day of victory.

I hope no one interprets my remarks as indicating that the Treasury is convinced that everyone who was legally obliged to file a return did so. We know that they didn't. We know that we will catch up with that very small group — and soon. To those few who because of procrastination, or indicision, or the temptation to try to get away with something failed to file their returns, I would like to give a word of friendly advice. They should get that return in NOW. We'll find them sooner or later. That's our business. And the sooner they get their returns in, the better off they will be, even now.

There is one field apart from taxation in which the American people are likewise making an inspiring record. I refer to the voluntary purchase of War Bonds, which is now going on at a scale unprecedented in this or any other land. Right today there are almost 26 million people who are setting aside, out of their payroll for the direct purchase of War Bonds, almost 9 per cent of their pay. Almost 50 million people in this country are buying War Bonds under one method or another. Furthermore, the great bulk of these people are purchasing these Bonds for good. They are holding onto them not only because they know it is harmful to the war effort for them to redeem these Bonds, but because they have faith in this country's future. They know that these Bonds are the safest, finest investment in the world today. They know that the Bonds that they purchase are not only an anchor to windward against whatever rainy days are ahead of us, but that these Bonds are quarter of this year income and excess profits taxes in the sum of $4,633,000,000, as against $3,218,000,000 for the same period last year. I can tell you that we believe that more than 40 million people filed returns. I can tell you that right here in the State of Massachusetts there was collected and deposited in the first 20 days of this month $124,000,000 as against $49,000,000 for the comparable period last year.

Of far greater importance than any of the facts or the figures I have given you was the spirit of willingness which characterized income tax payments this year. There was even less complaining than last year. Nowhere was there any sign of reluctance, nowhere any visible shirking of responsibility. The American people who, through their own Congress, had levied on themselves these heaviest taxes in our history, stepped up promptly and paid them proudly. They did so because they knew that in this emergency their country needs their money. They understand there is no cheap way to win the war and that it is far better and far cheaper to win it than to lose it. High and low, rich and poor, they wanted to hold up their end -- to match in some small degree the sacrifices of the men who are actually fighting the battles all around the world. That is the spirit underlying this decisive silent victory which the whole American people this month won over the skeptics. I believe the moral to be learned from this March experience is that, in this Democracy of ours, the American people can be counted upon to make any sacrifice that is required. They ask only that the necessity of this sacrifice be explained.

in doubt. The percentage of American citizens and American businessmen who try to chisel on Uncle Sam is gratifyingly low.

Before leaving the subject of income taxes, I would like to extend to the press, the radio, and the motion picture and outdoor advertising industries the appreciation and gratitude of the Treasury Department for the assistance they gave us in advising the American people that returns would have to be filed and quarterly payments have to be made on March 15th. I would like also to pay tribute to the cooperative spirit of the Congress. Without thought of partisanship, the Senate Finance Committee, consisting of 14 Democrats, 6 Republicans and one Independent, and the House Ways and Means Committee, consisting of 15 Democrats and 10 Republicans, unanimously passed a resolution warning the people of America that no bill then under consideration by the Congress would change or postpone any taxpayer's obligation to file a return and make the first payment. Here, truly, was an example of Democracy facing a crisis and meeting it efficiently and promptly. I am sorry that because of the unprecedented flood of returns which have not yet been completely tabulated it is impossible for me today to give you a complete report on the amount of money paid in this first quarter or the total number of people who paid those returns. It will be some time before the final figures are available. I can tell you, however, that at the close of business on March 25, 1943, there had been deposited with the Federal Reserve Banks during the first

4

information return, and through Social Security records, we have ways and means of checking almost everyone who ~~was~~ is liable to pay an income tax. And we do check them. For the year 1940, a check of the information returns and the follow-up of the delinquents showed that of the total number who filed taxable returns an additional 1 percent had been delinquent, and the taxes owed by that additional 1 percent amounted to less than 1/10 of 1 percent of the total amount collected.

I believe these figures should convince you of one outstanding fact which has long been apparent to all of those engaged in the collection of taxes: that 99-9/10 of the American people are thoroughly honest with their Government and are willing and anxious to pay their share. So much of the publicity about income taxes is devoted to the Al Capones and the Nucky Johnsons that the public itself is apt to overlook the essential honesty of the American citizen and the average American businessman. Take it from one who has had an opportunity to know: The American people not only discharge their income tax liabilities promptly and honestly, but they give their Government the benefit of the break when they are

Lately there has been a great deal of talk about the amount of individual income taxes that have been uncollectible. This talk has grown to such proportion that I think I should give you a report on the actual amount of taxes that have been formally abated over the last 22 fiscal years from 1921 through 1942, inclusive. In weighing these figures, you will consider, I am sure, that the tax rates in those 22 years were very much lower than they are now. I would suggest that you also consider that that 22-year period included two depressions. During the last two months, many people have told me

Insert A

If we compare the rate of tax abatement year by year since 1940 a highly significant fact appears, At the very time when the number of individuals filing tax returns was increasing by leaps and bounds the rate of tax abatement actually declined,

new income tax payers.

we failed to collect

ho was not astonished

ne Federal Government

,053,845,361.

abated as uncollectible

average of $12,637,470.

y one year represents

taxes that became due one or two or three years before the year of formal abatement. ~~Nevertheless, it is interesting to note that,~~ Here are the figures: while the number of individual tax filers increased from less than 8 million in 1940 to almost 15 million in 1941 and to ~~almost~~ 26½ million in 1942, the amount abated in 1941 was slightly in excess of $7,000,000 (0.5% of the amount collected), and the amount abated in 1942 was just under $10,000,000 (0.3% of the amount collected). Judge these in comparison with the yearly average of more than $12,637,470. (end page 4)

insert (A)

But someone may ask, "How about the people who filed no returns at all?" My answer to them is that through Form 1099, the

Lately there has been a great deal of talk about the amount of individual income taxes that have been uncollectible. This talk has grown to such proportion that I think I should give you a report on the actual amount of taxes that have been formally abated over the last 22 fiscal years from 1921 through 1942, inclusive. In weighing these figures, you will consider, I am sure, that the tax rates in those 22 years were very much lower than they are now. I would suggest that you also consider that that 22-year period included two depressions. During the last two months, many people have told me how difficult it would be to collect taxes from new income tax payers. I have asked many of them how much they thought we failed to collect in the average year, and I have never met one who was not astonished at the actual figures. Here they are:

In the 22 years from 1921 through 1942, the Federal Government collected in income taxes from individuals $22,053,845,361.

During those same years we have formally abated as uncollectible the total amount of $278,024,325, -- a yearly average of $12,637,470. You must remember that the amount abated in any one year represents taxes that became due one or two or three years before the year of formal abatement. insert (A) ~~Nevertheless, it is interesting to note that,~~ Here are the figures: while the number of individual tax filers increased from less than 8 million in 1940 to almost 15 million in 1941 and to ~~almost~~ 26 1/2 million in 1942, the amount abated in 1941 was slightly in excess of $7,000,000 (0.5% of the amount collected), and the amount abated in 1942 was just under $10,000,000 (0.3% of the amount collected). Judge these in comparison with the yearly average of more than $12,637,470. (end page 4)

But someone may ask, "How about the people who filed no returns at all?" My answer to them is that through Form 1099, the

the Federal Income Tax payers are an exclusive group nor that the great bulk of the American people are not contributing liberally to the support of their Government and the financing of the war. There are some other facts about this development of the Federal Income Tax that may be of interest to you. Ten years ago, in the fiscal year 1933, while we were collecting $747 million from 2 million individual and corporate taxpayers, the Bureau of Internal Revenue had a total of 11,500 employees. This year when we hope to collect 17-1/2 billions from more than 40 million taxpayers, the Bureau personnel is only 34,000. Thus while collections increased 23 times and the number of returns increased 20 times the Bureau ~~personal~~ personnel increased only 3 times

I am well aware that in every well-conducted business unit costs decrease as production mounts. This has been the case in the collection of Federal taxes. During the first two months of this year, a vicious rumor was circulated in certain parts of this country that the costs of collection of Federal taxes were fantastic. Because of that rumor and because of a general feeling that collection costs are in fact high, I would like to tell you just how much it has cost the Treasury to collect your tax dollars. In the fiscal year 1940, it cost us $1.12 for every $100 we collected. In the fiscal year 1941, 89 cents for every $100 collected. Last year, the cost of collection was 57 cents for every $100, and in the year which closes June 30, 1943, we expect the final analysis will show that for every $100 collected we will have spent less than 50 cents to collect it. Let this figure be the answer to all who talk of Federal inefficiency and extravagance in the collection of the Federal revenues.

to file a return and pay their quarterly installment, they did so in a manner that was heartening and inspiring.

I believe that when the history of this war is written, one of the facts that will amaze and mystify not only the peoples but the leaders of our enemies and allies alike is the degree to which all people of America have helped our Government finance this war. I predict to you today that during this war more American people, through taxes willingly paid and through Bonds voluntarily purchased, will have participated in financing this war more completely than any other people in any land in history.

I would like to give you a few facts and figures demonstrating the growth and popularization of the Federal Income Tax as an instrument in supporting the Federal Government. Ten years ago, in the fiscal year 1933, total individual income tax collections yielded $352,573,000. That year 3,723,558 people filed a return. Never until 1940 did we receive as many as 8 million individual income tax returns. In 1941, more than 15 million individuals filed returns. In 1942, 26-1/2 million people filed income tax returns. This year, more than 40 million people have filed income tax returns.

The revenue received from corporate and individual tax returns 10 years ago in the fiscal year 1933 amounted to $746,791,000. In the fiscal year 1940, they yielded $2,121,000,000; in 1941, $3,462,000,000; in 1942, $8,002,000,000; and for the current fiscal year, we estimate they will yield $17,567,000,000. Surely no one can now charge that fortnight they attested their faith and love of their country by willingly and gladly pouring into their Federal Treasury the greatest flood of income taxes in the history of this or any other nation.

There was a sweep and vastness about it that no one could mistake. It was as if these millions of Americans were saying, "We're in this, too. This is our country and our war. Maybe we can't battle in the front line with the fighting men. But we want them to know that we can and do stand here shoulder to shoulder with them — helping the best we can, serving with our hands and our hearts and our dollars."

A year ago when our entire land was blazing in the first white heat of war, and raging mad at the treachery of Pearl Harbor — a

3

year ago such a demonstration was to be expected. But this year, the first flush of excitement had gone, the war had settled down to a deadly unglamorous matter of every-day routine. The entire question of taxes was complicated and confused as never before by a series of proposals which contemplated the present or future forgiveness of taxes. I doubt if ever before any group of taxpayers faced such confusion or would have had a better excuse for failing in their responsibilities. Yet the American people with that same understanding and unity that is so surprising to the people of other nations realized how their government needed money to finance this war. And when the word finally got through to them that despite any proposal pending in the Congress it was their duty as citizens

12

not fight, that democracy cannot survive in a regimented world of so-called supermen.

That challenge we are answering now with growing power and confidence. We are answering it in the Solomons, in Tunisia, in the Bismarck Sea, in the sky and on the land, and on the seven seas.

We are answering it right here at home in the raising and training of a great army, in the building of a mighty fleet of ships to transport that army, in production of war goods on a scale so vast that our enemies actually do not believe us when we tell them the true figures.

Now today I would like to tell you about still another of those victories of democracy right here on the home front -- to my mind one of the inspiring events in our 15 months of war. I am going to tell you a few simple facts which make me more certain than ever of the invincible greatness of our country; and I think they will make you a little bit prouder of these United States of America.

I want to tell you a few solid truths that speak louder than words of the morale here on the home front -- facts which prove that in spite of bickerings and crabbings and recriminations and second guessings, the American people are in complete and active partnership with their government to win this war.

In the first two weeks of March the American people gave a tremendous, overwhelming proof of unity and loyalty. During that

35-89

Draft of Speech for Mr. Sullivan
Boston Advertising Club March 30th

Perhaps it is only natural that in wartime there should be a surplus of gloom in circulation. Headlines wail of dissension and disorder. The papers are full of things left undone which ought to have been done, and things done which ought not to have been done. The radio is loud with querulous scolding voices. And many speakers feel the urge to don sack-cloth and ashes and view with alarm.

Probably a certain amount of this is good for us. There are abuses that need to have the light turned on them. There are errors of omission and commission which need publicity before they can be corrected. Complacency and over-confidence are dangers which do need combatting. But for all that, there is one glorious fact that far outshines the troubles that fret us, and the delays and mistakes that properly make us impatient:

That is the unmistakable truth, which grows clearer each month and week, that DEMOCRACY IS EFFECTIVE in war as in peace.

For day by day it becomes more surely apparent that a free people planning their own plans, making up their own minds, taking their own decisions and putting them into effect by their own methods, will make fewer mistakes and get surer results than any Fuehrers or Duces or self-appointed dictator leaders under any name.

2

In 1943 we are successfully answering the slave-world's sneering challenge that democracy is decadent, that democracy cannot and will

TREASURY DEPARTMENT
Washington

(The following address by John L. Sullivan, Assistant Secretary of the Treasury, before the Boston Advertising Club, Boston, Massachusetts, is scheduled for delivery at 12:30 P. M., Eastern War Time, Tuesday, March 30, 1943, and is for release at that time.)

Perhaps it is only natural that in wartime there should be a surplus of gloom in circulation. Headlines wail of dissension and disorder. The papers are full of things left undone which ought to have been done, and things done which ought not to have been done. The radio is loud with querulous scolding voices. And many speakers feel the urge to don sack-cloth and ashes and view with alarm.

Probably a certain amount of this is good for us. There are abuses that need to have the light turned on them. There are errors of omission and commission which need publicity before they can be corrected. Complacency and over-confidence are dangers which do need combatting. But for all that, there is one glorious fact that far outshines the troubles that fret us, and the delays and mistakes that properly make us impatient:

That is the unmistakable truth, which grows clearer each month and week, that DEMOCRACY IS EFFECTIVE in war as in peace.

For day by day it becomes more surely apparent that a free people planning their own plans, making up their own minds, taking their own decisions and putting them into effect by their own methods, will make fewer mistakes and get surer results than any Fuehrers or Duces or self-appointed dictator leaders under any name.

35-89

In 1943 we are successfully answering the slave-world's sneering challenge that democracy is decadent, that democracy cannot and will not fight, that democracy cannot survive in a regimented world of so-called supermen.

That challenge we are answering now with growing power and confidence. We are answering it in the Solomons, in Tunisia, in the Bismarck Sea, in the sky and on the land, and on the seven seas.

We are answering it right here at home in the raising and training of a great army, in the building of a mighty fleet of ships to transport that army, in production of war goods on a scale so vast that our enemies actually do not believe us when we tell them the true figures.

Now today I would like to tell you about still another of those victories of democracy right here on the home front — to my mind one of the inspiring events in our 15 months of war. I am going to tell you a few simple facts which make me more certain than ever of the invincible greatness of our country; and I think they will make you a little bit prouder of these United States of America.

I want to tell you a few solid truths that speak louder than words of the morale here on the home front — facts which prove that in spite of bickerings and crabbings and recriminations and second guessings, the American people are in complete and active partnership with their government to win this war.

In the first two weeks of March the American people gave a tremendous, overwhelming proof of unity and loyalty. During that fortnight they attested their faith and love of their country by willingly and gladly pouring into their Federal Treasury the greatest flood of income taxes in the history of this or any other nation.

There was a sweep and vastness about it that no one could mistake. It was as if these millions of Americans were saying, "We're in this, too. This is our country and our war. Maybe we can't battle in the front line with the fighting men. But we want them to know that we can and do stand here shoulder to shoulder with them — helping the best we can, serving with our hands and our hearts and our dollars."

A year ago when our entire land was blazing in the first white heat of war, and raging mad at the treachery of Pearl Harbor — a year ago such a demonstration was to be expected. But this year, the first flush of excitement had gone, the war had settled down to a deadly unglamorous matter of every-day routine. The entire question of taxes was complicated and confused as never before by a series of proposals which contemplated the present or future forgiveness of taxes. I doubt if ever before any group of taxpayers faced such confusion or would have had a better excuse for failing in their responsibilities. Yet the American people with that same understanding and unity that is so surprising to the people of other nations realized how their government needed money to finance this war. And when the word finally got through to them that despite any proposal pending in the Congress it was their duty as citizens to file a return and pay their quarterly installment, they did so in a manner that was heartening and inspiring.

I believe that when the history of this war is written, one of the facts that will amaze and mystify not only the peoples but the leaders of our enemies and allies alike is the degree to which all people of America have helped our Government finance this war. I predict to you today that during this war more American people, through taxes willingly paid and through Bonds voluntarily purchased, will have participated in financing this war more completely than any other people in any land in history.

I would like to give you a few facts and figures demonstrating the growth and popularization of the Federal Income Tax as an instrument in supporting the Federal Government. Ten years ago, in the fiscal year 1933, total individual income tax collections yielded $352,573,000. That year 3,723,558 people filed a return. Never until 1940 did we receive as many as 8 million individual income tax returns. In 1941, more than 15 million individuals filed returns. In 1942, 26-1/2 million people filed income tax returns. This year, more than 40 million people have filed income tax returns.

The revenue received from corporate and individual tax returns 10 years ago in the fiscal year 1933 amounted to $746,791,000. In the fiscal year 1940, they yielded $2,121,000,000; in 1941, $3,462,000,000; in 1942, $8,002,000,000, and for the current fiscal year, we estimate they will yield $17,567,000,000. Surely no one can now charge that the Federal Income Tax payers are an exclusive group nor that the great bulk of the American people are not contributing liberally to the support of their Government and the financing of the war. There are some other facts about this development of the Federal Income Tax that may be of interest to you. Ten years ago, in the fiscal year 1933, while we were collecting $747 million from 2 million individual and corporate taxpayers, the Bureau of Internal Revenue had a total of 11,500 employees. This year when we hope to collect 17-1/2 billions from more than 40 million taxpayers, the Bureau personnel is only 34,000. Thus while collections increased 23 times and the number of returns increased 20 times the Bureau personnel increased only 3 times.

I am well aware that in every well-conducted business unit costs decrease as production mounts. This has been the case in the collection of Federal taxes. During the first two months of this year, a vicious rumor was circulated in certain parts of this country that the costs of collection of Federal taxes were fantastic. Because of that rumor and because of a general feeling that collection costs are in fact high, I would like to tell you just how much it has cost the Treasury to collect your tax dollars. In the fiscal year 1940, it cost us $1.12 for every $100 we collected. In the fiscal year 1941, 89 cents for every $100 collected. Last year, the cost of collection was 57 cents for every $100, and in the year which closes June 30, 1943, we expect the final analysis will show that for every $100 collected we will have spent less than 50 cents to collect it. Let this figure be the answer to all who talk of Federal inefficiency and extravagance in the collection of the Federal revenues.

Lately there has been a great deal of talk about the amount of individual income taxes that have been uncollectible. This talk has grown to such proportion that I think I should give you a report on the actual amount of taxes that have been formally abated over the last 22 fiscal years from 1921 through 1942, inclusive. In weighing these figures, you will consider, I am sure, that the tax rates in those 22 years were very much lower than they are now. I would suggest that you also consider that that 22-year period included two depressions. During the last two months, many people have told me how difficult it would be to collect taxes from new income tax payers. I have asked many of them how much they thought we failed to collect in the average year, and I have never met one who was not astonished at the actual figures. Here they are:

In the 22 years from 1921 through 1942, the Federal Government collected in income taxes from individuals $22,053,845,361.

During those same years we have formally abated as uncollectible the total amount of $278,024,325, -- a yearly average of $12,637,470. You must remember that the amount abated in any one year represents taxes that became due one or two or three years before the year of formal abatement. If we compare the rate of tax abatement year by year since 1940 a highly significant fact appears. At the very time when the number of individuals filing tax returns was increasing by leaps and bounds the rate of tax abatement actually declined. Here are the figures: while the number of individual tax filers increased from less than 8 million in 1940 to almost 15 million in 1941 and to 26 1/2 million in 1942, the amount abated in 1941 was slightly in excess of $7,000,000 (0.5% of the amount collected), and the amount abated in 1942 was just under $10,000,000 (0.3% of the amount collected). Judge these in comparison with the yearly average of more than $12,637,470.

But someone may ask, "How about the people who filed no returns at all?" My answer to them is that through Form 1099, the information return, and through Social Security records, we have ways and means of checking almost everyone who is liable to pay an income tax. And we do check them. For the year 1940, a check of the information returns and the follow-up of the delinquents showed that of the total number who filed taxable returns an additional 1 percent had been delinquent, and the taxes owed by that additional 1 percent amounted to less than 1/10 of 1 percent of the total amount collected.

I believe these figures should convince you of one outstanding fact which has long been apparent to all of those engaged in the collection of taxes; that 99-9/10 of the American people are thoroughly honest with their Government and are willing and anxious to pay their share. So much of the publicity about income taxes is devoted to the Al Capones and the Nucky Johnsons that the public itself is apt to overlook the essential honesty of the American citizen and the average American businessman. Take it from one who has had an opportunity to know: The American people not only discharge their income tax liabilities promptly and honestly, but they give their Government the benefit of the break when they are in doubt. The percentage of American citizens and American businessmen who try to chisel on Uncle Sam is gratifyingly low.

Before leaving the subject of income taxes, I would like to extend to the press, the radio, and the motion picture and outdoor advertising industries the appreciation and gratitude of the Treasury Department for the assistance they gave us in advising the American people that returns would have to be filed and quarterly payments have to be made on March 15th. I would like also to pay tribute to the cooperative spirit of the Congress. Without thought of partisanship, the Senate Finance Committee, consisting of 14 Democrats, 6 Republicans and one ~~Independent,~~ Progressive and the House Ways and Means Committee, consisting of 15 Democrats and 10 Republicans, unanimously passed a resolution warning the people of America that no bill then under consideration by the Congress would change or postpone any taxpayer's obligation to file a return and make the first payment. Here, truly, was an example of Democracy facing a crisis and meeting it efficiently and promptly. I am sorry that because of the unprecedented flood of returns which have not yet been completely tabulated it is impossible for me today to give you a complete report on the amount of money paid in this first quarter or the total number of people who paid those returns. It will be some time before the final figures are available. I can tell you, however, that at the close of business on March 25, 1943, there had been deposited with the Federal Reserve Banks during the first quarter of this year income and excess profits taxes in the sum of $4,633,000,000, as against $3,218,000,000 for the same period last year. I can tell you that we believe that more than 40 million people filed returns. I can tell you that right here in the State of Massachusetts there was collected and deposited in the first 20 days of this month $124,000,000 as against $49,000,000 for the comparable period last year.

Of far greater importance than any of the facts or the figures I have given you was the spirit of willingness which characterized income tax payments this year. There was even less complaining than last year. Nowhere was there any sign of reluctance, nowhere any visible shirking of responsibility. The American people who, through their own Congress, had levied on themselves these heaviest taxes in our history, stepped up promptly and paid them proudly. They did so because they knew that in this emergency their country needs their money. They understand there is no cheap way to win the war and that it is far better and far cheaper to win it than to lose it. High and low, rich and poor, they wanted to hold up their end -- to match in some small degree the sacrifices of the men who are actually fighting the battles all around the world. That is the spirit underlying this decisive silent victory whichthe whole American people this month won over the skeptics. I believe the moral to be learned from this March experience is that, in this Democracy of ours, the American people can be counted upon to make any sacrifice that is required. They ask only that the necessity of this sacrifice be explained. Granted that this be done, I believe there is nothing the American people in their turn will not do to speed the day of victory.

I hope no one interprets my remarks as indicating that the Treasury is convinced that <u>everyone</u> who was legally obliged to file a return did so. We know that they didn't. We know that we will catch up with that very small group -- and soon. To those few who because of procrastination, or indecision, or the temptation to try to get away with something failed to file their returns, I would like to give a word of friendly advice. They should get that return in <u>NOW</u>. We'll find them sooner or later. That's our business. And the sooner they get their returns in, the better off they will be, even now.

There is one field apart from taxation in which the American people are likewise making an inspiring record. I refer to the voluntary purchase of War Bonds, which is now going on at a scale unprecedented in this or any other land. Right today there are almost 26 million people who are setting aside, out of their payroll for the direct purchase of War Bonds, almost 9 percent of their pay. Almost 50 million people in this country are buying War Bonds under one method or another. Furthermore, the great bulk of these people are purchasing these Bonds for good. They are holding onto them not only because they know it is harmful to the war effort for them to redeem these Bonds, but because they have faith in this country's future. They know that these Bonds are the safest, finest investment in the world today. They know that the Bonds that they purchase are not only an anchor to windward against whatever rainy days are ahead of us, but that these Bonds are the nest-egg which will enable them to buy a new home after the war, to put their children through school, or to provide that contentment in later years that can come only from a sense of personal financial security. At the Treasury, we are proud not only of the way the American people are purchasing these Bonds but are also proud and gratified at the way they are holding onto them.

On April 12th, the Second War Loan starts. The goal in this drive is $13 billion -- the biggest single piece of financing in the world's history. Of this $13 billion, the Treasury hopes and expects to raise $8 billion from non-banking investors. This campaign should represent the biggest securities sales campaign this country has ever experienced. There will be types of Federal securities tailored to meet the needs of every type of investor. There will be 300,000 volunteer workers and thousands of pages of sponsored advertising. I hope that during this campaign every citizen in America and every business concern will take advantage of this opportunity to join with their fellow Americans in helping to finance this war.

I submit to you that the conduct of the American people in the field of both taxes and Bonds should make us proud of the land in which we live and proud of our fellow citizens. Taxes and War Bonds. They represent a small price to pay for freedom of speech, freedom of worship, freedom from want, and freedom from fear. Taxes proudly paid and War Bonds bought without the argument of a gun at the head or a bayonet at the back. This is the war financing of a democracy at work -- the American people proudly, happily, ungrudgingly paying for the high privilege of being free and of being Americans.

-oOo-

Treasury Department
Washington

Rm. 388 1/2
35-90

FOR Immediate Release
Monday, March 29, 1943

Secretary Morgenthau announced today that Frank Tripp of Elmira, New York, has agreed to serve as Chairman of the Allied Newspaper Council in connection with the sale of Treasury bonds.

Mr. Tripp, who is General Manager of The Gannett Newspapers and Chairman of the Bureau of Advertising of the ~~A.N.P.A.~~ American Newspaper Publishers Association, was the unanimous choice of the publishers and editors who attended a meeting Saturday, March 20, ~~at~~ in the Treasury to consider what newspapers might do to help the Second War Loan Drive starting April 12.

The goal of the drive is $13,000,000,000, ~~billion~~ of which it is intended that $8,000,000,000 ~~billion~~ will be obtained from non-banking sources. It is the largest war financing campaign in history.

Don Bridge, well-known newspaper advertising executive, formerly of the New York Times and of the Indianapolis News, has been assigned by the Treasury War Finance Committee to work with Mr. Tripp. Jerome T. Barnum, former publisher of the Syracuse Post-Standard, also will give his time to the effort, directly representing Mr. Tripp.

o0o

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, March 29, 1943.

Press Service
No. 35-90

Secretary Morgenthau announced today that Frank Tripp of Elmira, New York, has agreed to serve as Chairman of the Allied Newspaper Council in connection with the sale of Treasury bonds.

Mr. Tripp, who is General Manager of The Gannett Newspapers and Chairman of the Bureau of Advertising of the American Newspaper Publishers Association, was the unanimous choice of the publishers and editors who attended a meeting Saturday, March 20, in the Treasury to consider what newspapers might do to help the Second War Loan Drive starting April 12.

The goal of the drive is $13,000,000,000, of which it is intended that $8,000,000,000 will be obtained from non-banking sources. It is the largest war financing campaign in history.

Don Bridge, well-known newspaper advertising executive, formerly of the New York Times and of the Indianapolis News, has been assigned by the Treasury War Finance Committee to work with Mr. Tripp. Jerome T. Barnum, former publisher of the Syracuse Post-Standard, also will give his time to the effort, directly representing Mr. Tripp.

-oOo-

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, March 30, 1943.

Press Service
35-91

The Secretary of the Treasury announced last evening that the tenders for $800,000,000 or thereabouts, of 91-day Treasury bills to be dated March 31 and to mature June 30, 1943, which were offered on March 26, 1943, were opened at the Federal Reserve Banks on March 29.

The details of this issue are as follows:

Total applied for - $1,101,144,000
Total accepted - 805,048,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx. 0.297% per annum
Low	- 99.905	" " " " " 0.376% " "
Average price	- 99.906	" " " " " 0.374% " "

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 29,541,000	$ 26,580,000
New York	762,519,000	502,978,000
Philadelphia	33,795,000	26,681,000
Cleveland	41,440,000	34,973,000
Richmond	20,310,000	17,648,000
Atlanta	20,660,000	19,154,000
Chicago	82,670,000	73,864,000
St. Louis	10,813,000	10,329,000
Minneapolis	5,908,000	5,881,000
Kansas City	20,603,000	19,318,000
Dallas	9,665,000	9,233,000
San Francisco	63,220,000	58,409,000
TOTAL	$1,101,144,000	$805,048,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 30, 1943.
3/29/43

Press Service
No. 35-91

The Secretary of the Treasury announced last evening that the tenders for $800,000,000, or thereabouts, of 91-day Treasury bills to be dated March 31 and to mature June 30, 1943, which were offered on March 26, 1943, were opened at the Federal Reserve Banks on March 29.

The details of this issue are as follows:

Total applied for - $1,101,144,000
Total accepted - 805,048,000

Range of accepted bids:

High	- 99.925	Equivalent rate of discount approx.	0.297% per annum
Low	- 99.905	" " " " "	0.376% per annum
Average price	- 99.906	" " " " "	0.374% per annum

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

Federal Reserve District	Total Applied For	Total Accepted
Boston	$ 29,541,000	$ 26,580,000
New York	762,519,000	502,978,000
Philadelphia	33,795,000	26,681,000
Cleveland	41,440,000	34,973,000
Richmond	20,310,000	17,648,000
Atlanta	20,660,000	19,154,000
Chicago	82,670,000	73,864,000
St. Louis	10,813,000	10,329,000
Minneapolis	5,908,000	5,881,000
Kansas City	20,603,000	19,318,000
Dallas	9,665,000	9,233,000
San Francisco	63,220,000	58,409,000
TOTAL	$1,101,144,000	$805,048,000

-oOo-

35-92

ompetition, and costs of administration and compliance.....These re only a few of the many reasons for concern about a revenue system hat has developed piecemeal and is largely uncoordinated."

The committee said it had sought a middle ground in the oordination problem, between extremes of "strong centralizers" ~~[illegible]~~

nd "those who are satisfied with what we have."

~~[illegible]~~

"Each specific problem has to be considered on its own erits," the report added. "In some cases federalization of function may (by a balance of the interests) be warranted; n others, retention of the function by States and municipalities ay be called for; and most often joint participation, in one way r another, may be the best solution..... State suspicion that intergovernmental cooperation will be Federal domination must dispelled. A program of full and genuine mutuality is entirely ossible."

-0-

The scheme for the functioning of the Authority was ~~said~~ stated to be in full keeping with the general theme of the committee's report, which is that the many problems of intergovernmental fiscal relations will not be settled all at once, but rather that constant study and readjustment will be necessary, with the whole endeavor ~~attained on a plane of~~ keynoted by cooperation and a high degree of mutuality ~~of interest~~.

Of possibilities for joint administration of selected Federal-State taxes ~~which have overlapping features~~, the report said:

"Administrators have made some progress toward coordinated tax administration, notably in making Federal income tax information available to the States. Also in the liquor tax field, collaboration of XXXXXX State and Federal officials is highly developed and has proved mutually satisfactory......Federal-State cooperation in administration cannot be improvised, but requires extensive negotiation and preparation. A Federal-State Fiscal Authority would be admirably suited for this role... .Joint income tax returns, joint audits, and joint use of administrative personnel offer possibilities for future development."

Eventually, the committee said, a Federal-State Fiscal Authority might be given power to administer some taxes in its own right.

Of improved cooperation between the States, the report said: "Some of the gravest problems in the field of intergovernmental relations might be solved if there were a sufficient degree of interstate cooperation.....A Federal-State agency should supply the factors needed to lift interstate cooperation to a much more active and more useful plane."

The Authority would attack problems which are "real and urgent", the report set forth, with these problems "growing ~~and~~ not only out of the overlapping tax system, but also out of the increasing national economic integration and interdependence. The development of huge corporations, only a little if at all less powerful than the States which charter them, and the growth of interstate trade, travel, communication, and migration, have intensified problems of multiple taxation, allocation, interstate

35--9a

6. Disseminate among the States information on Federal taxes and economic trends as they affect the States.

7. Promote better governmental reporting, accounting and statistics.

The committee ~~[illegible]~~ suggested that the Authority have three members, one to be appointed by the President, one to be selected by a conference of delegates named by State Governors, and a third to be chosen by the first two, the terms of office to be staggered.

~~Setting up of an advisory~~

Setting up of an advisory council to work with the Authority also was recommended by the committee, with representation on the council extended to Congressional committees and recognized organizations of Federal, State and local officials.

The report proposed an initial budget of $150,000 to $200,000 for the Authority, ~~[illegible]~~ half to be provided by Congress and half by the States *without any "matching" provision*.

"The idea of a Federal-State Fiscal Authority is not new or original," the committee stated. "It has been endorsed by a large number of organizations and individuals....In our opinion it would go far toward assuring that continual progress in this field of intergovernmental fiscal relations which, under modern conditions, is becoming more and more necessary."

~~[illegible]~~

~~The committee also pointed out that the scheme for the Authority is in keeping with the general theme of its report that the many problems of intergovernmental fiscal relations will not be settled all at once, but rather that constant study of and readjustment in intergovernmental arrangements will be necessary.~~

Treasury Department
Washington

FOR RELEASE, ALL EDITIONS
Thursday, April 1, 1943.

Press Service
No. 35-92

A large gap in this nation's machinery of government could be filled by a Federal-State Fiscal Authority serving as mediator between Federal and State officials and agencies on taxation and other fiscal matters, Secretary of the Treasury Morgenthau has been informed by the Committee on Intergovernmental Fiscal Relations.

A report submitted by the committee after two years' work has been transmitted by the Secretary to President Roosevelt, to Congressional committees dealing with tax matters, and to the Governors of the States. The Secretary suggested that the report provided a basis for action to end intergovernmental conflicts over taxes and to improve all Federal-State-local fiscal relations.

~~An Authority such as the committee recommended would function in an advisory capacity. As responsibilities to be delegated to it through Federal and State legislation, the committee~~

An Authority such as the committee recommended would function in an advisory capacity. It would be set up by Federal and State legislation, and be jointly financed by Congress and the State legislatures. The committee said it could be expected to perform these functions:

1. Promote close collaboration between State and Federal administrators, with a view to facilitating ~~the objective of~~ joint administration of selected overlapping taxes.

2. Facilitate interstate cooperation; for example, working with existing agencies, the Authority could promote reciprocity legislation, as in the licensing of out-of-State trucks.

3. Act as a clearing house for proposals relating to Federal payments-in-lieu-of property taxes on Federally owned property.

4. ~~Conduct research.~~ Investigate such problems as arise from time to time.

5. Create public interest in intergovernmental relations.

~~Federal-State Fiscal Authority; Emphasis and approach~~

A large gap in this nation's machinery of government could be filled by a Federal-State Fiscal Authority serving as mediator between Federal and State officials and agencies on taxation and other fiscal matters, Secretary of the Treasury Morgenthau has been informed by the Committee on Intergovernmental Fiscal Relations.

A report submitted by the committee after two years' work has been transmitted by the Secretary to President Roosevelt, to Congressional committees dealing with tax matters, and to the Governors of the States. The Secretary suggested that the report provided a basis for action to end intergovernmental conflicts over taxes and to improve all Federal-State-local fiscal relations.

~~An Authority such as the committee recommended would function in an advisory capacity. As responsibilities to be delegated to it through Federal and State legislation, the committee~~

An Authority such as the committee recommended would function in an advisory capacity. It would be set up by Federal and State legislation, and be jointly financed by Congress and the State legislatures. The committee said it could be expected to perform these functions:

1. Promote close collaboration between State and Federal administrators, with ~~the objective of~~ a view to facilitating joint administration of selected overlapping taxes.

2. Facilitate interstate cooperation; for example, working with existing agencies, the Authority could promote reciprocity legislation, as in the licensing of out-of-State trucks.

3. Act as a clearing house for proposals relating to Federal payments-in-lieu-of property taxes on Federally owned property.

4. ~~Conduct research.~~ Investigate such problems as arise from time to time.

5. Create public interest in intergovernmental relations.

TREASURY DEPARTMENT
Washington

FOR RELEASE, ALL EDITIONS
Thursday, April 1, 1943
3/30/43

Press Service
No. 35-92

A large gap in this nation's machinery of government could be filled by a Federal-State Fiscal Authority serving as mediator between Federal and State officials and agencies on taxation and other fiscal matters, Secretary of the Treasury Morgenthau has been informed by the Committee on Intergovernmental Fiscal Relations.

A report submitted by the Committee after two years' work has been transmitted by the Secretary to President Roosevelt, to Congressional committees dealing with tax matters, and to the Governors of the States. The Secretary suggested that the report provided a basis for action to end intergovernmental conflicts over taxes and to improve all Federal-State-local fiscal relations.

An Authority such as the Committee recommended would function in an advisory capacity. It would be set up by Federal and State legislation, and be jointly financed by Congress and the State legislatures. The Committee said it could be expected to perform these functions:

1. Promote close collaboration between State and Federal administrators, with a view to facilitating joint administration of selected overlapping taxes.

2. Facilitate interstate cooperation; for example, working with existing agencies, the Authority could promote reciprocity legislation, as in the licensing of out-of-State trucks.

3. Act as a clearing house for proposals relating to Federal payments-in-lieu-of property taxes on Federally owned property.

4. Investigate such problems as arise from time to time.

5. Create public interest in intergovernmental relations.

6. Disseminate among the States' information on Federal taxes and economic trends as they affect the States.

7. Promote better governmental reporting, accounting and statistics.

The Committee suggested that the Authority have three members, one to be appointed by the President, one to be selected by a conference of delegates named by State Governors, and a third to be chosen by the first two, the terms of office to be staggered.

Setting up of an advisory council to work with the Authority also was recommended by the Committee, with representation on the council extended to Congressional committees and recognized organizations of Federal, State and local officials.

The report proposed an initial budget of $150,000 to $200,000 for the Authority, half to be provided by Congress and half by the States without any "matching" provision.

"The idea of a Federal-State Fiscal Authority is not new or original," the Committee stated. "It has been endorsed by a large number of organizations and individuals....In our opinion it would go far toward assuring that continual progress in this field of intergovernmental fiscal relations which, under modern conditions, is becoming more and more necessary."

The scheme for the functioning of the Authority was stated to be in full keeping with the general theme of the Committee's report, which is that the many problems of intergovernmental fiscal relations will not be settled all at once, but rather that constant study and readjustment will be necessary, with the whole endeavor keynoted by cooperation and a high degree of mutuality.

Of possibilities for joint administration of selected Federal-State taxes, the report said:

"Administrators have made some progress toward coordinated tax administration, notably in making Federal income tax information available to the States. Also in the liquor tax field, collaboration of State and Federal officials is highly developed and has proved mutually satisfactory ... Federal-State cooperation in administration cannot be improvised, but requires extensive negotiation and preparation. A Federal-State Fiscal Authority would be admirably suited for this role... Joint income tax returns, joint audits, and joint use of administrative personnel offer possibilities for future development."

Eventually, the Committee said, a Federal-State Fiscal Authority might be given power to administer some taxes in its own right.

Of improved cooperation between the States, the report said:

"Some of the gravest problems in the field of intergovernmental relations might be solved if there were a sufficient degree of interstate cooperation ... A Federal-State agency should supply the factors needed to lift interstate cooperation to a much more active and more useful plane."

The Authority would attack problems which are "real and urgent", the report set forth, with these problems "growing not only out of the overlapping tax system, but also out of the increasing national economic integration and interdependence. The development of huge corporations, only a little if at all less powerful than the States which charter them, and the growth of interstate trade, travel, communication, and migration, have intensified problems of multiple taxation, allocation, interstate competition, and costs of administration and compliance...These are only a few of the many reasons for concern about a revenue system that has developed piecemeal and is largely uncoordinated."

The Committee said it had sought a middle ground in the coordination problem, between extremes of "strong centralizers" and "those who are satisfied with what we have."

"Each specific problem has to be considered on its own merits," the report added. "In some cases federalization of a function may (by a balance of the interests) be warranted; in others, retention of the function by States and municipalities may be called for; and most often joint participation, in one way or another, may be the best solution...State suspicion that intergovernmental cooperation will be Federal domination must be dispelled. A program of full and genuine mutuality is entirely possible."

-oOo-

35-93

Other ways of reaching the property base are pointed out in the report, including use of unearned increment taxes and the further development of special assessments. Many municipal services yield special benefits, and the cost of these might reasonably be covered through special assessments, the committee said. Some municipalities could revise their public utility charges, also, to cover costs, or even to contribute to the general treasury, it was stated.

[redacted]

In any event, the committee held, cities should be [redacted] permitted to manage property taxation as they see fit. "Rate limitations offer no constructive solution to the problem of financing local government......Property tax exemtions have been too freely granted and too generously interpreted," it said.

Much of the blame for the predicament of the city governments "can be placed at the door of the States in whose legislative councils cities have for years been under-represented," the report stated. "Cities have often shared very inadequately in newly developed State revenues, particularly in motor-vehicle tax revenues.

"The cities in some instances have their own mismanagement to blame for part of their financial troubles. But the generally rising competence of officials in posts of municipal responsibility has been one of the bright spots in the recent evolution of American government."

35-43

There are "important possibilities", the Committee said, of redistributing the property tax burden among individual owners of real estate and their tenants.

"What is needed, apparently, is some new source of local revenue which will (1) not overlap existing Federal and State taxes, (2) enable the localities to tap their own resources without running hat in hand to central governments, (3) cover all or a vast majority of the interested citizenry, and (4) not be regressive," the report set forth. It suggested the following steps in the search for such a new source:

"The property tax might well be broken down into its elements and its uniform application to all owners on the basis of holdings be abandoned. One way of recasting the fragments would contemplate a collection from landlords in the nature of a service charge for local benefits to property, and a further collection, more personal in character, from occupants on rental values. The occupancy tax could be added as either a replacement or a supplement to the general property tax; and it might be introduced step by step on a gradual and experimental basis."

It may not be desirable to reduce current property tax levies, the report suggested, in view of the fact that these may be partly capitalized and because there is no certainty that owners would reduce rentals to tenants accordingly. But where there is need for more municipal revenue, cities were advised by the Committee to give consideration to a tax on rentals, collected from occupants.

"One advantage of such a tax is that, being in proportion to current income rather than expected future income, it will spread the burden over the various parcels of real estate in a different manner from the tax on capital values," the Committee explained. "Unused properties would be exempt....The tax on home rentals might be adjusted to take account of size of family, and a progressive rate might be imposed.....A business rental tax would be levied, of course, at a flat rate."

~~...~~ them calls for reorganization of the sources of local revenue, it ~~...~~ declared ~~...~~ the Committee on Intergovernmental Fiscal Relations ~~in a~~ in its report ~~...~~ to Secretary of the Treasury Morgenthau.

The committee, which spent two years investigating problems of fiscal relations between Federal, State and local governments, said the reorganization of local revenue sources should be effected "in such manner as to preserve and restore local autonomy, and to enable local governments to tax their own resources, [redacted] according to their own discretion, without the development of more overlapping in taxation."

This, the committee added, "calls for a bold attack and some fundamental changes in a time-honored institution -- the general property tax."

Effectiveness of the general property tax as a means of providing local revenues has been reduced in recent years, the committee's report set forth. State governments have imposed ceilings ~~XXXXXXXXXX~~ on the extent to which the property tax could be expanded, and have further limited it by granting exemptions. Thus the tax has been "straight-jacketed."

~~"Although this tax proved the mainstay of local ... years, it broke down badly during the recent depression and is under incessant political attack by State and local leaders," the report continued. "Beside many traditional faults ... recapitulated here, the property tax ... is attacked because ... its base is too narrow~~

The property tax broke down badly during the recent depression, the report continues. With "many traditional faults", the tax was said to be under incessant political attack by State and local leaders. It is attacked "because its base is too narrow" and is resented "because of its regressivity, the fact that it falls with greatest weight on relatively poor taxpayers."

TREASURY DEPARTMENT
Washington

FOR RELEASE, ALL EDITIONS
Friday, April 2, 1943

Press Service
No. 35-93

Local governments, particularly city governments, are in a "bad way" from the fiscal standpoint, and to extricate them calls for reorganization of the sources of local revenue, the Committee on Intergovernmental Fiscal Relations declared in its report to Secretary Morgenthau.

The committee, which spent two years investigating problems of fiscal relations between Federal, State and local governments, said the reorganization of local revenue sources should be effected "in such manner as to preserve and restore local autonomy, and to enable local governments to tax their own resources, ~~[illegible]~~ according to their own discretion, without the development of more overlapping in taxation."

This, the committee added, "calls for a bold attack and some fundamental changes in a time-honored institution -- the general property tax."

Effectiveness of the general property tax as a means of providing local revenues has been reduced in recent years, the committee's report set forth. State governments have imposed ceilings ~~XXXXXXXXXX~~ on the extent to which the property tax could be expanded, and have further limited it by granting exemptions. Thus the tax has been "straight-jacketed."

~~"Although [illegible] proved [illegible] local [illegible] years, it broke down badly during the recent depression and is under incessant political attack by State and local leaders," the report continued. "Beside many traditional faults which [illegible]~~ .... is attacked because ~~recapitulated here, the property tax, [illegible],~~ ~~[illegible]~~ ~~its base is too narrow~~

The property tax broke down badly during the recent depression, the report continues. With "many traditional faults", the tax was said to be under incessant political attack by State and local leaders. It is attacked "because its base is too narrow" and is resented "because of its regressivity, the fact that it falls with greatest weight on relatively poor taxpayers."

TREASURY DEPARTMENT
Washington

FOR RELEASE, ALL EDITIONS
Friday, April 2, 1943

3/30/43

Press Service
No. 35-93

Local governments, particularly city governments, are in a "bad way" from the fiscal standpoint, and to extricate them calls for reorganization of the sources of local revenue, the Committee on Intergovernmental Fiscal Relations declared in its report to Secretary Morgenthau.

The Committee, which spent two years investigating problems of fiscal relations between Federal, State and local governments, said the reorganization of local revenue sources should be effected "in such manner as to preserve and restore local autonomy, and to enable local governments to tax their own resources, according to their own discretion, without the development of more overlapping in taxation."

This, the Committee added, "calls for a bold attack and some fundamental changes in a time-honored institution -- the general property tax."

Effectiveness of the general property tax as a means of providing local revenues has been reduced in recent years, the Committee's report set forth. State governments have imposed ceilings on the extent to which the property tax could be expanded, and have further limited it by granting exemptions. Thus the tax has been "strait-jacketed."

The property tax broke down badly during the recent depression, the report continues. With "many traditional faults", the tax was said to be under incessant political attack by State and local leaders. It is attacked "because its base is too narrow" and is resented "because of its regressivity, the fact that it falls with greatest weight on relatively poor taxpayers."

There are "important possibilities", the Committee said, of redistributing the property tax burden among individual owners of real estate and their tenants.

"What is needed, apparently, is some new source of local revenue which will (1) not overlap existing Federal and State taxes, (2) enable the localities to tap their own resources without running hat in hand to central governments, (3) cover all or a vast majority of the interested citizenry, and (4) not be regressive," the report set forth. It suggested the following steps in the search for such a new source:

"The property tax might well be broken down into its elements and its uniform application to all owners on the basis of holdings be abandoned. One way of recasting the fragments would contemplate a collection from landlords in the nature of a service charge for local benefits to property, and a further collection, more personal in character, from occupants on rental values. The occupancy tax could be added as either a replacement or a supplement to the general property tax; and it might be introduced step by step on a gradual and experimental basis."

It may not be desirable to reduce current property tax levies, the report suggested, in view of the fact that these may be partly capitalized and because there is no certainty that owners would reduce rentals to tenants accordingly. But where there is need for more municipal revenue, cities were advised by the Committee to give consideration to a tax on rentals, collected from occupants.

"One advantage of such a tax is that, being in proportion to current income rather than expected future income, it will spread the burden over the various parcels of real estate in a different manner from the tax on capital values," the Committee explained. "Unused properties would be exempt....The tax on home rentals might be adjusted to take account of size of family, and a progressive rate might be imposed....A business rental tax would be levied, of course, at a flat rate."

Other ways of reaching the property base are pointed out in the report, including use of unearned increment taxes and the further development of special assessments. Many municipal services yield special benefits, and the cost of these might reasonably be covered through special assessments, the Committee said. Some municipalities could revise their public utility charges, also, to cover costs, or even to contribute to the general treasury, it was stated.

In any event, the Committee held, cities should be permitted to manage property taxation as they see fit. "Rate limitations offer no constructive solution to the problem of financing local government....Property tax exemptions have been too freely granted and too generously interpreted," it said.

Much of the blame for the predicament of the city governments "can be placed at the door of the States in whose legislative councils cities have for years been under-represented," the report stated. "Cities have often shared very inadequately in newly developed State revenues, particularly in motor-vehicle tax revenues.

"The cities in some instances have their own mismanagement to blame for part of their financial troubles. But the generally rising competence of officials in posts of municipal responsibility has been one of the bright spots in the recent evolution of American government."

oOo

Alcoholic beverage taxes, including excises, licenses, and liquor monopoly profits - Federal $820,000,000, State $337,000,000, local $35,000,000.

Motor vehicle licenses - State $417,000,000, local $24,000,000.

Motor fuel taxes - Federal $343,000,000, State $914,000,000, local $7,000,000.

~~Stock transfer taxes~~ - Federal $12,000,000, State $12,000,000.

Miscellaneous corporation taxes - Federal $167,000,000, State $208,000,000, local $40,000,000.

Payroll taxes - Federal $993,000,000, State $901,000,000, local $5,000,000.

The totals of these overlapping tax payments are: Federal, $6,911,000,000; State, $3,440,000,000; local $134,000,000.

~~[illegible]~~
licenses, but are in process of yielding supremacy to the Federal Government in the taxation of stock transfers, and feel themselves threatened in the field of motor vehicle taxation. ~~[illegible]~~

"No major source of tax revenue, initiated during times of peace, has been relinquished by the Federal Government to the States.

"Among the 10 overlapping Federal-State tax sources, municipal overlapping is found to some degree with respect to (1) income taxes, (2) tobacco taxes, (3) corporation and business licenses, (4) motor fuel taxes, (5) motor vehicle licenses, and (6) liquor taxes.

"Overlapping in the major source of local revenue -- the property tax -- exists only among State and local governments, with a noticeable trend toward relinquishment of this source to local subdivisions."

Under the impetus of the 90-percent credit allowed against Federal unemployment copensation payroll taxes, all States have enacted payroll taxes since 1936.

The report gives the following figures comparing ~~[illegible]~~ Federal, State and local revenues from overlapping sources for fiscal years ending in 1941:

Death and gift taxes - Federal $407,000,000. State $121,000,000, local $1,000,000.

Corporation income taxes - Federal $2,053,000,000, State $190,000,000, local $2,000,000.

Individual income taxes - Federal $1,418,000,000, State $233,000,000, local $20,000,000.

Tobacco taxes - Federal $698,000,000, State $107,000,000, local $155,000.

~~[illegible]~~

TREASURY DEPARTMENT
Washington

FOR RELEASE, ALL EDITIONS
Saturday, April 3, 1943

Press Service
No. 35-94

TREASURY DEPARTMENT
Washington

FOR RELEASE, ALL EDITIONS
Saturday, April 3, 1943

Press Service
No. 35-94

Federal, State and local governments have "muscled in" on each other's sources of revenue to such an extent that two-way or three-way overlapping exists with respect to nearly all major classifications of American taxation, according to findings which the Committee on Intergovernmental Fiscal Relations has reported to Secretary of the Treasury Morgenthau.

The findings have been transmitted by Secretary Morgenthau to President Roosevelt, Governors of the States, and Congressional committees on taxation. They include a proposed program of Federal-State-local action to remedy the overlapping tax ~~problems~~ evils.

"Alcoholic beverage and gasoline taxes are universal among the States and the death taxes nearly so; income taxes are levied in about two thirds, tobacco taxes in well over half, and excises on electrical energy and amusements in several of the States," the committee's report recited. "All these sources are taxed heavily by the Federal Government."

The committee summarized its data on tax overlapping as follows:

"Overlapping in Federal and State tax sources exists in significant degree with respect to some 10 sources of revenue, including most of the major sources, and comprising approximately 62 percent of all Federal, State and local tax revenues. The tax sources jointly employed by Federal and State governments accounted for 88.4 percent of all Federal tax collections and 75.4 percent of all State tax collections in 1941.

"Of the 10 sources in which Federal-State overlapping exists, the Federal government dominates (that is, collects a major proportion of total revenues from the tax) with respect to the following: ~~XXXX~~ (1) the net income tax, (2) death tax, (3) gift tax, (4) alcoholic beverage excise taxes, (5) tobacco excise taxes, and (6) payroll taxes. State governments continue to dominate in (1) business taxes (other than those on income), ~~the taxation of corporations and public utilities (business taxes)~~, (2) motor vehicle fuel taxes, and (3) motor vehicle

TREASURY DEPARTMENT
Washington

FOR RELEASE, ALL EDITIONS,
Saturday, April 3, 1943.
3/30/43

Press Service
No. 35-94

Federal, State and local governments have "muscled in" on each other's sources of revenue to such an extent that two-way or three-way overlapping exists with respect to nearly all major classifications of American taxation, according to findings which the Committee on Intergovernmental Fiscal Relations has reported to Secretary of the Treasury Morgenthau.

The findings have been transmitted by Secretary Morgenthau to President Roosevelt, Governors of the States, and Congressional committees on taxation. They include a proposed program of Federal-State-local action to remedy the overlapping tax evils.

"Alcoholic beverage and gasoline taxes are universal among the States and the death taxes nearly so; income taxes are levied in about two-thirds, tobacco taxes in well over half, and excises on electrical energy and amusements in several of the States", the Committee's report recited. "All these sources are taxed heavily by the Federal Government."

The Committee summarized its data on tax overlapping as follows:

"Overlapping in Federal and State tax sources exists in significant degree with respect to some 10 sources of revenue, including most of the major sources, and comprising approximately 62 percent of all Federal, State and local tax revenues. The tax sources jointly employed by Federal and State governments accounted for 88.4 percent of all Federal tax collections and 75.4 percent of all State tax collections in 1941.

"Of the 10 sources in which Federal-State overlapping exists, the Federal Government dominates (that is, collects a major proportion of total revenues from the tax) with respect to the following: (1) the net income tax, (2) death tax, (3) gift tax, (4) alcoholic beverage excise taxes, (5) tobacco excise taxes, and (6) payroll taxes. State governments continue to dominate in (1) business taxes (other than those on income), (2) motor vehicle fuel taxes, and (3) motor vehicle licenses, but are in process of yielding supremacy to the Federal Government in the taxation of stock transfers, and feel themselves threatened in the field of motor vehicle taxation.

"No major source of tax revenue, initiated during times of peace, has been relinquished by the Federal Government to the States.

"Among the 10 overlapping Federal-State tax sources, municipal overlapping is found to some degree with respect to (1) income taxes, (2) tobacco taxes, (3) corporation and business licenses, (4) motor fuel taxes, (5) motor vehicle licenses, and (6) liquor taxes.

"Overlapping in the major source of local revenue -- the property tax -- exists only among State and local governments, with a noticeable trend toward relinquishment of this source to local subdivisions."

Under the impetus of the 90-percent credit allowed against Federal unemployment compensation payroll taxes, all States have enacted payroll taxes since 1936.

The report gives the following figures comparing Federal, State and local revenues from overlapping sources for fiscal years ending in 1941:

Death and gift taxes - Federal $407,000,000, State $121,000,000, local $1,000,000.

Corporation income taxes - Federal $2,053,000,000, State $190,000,000, local $2,000,000.

Individual income taxes - Federal $1,418,000,000, State $233,000,000, local $20,000,000.

Tobacco taxes - Federal $698,000,000, State $107,000,000, local $155,000.

Alcoholic beverage taxes, including excises, licenses, and liquor monopoly profits - Federal $820,000,000, State $337,000,000, local $35,000,000.

Motor vehicle licenses - State $417,000,000, local $24,000,000.

Motor fuel taxes - Federal $343,000,000, State $914,000,000, local $7,000,000.

Stock transfer taxes - Federal $12,000,000, State $12,000,000.

Miscellaneous corporation taxes - Federal $167,000,000, State $208,000,000, local $40,000,000.

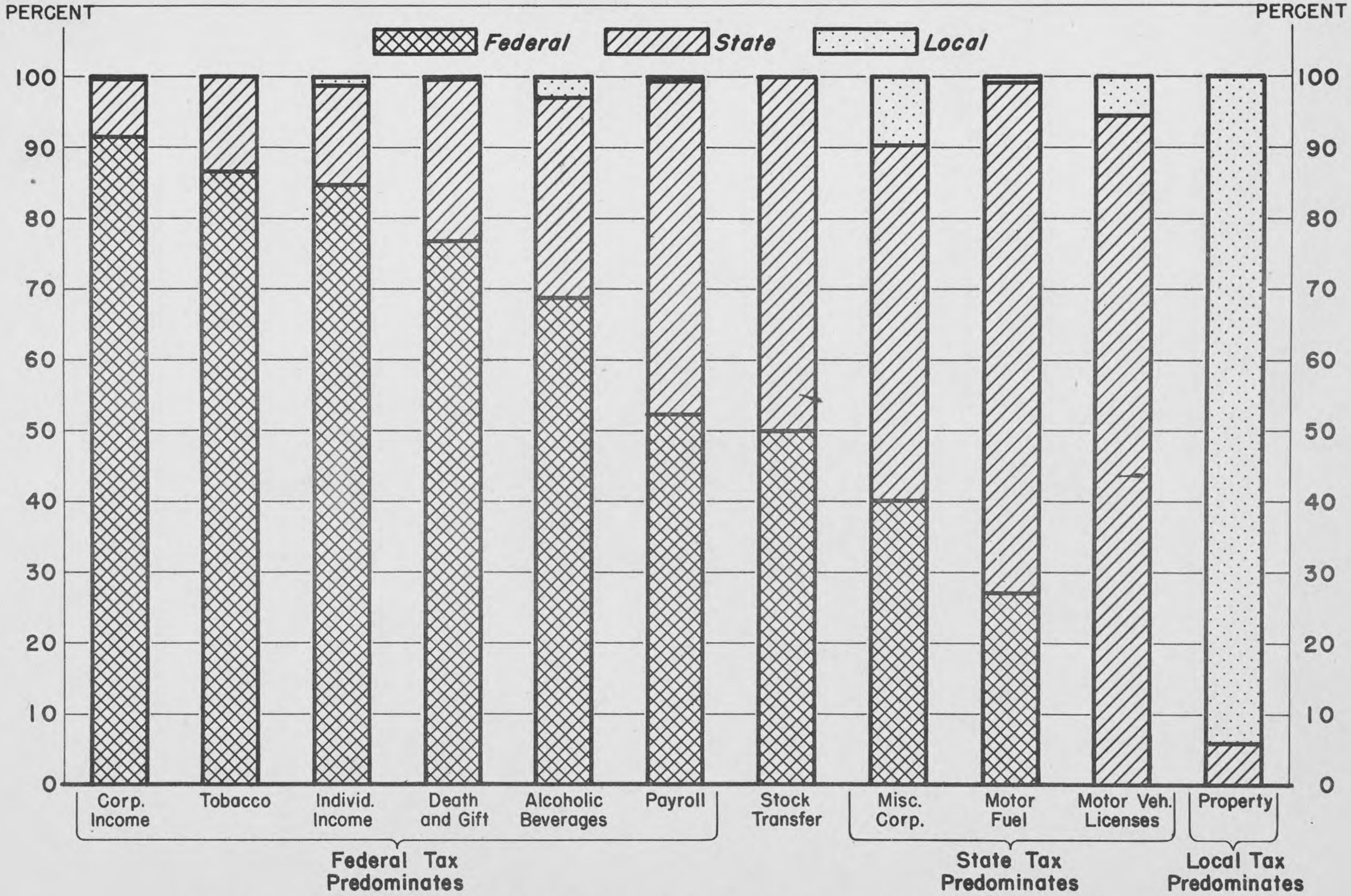
Payroll taxes - Federal $993,000,000, State $901,000,000, local $5,000,000.

The totals of these overlapping tax payments are: Federal, $6,911,000,000; State, $3,440,000,000; local $134,000,000.

-oOo-

EXTENT OF OVERLAPPING IN MAJOR TAX SOURCES

Fiscal Years Ending in 1941



Source: Table 2; Property tax figures adapted from Bureau of the Census, Financing Federal, State and Local Governments: 1941.

B-397

35-95

FOR IMMEDIATE RELEASE,
March 30, 1943.

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	2,172,359,753	March 20, 1943	271,433,495
Colombia	735,840,277	"	250,839,774
Costa Rica	46,718,031	"	12,071,311
Cuba	18,692,451	"	8,368,554
Dominican Republic	25,752,947	"	15,241,996
Ecuador	35,041,235	"	12,348,869
El Salvador	140,776,585	"	42,832,431
Guatemala	124,978,598	"	38,039,856
Haiti	64,236,136	"	47,272,097
Honduras	4,278,467	"	1,344,991
Mexico	111,292,661	"	28,631,774
Nicaragua	45,818,819	"	5,306,422
Peru	5,839,588	"	159
Venezuela	90,021,490	"	34,083,960
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	75,969,017	"	23,154,572

1/ Quotas revised as of March 5, 1943.

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, March 31, 1943.

Press Service
No. 35-95

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	2,172,359,753	March 20, 1943	271,433,495
Colombia	735,840,277	"	250,839,774
Costa Rica	46,718,031	"	12,071,311
Cuba	18,692,451	"	8,368,554
Dominican Republic	25,752,947	"	15,241,996
Ecuador	35,041,235	"	12,348,869
El Salvador	140,776,585	"	42,832,431
Guatemala	124,978,598	"	38,039,856
Haiti	64,236,136	"	47,272,097
Honduras	4,278,467	"	1,344,991
Mexico	111,292,661	"	28,631,774
Nicaragua	45,818,819	"	5,306,422
Peru	5,839,588	"	159
Venezuela	90,021,490	"	34,083,960
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	75,969,017	"	23,154,572

1/ Quotas revised as of March 5, 1943.

-oOo-

Other suggestions were exclusively Federal taxation of fuel used in aviation, and mediation by a Federal-State Fiscal Authority in such problems as that of multiple assessment of license fees against trucks used in interstate traffic.

Taxation of business has found relatively too large a place in the American tax system, and this form of taxation needs to be "de-emphasized," the Committee reported.

"The confusion in this sector of the tax system is impressive and the possibilities of repressive effects upon the economy are considerable," the report said. "The Federal system of business taxation is itself uncrystallized and is at present ordered considerably by exigencies of war finance. The absence of a Federal policy renders the development of plans for Federal-State coordination doubly difficult."

State practices in business taxation were severely criticized by the Committee, which said that special State levies on business activity were "characterized by great arbitrariness", with most of them "based upon no reasonable principle whatever."

The Committee discussed retail sales taxes briefly. This tax, it said, is not an overlapping tax at present, "but if it becomes such, by virtue of Federal entrance into the field, the coordination device to be highly recommended is joint administration. Even with some diversities in State laws, complete duplication of administration in this field would be wasteful and otherwise undesirable."

-0-

CS

The report recommends that the Federal tax on cigarettes be increased to the extent of 2 cents per standard package and that the portion of Federal revenue represented by this increase be distributed to the States on a per capita basis. The distribution would be conditional upon State and municipal withdrawal from the tobacco tax field. Most States use the 2-cent rate in their cigarette levies.

"The tax is admirably adapted for Federal collection and State sharing, and while this device is open to general objection in its curtailment of State independence, its application in this instance would have so many advantages that it is recommended at least as an experiment," the committee said.

~~[illegible]~~

The per capita distribution plan would be weighted in favor of urban populations.

In a study of the cost of collecting various Federal taxes, the committee found that collecting each $100 of Federal tobacco taxes costs only 18 cents. For the States, administration of tobacco taxes is considerably more expensive.

Of gasoline and motor vehicle use taxes, the report said in part:

"For the motor vehicle tax field the coordination device here recommended is separation of sources, the Federal Government to withdraw from the field as much and as soon as its financial exigencies will permit....The basis of this recommendation is that this tax field forms a lucrative and badly needed source of revenue for the States, and one which they are exploiting or might exploit adequately and satisfactorily."

~~The report suggested, however, that the Federal Government should [illegible] tax fuel used in aviation and the States [illegible]~~

~~Exclusively Federal taxation of fuel used in aviation was suggested.~~

~~State reciprocity and persuasive mediation by a Federal-State Fiscal Authority would be the best means of attacking the problem of multiple assessment of license fees against trucks used in interstate traffic~~

3

Partial coordination of Federal and State death taxes also has been accomplished, according to the report, through a credit to the taxpayer against his Federal tax for death taxes paid to the States. A credit for taxes paid to States is allowed ~~The allowance is up to 80 percent~~ against the Federal tax up to 80% of the ~~as~~ taxes payable ~~computed~~ under the 1926 Federal estate tax. Since 1926, however, the Federal law has been amended several times to raise rates and lower exemptions.

"At the very least the credit should be adapted to the most redent estate tax statute, [redacted] with applicability [redacted] in terms of the present rates and exemptions , and to the taxation of gifts," the committee found. "Better still, the entire estate tax system should be overhauled; Federal exemptions should be reduced to at least the average level of State exemptions; the estate and gift taxes should be integrated."

~~As in the case of income taxes, death taxes among the States are marked by ... conflicts~~

The State death taxes are "plagued by interstate competition and multiple taxation, and especially by the fact that estates are highly concentrated in a relatively few States, though the wealth represented may have been accumulated over a much wider area," the report related. .... "The Federal Government could and should assume the [redacted] task of determining the taxpayer's liability to the States. Or better still, this matter could be handled by joint administration. .... The right to determine jurisdiction might well be imposed as a condition under which the Federal Government would offer its administrative services to the States. Going further, it might also be imposed as a condition for the credit itself."

2

computing net income for State tax purposes. The report suggested further improvements by which the Federal Government would make State income taxes deductible on an accrual basis, even when other expenses were reported on a cash basis, and States which do not now allow reciprocal deductibility would change their statutes to allow it as soon as revenue needs permit. Accrual basis deductibility would allow the taxpayer in his Federal return to deduct the State incomes taxes which were due and payable at the time the return is filed rather than the taxes paid during the previous year.

Mutual deductibility is a fairly effective protection against excessive combinations of Federal and State rates, the committee declared. It pointed to the fact ~~pointed out. Thus it cites~~ that the combined load of an 80 percent Federal and a 15 percent State rate is actually only 80.7 percent when there is reciprocal deductibility.

The States should not be asked to surrender the income tax, the report said, but the States should surrender to the Federal Government the responsibility of determining jurisdiction; that is, what is within the territorial province of each State to tax. This would strike at multiple income taxation, notably multiple taxation of the incomes of corporations.

"The most promising approach to further coordination of net income taxes is in administration," the committee observed. "Utilization by the States of Federal income tax information is already developed to some extent and some informal cooperation between administrative staffs now occurs. But the field has scarcely been scratched. Joint returns, joint audits, joint use of personnel and more uniform laws are a few of the possibilities. A Federal-State Fiscal Authority could be of immense usefulness in paving the way for this program."

insert p-1, Sunday release, Fiscal Relations report

~~The fiscal relations survey was made by~~

Members of the committee in charge of the fiscal relations survey were Dr. Luther Gulick, director of the Institute of Public Administration, New York; Dr. Harold M. Groves, professor of economics, University of Wisconsin; and Dr. Mabel Newcomer, professor of economics, Vassar College.

Silver

~~5th release - Fiscal Relations report - Coordination of Specific Taxes~~

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Sunday, April 4, 1943
4/1/43

Press Service
No. 35-96

There is compelling need for coordination by the Federal Government, the States, and local governments of such tax levies as those on incomes, inheritances, tobacco, liquor, gasoline, motor vehicles and business activity, Secretary of the Treasury Morgenthau was advised by the Committee on Intergovernmental Fiscal Relations in its report covering a two-year inquiry.

These are some of the taxation fields in which overlapping of Federal-State-local levies is most pronounced. To deal with this overlapping and other problems, the Committee recommended such steps as mutual adjustments to attain more uniform Federal and State income tax laws; surrender by the Federal Government of motor vehicle and gasoline taxes except taxes on gasoline used in aviation; collection of all tobacco taxes by the Federal Government, the proceeds to be shared with the States.

The Committee worked out its coordination program from the viewpoint that Federal, State and local governments are partners in a joint enterprise rather than competitors, that the problems of intergovernmental fiscal relations may best be solved by cooperation rather than coercion, and that each specific problem has to be considered on its own merits.

Insert

Coordination of Federal and State income taxation is of first-rate importance, the Committee said, because it is in this field that multiple taxation, tendencies toward interstate migration of wealth and industry to escape taxes, and high compliance costs are most prominent.

Some coordination already has been achieved, it was pointed out, by provisions of law which permit income taxes paid to the States to be deducted in computing net income for Federal tax purposes, and the reciprocal practice in more than two-thirds of the States of allowing Federal income tax payments to be deducted in

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Sunday, April 4, 1943

Press Service
No. 35-96

There is compelling need for coordination by the Federal Government, the States, and local governments of such tax levies as those on incomes, inheritances, tobacco, liquor, gasoline, motor vehicles and business activity, Secretary of the Treasury Morgenthau was advised by the Committee on Intergovernmental Fiscal Relations in its report covering a two-year inquiry.

These are some of the taxation fields in which overlapping of Federal-State-local levies is most pronounced. To deal with this overlapping and other problems, the Committee recommended such steps as mutual adjustments to attain more uniform Federal and State income tax laws; surrender by the Federal Government of motor vehicle and gasoline taxes except taxes on gasoline used in aviation; collection of all tobacco taxes by the Federal Government, the proceeds to be shared with the States.

The Committee worked out its coordination program from the viewpoint that Federal, State and local governments are partners in a joint enterprise rather than competitors, that the problems of intergovernmental fiscal relations may best be solved by cooperation rather than coercion, and that each specific problem has to be considered on its own merits.

Members of the committee in charge of the fiscal relations survey were Dr. Luther Gulick, director of the Institute of Public Administration, New York; Dr. Harold M. Groves, professor of economics, University of Wisconsin; and Dr. Mabel Newcomer, professor of economics, Vassar College.

Coordination of Federal and State income taxation is of first-rate importance, the Committee said, because it is in this field that multiple taxation, tendencies toward interstate migration of wealth and industry to escape taxes, and high compliance costs are most prominent.

Some coordination already has been achieved, it was pointed out, by provisions of law which permit income taxes paid to the States to be deducted in computing net income for Federal tax purposes, and the reciprocal practice in more than two-thirds of the States of allowing Federal income tax payments to be deducted in computing net income for State tax purposes. The report suggested further improvements by which the Federal Government would make State income taxes deductible on an accrual basis, even when other expenses were reported on a cash basis, and States which do not allow reciprocal deductibility would change their statutes to allow it as soon as revenue needs permit. Accrual basis deductibility would allow the taxpayer to deduct in his Federal return the State income taxes which were due and payable at the time the return is filed rather than the taxes paid during the previous year.

Mutual deductibility is a fairly effective protection against excessive combinations of Federal and State rates, the Committee declared. It pointed to the fact that the combined load of an 80 percent Federal and a 15 percent State rate is actually only 80.7 percent when there is reciprocal deductibility.

The States should not be asked to surrender the income tax, the report said, but the States should surrender to the Federal Government the responsibility of determining jurisdiction; that is, what is within the territorial province of each State to tax. This would strike at multiple income taxation, notably multiple taxation of the incomes of corporations.

"The most promising approach to further coordination of net income taxes is in administration," the Committee observed. "Utilization by the States of Federal income tax information is already developed to some extent and some informal cooperation between administrative staffs now occurs. But the field has scarcely been scratched. Joint returns, joint audits, joint use of personnel and more uniform laws are a few of the possibilities. A Federal-State Fiscal Authority could be of immense usefulness in paving the way for this program."

Partial coordination of Federal and State death taxes also has been accomplished, according to the report, through a credit to the taxpayer against his Federal tax for death taxes paid to the States. A credit for taxes paid to States is allowed against the Federal tax up to 80% of the taxes payable under the 1926 Federal estate tax. Since 1926, however, the Federal law has been amended several times to raise rates and lower exemptions.

"At the very least the credit should be adapted to the most recent estate tax statute, with applicability in terms of the present rates and exemptions, and to the taxation of gifts," the Committee found. "Better still, the entire estate tax system should be overhauled; Federal exemptions should be reduced to at least the average level of State exemptions; the estate and gift taxes should be integrated."

The State death taxes are "plagued by interstate competition and multiple taxation, and especially by the fact that estates are highly concentrated in a relatively few States, though the wealth represented may have been accumulated over a much wider area," the report related .... "The Federal Government could and should assume the task of determining the taxpayer's liability to the States. Or better still, this matter could be handled by joint administration....The right to determine jurisdiction might well be imposed as a condition under which the Federal Government would offer its administrative services to the States. Going further, it might also be imposed as a condition for the credit itself."

The report recommends that the Federal tax on cigarettes be increased to the extent of 2 cents per standard package and that the portion of Federal revenue represented by this increase be distributed to the States on a per capita basis. The distribution would be conditional upon State and municipal withdrawal from the tobacco tax field. Most States use the 2-cent rate in their cigarette levies.

"The tax is admirably adapted for Federal collection and State sharing, and while this device is open to general objection in its curtailment of State independence, its application in this instance would have so many advantages that it is recommended at least as an experiment," the committee said.

The per capita distribution plan would be weighted in favor of urban populations.

In a study of the cost of collecting various Federal taxes, the committee found that collecting each $100 of Federal tobacco taxes costs only 18 cents. For the States, administration of tobacco taxes is considerably more expensive.

Of gasoline and motor vehicle use taxes, the report said in part:

"For the motor vehicle tax field the coordination device here recommended is separation of sources, the Federal Government to withdraw from the field as much and as soon as its financial exigencies will permit.... The basis of this recommendation is that this tax field forms a lucrative and badly needed source of revenue for the States, and one which they are exploiting or might exploit adequately and satisfactorily."

Other suggestions were exclusively Federal taxation of fuel used in aviation, and mediation by a Federal-State Fiscal Authority in such problems as that of multiple assessment of license fees against trucks used in interstate traffic.

Taxation of business has found relatively too large a place in the American tax system, and this form of taxation needs to be "de-emphasized," the Committee reported.

"The confusion in this sector of the tax system is impressive and the possibilities of repressive effects upon the economy are considerable," the report said. "The Federal system of business taxation is itself uncrystallized and is at present ordered considerably by exigencies of war finance. The absence of a Federal policy renders the development of plans for Federal-State coordination doubly difficult."

State practices in business taxation were severely criticized by the Committee, which said that special State levies on business activity were "characterized by great arbitrariness", with most of them "based upon no reasonable principle whatever."

The Committee discussed retail sales taxes briefly. This tax, it said, is not an overlapping tax at present, "but if it becomes such, by virtue of Federal entrance into the field, the coordination device to be highly recommended is joint administration. Even with some diversities in State laws, complete duplication of administration in this field would be wasteful and otherwise undesirable."

- oOo -

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 April 7, 1943 .
(3)

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,
Friday, April 2, 1943 .
(1)

The Secretary of the Treasury, by this public notice, invites tenders for $800,000,000 (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 April 7, 1943 (4), and will mature July 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, April 5, 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

35-97

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Friday, April 2, 1943
4-1-43

The Secretary of the Treasury, by this public notice, invites tenders for $800,000,000, 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 April 7, 1943, and will mature July 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).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern War time, Monday, April 5, 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 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 April 7, 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.

oOo

Treasury Department
Washington

For Immediate Release
Thursday, April 1, 1943

Press Service
No.

Collections of income and excess profits taxes deposited during March, 1943, amounted to $4,882,184,543 and items still untabulated in some of the collectors' offices will carry the total for the month over $5,000,000,000, Commissioner of Internal Revenue Guy T. Helvering reported to Secretary Morgenthau today. Similar taxes collected and deposited in March last year amounted to $3,677,931,976. Comparative reports from the sixty-four collection districts are as follows:

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, April 1, 1943.

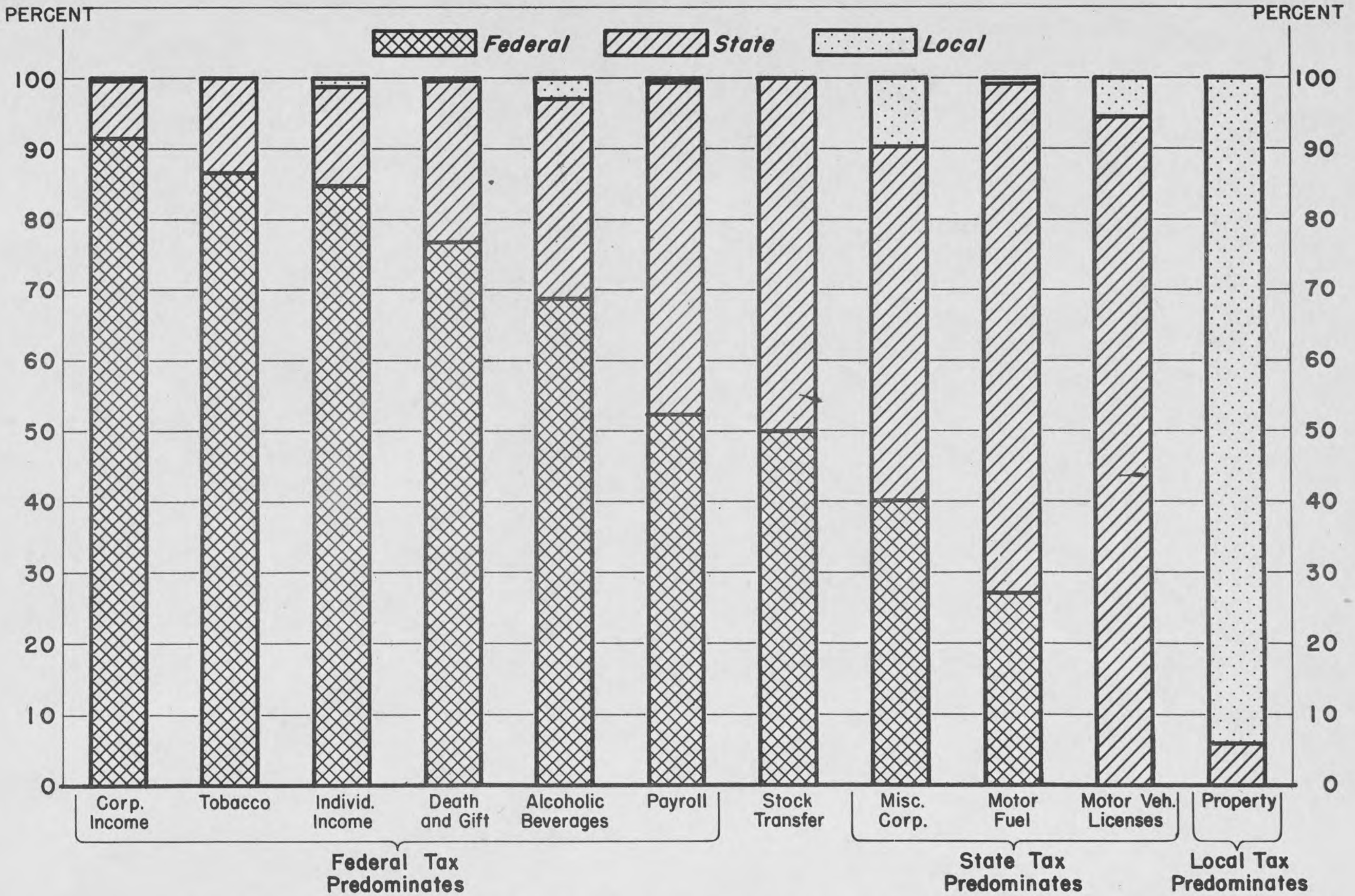
Press Service
No. 35-98

Collections of income and excess profits taxes deposited during March, 1943, amounted to $4,882,184,543 and items still untabulated in some of the collectors' offices will carry the total for the month over $5,000,000,000, Commissioner of Internal Revenue Guy T. Helvering reported to Secretary Morgenthau today. Similar taxes collected and deposited in March last year amounted to $3,077,931,976. Comparative reports from the sixty-four collection districts are as follows:

Districts	Total Income and Excess Profits Tax Collected and Deposited March 1 - 31, 1943	Total Income and Excess Profits Tax Collected and Deposited March 1 - 31, 1942
Alabama	$ 32,890,974	$ 19,686,841
Arizona	9,400,783	4,838,990
Arkansas	13,155,553	8,904,280
1st California	147,495,495	88,504,114
6th California	123,402,568	71,729,787
Colorado	25,419,604	13,231,426
Connecticut	125,539,362	98,342,304
Delaware	81,870,806	65,694,622
Florida	34,127,356	27,435,392
Georgia	42,174,874	23,200,750
Hawaii	20,499,659	5,465,441
Idaho	9,351,415	4,072,717
1st Illinois	363,553,508	225,743,666
8th Illinois	59,822,920	29,192,478
Indiana	95,266,270	56,760,566
Iowa	42,656,723	19,518,826
Kansas	41,974,486	17,419,666
Kentucky	41,146,288	20,830,164
Louisiana	38,942,125	26,290,194
Maine	17,303,887	10,396,848
Maryland	117,166,338	72,935,387

Districts	Total Income and Excess Profits Tax Collected and Deposited March 1 - 31, 1943	Total Income and Excess Profits Tax Collected and Deposited March 1 - 31, 1942
Massachusetts	$178,741,041	$ 98,919,558
Michigan	221,911,627	213,259,980
Minnesota	79,145,409	33,216,208
Mississippi	13,529,536	8,290,002
1st Missouri	80,839,235	49,144,928
6th Missouri	34,709,487	17,685,462
Montana	11,728,966	5,578,908
Nebraska	22,834,411	10,167,750
Nevada	6,481,496	3,472,963
New Hampshire	10,929,279	6,705,478
1st New Jersey	28,529,763	19,633,283
5th New Jersey	146,417,614	108,455,738
New Mexico	5,609,206	2,873,515
1st New York	119,418,563	77,083,439
2nd New York	378,625,842	256,932,259
3rd New York	319,137,650	213,516,681
14th New York	115,582,345	73,673,654
21st New York	40,042,367	26,351,217
28th New York	92,097,587	52,777,448
North Carolina	63,578,711	35,147,192
North Dakota	5,935,813	2,179,378
1st Ohio	97,324,408	52,589,108
10th Ohio	45,506,409	27,155,671
11th Ohio	28,613,077	15,346,170
18th Ohio	209,857,878	125,742,266
Oklahoma	32,063,449	19,839,640
Oregon	31,606,188	16,595,290
1st Pennsylvania	213,949,246	112,840,724
12th Pennsylvania	56,436,836	32,480,334
23rd Pennsylvania	190,110,837	127,996,021
Rhode Island	34,453,810	27,933,842
South Carolina	22,246,896	12,825,179
South Dakota	5,443,104	2,134,274
Tennessee	42,582,215	24,783,907
1st Texas	67,476,082	45,196,095
2nd Texas	54,288,532	32,484,797
Utah	10,890,194	5,723,351
Vermont	8,895,494	4,809,896
Virginia	51,687,739	40,843,459
Washington	71,050,767	42,838,849
West Virginia	27,184,183	19,512,744
Wisconsin	116,081,244	60,023,369
Wyoming	5,449,013	2,977,490
TOTAL	$4,882,184,543	$3,077,931,976

EXTENT OF OVERLAPPING IN MAJOR TAX SOURCES
Fiscal Years Ending in 1941



Source: Table 2; Property tax figures adapted from Bureau of the Census, Financing Federal, State and Local Governments: 1941.

B-397

Siler- 7th release, Fiscal Relations report

Federal aid to the States for purposes of general education
~~Extension of Federal financial aid to the States~~

should be expanded to provide for the maintenance of a national that education is a part of their way of life and that national participation means regimentation and the loss of important minority rights and interests," the report set forth. "Concessions can and should be made to this feeling, but in recognition of the overwhelming national interest in the maintenance of minimum standards of educational opportunity, the concessions should not extend to a veto of Federal aid for general education with equalization features. Nor should it block a control program necessary to secure the Federal objectives. It is not an acceptable feature of our way of life to keep a large section of our population in ignorance."

The Committee presented extensive data on the education problem.

With few exceptions, it said, the States lowest in financial ability are making the greatest relative efforts to support public education.

The range of average school terms for different States was placed at 9½ to 6½ months, while in individual districts the terms sometimes are less than six months.

"Great disparity" was revealed in availability of schools and libraries, in salaries paid teachers, and in the quality of buildings and facilities. Values of school property per pupil ranged from $445 in the highest ranking to $75 in the lowest ranking State.

For a typical school year, expenditure per pupil in average daily attendance ranged from $134 in New York to $25 in Arkansas.

"The markedly limited educational opportunity in the Southern States, compared with Northeastern and Pacific States, has been one of the strongest arguments for equalization aid," the report said.

"The States of lowest per capita wealth, income, and taxpaying ability tend to have the largest numbers of children relative to adult population."

Although the Federal Government "has had one finger in the educational system for a long time," its present financial contribution runs to only 2 percent of the total cost, it was pointed out.

Siler- 6th release, Fiscal Relations report - Education

TREASURY DEPARTMENT
Washington

FOR RELEASE, ALL EDITIONS
Monday, April 5, 1943
4/2/43

Press Service
No. 35-99

Federal aid to State and local governments for educational purposes should be expanded to provide for maintenance of a national minimum of opportunity for at least elementary education, the Committee on Intergovernmental Fiscal Relations declared in its report to Secretary of the Treasury Morgenthau. The Committee suggested that a national minimum of aid to dependent children also could be developed through Federal grants, with the grants embodying differentials which ~~took~~ take note of varying abilities of the State and local governments to finance such undertakings.

"Regarding improvements in the aid system, it is observed first that, while the scope of Federal aid developed very rapidly under the pressure of the recent depression, it is a mistake to call the existing practices a system," the report stated.

"In many States, certain Federally-supported functions, such as old-age assistance and vocational education, have tended to get the lion's share of Federal, State and local support at the expense of such locally supported functions as relief and general education. The system should be revised and brought into balance by an extension of its scope to include additional functions in which there is a clear national interest.

"The aid system has developed no concept of a national minimum, that is, of functions of such strong national interest that the Federal Government should underwrite a minimum program and insure that the minimum standard be everywhere provided without undue strain upon local resources. It seems that the strongest claimant for preferred position in this respect is elementary education, followed by aid to dependent children. Although agitation for differential aids for old-age assistance has been persistent, minimum standards here are not so clearly of national interest."

Education is a function which is traditionally and legally a responsibility of State and local government, the Committee said, but calls for more general and more generous Federal aid are becoming more and more insistent.

"Much weight needs to be given to the view held by many people

TREASURY DEPARTMENT
Washington

FOR RELEASE, ALL EDITIONS,
Monday, April 5, 1943
4/2/43

Press Service
No. 35-99

Federal aid to State and local governments for educational purposes should be expanded to provide for maintenance of a national minimum of opportunity for at least elementary education, the Committee on Intergovernmental Fiscal Relations declared in its report to Secretary of the Treasury Morgenthau.

The Committee suggested that a national minimum of aid to dependent children also could be developed through Federal grants, with the grants embodying differentials which take note of varying abilities of the State and local governments to finance such undertakings.

"Regarding improvements in the aid system, it is observed first that, while the scope of Federal aid developed very rapidly under the pressure of the recent depression, it is a mistake to call the existing practices a system," the report stated.

"In many States, certain Federally-supported functions, such as old-age assistance and vocational education, have tended to get the lion's share of Federal, State and local support at the expense of such locally supported functions as relief and general education. The system should be revised and brought into balance by an extension of its scope to include additional functions in which there is a clear national interest.

"The aid system has developed no concept of a national minimum, that is, of functions of such strong national interest that the Federal Government should underwrite a minimum program and insure that the minimum standard be everywhere provided without undue strain upon local resources. It seems that the strongest claimant for preferred position in this respect is elementary education, followed by aid to dependent children. Although agitation for differential aids for old-age assistance has been persistent, minimum standards here are not so clearly of national interest."

Education is a function which is traditionally and legally a responsibility of State and local government, the Committee said, but calls for more general and more generous Federal aid are becoming more and more insistent.

"Much weight needs to be given to the view held by many people that education is a part of their way of life and that national participation means regimentation and the loss of important minority rights and interests," the report set forth. "Concessions can and should be made to this feeling, but in recognition of the overwhelming national interest in the maintenance of minimum standards of educational opportunity, the concessions should not extend to a veto of Federal aid for general education with equalization features. Nor should it block a control program necessary to secure the Federal objectives. It is not an acceptable feature of our way of life to keep a large section of our population in ignorance."

The Committee presented extensive data on the education problem.

With few exceptions, it said, the States lowest in financial ability are making the greatest relative efforts to support public education.

The range of average school terms for different States was placed at 9 1/2 to 6 1/2 months, while in individual districts the terms sometimes are less than six months.

"Great disparity" was revealed in availability of schools and libraries, in salaries paid teachers, and in the quality of buildings and facilities. Values of school property per pupil ranged from $445 in the highest ranking to $75 in the lowest ranking State.

For a typical school year, expenditure per pupil in average daily attendance ranged from $134 in New York to $25 in Arkansas.

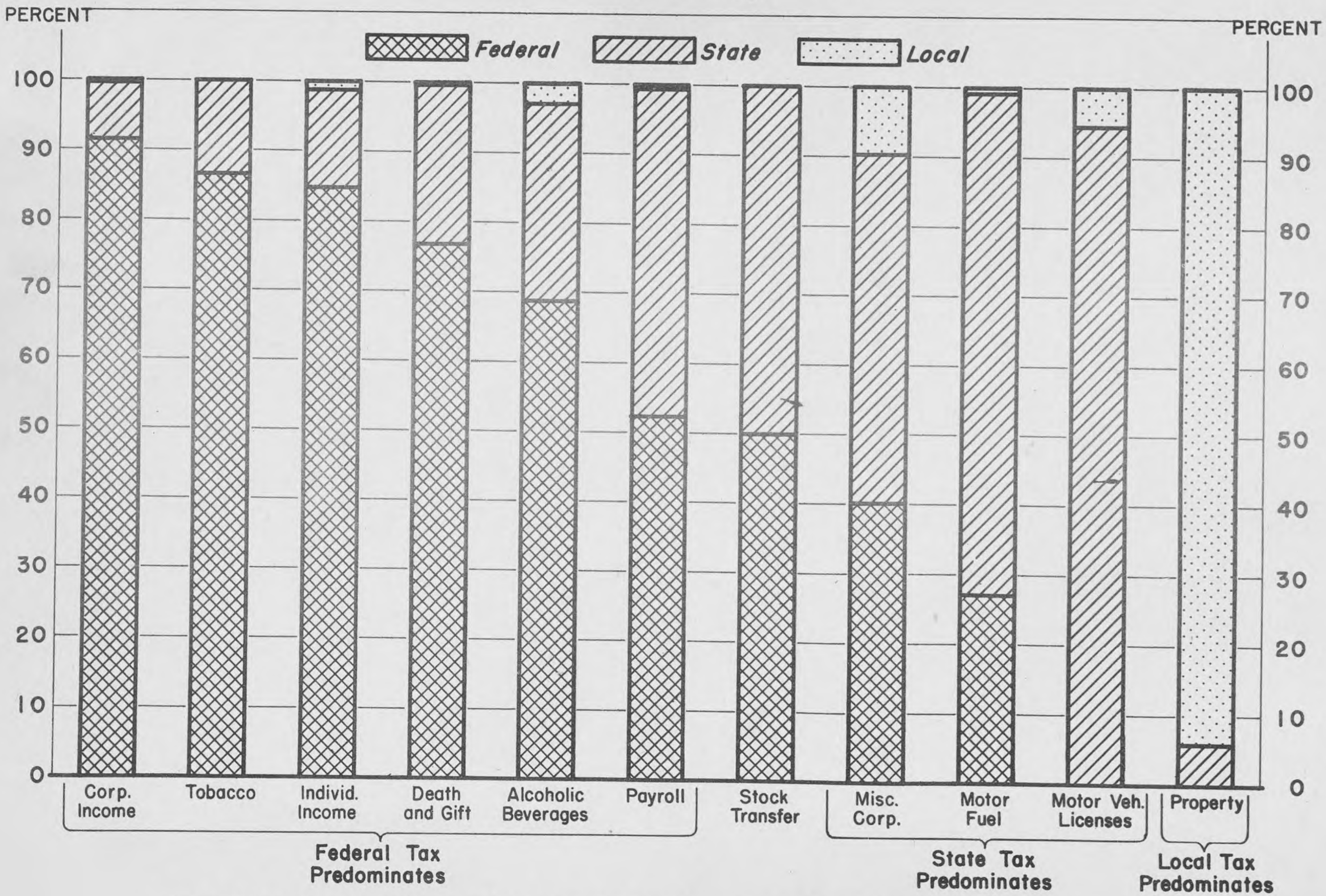
"The markedly limited educational opportunity in the Southern States, compared with Northeastern and Pacific States, has been one of the strongest arguments for equalization aid," the report said.

"The States of lowest per capita wealth, income, and taxpaying ability tend to have the largest numbers of children relative to adult population."

Although the Federal Government "has had one finger in the educational system for a long time," its present financial contribution runs to only 2 percent of the total cost, it was pointed out.

-oOo-

EXTENT OF OVERLAPPING IN MAJOR TAX SOURCES
Fiscal Years Ending in 1941



Source: Table 2; Property tax figures adapted from Bureau of the Census, Financing Federal, State and Local Governments: 1941.

B-397