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TREASURY DEPARTMENT

Washington

(The following address by Secretary Snyder at a Jackson Day Dinner at the Biltmore Bowl, Los Angeles, California, is scheduled for delivery at 10:00 P.M., Pacific Coast time, Thursday, June 5, 1947, and is for release at that time.)

I feel it a rare privilege to join with such a distinguished group of representative Democrats in this annual rededication of our party principles. The opportunity to visit Los Angeles again is a sincere pleasure to me, particularly on this important occasion.

Your western metropolis has written an almost unrivaled success story among the cities of the world. It is in itself a living and vital example of those democratic ideals of enterprise to which our party has always devoted its entire energies.

As Director of War Mobilization and Reconversion, I had full opportunity to appreciate your productive contribution to the winning of military victory. I also know of your far-sighted planning to insure industrial prosperity in this new era of peace. The practical vision of your leadership will, I am sure, continue its most important role in the growth of the West.

We appropriately dedicate this meeting tonight to the memory of Andrew Jackson. And, in his name, we honor also those other statesmen who molded the Democratic Party doctrines, and who contributed so immeasurably to the material and spiritual growth of our Nation.

Before his life of distinguished service to country ended on June 8, 1845, Jackson had become an outstanding advocate of human rights. He was the product and the representative of the great, new West of his day, the friend of the common man, and their idol. Following his precedent, the Democratic Party has consistently and effectively fought for the economic development of the West.

As we pay tribute to Jackson tonight, we venerate, too, the memory of Thomas Jefferson, whose sensible philosophies are so deeply ingrained in our system of Government.

I have been especially interested in a particular phase of the administration of Jefferson which, I believe, is little known.

The guiding principle of his financial policy was the maintenance of revenues adequate for the liquidation of the public debt.

In October of 1809, Jefferson wrote to his Secretary of the Treasury, Albert Gallatin, that the "discharge of the debt is vital to the destinies of our Government." Gallatin wholeheartedly agreed and, during his tenure, he ably and efficiently carried out that objective. In the eight years of Jefferson's administration, the national debt was reduced from $83,000,000 to $57,000,000. And, in addition, it was during this period that Louisiana was purchased for $15,000,000.

And, it is well to note here that this purchase insured the destiny of the United States as a great continental power, uniting the vast resources of the West with those of the East.

Thus, Jefferson and Gallatin were the first to activate the theory that during times of national peace and prosperity, the Treasury must show ample surplus which can be applied toward an orderly reduction of the public debt. They recognized that only through adherence to such a sound financial policy could the Nation be prepared to cope with any future emergencies that might arise. They realized that our permanent economic health rests upon our fiscal solvency.

To those who have followed the efforts of President Truman to preserve a sound state of national finances, these are familiar words. The maintenance of the integrity of our national credit is one of our primary obligations today - an obligation which is too often overlooked by those who place tax reduction over debt reduction.

As Secretary of the Treasury, I shall bend every effort to carry out the sound financial policies of this Administration. I know that this program recommends itself to the American concept of good business.

I would call to your attention that out of the cash balance of the Treasury, and out of revenues, we have been able already to reduce the public debt by about $23,000,000,000 from its peak reached some fifteen months ago, Practically all this reduction has been effected in Government securities held by the banking system. We must, and we will, persist in our program for repayment of the debt.

Any pledge which our Democratic leadership makes for the future can be entirely supported by the record of our past accomplishments. We have been faithful to our promise of human betterment and to our philosophy of furthering the cause of freedom for men and women everywhere.

We are entitled to great satisfaction in the progress of this country under Democratic administrations. Especially, we as a party, and the Nation, as a whole, can find cause for gratification in our record of the past fourteen years.

We will not soon forget the wisdom of action which lifted our economy from the depths of depression, and set at work the forces of recovery.

Franklin D. Roosevelt, by his inspired leadership, gave a discouraged people new confidence and hope. To him, our country and the whole world owe a debt of lasting gratitude. The permanent social and economic gains developed under his leadership stand today as a great bulwark for our entire economy.

Social security and unemployment insurance; insurance of bank deposits, the "Truth in Securities" law; aid to agriculture; national recognition of the rights of workmen to bargain collectively with their employers - these are some of the lasting achievements of Democratic administration. They have today the approval of all the people regardless of party.

Nor shall we forget the far-sighted steps taken to provide for the military preparedness of our Nation - steps taken against stubborn opposition - which nevertheless proved our salvation.

For there is no more inspiring chapter in our history than the miracle of production for war that was performed under the aggressive direction of a Democratic Administration.

The organization and deployment of our military forces, and the effectiveness and brilliance of their campaigns amazed our allies and overwhelmed our enemies.

The Democratic Party is not content, however, to rest upon any past achievements. What we do today, what we propose for the future - these are our vital concern. We would not have it otherwise, and the record we are writing now, under the leadership of President Truman, deserves and is receiving the approval and the confidence of the American people.

The burden of peace and postwar transition fell on the shoulders of Mr. Truman. He has borne his heavy responsibilities - the heaviest in the world - with outstanding courage and with consummate skill.

The victory over our enemies, which came well ahead of schedule, precipitated the tremendous peacetime problems of demobilization and reconversion - problems which were no less vital to national security than those faced - and solved - in wartime.

Foremost of the problems, certainly foremost in the minds of their families, was the return to civilian life of more than ten million members of our armed services. The swift and orderly discharge of our servicemen and women, their return to peaceful pursuits, and their absorption into our economy, are accomplishments of which we can indeed be proud.

The industrial changeover from war to peacetime production was completed more rapidly than anyone dared predict. While making every effort to guard against the twin dangers of depression and inflation, we settled the war contracts, and cleared the war plants for a volume of civilian output never before matched in peacetime. Our level of employment is proportionately high. Our national income is at unprecedented heights.

This condition is a tribute to the vitality of the American system of free enterprise. But, it is also the product of wise policy and prudent management on the part of your Administration.

President Truman relinquished as rapidly as possible the necessary wartime controls over our economy. He sought to retain temporarily those controls he knew were essential to the national welfare. Particularly he made effort to enforce wise restraint in such vital fields as prices and wages, and over the distribution of those commodities that persisted in short supply.

The President attacked inflationary dangers with every facility at his command. He has endeavored to reduce such pressures through the operation of fiscal policies - through the reduction of bank-held debt serving as a credit base and through the maintenance of our tax structure. But, the most important weapon he has brought to bear as a preventive measure against economic strain is that of moral suasion. In dealing with labor-management difficulties that naturally followed in the wake of war, his policy has been one of fairness, of conciliation, but also of unfaltering firmness for the national good.

His courageous actions saved the country from disastrous strikes in rail and coal industries. Yet he protected the rights of labor during this time of stress, even as he was diligent to protect the country against the disaster of industrial warfare.

During these recent months the more temperate attitudes of both labor and management, the orderly adjustments that have been effected in matters of wages and working conditions in industry after industry, are proving the value of real collective bargaining.

It is gratifying to note the voluntary steps taken by industry and labor for solving their difficulties.

The Administration's fiscal policies have been closely related to those in the economic field. It is our policy to practice utmost economy in Government, and to maintain the revenues at a level sufficient to secure a balanced budget and provide for debt reduction.

Substantial progress has been made in the reduction of federal expenditures as we convert the Government into a normal peacetime pattern. Billions of dollars which had been previously authorized by the Congress were frozen, and recommendations for calcellation of this approved spending were made to the Congress.

The budget expenditures of our Government were reduced from a peak of more than $100,000,000,000 for the 1945 fiscal year, to $63,700,000,000 in fiscal 1946; and expenditures for fiscal 1947 will be, according to the latest estimates, around $41,250,000,000. The President, in furthering this program of economy, has recommended an additional cut to $37,500,000,000 in fiscal 1948.

The President has sought to make the economies effected wise economies. He has cautioned against ill-considered slashes in the budget that would work injustices on our veterans, that would endanger our national security, or that would curtail unduly the services to which our people are entitled.

Particularly, he has held it to be false economy to reduce our military services below the level of safety in this still turbulent world.

And, he has warned that we must maintain the highest standards of character, ability, and energy in the important administrative posts of Government. He has moved vigorously to improve the efficiency of the entire federal establishment.

He has spoken out against so-called economy promoted solely for political expediency, which would paralyze the development of our natural resources. When we consider the mighty contribution of these projects to the development of our Nation, in such states as California, and in the West, we must realize that careful and wise expenditures for this purpose are sound investments, providing benefit for all our people.

As a result of the Administration's program of sound economy, and of the high revenues produced by the present level of our prosperity, we shall have a federal budget not merely in balance, but one that will show a surplus when the present fiscal year ends on June 30.

It is your Democratic Administration that has accomplished this goal so speedily after the conclusion of a global war that had to be won regardless of its cost.

Equally important in maintaining our present degree of prosperity is a sound and well-balanced postwar tax program. Federal taxation must be simple in administration and should work as little hardship as possible on the general public. It should be flexible so that frequent revision of the basic tax structure will not be necessary.

The program should be fair in its treatment of different groups, should interfere as little as possible with incentives to work and to invest, and should help maintain the broad consumer markets that are essential for high-level production and employment.

I have recently presented a broad program of study to the Ways and Means Committee of the House, providing the basis for the preparation of a sound balanced tax program.

The difficulties incident to the development of a sound and constructive tax program are many. But by a careful reduction of these problems to their simplest form, their solution will be expedited. Then business and government may more properly plan for the future.

Finally, I would call your attention to the policies of your Administration in the field of foreign affairs. As Democrats and as citizens of this Republic, we can rejoice in the leadership that has brought about an unprecedented unanimity of opinion in our dealings with other nations.

It is our policy to support the United Nations. I am confident that the President's attitude of tolerant firmness and cooperation will ultimately attain lasting peace within this framework.

We have sought to render financial and material assistance, and to contribute to the reconstruction and development of war torn lands commensurate with the leadership our Nation must provide.

We have helped to develop, and support those international efforts to expand world trade, a program upon which the peace of the world depends fully as much as it does upon political considerations.

Of particular importance is the policy of the Administration in extending assistance to nations seeking to preserve their freedom against pressures from without.

Again, I say we Democrats can take justifiable pride in having provided such guidance to the cause of world amity. We can be grateful for our wise leadership in domestic affairs that has met so successfully the problems of the aftermath of war.

Above all, we can rejoice that we have a leader in the White House, a Democratic President, who brought into the national emergency a courage, a practical competence, a national perspective - and a nearness to the people out of which flows his concern for the welfare of all.

The people of America are well aware of the burden that rests upon their President. These Democratic testimonials throughout the country this year can serve no greater purpose than to demonstrate the affection and esteem which we hold for Mr. Truman, and to reaffirm our confident support of his Administration.

The strength of our Party depends upon continued adherence to our Democratic principles.

President Truman today exemplifies these principles. Through his leadership, our Party can reach even greater heights of service - our country can attain an unparalleled prosperity and a peaceful security.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, June 3, 1947

Press Service
No. S-352

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated June 5 and to mature September 4, 1947, which were offered on May 29, 1947, were opened at the Federal Reserve Banks on June 2.

The details of this issue are as follows:

Total applied for - $1,879,806,000
Total accepted - 1,307,369,000 (includes $14,356,000 entered on a fixed-price basis at 99.905 and accepted in full)

Average price - 99.905/ Equiv. rate of discount approx. 0.376% per annum

Range of accepted competitive bids:

High - 99.906 Equiv. rate of discount approx. 0.372% per annum
Low - 99.905 " " " " " 0.376% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 12,620,000	$ 8,807,000
New York	1,558,141,000	1,078,401,000
Philadelphia	20,715,000	14,515,000
Cleveland	12,655,000	9,555,000
Richmond	7,675,000	5,505,000
Atlanta	910,000	910,000
Chicago	191,114,000	133,044,000
St. Louis	23,480,000	16,567,000
Minneapolis	4,025,000	3,095,000
Kansas City	6,890,000	5,960,000
Dallas	5,480,000	4,829,000
San Francisco	36,101,000	26,181,000
TOTAL	$1,879,806,000	$1,307,369,000

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, June 6, 1947

Press Service
No. S-353

The Secretary of the Treasury, by this public notice, invites tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing June 12, 1947, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated June 12, 1947, and will mature September 11, 1947, 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 time, Monday, June 9, 1947. 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. Subject to these reservations, tenders for $200,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 12, 1947, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 12, 1947. Equal treatment will be

accorded all tenders, whether the bidders offer to exchange maturing bills or to pay cash for the new bills bid for. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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STATUTORY DEBT LIMITATION
AS OF MAY 31, 1947

June 6, 1947

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $275,000,000,000 outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount."

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			$275,000,000,000
Outstanding May 31, 1947			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing			
Treasury bills..............	$ 16,001,766,000		
Certificates of indebtedness	26,293,753,000		
Treasury notes..............	13,667,208,400	$ 55,962,727,400	
Bonds			
Treasury..................	119,322,892,950		
Savings (current redemp. value)	51,239,568,212		
Depositary.................	332,713,000		
Armed Forces Leave.........	1,765,424,775	172,660,598,937	
Special Funds			
Certificates of indebtedness	12,508,400,000		
Treasury notes.............	13,677,573,000	26,185,973,000	
Total interest-bearing....................		254,809,299,337	
Matured, interest-ceased.........................		235,508,991	
Bearing no interest			
War savings stamps.............	71,114,412		
Excess profits tax refund bonds.	20,382,262		
Special notes of the United States:			
Internat'l Bank for Reconst. and Development series.......	565,785,000		
Internat'l Monetary Fund series	1,749,000,000	2,314,785,000	
Total....................................		257,451,090,002	
Guaranteed obligations (not held by Treasury)			
Interest-bearing			
Debentures: F.H.A.	46,115,136		
Demand obligations: C.C.C.	124,651,453	170,766,589	
Matured, interest-ceased.......................		6,528,875	
		177,295,464	
Grand total outstanding........................			257,628,385,466
Balance face amount of obligations issuable under above authority			17,371,614,534

Reconcilement with Statement of the Public Debt - May 31, 1947
(Daily Statement of the United States Treasury, June 2, 1947)

Outstanding	
Total gross public debt...	258,343,439,566
Guaranteed obligations not owned by the Treasury................	177,295,464
Total gross public debt and guaranteed obligations..............	258,520,735,030
Deduct - other outstanding public debt obligations not subject to debt limitation.............................	892,349,564
	257,628,385,466

S-354

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, June 10, 1947

Press Service
No. S-355

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated June 12 and to mature September 11, 1947, which were offered on June 6, 1947, were opened at the Federal Reserve Banks on June 9.

The details of this issue are as follows:

Total applied for - $1,943,318,000
Total accepted - 1,303,378,000 (includes $17,518,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905 + Equiv. rate of discount approx. 0.376% per annum

Range of accepted competitive bids:

High - 99.906 Equiv. rate of discount approx. 0.372% per annum
Low - 99.905 " " " " " 0.376% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 12,260,000	$ 8,130,000
New York	1,600,429,000	1,047,079,000
Philadelphia	35,684,000	32,184,000
Cleveland	14,100,000	10,600,000
Richmond	6,530,000	5,830,000
Atlanta	2,800,000	2,800,000
Chicago	175,898,000	126,898,000
St. Louis	13,020,000	9,065,000
Minneapolis	2,580,000	1,950,000
Kansas City	21,156,000	17,831,000
Dallas	11,660,000	8,860,000
San Francisco	47,201,000	32,151,000
TOTAL	$1,943,318,000	$1,303,378,000

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, June 11, 1947.

Press Service
No. S-356

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 proclamations of April 13, 1942, and April 29, 1943, for the 12 months commencing May 29, 1947, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota (Bushels)	Imports May 29, 1947, to May 31, 1947 (Bushels)	Established Quota (Pounds)	Imports May 29, 1947 to May 31, 1947 (Pounds)
Canada	795,000	2	3,815,000	10,247
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	-
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	2	4,000,000	10,247

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, June 11, 1947.

Press Service
No. S-357

The Bureau of Customs announced today preliminary figures showing the imports for consumption of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to May 31, 1947, inclusive, as follows:

Commodity	Established Quota		Unit of Quantity	Imports as of May 31, 1947
	Period and Country	Quantity		
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	2,609
Cream, fresh or sour	Calendar year	1,500,000	Gallon	555
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	15,000,000	Pound	9,702,928
White or Irish potatoes:	12 months from Sept. 15, 1946			
certified seed		90,000,000	Pound	Quota filled
other		60,000,000	Pound	Quota filled
Cuban filler tobacco unstemmed or stemmed (other than cigarette leaf tobacco) and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	Quota Filled
Red cedar shingles	Calendar year	1,380,300	Square	824,905
Molasses and sugar sirups containing soluble non-sugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	197,185

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, June 11, 1947.

Press Service
No. S-358

The Bureau of Customs announced today preliminary figure showing the imports for consumption of commodities on which quotas were prescribed by the Philippine Trade Act of 1946, from January 1, 1947, to May 31, 1947, inclusive, as follows:

Products of Philippine Islands	Established Quota Quantity	Unit of Quantity	Imports as of May 31, 1947
Buttons	850,000	Gross	56,073
Cigars	200,000,000	Number	3,100,089
Coconut Oil	448,000,000	Pound	12,071,839
Cordage	6,000,000	"	946,689
Rice	1,040,000	"	50
Sugars, refined	112,000,000	"	---
unrefined	1,792,000,000	"	---
Tobacco	6,500,000	"	709,971

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, June 11, 1947.

Press Service
No. S-359

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 proclamations of April 13, 1942, and April 29, 1943, for the 12 months commencing May 29, 1946, as follows:

Country of Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota	Imports May 29, 1946, to May 28, 1947	Established Quota	Imports May 29, 1946, to May 28, 1947
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	664	3,815,000	1,952,705
China	-	-	24,000	2,930
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	1,880
Japan	-	-	8,000	-
United Kingdom	100	-	75,000	-
Australia	-	-	1,000	257
Germany	100	-	5,000	-
Syria	100	-	5,000	-
New Zealand	-	-	1,000	100
Chile	-	-	1,000	-
Netherlands	100	-	1,000	-
Argentina	2,000	-	14,000	-
Italy	100	-	2,000	-
Cuba	-	-	12,000	-
France	1,000	-	1,000	-
Greece	-	-	1,000	-
Mexico	100	-	1,000	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	664	4,000,000	1,958,872

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, June 11, 1947.

Press Service
No. S-360

The Bureau of Customs announced today that preliminary data on imports of cotton and cotton waste chargeable to the quotas established by the President's proclamation of September 5, 1939, as amended, for the period September 20, 1946, to May 31, 1947, are as follows:

COTTON (other than linters)
(In pounds)

Country of Origin	Under 1-1/8" other than rough or harsh under 3/4"		1-1/8" or more but less than 1-11/16" 4/	Less than 3/4" harsh or rough 5/
	Established Quota	Imports Sept. 20, 1946, to May 31, 1947	Imports Sept. 20, 1946, to May 31, 1947	Imports Sept. 20, 1946, to May 31, 1947
Egypt and the Anglo-Egyptian Sudan	783,816	-	36,415,174	-
Peru	247,952	247,952	9,209,346	-
British India	2,003,483	1,167,578	-	30,134,546
China	1,370,791	344	-	-
Mexico	8,883,259	8,883,259	-	-
Brazil	618,723	618,723	-	-
Union of Soviet Socialist Republics	475,124	25,348	31,900	-
Argentina	5,203	5,081	-	-
Haiti	237	-	-	-
Ecuador	9,333	-	-	-
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	-	-	-	-
Kuwait	-	-	-	237,600
	14,516,882	10,948,285	45,656,420	30,372,146

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.
4/ Established Quota - 45,656,420.
5/ Established Quota - 70,000,000.

COTTON WASTES
(In pounds)

COTTON CARD STRIPS made from cotton having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE: Provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than 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:

Country of Origin	Established TOTAL QUOTA	Total imports Sept. 20, 1946, to May 31, 1947	Established 33-1/3% of Total Quota	Imports Sept. 20, 1946, to May 31, 1947 1/
United Kingdom......	4,323,457	-	1,441,152	-
Canada..............	239,690	69,757	-	-
France..............	227,420	-	75,807	-
British India.......	69,627	69,627	-	-
Netherlands.........	68,240	-	22,747	-
Switzerland.........	44,388	-	14,796	-
Belgium.............	38,559	-	12,853	-
Japan...............	341,535	-	-	-
China...............	17,322	-	-	-
Egypt...............	8,135	6,347	-	-
Cuba................	6,544	-	-	-
Germany.............	76,329	-	25,443	-
Italy...............	21,263	-	7,088	-
Totals	5,482,509	145,731	1,599,886	-

1/ Included in total imports, column 2.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Wednesday, June 11, 1947

Press Service
No. S-361

A proclamation of the President dated June 9, 1947, modifies the proclamation of September 5, 1939, so as to permit the entry for consumption or withdrawal from warehouse for consumption during the period June 14 to September 19, 1947, of 23,094,000 pounds of cotton having a staple of 1-3/8 inches or more but less than 1-11/16 inches in length, in addition to the quantity of cotton having a staple of 1-1/8 inches or more but less than 1-11/16 inches in length, the entry of which has already been made under the said proclamation of September 5, 1939, during the present quota year.

In order that all importers may have equal opportunity at the opening of the quota on June 16, 1947, no entries of such cotton shall be accepted before 12 noon, E.S.T., on June 16, or its time equivalent in other time belts.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, June 13, 1947

Press Service
No. S-362

During the month of May, 1947, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $338,623,000, Secretary Snyder announced today.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Friday, June 13, 1947

Press Service
No. S-363

The Secretary of the Treasury, by this public notice, invites tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing June 19, 1947, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated June 19, 1947, and will mature September 18, 1947, 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 time, Monday, June 16, 1947. 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. Subject to these reservations, tenders for $200,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 19, 1947, in cash or other immediately available funds or in a like face amount of Treasury bills maturing June 19, 1947. Equal treatment will be accorded all tenders, whether the

bidders offer to exchange maturing bills or to pay cash for the new bills bid for. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, June 13, 1947

Press Service
No. S-364

Secretary of the Treasury Snyder announced today that all outstanding 4-1/4 percent Treasury Bonds of 1947-52 are called for redemption on October 15, 1947, and will be redeemed in cash. There are now outstanding $758,945,800 of these bonds.

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

* * * * *

FOUR AND ONE-QUARTER PERCENT TREASURY BONDS OF 1947-52

NOTICE OF CALL FOR REDEMPTION

To Holders of 4-1/4 percent Treasury Bonds of 1947-52, and Others Concerned:

1. Public notice is hereby given that all outstanding 4-1/4 percent Treasury Bonds of 1947-52, dated October 16, 1922, are hereby called for redemption on October 15, 1947, on which date interest on such bonds will cease.

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

/s/ John W. Snyder
Secretary of the Treasury

TREASURY DEPARTMENT
Washington, June 13, 1947.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Thursday, June 12, 1947

Press Service
No. S-365

The Bureau of Customs announced today that the tariff-rate quota of 15,000,000 pounds of fish, fresh or frozen (whether or not packed in ice), filleted, skinned, boned, sliced, or divided into portions, not specially provided for: cod, haddock, hake, pollock, cusk, and rosefish, entitled to entry for consumption at 1-7/8 cents per pound during the calendar year 1947 has been increased to 23,906,423 pounds.

The Canadian Trade Agreement of November 25, 1938, prescribes that if the average apparent annual consumption of such fish in the United States during the 3 calendar years preceding the year in which such fish were entered, or withdrawn from warehouse for consumption, exceeds 100,000,000 pounds, an additional quantity of such fish equal to the amount by which 15 per centum of such average apparent annual consumption exceeds the 15,000,000 pounds may be entered, or withdrawn from warehouse, for consumption in that year at the 1-7/8 cents per pound rate. It has been determined that the average annual consumption of such fish for the calendar years 1944, 1945, and 1946 was 159,376,156 pounds.

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TREASURY DEPARTMENT

Washington

FOR RELEASE,
Wednesday, June 25, 1947

Press Service
No. S-366

Secretary of the Treasury Snyder today made public data which will appear in the report "Statistics of Income for 1944, Part 1." These data, comprising the first of two groups of tabulations to be released, are prepared from the individual income tax returns for the income year 1944, under the direction of Commissioner of Internal Revenue Joseph D. Nunan, Jr.

Summary data

There were 47,111,495 individual income tax returns filed for the income year 1944, an increase of 3,389,457 returns, or 7.8 percent, over the number filed for 1943. The 1944 returns include 18,427,413 optional returns, Form W-2, the withholding receipts for tax withheld on wages; 18,942,560 short-form returns, Form 1040; and 9,741,522 long-form returns, Form 1040.

Adjusted gross income of $116,714,736,245 is reported on 46,919,590 returns, and adjusted gross deficit of $249,771,165 is reported on 191,905 returns.

The tax liability for 1944 is $16,216,401,179, an increase of $1,766,317,039, or 12.2 percent, over the income and victory tax on 1943 income tabulated in last year's report.

Individual returns, 1944 and 1943: Summary data

(Money figures in thousands of dollars)

	1944	1943	Increase: Number or amount	Increase: Percent
Total individual returns:				
Number of returns............	47,111,495	43,722,038	3,389,457	7.75
Adjusted gross income less adjusted gross deficit......	116,464,965	1/105,861,957	10,603,008	10.02
Tax liability 2/.............	16,216,401	14,450,084	1,766,317	12.22
Taxable individual returns:				
Number of returns............	42,354,468	40,240,137	2,114,331	5.25
Adjusted gross income.........	114,761,385	1/104,445,596	10,315,789	9.88
Tax liability 2/.............	16,216,401	14,450,084	1,766,317	12.22
Nontaxable individual returns:				
Number of returns...........	4,757,027	3,481,901	1,275,126	36.62
Adjusted gross income less adjusted gross deficit.....	1,703,580	1/1,416,361	287,219	20.28

For footnotes, see p. 17.

Returns included

The individual income tax returns included in this release are for the calendar year 1944, a fiscal year ending within the period July 1944 through June 1945, and a part year with the greater part of the accounting period in 1944. The returns include Forms W-2 and 1040 filed by citizens and resident aliens and Form 1040B filed by nonresident aliens having a business within the United States. Tentative returns are not included and amended returns are used only if the original returns are excluded. Statistics are taken from the returns as filed, prior to revisions that may be made as a result of audit.

Form W-2, the withholding receipt for income tax withheld on wages, is the optional return which may be filed by persons whose total income is less than $5,000 consisting of wages shown thereon and not more than $100 of other wages, dividends, and interest. The tax liability is determined by the collector of internal revenue on the basis of the income reported, in accordance with a tax table provided under supplement T of the Code, which allows for exemptions claimed by the taxpayer and also allows for deductions and tax credits approximating 10 percent of the income. Husband and wife may file a combined return on Form W-2 if their aggregate income meets the requirements for use of this form. On such combined returns, the tax as determined by the collector is the lesser of two amounts: the tax on the combined income and the aggregate tax on the separate incomes.

Form 1040, the regular income tax return, which may be either a long-form return or a short-form return, is used by persons whose income exceeds the limits specified for Form W-2 and by persons who, although eligible to use Form W-2, find it to their advantage to use Form 1040. Persons with adjusted gross income of less than $5,000, regardless of the source, may elect to file the short-form return on which deductions and tax credits are not itemized, the tax being determined from the tax table provided under supplement T. Persons with adjusted gross income of $5,000 or more, and persons with adjusted gross income of less than $5,000 who wish to claim deductions in excess of the amount allowed through the use of the tax table file the long-form return and compute the tax liability.

Data in this release present a complete coverage of the returns filed for 1944. For the returns with adjusted gross income under $25,000, data, except number of returns, and their distribution by adjusted gross income classes are estimated on the basis of samples as explained on pages 7 and 8.

Changes in the Internal Revenue Code

Amendments to the Internal Revenue Code provided by the Revenue Act of 1943 and the Individual Income Tax Act of 1944 affect the comparability of the income and tax data for 1944 with that for 1943. Among the principal changes are:

(a) Every person, citizen or resident, including minors, who had $500 or more gross income is required to file a return. A husband and wife may make a joint return even though one spouse has no income.

(b) Form W-2, the withholding receipt for income tax withheld on wages, replaces the optional return, Form 1040A, and may be used as a return, at the option of the taxpayer, if his total income is less than $5,000 consisting of the wages shown thereon and income from other wages, dividends, and interest totaling not more than $100.

(c) The taxpayer's marital status is determined as of the last day of the taxable year, unless his spouse dies during the year, in which case such determination is made as of the date of spouse's death.

(d) A normal-tax exemption of $500 is allowed as a credit against net income for the purpose of the normal tax; however, in the case of a joint return of husband and wife the normal-tax exemption is $1,000 except that, if the adjusted gross income of one spouse is less than $500, the normal-tax exemption is $500 plus the adjusted gross income of such spouse.

(e) Surtax exemptions of $500 for the taxpayer, $500 for his spouse, and $500 for each dependent with respect to whom exemption may be claimed are allowed as a credit against net income for the purpose of surtax. Such dependents must have received from the taxpayer more than one-half their support for the year and must have had less than $500 gross income during such year.

(f) A dependent is defined as a close relative with income of less than $500 who received more than one-half of his support from the taxpayer. A close relative means: Son, daughter, or a descendant of either; stepson, stepdaughter, son-in-law, daughter-in-law; father, mother, or ancestor of either; stepfather, stepmother, father-in-law, or mother-in-law; brother, sister, stepbrother, stepsister, half brother, half sister, brother-in-law, or sister-in-law; uncle, aunt, nephew, or niece; provided he or she is a citizen of the United States, Canada, or Mexico, and has not filed a joint return with another person. Dependents meeting these qualifications need not be under 18 years of age.

(g) Adjusted gross income is defined as gross income less business deductions, expenses of travel and lodging in connection with employment, reimbursed expenses in connection with employment, deductions attributable to rents and royalties, certain deductions of life tenants and income beneficiaries of property held in trust, and losses from the sales or exchanges of property.

(h) Mustering-out payment with respect to service in the military or naval forces of the United States is excluded from gross income.

(i) A special deduction for the blind of $500 is allowable in computing net income.

(j) The deduction for contributions, as well as the deduction for medical and dental expenses is based on adjusted gross income instead of net income.

(k) An optional standard deduction in lieu of allowable deductions, tax credits for foreign tax paid and tax paid at source on tax-free covenant bonds, and credit against net income for Government interest, is provided; such standard deduction is $500 if the adjusted gross income is $5,000 or more; or it is approximately 10 percent of the adjusted gross income if the adjusted gross income is less than $5,000 in which case the tax liability is determined from the tax table (supplement T) the computation of which utilizes the standard deduction. In case of husband and wife filing separate returns, the standard deduction is not allowed to either if the net income of one of the spouses is determined without regard to the standard deduction.

(l) The victory tax of 5 percent on the victory tax net income is repealed.

(m) The earned income credit allowed against net income for normal tax computation is repealed.

(n) The normal tax rate is reduced from 6 percent to 3 percent.

(o) The former surtax rates of 13 percent on surtax net income not over $2,000 progressing to 82 percent on surtax net income over $200,000 are increased to 20 percent on surtax net income not over $2,000 progressing to 91 percent on surtax net income over $200,000.

(p) The optional tax table (supplement T) is revised to reflect the increase in tax rates as well as the increased allowance for deductions from 6 percent of gross income to approximately 10 percent of adjusted gross income, and is extended to cover the tax on adjusted gross income of not more than $5,000 from any source whatsoever.

(q) Returns for a fiscal year ending in the period July through November 1944 are subject to the law applicable to taxable years beginning on January 1, 1943, as well as the law applicable to taxable years beginning on January 1, 1944. A tentative tax is computed under each law, after which each tax is prorated according to the number of days in each year, and the total tax is the sum of the prorated taxes.

Adjusted gross income

Adjusted gross income, introduced by the 1944 act, is defined as gross income minus allowable trade and business deductions, expenses of travel and lodging in connection with employment, reimbursed expenses in connection with employment, deductions attributable to rents and royalties, certain deductions of life tenants and income beneficiaries of property held in trust, and allowable losses from sales of property. Should these allowable deductions exceed the gross income, there is an adjusted gross deficit. Adjusted gross income provides a means whereby different kinds of gross income are placed substantially on a par with each other, so that in each case the tax liability may be determined by means of a tax table. In the case of a wage earner with no income except wages his gross income for tax purposes is his total receipts; in the case of a merchant, however, gross income is total sales, less cost of goods sold. Formerly, the tax rates could not be applied to the income of the merchant and wage earner until the net income of each had been determined after deducting not only cost of doing business but also all deductions and credits the law allowed, including allowable personal expenses such as contributions, medical expenses, taxes, interest, and casualty losses.

In table 1 showing sources of income, the net profit and net loss from similar sources are tabulated in juxtaposition. When these positive and negative amounts are combined with the other items of income the result is adjusted gross income (or deficit).

Deductions

The 1944 act in effect divides all deductions into two groups. One group, deductible from gross income in computing adjusted gross income, consists of expenses incurred in trade or business, deductions attributable to the production of rents and royalties, expenses of travel and lodging in connection with employment, reimbursed expenses in connection with employment, deductions for depreciation and depletion allowable to a life tenant or an income beneficiary of property held in trust, and allowable losses from sales or exchanges of property. These deductions, except losses from sales of property, are not tabulated and the income to which they relate is reported as a net figure.

The second group of deductions consists of the allowable personal expenses having no relation to business or investments, such as contributions, medical expenses, taxes, interest, and casualty losses, which are deductible from the adjusted gross income for the computation of net income. To relieve taxpayers of the burden of having to itemize these deductions in detail and of having to support them with evidence, the 1944 act provides a substitute called the optional standard deduction, which the taxpayer may use, if he chooses, instead of itemizing his actual deductions. If the adjusted gross income is $5,000 or more, the standard deduction is $500. If the adjusted gross income is less than $5,000, the standard deduction is approximately 10 percent of the adjusted gross income, and is allowed automatically through the use of the tax table. In the case of husband and wife living together and filing separate returns, the standard deduction is not allowed to the remaining spouse if the net income of one spouse is determined without regard to the standard deduction.

For the segment of taxpayers who do not use the standard deduction, the itemized allowable personal expenses which are deductible from adjusted gross income are tabulated in table 1 as well as the resulting net income. For the taxpayers who use the standard deduction, neither the standard deduction nor the net income is available.

Exemptions

Under the 1944 act, the amount of exemption allowed as a credit against net income for the purpose of computing the normal tax and the amount of exemption allowed for computing the surtax are determined separately. The normal-tax exemption, not tabulated in statistics, is $500 for the taxpayer, except that, if husband and wife file a joint or combined return, the normal-tax exemption is $500 plus the amount of the smaller of the two adjusted gross incomes but not more than $1,000. If the optional tax is paid, normal-tax exemption is allowed automatically.

The surtax exemption, in reality a per capita exemption, is $500 for the taxpayer, $500 for his spouse if a joint or combined return is filed, and $500 for each dependent with respect to whom the taxpayer (and spouse, on a joint return) may claim a surtax exemption. A dependent is a close relative with income of less than $500 who received more than one-half of his support from the taxpayer. If the optional tax is paid, surtax exemption is allowed automatically.

There were 111,321,075 surtax exemptions claimed on the income tax returns for 1944. Slight duplication in exemptions exists on account of dependents with less than $500 income, who file a return in order to claim refund of tax withheld on wages; such wages are not taxable to the dependent nor to the taxpayer claiming the exemption. The amount of surtax exemption tabulated in this release includes the surtax exemptions from returns with optional tax, wherein this exemption is allowed automatically, as well as the surtax exemptions from returns on which the tax is computed.

<u>Tax liability, payments, and overpayment</u>

The normal tax rate is 3 percent on the normal tax net income, and the surtax rate is 20 percent on surtax net income not over $2,000 increasing at graduated rates to 91 percent on surtax net income over $200,000. An optional tax table, stating the tax liability for various adjusted gross income brackets, is provided in supplement T of the Code and may be used at the election of the taxpayer whose adjusted gross income from whatever source is less than $5,000. The tax therein is computed at the same rates as are used for computing the tax in detail; and there are allowed the normal-tax exemption, surtax exemptions for the number of persons with respect to whom surtax exemptions may be claimed, and the standard deduction which is 10 percent of the amount of the midpoint of each adjusted gross income bracket. This midpoint is also the base for the optional tax computation.

The Federal income taxes of most individuals are collected on a current tax payment basis through the tax withheld from wages and/or the payments made on Declaration of Estimated Income Tax, Form 1040-ES. In cases where these payments are insufficient to cover the total tax liability, the balance is paid in cash with the filing of the final return after the close of the income year. Overpayment of tax is refundable to the taxpayer unless he signifies on his return that he wishes the overpayment to be credited on 1945 tax liability. The overpayment tabulated in this release does not show separately the amounts refunded and credited on 1945 tax; however, these amounts will be available in the report.

Classification of returns

For the tables in this release, individual returns are classified as taxable and nontaxable, as returns with standard deduction or with itemized deductions, by adjusted gross income classes, and by the marital status of the taxpayer.

The classification of returns as taxable and nontaxable is based on the existence or nonexistence of a tax liability.

Adjusted gross income, being common to all types of returns, supplies the base for adjusted gross income classes regardless of the amount of net income or net deficit when computed. Returns with adjusted gross deficit are designated no adjusted gross income and the size of the deficit is disregarded.

Returns with standard deduction are optional returns, Form W-2; short-form returns, Form 1040; and long-form returns, Form 1040, with adjusted gross income of $5,000 or over on which the $500 standard deduction is used.

Returns with itemized deductions are long-form returns, Form 1040, on which deductions are itemized in detail; long-form returns, Form 1040, with no deductions, filed by spouses of taxpayers who itemized deductions (such spouses are denied the standard deduction); and returns, Form 1040, with no adjusted gross income whether or not deductions are itemized.

The classification of returns according to the marital status of the taxpayer, applied to all returns, is based on the marital status of the taxpayer at the close of the taxable year, or on the day before the death of a spouse. The four classifications are: Joint returns of husbands and wives, separate returns of husbands and wives, separate community property returns, and returns of single persons. Returns in each of the classifications, except that of joint returns of husbands and wives, are classified as returns of men or returns of women. The head of family status is abolished by the 1944 act.

Description of the sample and limitations of data

Tables 1 and 2 in this release were derived from a basic sample of individual income tax returns, Forms 1040 and W-2, composed of the following nine strata: (a) 1 percent of taxable assessable returns, Form W-2; (b) 1 percent of taxable nonassessable returns, Form W-2; (c) 1 percent of nontaxable returns, Form W-2; (d) 1 percent of taxable assessable returns, Form 1040, with adjusted gross income under $7,000; (e) 1 percent of taxable nonassessable returns, Form 1040, with adjusted gross income under $7,000; (f) 1 percent of nontaxable returns, Form 1040, with adjusted gross income under $7,000; (g) 10 percent of returns, Form 1040, with adjusted gross income from $7,000 to $10,000; (h) 20 percent of returns, Form 1040, with adjusted gross income from $10,000 to $25,000; and (i) 100 percent of returns,

Form 1040, with adjusted gross income of $25,000 and over. Taxable assessable returns are taxable returns showing tax withheld and/or declaration payments totaling less than the tax liability. Taxable nonassessable returns are taxable returns showing tax withheld and/or declaration payments equal to or in excess of the tax liability. Precise 1 percent, 10 percent, and 20 percent representation of returns with adjusted gross income under $7,000, from $7,000 to $10,000, and from $10,000 to $25,000, respectively, was, of course, not achieved. However, the universes, on an over-all national basis, applicable to each of the strata (a) to (h), inclusive, were independently determined and the data tabulated from the sample were extended to such universes, so that no random sampling error attaches to the total number of returns for each of the various strata. A relatively negligible error in the total number of returns does result, however, from the use of rounded extension factors.

In computing the possible variation of a given frequency due to random sampling, a range of two standard errors was used; chances are 19 out of 20 that the frequency as estimated from the sample tabulation differs from the actual frequency, if the entire universe were tabulated, by less than twice the standard error. Variation beyond the two-error limit would occur only 1 time in 20 and would be sufficiently rare to justify a two-error range in defining sampling variability. Accordingly, frequencies of the magnitude of 1 million or more in cells associated with taxable or nontaxable adjusted gross income classes under $7,000 are subject to variation of less than 3 percent; frequencies of 100,000 or more are subject to variation of less than 10 percent; frequencies of 10,000 or more are subject to variation of less than 30 percent; and frequencies of less than 1,000 are subject to 100 percent or greater variation. Frequencies of 1,000 to 10,000, subject to maximum variation of between 100 and 30 percent, are shown in tables 1 and 2 with footnotes to emphasize their great variability; however, frequencies of less than 1,000, and corresponding money amounts, are omitted from the tables, since such data are considered too unreliable for general use. In determining the variability of cell frequencies due to random sampling, consideration was given to the fact that data for taxable adjusted gross income classes under $7,000 are composites derived from one or more of the strata (a), (b), (d), and (e), and data for nontaxable classes are generally composites derived from strata (c) and (f), so that frequencies of like magnitude may be subject to different degrees of sampling variability, depending on the proportions contributed by the various strata. In order to determine sampling variability associated with specific frequency levels, without reference to their composition, a comprehensive standard error formula was utilized, which involved a downward revision of sample sizes to offset any minimization of error which might result from use of the composite, rather than the component, frequencies.

Frequencies, in cells associated with adjusted gross income classes from $7,000 to $25,000, of magnitude of 100,000 or more are subject to less than 2.5 percent variation; frequencies of 10,000 or more are subject to less than 10 percent variation; and frequencies of 1,000 or more are subject to less than 30 percent variation. The degrees of variability noted above relate only to cell frequencies and do not indicate the variability associated with money amounts of income, deductions, or tax.

Table 1. - Individual returns for 1944, by taxable and nontaxable returns and by adjusted gross income classes - Part I, all returns; Part II, returns with standard deduction; Part III, returns with itemized deductions: Number of returns, sources of income, adjusted gross income, deductions, surtax exemption, tax liability, tax payments, and tax overpayment

PART I. - ALL RETURNS

(Adjusted gross income classes and money figures in thousands of dollars)

	Adjusted gross income 3/ classes	Total number of returns	Salaries and wages 4/	Dividends and interest 5/	Annuities and pensions 6/	Rents and royalties 7/		Business or profession 8/		Partnership 9/		Sales or exchanges of capital assets 10/		Sales or exchanges of property other than capital assets 11/		Income from estates and trusts 12/	Miscellaneous income 13/	Adjusted gross income 14/	
						Net profit	Net loss	Net profit	Net loss	Net profit	Net loss	Net gain	Net loss	Net gain	Net loss				
	Taxable individual returns:																		
1	0.5 under 0.75	2,045,206	1,071,591	32,315	5,025	35,692	2,440	166,047	5,571	15,834	484	5,381	3,828	826	317	4,564	12,944	1,337,580	1
2	0.75 under 1	2,950,919	2,100,718	59,812	9,656	56,519	4,345	315,215	9,174	28,980	1,465	8,150	5,602	1,883	1,649	7,228	20,311	2,586,259	2
3	1 under 1.25	3,477,486	3,264,703	66,900	13,637	65,274	4,895	442,202	10,833	44,246	939	10,802	6,578	1,478	1,472	8,816	28,178	3,921,519	3
4	1.25 under 1.5	3,512,445	4,119,028	71,686	10,845	64,290	6,983	487,433	10,097	47,668	1,938	14,465	6,012	1,409	1,805	8,751	27,153	4,825,893	4
5	1.5 under 1.75	3,459,860	4,857,752	76,956	12,058	70,197	6,857	513,258	12,370	53,911	629	15,251	8,021	1,225	2,984	10,291	34,123	5,614,142	5
6	1.75 under 2	3,403,802	5,563,326	80,845	10,617	71,559	8,109	550,654	11,823	70,019	1,524	18,009	8,885	2,208	3,200	10,645	30,340	6,374,683	6
7	2 under 2.25	3,130,449	5,884,553	75,803	7,238	67,995	9,589	501,790	11,189	84,002	2,766	20,851	7,656	2,460	3,335	7,943	25,063	6,643,163	7
8	2.25 under 2.5	2,870,005	6,042,240	72,759	8,597	73,600	8,979	491,470	11,751	90,510	2,688	22,959	7,798	3,965	3,393	11,342	28,613	6,811,467	8
9	2.5 under 2.75	2,786,617	6,582,114	73,268	7,717	72,207	8,618	463,030	8,595	77,462	1,181	22,257	7,495	1,845	2,139	8,342	27,698	7,307,911	9
10	2.75 under 3	2,514,455	6,519,003	72,464	7,313	63,227	7,715	440,102	9,184	90,628	1,206	19,181	8,354	2,807	1,523	13,060	22,945	7,222,747	10
11	3 under 3.5	4,133,166	12,125,501	149,051	8,453	118,740	14,072	746,462	15,299	172,668	1,426	42,137	12,632	5,743	3,052	20,161	36,376	13,378,813	11
12	3.5 under 4	2,785,527	9,395,592	111,068	9,487	97,093	10,926	572,468	12,812	144,923	1,710	40,147	9,057	5,245	2,482	19,435	35,725	10,394,197	12
13	4 under 4.5	1,777,741	6,604,705	116,790	7,275	79,162	6,274	489,007	7,493	148,655	3,041	37,686	8,882	3,497	1,158	23,250	33,325	7,516,504	13
14	4.5 under 5	1,039,236	4,125,642	109,313	5,396	59,334	5,843	427,300	6,602	131,385	1,650	34,122	7,577	3,425	1,795	17,747	25,504	4,915,701	14
15	5 under 6	933,071	3,812,905	166,913	8,204	85,187	6,144	649,308	12,667	228,613	848	58,948	10,965	4,563	2,827	40,360	35,532	5,057,083	15
16	6 under 7	417,756	1,643,458	150,776	6,403	65,715	5,339	511,243	8,446	227,991	638	50,409	12,054	3,467	1,497	39,096	22,456	2,693,021	16
17	7 under 8	220,512	819,425	110,951	3,346	44,220	2,674	407,208	4,961	201,366	1,591	35,129	6,021	2,311	1,895	25,332	13,615	1,645,762	17
18	8 under 9	151,103	563,675	98,675	3,169	41,192	2,469	334,780	5,219	189,113	1,302	28,918	5,200	2,152	1,722	22,661	10,622	1,279,043	18
19	9 under 10	111,991	433,110	88,269	1,638	32,817	2,052	292,989	3,795	166,794	1,444	26,348	4,591	1,663	1,621	21,916	8,114	1,060,155	19
20	10 under 11	88,911	374,650	81,608	1,626	28,732	1,517	246,700	3,444	156,433	943	24,036	3,945	1,066	1,270	20,132	7,492	931,357	20
21	11 under 12	67,593	286,724	72,757	1,227	23,798	1,337	212,124	3,632	145,968	663	19,510	3,241	678	1,259	18,095	5,053	775,780	21
22	12 under 13	57,375	267,449	70,114	1,251	23,819	1,105	187,254	3,276	132,223	943	18,449	3,057	1,037	711	18,044	5,443	715,970	22
23	13 under 14	46,036	215,421	64,782	1,061	18,384	1,245	165,747	3,131	124,229	721	17,934	2,411	854	1,063	16,455	4,214	620,510	23
24	14 under 15	38,563	190,297	58,400	1,356	17,571	912	142,029	1,956	120,174	610	15,449	2,427	718	696	15,028	4,075	558,495	24
25	15 under 20	129,466	756,752	248,378	3,586	65,446	3,684	532,845	12,958	503,506	3,210	61,377	8,406	2,110	3,419	66,001	15,696	2,224,022	25
26	20 under 25	67,537	492,038	184,706	1,927	43,769	2,595	326,126	7,476	371,192	1,849	46,152	5,448	923	2,141	47,940	9,048	1,504,311	26
27	25 under 30	38,435	323,503	135,919	2,057	26,259	2,122	217,379	6,325	277,844	1,199	33,971	3,810	553	1,451	38,402	8,809	1,049,789	27
28	30 under 40	41,610	408,846	204,076	2,436	35,417	2,074	268,224	8,994	411,764	2,087	49,202	4,151	636	2,240	59,036	10,837	1,430,927	28
29	40 under 50	20,422	245,872	142,640	1,436	22,663	2,034	150,173	6,554	276,682	1,597	33,306	2,354	475	1,151	40,698	5,713	907,988	29
30	50 under 60	11,844	161,150	108,884	1,085	14,830	935	97,538	4,854	206,359	1,173	29,571	2,459	293	1,120	32,051	4,561	645,763	30
31	60 under 70	7,253	115,442	83,270	1,030	10,808	600	69,023	3,249	146,694	962	22,687	972	126	798	23,961	2,498	468,959	31
32	70 under 80	4,668	78,107	66,356	589	8,054	519	49,682	3,001	110,009	558	17,461	658	45	443	21,726	1,860	348,712	32
33	80 under 90	3,063	55,590	51,950	364	5,497	271	35,384	2,084	84,003	516	14,296	436	50	373	14,838	1,584	259,874	33
34	90 under 100	2,133	39,408	43,781	367	3,953	244	27,825	1,563	62,166	387	14,276	334	23	284	12,055	1,669	202,711	34
35	100 under 150	4,873	102,840	130,038	984	12,061	627	75,512	6,567	183,239	802	43,401	803	43	1,166	43,964	2,584	584,702	35
36	150 under 200	1,565	36,523	68,978	593	5,727	253	37,106	3,805	75,712	582	26,414	285	51	374	20,899	889	267,591	36
37	200 under 250	665	16,776	39,460	136	3,740	92	18,545	1,155	37,189	290	17,611	121	9	185	14,737	578	146,936	37
38	250 under 300	351	8,902	29,442	51	2,505	189	10,625	1,182	25,876	98	9,951	69	29	218	9,621	463	95,709	38
39	300 under 400	318	10,109	30,050	101	2,612	114	13,110	565	25,245	186	16,679	62	4	284	11,186	415	108,299	39
40	400 under 500	155	5,840	20,690	154	690	58	5,237	601	15,533	84	12,996	30	426	433	8,287	81	68,726	40
41	500 under 750	159	3,769	34,522	68	1,506	193	8,935	1,299	14,997	76	20,054	34	5	796	13,625	179	95,263	41
42	750 under 1,000	62	2,705	23,951	64	496	76	1,707	542	3,934	71	11,674	23	-	23	9,906	50	53,754	42
43	1,000 under 1,500	38	653	18,596	53	75	61	5,119	634	3,140	7	10,311	16	-	321	9,842	113	46,863	43
44	1,500 under 2,000	12	449	6,319	-	1,921	6	756	208	2,956	6	5,302	3	-	-	3,744	2	21,226	44
45	2,000 under 3,000	6	153	5,584	6	164	1	6	190	4,797	80	3,658	-	-	(25)	30	1	14,108	45
46	3,000 under 4,000	2	1	3,385	-	-	2	-	34	3,017	-	6	1	-	6	-	-	6,366	46
47	4,000 under 5,000	3	3	8,799	-	2	-	-	9	4,036	-	498	-	-	-	-	1	13,329	47
48	5,000 and over	1	2	7,753	-	-	35	-	-	-	-	-	1	-	-	-	-	7,719	48
49	Total taxable individual returns	42,354,468	89,729,018	3,829,799	169,660	1,644,520	147,222	11,706,681	267,147	5,743,686	48,173	1,109,344	192,744	62,325	62,088	911,224	572,502	114,761,385	49
	Nontaxable individual returns: 18/																		
50	No adjusted gross income 19/	191,905	29,686	12,620	1,060	10,165	11,496	12,909	235,386	5,713	29,763	14,570	11,664	2,156	56,591	2,635	3,434	20/ 249,771	50
51	Under 0.5	3,260,590	768,463	20,572	2,066	36,169	5,090	134,404	17,322	7,044	2,490	7,046	11,097	553	4,676	1,748	10,156	947,548	51
52	0.5 under 0.75	851,628	313,271	22,640	3,208	34,278	2,055	99,829	6,218	5,378	741	3,281	3,366	489	1,928	1,788	6,651	476,487	52
53	0.75 under 1	220,253	102,606	10,775	1,967	15,655	613	60,921	2,813	2,055	100	1,802	2,010	692	1,053	991	3,061	193,918	53
54	1 under 1.25	137,609	82,805	7,915	1,492	13,861	1,059	41,836	3,168	2,334	1,225	2,927	786	31	1,014	734	2,822	149,507	54
55	1.25 and over	95,042	98,918	19,408	1,950	17,741	773	42,646	3,187	6,218	3,897	3,046	2,737	269	2,466	3,761	4,996	185,892	55
56	Total nontaxable individual returns	4,757,027	1,395,729	93,931	11,743	127,870	21,084	392,546	268,093	28,723	38,217	32,673	31,659	4,189	67,528	11,657	31,101	21/ 1,703,580	56
57	Grand total	47,111,495	91,124,747	3,923,730	181,403	1,772,389	168,306	12,099,227	535,240	5,772,409	86,390	1,142,016	224,403	66,514	129,616	922,881	603,602	21/ 116,464,965	57
58	Individual returns with adjusted gross income under $5,000	44,643,941	79,652,198	1,262,960	135,057	1,122,759	126,728	6,998,985	410,863	1,229,616	60,865	344,055	140,036	42,204	97,831	183,231	419,400	21/ 90,554,141	58
59	Individual returns with adjusted gross income of $5,000 and over	2,467,554	11,472,550	2,660,770	46,346	649,630	41,578	5,100,242	124,376	4,542,793	25,525	797,962	84,367	24,310	31,784	739,650	184,202	25,910,825	59

For footnotes, see p. 17.

Table 1. - Individual returns for 1944, by taxable and nontaxable returns and by adjusted gross income classes - Part I, all returns; Part II, returns with standard deduction; Part III, returns with itemized deductions: Number of returns, sources of income, adjusted gross income, deductions, surtax exemption, tax liability, tax payments, and tax overpayment - Continued

PART I. - ALL RETURNS - Continued
(Adjusted gross income classes and money figures in thousands of dollars)

	Adjusted gross income 3/ classes	Amount of surtax exemption 15/	Tax liability 16/	Tax withheld	Payments on 1944 Declaration of Estimated Tax 17/	Balance of tax due at time of filing	Overpayment (refund, or credit on 1945 tax)	
	Taxable individual returns:							
1	0.5 under 0.75	1,645,474	28,773	68,583	5,124	6,073	51,006	1
2	0.75 under 1	2,659,601	117,588	137,714	14,559	23,144	57,829	2
3	1 under 1.25	3,324,746	232,116	235,954	25,191	40,490	65,499	3
4	1.25 under 1.5	3,537,541	352,824	330,313	28,224	58,716	64,429	4
5	1.5 under 1.75	3,687,396	457,886	417,626	35,646	71,760	67,146	5
6	1.75 under 2	3,852,444	568,240	503,993	43,849	87,344	66,946	6
7	2 under 2.25	3,741,190	620,010	552,333	52,055	85,945	70,323	7
8	2.25 under 2.5	3,722,221	644,419	571,843	54,020	89,068	70,513	8
9	2.5 under 2.75	3,780,315	719,094	645,165	57,523	90,661	72,255	9
10	2.75 under 3	3,565,983	736,140	658,379	60,652	87,405	70,295	10
11	3 under 3.5	6,099,517	1,452,573	1,290,842	127,933	159,669	125,871	11
12	3.5 under 4	4,277,725	1,209,589	1,064,482	113,787	123,336	92,017	12
13	4 under 4.5	2,765,607	955,019	806,218	115,055	96,952	63,166	13
14	4.5 under 5	1,591,894	671,120	534,409	102,853	72,357	38,498	14
15	5 under 6	1,393,377	758,757	514,997	179,456	102,621	38,318	15
16	6 under 7	591,101	452,645	236,176	163,246	76,879	23,656	16
17	7 under 8	293,682	306,455	119,333	133,937	68,021	14,835	17
18	8 under 9	196,511	255,341	83,749	124,388	59,014	11,809	18
19	9 under 10	142,894	224,333	65,597	116,949	52,059	10,272	19
20	10 under 11	113,781	206,799	57,996	112,493	45,196	8,886	20
21	11 under 12	85,924	180,968	44,608	104,311	39,855	7,784	21
22	12 under 13	72,269	174,343	42,908	101,741	37,054	7,560	22
23	13 under 14	57,676	157,262	34,250	95,502	34,633	7,123	23
24	14 under 15	47,994	147,550	30,735	90,586	31,505	5,276	24
25	15 under 20	161,466	647,519	125,156	419,785	129,759	27,181	25
26	20 under 25	82,531	505,473	85,210	341,605	98,893	18,232	26
27	25 under 30	46,383	394,428	56,654	279,207	72,437	13,850	27
28	30 under 40	48,759	598,052	72,267	440,822	104,623	19,660	28
29	40 under 50	23,556	419,786	44,421	319,897	68,846	13,378	29
30	50 under 60	13,265	320,470	29,387	248,473	51,978	9,368	30
31	60 under 70	7,910	245,292	21,042	192,957	38,292	6,980	31
32	70 under 80	5,086	191,023	14,573	151,825	29,655	5,009	32
33	80 under 90	3,219	146,989	10,341	118,789	21,856	3,997	33
34	90 under 100	2,223	118,224	7,217	95,620	18,594	3,206	34
35	100 under 150	4,904	360,446	18,899	298,824	51,850	9,126	35
36	150 under 200	1,495	174,045	6,913	145,335	25,325	3,525	36
37	200 under 250	625	97,963	2,962	85,509	13,286	1,794	37
38	250 under 300	328	65,493	1,757	56,092	8,984	1,320	38
39	300 under 400	296	73,513	1,820	64,219	9,705	2,452	39
40	400 under 500	144	48,200	1,112	41,585	6,263	739	40
41	500 under 750	143	66,467	699	58,495	8,506	1,052	41
42	750 under 1,000	50	37,336	422	32,557	4,933	355	42
43	1,000 under 1,500	36	31,678	120	29,953	2,328	722	43
44	1,500 under 2,000	13	15,178	85	14,404	1,086	398	44
45	2,000 under 3,000	4	10,046	31	9,228	812	25	45
46	3,000 under 4,000	3	4,843	-	2,175	2,668	-	46
47	4,000 under 5,000	3	9,311	-	8,884	626	-	47
48	5,000 and over	1	4,801	-	4,680	121	-	48
49	Total taxable individual returns	51,606,896	16,216,401	9,545,227	5,515,697	2,410,917	1,253,440	49
	Nontaxable individual returns: 18/							
50	No adjusted gross income 19/	223,976	-	2,701	7,851	-	10,552	50
51	Under 0.5	2,393,750	-	55,300	4,759	-	60,059	51
52	0.5 under 0.75	812,169	-	17,389	1,661	-	19,050	52
53	0.75 under 1	284,595	-	4,545	1,077	-	5,622	53
54	1 under 1.25	192,605	-	3,243	1,174	-	4,417	54
55	1.25 and over	146,549	-	5,773	3,379	-	9,152	55
56	Total nontaxable individual returns	4,053,642	-	88,951	19,901	-	108,852	56
57	Grand total	55,660,538	16,216,401	9,632,178	5,535,598	2,410,917	1,362,292	57
58	Individual returns with adjusted gross income under $5,000	52,263,092	8,765,390	7,902,783	854,352	1,092,900	1,084,644	58
59	Individual returns with adjusted gross income of $5,000 and over	3,397,446	7,451,011	1,729,395	4,681,246	1,318,017	277,647	59

For footnotes, see p. 17.

Table 1. - Individual returns for 1944, by taxable and nontaxable returns and by adjusted gross income classes - Part I, all returns; Part II, returns with standard deduction; Part III, returns with itemized deductions: Number of returns, sources of income, adjusted gross income, deductions, surtax exemption, tax liability, tax payments, and tax overpayment - Continued

PART II. - RETURNS WITH STANDARD DEDUCTION 22/

(Adjusted gross income classes and money figures in thousands of dollars)

	Adjusted gross income 3/ classes	Number of returns	Salaries and wages 4/	Dividends and interest 5/	Annuities and pensions 6/	Rents and royalties 7/		Business or profession 8/		Partnership 9/		Sales or exchanges of capital assets 10/		Sales or exchanges of property other than capital assets 11/		Income from estates and trusts 12/	Miscellaneous income 13/	Adjusted gross income 14/	
						Net profit	Net loss	Net profit	Net loss	Net profit	Net loss	Net gain	Net loss	Net gain	Net loss				
	Taxable individual returns:																		
1	0.5 under 0.75	1,914,490	1,034,861	22,313	3,484	27,171	1,826	139,073	4,763	13,335	439	4,403	2,827	698	311	3,892	11,617	1,250,682	1
2	0.75 under 1	2,646,499	1,961,954	32,991	5,811	33,352	2,758	249,403	7,302	23,265	1,262	5,445	3,152	1,409	1,411	4,477	15,704	2,317,948	2
3	1 under 1.25	3,065,224	2,981,696	34,814	8,143	35,963	3,054	336,450	6,582	35,595	796	7,216	2,715	1,092	559	6,173	22,050	3,455,486	3
4	1.25 under 1.5	3,043,729	3,693,518	35,180	5,625	33,977	3,949	356,323	6,375	37,188	1,507	9,035	2,345	1,178	1,068	4,694	20,175	4,181,651	4
5	1.5 under 1.75	2,947,925	4,275,047	37,593	5,553	35,703	3,428	362,231	8,728	41,660	510	9,772	3,319	907	1,472	6,224	26,244	4,783,476	5
6	1.75 under 2	2,880,435	4,840,081	41,992	6,071	39,275	5,082	396,005	8,280	50,201	718	10,798	4,473	1,661	762	5,838	21,045	5,395,650	6
7	2 under 2.25	2,617,116	5,024,995	38,398	4,163	38,777	5,296	362,767	6,753	64,145	709	12,385	3,691	1,779	1,233	4,326	18,927	5,552,980	7
8	2.25 under 2.5	2,359,266	5,059,432	38,967	3,468	40,049	4,586	360,292	6,400	70,004	1,654	14,966	3,230	2,524	1,074	6,733	19,294	5,596,784	8
9	2.5 under 2.75	2,268,034	5,454,912	37,223	3,464	38,237	4,609	333,962	5,219	56,353	950	14,304	3,709	1,057	1,319	4,815	19,749	5,948,272	9
10	2.75 under 3	2,019,186	5,315,755	39,459	3,333	38,763	3,965	310,482	5,370	67,146	748	11,727	3,787	1,862	428	7,100	17,601	5,798,932	10
11	3 under 3.5	3,259,678	9,689,950	74,878	3,088	67,087	8,126	542,647	9,255	124,297	1,040	27,077	4,998	4,091	1,847	11,076	28,301	10,547,228	11
12	3.5 under 4	2,164,560	7,381,245	60,550	5,581	55,370	5,960	418,726	6,327	104,145	683	26,423	4,750	3,086	842	10,996	27,695	8,075,254	12
13	4 under 4.5	1,355,694	5,107,539	66,808	3,534	41,441	2,972	355,427	3,708	107,291	1,554	22,655	3,796	2,135	336	10,996	27,236	5,732,696	13
14	4.5 under 5	765,961	3,083,879	56,743	3,104	31,124	3,065	310,159	3,113	100,266	846	21,312	3,494	1,595	932	8,201	18,218	3,623,152	14
15	5 under 6	628,426	2,564,270	78,201	2,850	51,373	3,137	461,448	6,494	170,806	630	32,478	5,180	3,485	610	23,742	25,409	3,398,010	15
16	6 under 7	244,097	890,592	65,600	3,927	35,489	3,003	366,048	5,476	154,656	192	30,062	4,033	1,890	995	21,693	14,970	1,571,227	16
17	7 under 8	123,363	393,527	43,615	1,444	21,650	1,122	286,731	1,863	139,946	708	17,789	2,170	1,418	374	11,998	7,860	919,740	17
18	8 under 9	77,740	232,861	32,393	1,162	18,746	1,046	221,710	1,960	125,922	482	14,130	1,511	1,241	353	8,752	5,665	657,232	18
19	9 under 10	54,115	158,053	25,965	314	12,370	687	188,866	1,383	103,116	678	13,618	1,162	813	499	8,898	3,255	510,861	19
20	10 under 11	38,955	113,642	21,092	480	10,886	526	154,048	981	91,333	276	10,173	957	459	481	6,051	3,145	408,087	20
21	11 under 12	28,197	81,320	16,971	245	9,559	434	121,763	1,022	80,430	175	8,072	705	358	345	5,269	2,231	323,537	21
22	12 under 13	21,622	64,378	14,675	359	8,067	393	102,714	848	67,628	240	5,989	598	525	108	5,309	2,348	269,805	22
23	13 under 14	16,134	44,094	11,929	191	5,769	218	84,227	448	61,004	193	5,935	451	568	184	3,636	1,491	217,349	23
24	14 under 15	13,160	38,575	10,311	133	5,260	218	69,571	291	56,476	84	5,274	424	475	114	4,523	1,236	190,703	24
25	15 under 20	36,885	113,878	30,068	426	16,161	1,086	242,357	2,333	197,159	367	15,758	1,112	837	377	12,623	4,787	628,780	25
26	20 under 25	14,379	49,502	14,466	94	7,651	630	112,337	1,057	116,121	393	10,762	499	365	448	8,013	1,914	318,197	26
27	25 under 30	6,268	23,680	7,588	230	3,395	187	61,372	551	64,952	98	5,233	242	128	149	3,640	1,836	170,826	27
28	30 under 40	5,419	21,661	8,406	128	3,665	173	61,475	829	78,963	222	6,067	217	91	156	4,642	1,534	185,035	28
29	40 under 50	2,092	9,397	3,916	29	2,293	40	29,268	406	42,526	88	3,540	86	104	63	1,822	407	92,618	29
30	50 under 60	980	3,980	2,113	9	946	46	14,393	182	27,348	41	2,663	33	11	22	1,673	418	53,230	30
31	60 under 70	486	2,242	1,144	26	502	25	9,637	126	15,501	114	1,826	24	10	22	398	282	31,258	31
32	70 under 80	288	883	727	-	460	12	6,786	123	10,754	26	1,253	12	1	31	590	174	21,423	32
33	80 under 90	174	965	504	1	281	5	4,139	23	6,900	6	1,391	9	9	3	251	300	14,746	33
34	90 under 100	115	870	188	-	219	1	2,740	27	5,052	(23)	1,448	4	-	2	276	94	10,853	34
35	100 under 150	165	667	824	2	135	12	6,185	89	8,326	2	2,439	6	2	(23)	925	89	19,483	35
36	150 under 200	45	174	64	-	300	1	3,946	16	2,385	-	349	1	-	2	489	1	7,688	36
37	200 under 250	22	72	48	-	383	-	1,749	146	2,364	1	402	(23)	-	30	-	10	4,850	37
38	250 under 300	6	31	31	8	(23)	(23)	491	(23)	560	-	286	-	-	-	250	-	1,657	38
39	300 under 400	6	107	7	-	6	-	867	-	604	-	330	1	-	-	-	2	1,923	39
40	400 under 500	3	(23)	13	-	-	-	-	-	409	-	390	-	409	-	1	-	1,223	40
41	500 under 750	3	-	11	-	(23)	-	1,078	-	-	-	-	-	-	-	500	-	1,589	41
42	750 under 1,000	2	-	1	-	(23)	-	11	-	-	-	1,629	-	-	-	-	-	1,642	42
43	1,000 under 1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43
44	1,500 under 2,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44
45	2,000 under 3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45
46	3,000 under 4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46
47	4,000 under 5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47
48	5,000 and over	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48
49	Total taxable individual returns	34,620,944	69,714,286	1,008,777	76,478	771,854	71,656	7,449,954	114,849	2,526,133	18,429	396,807	69,724	38,275	18,961	231,504	373,314	82,293,764	49
	Nontaxable individual returns: 18/																		
50	No adjusted gross income 19/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
51	Under 0.5	3,180,654	760,433	14,956	1,857	29,830	3,562	119,863	13,988	6,426	1,436	5,335	8,155	346	2,390	996	9,951	920,461	51
52	0.5 under 0.75	692,909	280,303	8,036	766	13,764	1,115	70,711	3,511	3,504	656	1,732	978	213	89	888	3,868	377,435	52
53	0.75 under 1	117,040	69,115	1,191	305	3,693	66	27,655	1,521	730	-	645	208	252	-	240	967	102,998	53
54	1 under 1.25	71,468	55,073	412	81	2,324	120	17,895	802	662	114	400	-	-	172	-	333	75,972	54
55	1.25 and over	(24)	(24)	-	-	-	-	(24)	-	-	-	-	-	-	-	-	-	(24)	55
56	Total nontaxable individual returns	4,062,176	1,165,033	24,595	3,009	49,611	4,863	236,226	19,823	11,322	2,207	8,113	9,341	810	2,652	2,123	15,119	1,477,077	56
57	Grand total	38,683,120	70,879,319	1,033,372	79,486	821,465	76,519	7,686,181	134,671	2,537,455	20,636	404,920	79,064	39,085	21,612	233,627	388,433	83,770,841	57
58	Individual returns with adjusted gross income under $5,000	37,369,973	66,069,898	642,502	67,429	605,900	63,518	5,070,174	107,997	906,212	15,621	205,631	59,626	25,886	16,243	97,664	308,976	73,737,267	58
59	Individual returns with adjusted gross income of $5,000 and over	1,313,147	4,809,421	390,870	12,057	215,565	13,001	2,616,007	26,675	1,631,243	5,015	199,289	19,439	13,199	5,369	135,963	79,456	10,033,574	59

For footnotes, see p. 17.

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Table 1. - Individual returns for 1944, by taxable and nontaxable returns and by adjusted gross income classes - Part I, all returns; Part II, returns with standard deduction; Part III, returns with itemized deductions: Number of returns, sources of income, adjusted gross income, deductions, surtax exemption, tax liability, tax payments, and tax overpayment - Continued

PART II. - RETURNS WITH STANDARD DEDUCTION 22/ - Continued

(Adjusted gross income classes and money figures in thousands of dollars)

	Adjusted gross income 3/ classes	Amount of surtax exemption 15/	Tax liability 16/	Tax withheld	Payments on 1944 Declaration of Estimated Tax 17/	Balance of tax due at time of filing	Overpayment (refund, or credit on 1945 tax)	
	Taxable individual returns:							
1	0.5 under 0.75	1,542,389	26,923	66,333	3,968	5,302	48,680	1
2	0.75 under 1	2,388,205	107,220	128,816	9,940	19,840	51,376	2
3	1 under 1.25	2,952,309	209,534	214,179	16,166	35,027	55,839	3
4	1.25 under 1.5	3,083,542	316,049	298,439	18,964	50,668	52,022	4
5	1.5 under 1.75	3,161,971	403,935	371,920	24,204	60,650	52,838	5
6	1.75 under 2	3,267,553	495,890	443,705	30,117	73,780	51,711	6
7	2 under 2.25	3,160,677	532,389	475,774	36,679	72,053	52,118	7
8	2.25 under 2.5	3,100,204	543,547	481,854	38,231	74,371	50,890	8
9	2.5 under 2.75	3,119,478	600,457	537,062	39,942	74,921	51,469	9
10	2.75 under 3	2,884,035	608,207	541,298	43,491	72,455	49,037	10
11	3 under 3.5	4,855,555	1,176,323	1,037,987	89,400	131,202	82,265	11
12	3.5 under 4	3,343,624	964,735	858,853	82,067	101,166	57,351	12
13	4 under 4.5	2,112,221	749,658	629,138	80,918	77,359	37,756	13
14	4.5 under 5	1,180,283	509,056	403,314	71,290	55,808	21,356	14
15	5 under 6	929,651	531,353	349,732	125,729	74,794	18,903	15
16	6 under 7	337,461	280,236	129,642	106,374	54,396	10,176	16
17	7 under 8	157,228	182,109	57,845	83,508	46,651	5,896	17
18	8 under 9	96,009	140,022	35,003	71,313	38,236	4,550	18
19	9 under 10	65,312	116,020	24,112	64,507	31,528	4,127	19
20	10 under 11	46,476	97,772	17,520	56,880	26,339	2,966	20
21	11 under 12	33,393	81,552	12,615	49,853	21,762	2,678	21
22	12 under 13	26,208	71,259	10,209	44,050	18,973	1,972	22
23	13 under 14	18,843	59,873	6,919	37,916	16,951	1,893	23
24	14 under 15	15,462	54,809	5,945	36,020	14,448	1,603	24
25	15 under 20	42,098	199,914	17,985	136,799	51,143	6,013	25
26	20 under 25	15,791	117,793	8,051	82,380	30,595	3,213	26
27	25 under 30	6,853	70,732	3,965	50,529	18,054	1,817	27
28	30 under 40	5,776	85,331	3,549	63,015	21,020	2,253	28
29	40 under 50	2,269	47,543	1,616	35,720	11,207	1,000	29
30	50 under 60	999	29,529	717	22,195	7,180	563	30
31	60 under 70	514	18,277	378	14,243	4,017	362	31
32	70 under 80	311	13,138	146	10,456	2,680	144	32
33	80 under 90	182	9,291	122	7,109	2,259	199	33
34	90 under 100	103	7,035	175	5,699	1,356	196	34
35	100 under 150	170	13,352	108	10,249	3,127	132	35
36	150 under 200	43	5,941	26	4,609	1,394	87	36
37	200 under 250	19	3,827	12	2,672	1,143	(23)	37
38	250 under 300	4	1,294	2	898	408	14	38
39	300 under 400	4	1,527	18	1,359	150	-	39
40	400 under 500	3	916	(23)	473	442	-	40
41	500 under 750	2	1,415	-	808	607	-	41
42	750 under 1,000	3	817	-	751	66	-	42
43	1,000 under 1,500	-	-	-	-	-	-	43
44	1,500 under 2,000	-	-	-	-	-	-	44
45	2,000 under 3,000	-	-	-	-	-	-	45
46	3,000 under 4,000	-	-	-	-	-	-	46
47	4,000 under 5,000	-	-	-	-	-	-	47
48	5,000 and over	-	-	-	-	-	-	48
49	Total taxable individual returns	41,953,226	9,486,599	7,155,043	1,711,491	1,405,510	785,445	49
	Nontaxable individual returns: 18/							
50	No adjusted gross income 19/	-	-	-	-	-	-	50
51	Under 0.5	2,315,075	-	54,592	3,977	-	58,568	51
52	0.5 under 0.75	671,883	-	15,672	733	-	16,405	52
53	0.75 under 1	171,324	-	2,691	192	-	2,883	53
54	1 under 1.25	114,350	-	2,100	192	-	2,292	54
55	1.25 and over	(24)	-	(24)	-	-	(24)	55
56	Total nontaxable individual returns	3,272,841	-	75,064	5,094	-	80,159	56
57	Grand total	45,226,066	9,486,599	7,230,108	1,716,585	1,405,510	865,604	57
58	Individual returns with adjusted gross income under $5,000	43,424,883	7,243,923	6,543,716	590,470	904,604	794,867	58
59	Individual returns with adjusted gross income of $5,000 and over	1,801,183	2,242,677	686,392	1,126,116	500,906	70,738	59

For footnotes, see p. 17.

Table 1. - Individual returns for 1944, by taxable and nontaxable returns and by adjusted gross income classes - Part I, all returns; Part II, returns with standard deduction; Part III, returns with itemized deductions: Number of returns, sources of income, adjusted gross income, deductions, surtax exemption, tax liability, tax payments, and tax overpayment - Continued

PART III. - RETURNS WITH ITEMIZED DEDUCTIONS 25/
(Adjusted gross income classes and money figures in thousands of dollars)

	Adjusted gross income 3/ classes	Number of returns	Salaries and wages 4/	Dividends and interest 5/	Annuities and pensions 6/	Rents and royalties 7/		Business or profession 8/		Partnership 9/		Sales or exchanges of capital assets 10/		Sales or exchanges of property other than capital assets 11/		Income from estates and trusts 12/	Miscellaneous income 13/	Adjusted gross income 14/	
						Net profit	Net loss	Net profit	Net Loss	Net profit	Net loss	Net gain	Net loss	Net gain	Net loss				
	Taxable individual returns:																		
1	0.5 under 0.75	130,716	36,729	10,002	1,641	8,521	614	26,974	808	2,499	45	978	1,001	128	6	671	1,327	86,898	1
2	0.75 under 1	304,420	138,764	26,821	3,845	23,167	1,605	65,812	1,872	5,715	203	2,705	2,451	474	239	2,751	4,607	268,292	2
3	1 under 1.25	412,262	283,007	32,086	5,494	29,311	1,841	105,753	4,251	8,651	143	3,586	3,863	384	913	2,643	6,128	466,033	3
4	1.25 under 1.5	468,716	425,509	36,506	5,219	30,313	3,034	131,110	3,722	10,481	432	5,429	3,667	231	737	4,056	6,978	644,242	4
5	1.5 under 1.75	511,936	582,704	39,364	6,505	34,493	3,429	151,027	3,641	12,251	119	5,460	4,701	318	1,512	4,067	7,879	830,666	5
6	1.75 under 2	523,367	723,245	38,853	4,546	32,284	3,028	154,650	3,543	19,819	806	7,212	4,412	547	2,438	4,808	9,295	981,033	6
7	2 under 2.25	513,333	859,558	37,405	3,075	29,218	4,293	139,024	4,436	19,857	2,056	8,466	3,966	681	2,103	3,617	6,136	1,090,183	7
8	2.25 under 2.5	510,739	982,809	33,792	5,129	33,552	4,393	131,178	5,331	20,506	1,034	7,993	4,568	1,441	2,319	4,609	9,319	1,212,683	8
9	2.5 under 2.75	518,583	1,127,202	36,045	4,253	33,970	4,010	129,067	3,376	21,109	231	7,953	3,785	788	820	3,526	7,949	1,359,639	9
10	2.75 under 3	495,269	1,203,248	33,005	3,980	24,464	3,750	129,619	3,814	23,482	458	7,454	4,567	945	1,095	5,960	5,344	1,423,816	10
11	3 under 3.5	873,488	2,435,551	74,173	5,365	51,653	5,946	203,815	6,044	48,371	386	15,061	7,634	1,652	1,205	9,065	8,075	2,831,586	11
12	3.5 under 4	620,967	2,014,347	50,518	3,907	41,724	4,966	153,741	6,485	40,779	1,027	13,724	4,307	2,159	1,640	8,439	8,030	2,318,943	12
13	4 under 4.5	422,047	1,497,166	49,983	3,742	37,720	3,302	133,580	3,786	41,364	1,488	15,032	5,086	1,361	822	12,254	6,088	1,783,808	13
14	4.5 under 5	273,275	1,041,764	52,570	2,292	28,209	2,778	117,141	3,489	31,119	805	12,810	4,084	1,830	864	9,547	7,286	1,292,548	14
15	5 under 6	304,645	1,248,636	88,712	5,354	33,814	3,006	187,860	6,172	57,807	217	26,470	5,785	1,079	2,217	16,618	10,123	1,659,073	15
16	6 under 7	173,659	752,866	85,176	2,476	30,226	2,335	145,195	2,970	73,335	446	20,347	8,020	1,577	502	17,403	7,467	1,121,794	16
17	7 under 8	97,149	425,898	67,337	1,901	22,570	1,551	120,478	3,098	61,420	883	17,340	3,851	894	1,521	13,334	5,755	726,021	17
18	8 under 9	73,363	330,813	66,281	2,007	22,445	1,424	113,070	3,258	63,191	820	14,788	3,689	911	1,369	13,909	4,957	621,811	18
19	9 under 10	57,876	275,057	62,303	1,324	20,447	1,364	104,124	2,412	63,678	766	12,729	3,430	850	1,122	13,017	4,859	549,294	19
20	10 under 11	49,956	261,009	60,516	1,146	17,846	991	92,652	2,463	65,102	667	13,863	2,988	607	788	14,080	4,347	523,270	20
21	11 under 12	39,396	205,403	55,786	982	14,240	903	90,361	2,610	65,537	489	11,438	2,536	321	915	12,826	2,802	452,244	21
22	12 under 13	35,753	203,070	55,439	872	15,752	711	84,540	2,429	64,595	703	12,461	2,460	512	603	12,736	3,094	446,165	22
23	13 under 14	29,902	171,327	52,852	870	12,615	1,027	81,520	2,683	63,225	528	11,998	1,959	286	879	12,819	2,723	403,161	23
24	14 under 15	25,403	151,722	48,089	1,223	12,311	694	72,457	1,665	63,698	526	10,175	2,003	243	583	10,505	2,839	367,792	24
25	15 under 20	92,581	642,875	218,310	3,160	49,285	2,598	290,488	10,625	306,347	2,842	45,619	7,294	1,273	3,042	53,379	10,908	1,595,242	25
26	20 under 25	53,158	442,587	170,240	1,833	36,118	1,965	213,789	6,419	255,071	1,456	35,390	4,950	558	1,692	39,927	7,133	1,186,114	26
27	25 under 30	32,167	299,823	128,330	1,828	22,864	1,935	156,006	5,774	212,892	1,101	28,737	3,567	425	1,302	34,762	6,973	878,963	27
28	30 under 40	36,191	387,185	195,669	2,307	31,753	1,901	206,749	8,164	332,801	1,865	43,135	3,934	545	2,084	54,394	9,303	1,245,891	28
29	40 under 50	18,330	236,475	138,723	1,408	20,370	1,994	120,905	6,148	234,156	1,509	31,766	2,248	370	1,087	38,876	5,306	815,369	29
30	50 under 60	10,864	157,171	106,771	1,077	13,884	889	83,145	4,672	179,011	1,132	26,908	2,426	282	1,097	30,358	4,143	592,534	30
31	60 under 70	6,767	113,200	82,125	1,004	10,306	574	59,386	3,123	131,193	848	20,860	948	117	776	23,563	2,216	437,701	31
32	70 under 80	4,380	77,224	65,629	589	7,594	507	42,897	2,878	99,254	532	16,207	644	44	412	21,136	1,687	327,289	32
33	80 under 90	2,889	54,625	51,446	363	5,216	266	31,195	2,061	77,103	510	12,906	427	41	370	14,587	1,283	245,128	33
34	90 under 100	2,020	38,538	43,593	367	3,734	243	25,085	1,536	57,114	387	12,828	330	23	282	11,779	1,576	191,858	34
35	100 under 150	4,708	102,173	129,215	982	11,926	615	69,327	6,477	174,912	800	40,962	797	41	1,166	43,039	2,495	565,219	35
36	150 under 200	1,520	36,349	68,914	593	5,427	252	33,160	3,789	73,327	582	26,064	284	51	372	20,410	888	259,903	36
37	200 under 250	643	16,704	39,412	136	3,357	92	16,796	1,010	34,824	290	17,209	121	9	155	14,737	568	142,086	37
38	250 under 300	345	8,870	29,411	44	2,505	189	10,134	1,182	25,315	98	9,664	69	29	218	9,371	463	94,051	38
39	300 under 400	312	10,002	30,042	101	2,606	114	12,243	565	24,641	186	16,349	61	4	284	11,186	413	106,376	39
40	400 under 500	152	5,840	20,677	154	690	58	5,237	601	15,124	84	12,606	30	17	433	8,285	81	67,503	40
41	500 under 750	156	3,769	34,511	68	1,506	193	7,857	1,299	14,997	76	20,054	34	5	796	13,125	179	93,674	41
42	750 under 1,000	60	2,705	23,950	64	496	76	1,696	542	3,934	71	10,045	23	-	23	9,906	50	52,112	42
43	1,000 under 1,500	38	653	18,596	53	75	61	6,119	634	3,140	7	10,311	16	-	321	9,842	113	46,863	43
44	1,500 under 2,000	12	449	6,319	-	1,921	6	756	208	2,956	6	5,302	3	-	-	3,744	2	21,226	44
45	2,000 under 3,000	6	153	5,584	6	164	1	6	190	4,797	80	3,638	-	-	(23)	30	1	14,108	45
46	3,000 under 4,000	2	1	3,385	-	-	2	-	34	3,017	-	6	1	-	6	-	-	6,366	46
47	4,000 under 5,000	3	3	8,799	-	2	-	-	9	4,036	-	498		-	-	-	1	13,329	47
48	5,000 and over	1	2	7,753	-	-	35	-	-	-	-	-	1	-	-	-	-	7,719	48
49	Total taxable individual returns	7,733,524	20,014,732	2,821,022	93,182	872,666	75,566	4,256,726	152,298	3,217,553	29,744	712,536	123,020	24,050	43,127	679,720	199,188	32,467,620	49
	Nontaxable individual returns: 18/																		
50	No adjusted gross income 19/	191,905	29,666	12,620	1,060	10,165	11,496	12,909	235,386	5,713	29,763	14,570	11,664	2,156	56,391	2,635	3,434	20/ 249,771	50
51	Under 0.5	79,936	8,030	5,616	209	6,339	1,528	14,541	3,333	618	1,054	1,711	2,942	208	2,285	753	204	27,087	51
52	0.5 under 0.75	158,719	32,968	14,604	2,442	20,514	938	29,119	2,707	1,874	85	1,549	2,388	276	1,839	900	2,763	99,052	52
53	0.75 under 1	103,213	33,491	9,584	1,663	11,962	547	33,265	1,292	1,306	100	1,157	1,801	441	1,053	751	2,094	90,920	53
54	1 under 1.25	66,141	27,732	7,503	1,411	11,537	939	23,941	2,365	1,672	1,111	2,527	786	31	842	734	2,489	73,535	54
55	1.25 and over	94,937	98,809	19,408	1,950	17,741	773	42,545	3,187	6,218	3,897	3,046	2,737	269	2,466	3,761	4,996	185,682	55
56	Total nontaxable individual returns	694,851	230,697	69,336	8,735	78,258	16,221	156,320	248,271	17,401	36,010	24,560	22,318	3,379	64,876	9,533	15,981	21/ 226,504	56
57	Grand total	8,428,375	20,245,428	2,890,358	101,917	950,924	91,787	4,413,046	400,568	3,234,954	65,754	737,096	145,338	27,429	108,004	689,254	215,170	21/ 32,694,124	57
58	Individual returns with adjusted gross income under $5,000	7,273,968	13,582,300	620,458	67,628	516,859	63,209	1,928,811	302,867	323,403	45,244	138,424	80,410	16,318	81,588	85,567	110,424	21/ 16,816,873	58
59	Individual returns with adjusted gross income of $5,000 and over	1,154,407	6,663,128	2,269,900	34,289	434,065	28,578	2,484,235	97,702	2,911,550	20,510	598,673	64,928	11,111	26,415	603,687	104,746	15,877,251	59

For footnotes, see p. 17.

Table 1. - Individual returns for 1944, by taxable and nontaxable returns and by adjusted gross income classes - Part I, all returns; Part II, returns with standard deduction; Part III, returns with itemized deductions: Number of returns, sources of income, adjusted gross income, deductions, surtax exemption, tax liability, tax payments, and tax overpayment - Continued

PART III. - RETURNS WITH ITEMIZED DEDUCTIONS 26/- Continued
(Adjusted gross income classes and money figures in thousands of dollars)

	Adjusted gross income 3/ classes	Deduction for - Contributions 26/	Interest 27/	Taxes 28/	Losses from fire, storm, etc. 29/	Medical and dental expenses 30/	Miscellaneous deductions 31/	Total deductions	Net income	Deficit 32/	Amount of surtax exemption 15/	Tax liability 16/	Tax withheld	Payments on 1944 Declaration of Estimated Tax 17/	Balance of tax due at time of filing	Overpayment (refund, or credit on 1945 tax)	
	Taxable individual returns:																
1	0.5 under 0.75	4,341	493	2,335	123	2,645	2,183	12,119	74,779	-	103,085	1,850	2,250	1,156	770	2,326	1
2	0.75 under 1	14,352	3,047	10,738	610	16,147	5,118	50,013	218,279	-	251,396	10,368	8,898	4,620	3,304	6,453	2
3	1 under 1.25	24,782	6,706	17,845	1,685	27,751	8,475	87,245	378,788	-	372,437	22,582	19,755	7,025	5,462	9,660	3
4	1.25 under 1.5	33,091	10,842	24,475	2,883	36,345	11,586	119,222	525,020	-	453,799	36,775	31,874	9,260	8,047	12,407	4
5	1.5 under 1.75	41,543	16,104	32,423	3,570	43,512	18,004	155,158	675,508	-	525,426	53,951	45,706	11,442	11,110	14,307	5
6	1.75 under 2	45,727	21,627	37,133	4,438	49,526	20,680	179,130	801,902	-	564,891	72,350	60,288	13,732	13,564	15,235	6
7	2 under 2.25	49,516	24,524	39,427	6,254	54,939	15,968	190,628	899,555	-	580,513	87,621	76,559	15,376	13,892	18,206	7
8	2.25 under 2.5	53,477	29,632	44,965	5,883	52,638	22,448	209,042	1,003,642	-	622,017	100,872	90,009	15,789	14,697	19,623	8
9	2.5 under 2.75	56,603	37,044	51,298	7,810	50,596	28,189	231,540	1,128,100	-	660,837	118,637	106,103	17,580	15,740	20,787	9
10	2.75 under 3	58,151	38,728	52,090	6,686	48,257	30,377	234,288	1,189,527	-	681,949	127,933	117,081	17,161	14,949	21,258	10
11	3 under 3.5	114,703	78,615	102,759	16,009	89,253	56,312	457,651	2,373,935	-	1,243,962	276,250	252,855	38,533	28,468	43,606	11
12	3.5 under 4	92,013	66,728	83,314	13,908	65,865	48,562	370,391	1,948,552	-	934,101	244,854	225,629	31,721	22,170	34,666	12
13	4 under 4.5	71,914	49,103	66,596	9,882	44,771	33,984	276,249	1,507,559	-	651,386	205,361	177,080	34,118	19,573	25,410	13
14	4.5 under 5	48,463	37,376	44,245	7,276	29,565	39,738	206,664	1,085,885	-	411,611	162,065	131,095	31,563	16,549	17,142	14
15	5 under 6	63,161	47,336	60,391	10,433	34,034	38,067	253,413	1,405,660	-	463,727	227,384	165,265	53,707	27,827	19,415	15
16	6 under 7	41,847	28,121	42,449	8,110	19,291	26,190	166,007	955,787	-	253,640	172,409	106,534	56,872	22,483	13,480	16
17	7 under 8	25,121	17,333	26,955	3,696	10,261	21,127	104,494	621,528	-	136,454	124,346	61,488	50,428	21,370	8,939	17
18	8 under 9	21,156	13,936	22,741	2,274	7,102	16,446	83,655	538,155	-	100,303	115,318	48,745	53,074	20,778	7,280	18
19	9 under 10	18,401	11,772	19,559	1,995	5,301	13,723	70,751	478,543	-	77,582	108,312	41,484	52,442	20,531	6,146	19
20	10 under 11	16,798	10,864	18,478	2,122	4,720	11,973	64,955	458,315	-	67,306	109,027	40,476	55,613	18,857	5,919	20
21	11 under 12	14,727	8,098	15,605	1,488	3,647	9,923	53,487	398,756	-	52,531	99,416	31,993	54,459	18,071	5,107	21
22	12 under 13	13,606	8,071	14,895	1,491	3,297	9,647	51,006	395,159	-	46,062	103,084	32,700	57,691	18,080	5,388	22
23	13 under 14	12,226	7,097	13,544	1,420	2,538	8,116	44,941	358,220	-	38,833	97,390	27,331	57,586	17,702	5,230	23
24	14 under 15	10,828	6,037	12,426	1,124	2,116	7,070	39,601	328,190	-	32,532	92,741	24,790	54,566	17,058	3,672	24
25	15 under 20	45,886	23,415	51,038	4,876	7,261	32,443	164,919	1,430,324	-	119,368	447,605	107,171	282,986	78,616	21,168	25
26	20 under 25	32,850	15,175	36,976	3,464	3,681	23,001	115,147	1,070,967	-	66,740	387,680	75,179	259,222	68,298	15,019	26
27	25 under 30	23,933	9,842	26,986	2,203	2,037	13,371	78,372	800,591	-	39,530	323,696	52,669	228,677	54,383	12,033	27
28	30 under 40	33,226	15,278	37,420	3,300	2,086	19,108	110,418	1,135,473	-	42,983	512,722	68,718	377,807	83,604	17,407	28
29	40 under 50	23,062	8,341	24,295	2,469	1,223	12,880	72,270	743,100	-	21,287	372,243	42,804	284,177	57,639	12,378	29
30	50 under 60	16,704	6,549	18,123	1,988	615	9,747	53,725	538,808	-	12,266	290,940	28,669	226,277	44,798	8,805	30
31	60 under 70	13,351	4,734	13,522	1,403	272	8,488	41,769	395,932	-	7,396	227,015	20,664	178,694	34,275	6,617	31
32	70 under 80	10,443	3,467	9,976	1,530	248	5,334	30,998	296,290	-	4,775	177,885	14,427	141,369	26,954	4,865	32
33	80 under 90	8,613	2,519	7,809	944	186	3,658	23,729	221,399	-	3,037	137,698	10,219	111,680	19,597	3,798	33
34	90 under 100	6,945	1,906	6,910	549	55	2,984	18,350	173,508	-	2,120	111,190	7,042	89,921	17,237	3,010	34
35	100 under 150	22,555	6,145	17,331	2,095	105	10,487	58,718	506,500	-	4,734	347,094	18,791	288,575	48,722	8,994	35
36	150 under 200	12,156	2,915	8,369	1,190	21	5,208	29,859	230,044	-	1,452	168,104	6,887	140,726	23,929	3,438	36
37	200 under 250	7,146	1,618	4,696	573	7	3,205	17,246	124,840	-	606	94,135	2,949	80,837	12,143	1,793	37
38	250 under 300	5,243	1,350	3,067	371	9	2,011	12,051	82,000	-	324	64,199	1,736	55,194	8,576	1,306	38
39	300 under 400	5,559	1,676	3,520	421	11	2,928	14,116	92,260	-	292	71,786	1,802	62,860	9,555	2,432	39
40	400 under 500	3,259	720	2,068	312	1	963	7,323	60,180	-	141	47,285	1,112	41,092	5,820	739	40
41	500 under 750	5,413	882	2,843	209	-	1,691	10,987	82,687	-	142	65,052	699	57,688	7,698	1,032	41
42	750 under 1,000	4,042	297	1,434	108	-	871	6,753	45,360	-	48	36,519	422	31,586	4,867	355	42
43	1,000 under 1,500	3,699	238	1,496	225	-	1,215	6,873	39,990	-	36	31,678	120	29,953	2,328	722	43
44	1,500 under 2,000	1,047	95	712	18	-	184	2,057	19,168	-	13	15,178	85	14,404	1,086	398	44
45	2,000 under 3,000	728	44	193	35	1	238	1,241	12,867	-	4	10,046	31	9,228	812	25	45
46	3,000 under 4,000	601	(23)	231	10	-	59	901	5,465	-	3	4,843	-	2,175	2,668	-	46
47	4,000 under 5,000	1,111	1,166	187	-	-	194	2,658	10,671	-	5	9,511	-	8,884	626	-	47
48	5,000 and over	1,158	29	685	25	-	487	2,384	5,335	-	1	4,801	-	4,680	121	-	48
49	Total taxable individual returns	1,235,275	687,583	1,135,576	149,489	721,938	664,656	4,594,517	27,873,103	-	9,653,671	6,729,802	2,388,184	3,804,206	1,005,406	467,995	49
	Nontaxable individual returns: 18/																
50	No adjusted gross income 19/	1,198	2,026	3,302	224	1,398	516	8,663	-	258,434	223,976	-	2,701	7,851	-	10,552	50
51	Under 0.5	1,968	1,012	2,648	1,094	2,901	641	10,264	20,295	3,472	78,676	-	708	783	-	1,491	51
52	0.5 under 0.75	5,988	3,344	8,654	924	15,028	3,747	37,686	63,504	2,139	140,287	-	1,717	928	-	2,645	52
53	0.75 under 1	3,763	2,822	6,538	1,333	17,117	6,677	38,251	55,690	3,021	113,272	-	1,855	885	-	2,740	53
54	1 under 1.25	3,470	3,696	6,260	2,321	13,242	5,161	34,150	41,905	2,520	78,253	-	1,143	982	-	2,125	54
55	1.25 and over	6,286	10,689	14,846	23,581	31,269	28,175	114,846	85,016	14,180	146,339	-	5,762	3,379	-	9,141	55
56	Total nontaxable individual returns	22,673	23,590	42,247	29,477	80,955	44,916	243,859	266,410	283,766	780,801	-	13,886	14,807	-	28,693	56
57	Grand total	1,257,948	711,173	1,177,823	178,966	802,893	709,572	4,838,376	28,139,514	283,766	10,434,472	6,729,802	2,402,070	3,819,013	1,005,406	496,688	57
58	Individual returns with adjusted gross income under $5,000	731,348	444,159	651,892	116,494	692,766	386,541	3,023,199	14,077,440	283,766	8,838,209	1,521,468	1,359,068	263,882	188,295	289,778	58
59	Individual returns with adjusted gross income of $5,000 and over	526,601	267,014	525,931	62,472	110,128	323,031	1,815,177	14,062,073	-	1,596,263	5,208,334	1,043,003	3,555,131	817,111	206,910	59

For footnotes, see p. 17.

Table 2. - Individual returns for 1944, by taxable and nontaxable returns, by adjusted gross income classes, by marital status, and by sex: Number of returns, adjusted gross income, surtax exemption, and tax liability

(Adjusted gross income classes and money figures in thousands of dollars)

	Adjusted gross income 3/ classes	All returns: Total number of returns	All returns: Adjusted gross income 14/	All returns: Amount of surtax exemption 15/	All returns: Total tax liability 16/	Joint returns 33/ of husbands and wives: Number of returns	Joint returns: Adjusted gross income 14/	Joint returns: Amount of surtax exemption 15/	Joint returns: Tax liability 16/	Separate returns of husbands and wives 34/ — Men: Number of returns	Men: Adjusted gross income 14/	Men: Amount of surtax exemption 15/	Men: Tax liability 16/	Women: Number of returns	Women: Adjusted gross income 14/	Women: Amount of surtax exemption 15/	Women: Tax liability 16/
	Taxable individual returns:																
1	0.5 under 0.75	2,045,206	1,337,580	1,645,474	28,773	449,144	298,303	678,547	1,560	33,003	21,455	21,465	585	134,035	87,680	82,287	2,492
2	0.75 under 1	2,950,919	2,586,239	2,639,601	117,588	867,682	763,717	1,287,503	7,650	43,449	37,960	31,702	2,047	178,188	156,265	115,485	9,617
3	1 under 1.25	3,477,486	3,921,519	3,324,746	232,116	1,210,905	1,371,394	1,807,582	21,814	53,527	60,416	44,017	4,132	222,103	250,193	138,695	22,391
4	1.25 under 1.5	3,512,445	4,825,893	3,537,341	352,824	1,357,152	1,868,459	2,082,319	54,983	61,380	84,424	49,798	7,492	223,832	307,668	141,057	32,629
5	1.5 under 1.75	3,459,860	5,614,142	3,687,396	457,886	1,479,432	2,403,112	2,330,837	94,497	65,529	106,583	55,993	10,243	212,401	344,399	130,338	42,161
6	1.75 under 2	3,403,802	6,374,683	3,832,444	568,240	1,575,475	2,953,455	2,550,793	147,214	90,978	170,985	75,911	18,910	201,781	377,414	125,628	49,997
7	2 under 2.25	3,130,449	6,643,163	3,741,190	620,010	1,611,793	3,425,888	2,652,424	199,782	110,368	234,914	99,256	27,052	159,223	336,845	98,859	47,238
8	2.25 under 2.5	2,870,005	6,811,467	3,722,221	644,419	1,678,688	3,987,537	2,842,581	260,725	120,270	286,233	103,762	35,800	124,393	294,537	76,138	43,204
9	2.5 under 2.75	2,786,617	7,307,911	3,780,315	719,094	1,771,092	4,647,811	3,011,862	344,516	145,164	381,177	125,027	50,835	86,625	226,618	56,294	34,103
10	2.75 under 3	2,514,455	7,222,747	3,565,983	736,140	1,727,126	4,964,576	2,950,774	408,676	141,694	407,040	130,583	54,969	64,913	186,416	42,731	28,773
11	3 under 3.5	4,133,166	13,378,813	6,099,517	1,452,573	3,049,378	9,881,476	5,237,873	923,315	265,139	857,804	247,651	122,159	68,845	221,896	45,334	35,597
12	3.5 under 4	2,785,527	10,394,197	4,277,725	1,209,589	2,186,714	8,164,033	3,777,818	858,770	182,794	681,285	181,840	101,312	35,798	133,279	23,566	22,446
13	4 under 4.5	1,777,741	7,516,504	2,763,607	955,019	1,422,521	6,015,218	2,471,132	707,236	109,335	461,984	106,230	72,823	23,168	97,674	15,382	17,187
14	4.5 under 5	1,039,236	4,915,701	1,591,894	671,120	821,601	3,886,982	1,415,413	495,694	66,194	313,092	63,514	51,484	16,619	78,589	10,218	14,448
15	5 under 6	933,071	5,057,083	1,393,377	758,737	696,944	3,774,091	1,197,429	528,487	75,416	408,818	71,804	70,771	18,255	98,689	11,778	18,921
16	6 under 7	417,756	2,693,021	591,101	452,645	288,133	1,855,172	488,849	290,219	38,379	248,393	35,728	46,430	13,216	85,573	8,257	17,390
17	7 under 8	220,512	1,645,762	293,682	306,455	136,125	1,015,310	226,226	175,942	21,306	159,227	20,605	31,601	8,745	65,296	5,963	13,904
18	8 under 9	151,103	1,279,043	196,311	255,341	88,637	750,074	146,858	139,860	16,187	137,196	15,698	28,690	6,572	55,754	4,473	12,597
19	9 under 10	111,991	1,060,155	142,894	224,333	63,399	600,063	103,912	118,927	12,551	118,975	12,233	26,080	5,374	50,985	3,636	11,995
20	10 under 11	88,911	931,357	113,781	206,799	48,709	510,198	81,225	106,326	11,642	121,900	11,738	27,613	4,223	44,271	2,805	10,871
21	11 under 12	67,593	775,780	85,924	180,968	35,891	411,814	60,069	90,206	9,125	104,797	9,237	24,973	3,488	40,081	2,289	10,373
22	12 under 13	57,375	715,970	72,269	174,343	29,488	367,980	49,234	84,580	8,689	108,232	8,708	26,745	3,003	37,471	2,076	9,908
23	13 under 14	46,036	620,510	57,676	157,262	22,748	306,595	38,671	73,440	7,154	96,487	7,284	24,655	2,881	38,850	1,938	10,651
24	14 under 15	38,563	558,495	47,994	147,550	18,818	272,474	31,602	68,349	6,519	94,365	6,751	24,883	2,236	32,390	1,463	9,253
25	15 under 20	129,466	2,224,022	161,466	647,519	60,212	1,031,258	101,737	286,720	24,647	426,164	26,049	124,421	8,037	138,937	5,697	43,120
26	20 under 25	67,537	1,504,311	82,531	505,473	28,632	636,153	48,623	206,133	15,594	349,136	16,674	117,160	4,145	92,272	2,937	32,611
27	25 under 30	38,435	1,049,789	46,383	394,428	14,948	407,874	25,613	149,445	10,061	275,277	10,703	102,601	2,717	74,367	1,879	28,863
28	30 under 40	41,610	1,430,927	48,759	598,052	14,324	490,702	24,356	202,450	12,609	435,800	13,408	179,582	3,090	106,703	2,197	45,493
29	40 under 50	20,422	907,988	23,556	419,786	6,231	276,457	10,764	127,528	6,787	302,157	7,268	137,878	1,621	72,183	1,141	33,809
30	50 under 60	11,844	645,763	13,265	320,470	3,184	173,073	5,415	86,505	4,318	235,935	4,613	115,571	945	51,519	694	25,605
31	60 under 70	7,253	468,959	7,910	245,292	1,708	110,596	2,881	58,619	2,815	181,730	2,949	94,379	580	37,562	426	19,594
32	70 under 80	4,668	348,712	5,086	191,023	1,080	80,601	1,858	44,937	1,786	133,470	1,894	72,458	391	29,193	287	15,933
33	80 under 90	3,063	259,874	3,219	146,989	642	54,362	1,076	51,629	1,259	106,938	1,315	60,121	255	21,618	173	12,018
34	90 under 100	2,135	202,711	2,223	118,224	452	42,780	772	25,720	867	82,403	864	47,662	198	18,745	141	10,532
35	100 under 150	4,873	584,702	4,904	360,446	838	99,873	1,396	63,512	2,102	252,473	2,065	153,286	471	56,481	342	34,809
36	150 under 200	1,565	267,591	1,495	174,045	235	40,233	397	27,107	685	116,939	633	74,489	134	22,713	94	14,894
37	200 under 250	665	146,936	625	97,963	83	18,475	136	13,158	295	64,823	282	42,671	78	17,215	58	11,099
38	250 under 300	351	95,709	328	65,493	42	11,376	71	8,352	141	38,368	140	26,228	52	14,051	37	9,294
39	300 under 400	318	108,299	296	73,513	39	13,066	67	9,574	138	46,830	129	31,178	30	10,438	23	6,985
40	400 under 500	155	68,726	144	48,200	21	9,208	33	7,147	68	30,192	64	20,295	19	8,542	12	6,324
41	500 under 750	159	95,263	143	66,467	23	14,176	45	10,473	65	38,721	51	26,074	16	9,386	14	6,256
42	750 under 1,000	62	53,754	50	37,336	4	3,484	5	2,244	28	24,250	22	17,338	5	4,466	7	3,368
43	1,000 under 1,500	38	46,863	36	31,678	2	2,612	3	1,092	17	21,257	17	14,335	5	3,589	4	2,377
44	1,500 under 2,000	12	21,226	13	15,178	1	1,852	2	1,213	7	12,390	9	9,189	1	1,681	1	834
45	2,000 under 3,000	6	14,108	4	10,046	-	-	-	-	4	9,283	2	6,419	1	2,621	1	1,896
46	3,000 under 4,000	2	6,366	3	4,843	-	-	-	-	2	6,366	3	4,843	-	-	-	-
47	4,000 under 5,000	3	13,329	5	9,511	-	-	-	-	2	8,876	3	6,594	1	4,455	2	2,917
48	5,000 and over	1	7,719	1	4,801	-	-	-	-	1	7,719	1	4,801	-	-	-	-
49	Total taxable individual returns	42,354,468	114,761,385	51,606,896	16,216,401	22,770,296	68,013,945	37,746,753	7,566,306	1,780,088	8,911,243	1,625,951	2,382,058	1,842,711	4,447,571	1,164,845	896,775
	Nontaxable individual returns: 18/																
50	No adjusted gross income 19/	191,905	20/ 249,771	223,976	-	116,068	20/ 162,184	177,369	-	36/ 3,267	20/ 6,567	2,898	-	36/ 3,057	20/ 5,678	1,792	-
51	Under 0.5	3,260,590	947,548	2,393,750	-	576,239	179,604	879,308	-	35,425	10,475	24,074	-	152,601	43,211	92,810	-
52	0.5 under 0.75	851,628	476,487	812,169	-	321,512	187,476	487,969	-	10,186	5,585	6,719	-	37,935	20,601	24,483	-
53	0.75 under 1	220,253	193,918	284,595	-	180,127	158,628	260,477	-	36/ 1,264	1,055	843	-	36/ 2,106	1,734	1,106	-
54	1 under 1.25	137,609	149,507	192,603	-	119,810	129,784	181,807	-	(24)	(24)	(24)	-	(24)	(24)	(24)	-
55	1.25 and over	95,042	185,892	146,549	-	74,793	144,668	130,098	-	36/ 1,280	4,199	1,228	-	36/ 1,055	2,253	1,055	-
56	Total nontaxable individual returns	4,757,027	21/ 1,703,580	4,053,642	-	1,388,549	21/ 637,976	2,117,028	-	51,738	21/ 15,090	35,919	-	197,702	21/ 63,174	121,719	-
57	Grand total	47,111,495	21/116,464,965	55,660,538	16,216,401	24,158,845	21/ 68,651,921	39,863,780	7,566,306	1,831,826	21/8,926,333	1,661,869	2,382,058	2,040,413	21/4,510,745	1,286,564	896,775
58	Individual returns with adjusted gross income under $5,000	44,643,941	21/90,554,141	52,263,092	8,765,390	22,597,252	21/ 55,269,937	37,214,483	4,526,432	1,540,562	21/4,120,445	1,372,934	559,843	1,949,630	21/3,162,649	1,225,728	402,284
59	Individual returns with adjusted gross income of $5,000 and over	2,467,554	25,910,825	3,397,446	7,451,011	1,561,593	13,381,984	2,649,298	3,039,874	291,264	4,805,888	288,935	1,822,215	90,783	1,348,096	60,836	494,491

For footnotes, see p. 17.

Table 2. - Individual returns for 1944, by taxable and nontaxable returns, by adjusted gross income classes, by marital status, and by sex: Number of returns, adjusted gross income, surtax exemption, and tax liability - Continued

(Adjusted gross income classes and money figures in thousands of dollars)

	Adjusted gross income 3/ classes	Separate community property returns 35/								Returns of single persons								
		Men				Women				Men				Women				
		Number of returns	Adjusted gross income 14/	Amount of surtax exemption 15/	Tax liability 16/	Number of returns	Adjusted gross income 14/	Amount of surtax exemption 15/	Tax liability 16/	Number of returns	Adjusted gross income 14/	Amount of surtax exemption 15/	Tax liability 16/	Number of returns	Adjusted gross income 14/	Amount of surtax exemption 15/	Tax liability 16/	
	Taxable individual returns:																	
1	0.5 under 0.75	36/6,345	4,248	4,000	120	36/ 8,641	5,736	5,058	184	611,341	396,243	362,302	10,370	802,697	523,914	491,815	13,462	1
2	0.75 under 1	36/6,608	5,854	4,036	359	12,750	11,202	8,082	658	669,571	582,818	428,046	36,007	1,172,871	1,028,422	764,748	61,250	2
3	1 under 1.25	12,919	14,793	8,976	1,193	16,515	18,607	9,977	1,634	630,625	708,375	433,124	58,378	1,330,892	1,497,741	882,376	122,573	3
4	1.25 under 1.5	19,233	26,456	12,795	2,597	25,185	31,919	14,913	3,297	557,910	766,350	392,821	75,910	1,269,755	1,740,619	845,638	175,916	4
5	1.5 under 1.75	32,370	53,578	22,392	6,062	35,143	57,318	22,218	6,927	534,510	866,602	386,352	95,529	1,100,475	1,782,548	739,268	202,467	5
6	1.75 under 2	62,354	117,083	41,156	14,977	60,410	113,878	35,882	15,216	502,780	941,356	379,525	111,848	910,024	1,700,511	623,551	210,078	6
7	2 under 2.25	70,362	149,345	49,007	19,786	70,562	149,776	43,350	21,214	470,001	996,316	345,971	128,712	658,155	1,350,079	452,054	176,226	7
8	2.25 under 2.5	68,580	162,518	50,314	22,275	69,850	165,432	44,591	24,085	404,785	960,475	311,171	128,782	403,439	954,735	291,666	129,548	8
9	2.5 under 2.75	70,762	185,426	53,966	26,089	69,385	181,865	46,642	27,048	375,726	979,090	288,415	136,994	269,863	705,924	198,110	99,509	9
10	2.75 under 3	51,026	145,971	41,101	21,195	48,991	140,442	34,531	21,363	305,572	877,077	239,342	127,220	175,153	501,225	126,922	73,943	10
11	3 under 3.5	62,767	202,604	49,804	30,598	58,611	189,662	40,413	30,449	443,204	1,430,167	346,106	218,339	185,222	595,204	132,357	92,116	11
12	3.5 under 4	31,680	118,046	25,543	18,836	30,301	113,165	21,045	18,924	232,657	866,730	185,847	158,025	85,583	317,658	62,067	51,279	12
13	4 under 4.5	18,796	79,663	14,668	13,527	20,128	85,035	13,759	14,779	140,050	591,855	111,730	98,438	43,743	185,076	30,727	31,050	13
14	4.5 under 5	14,221	67,385	12,439	11,270	11,828	56,005	8,749	9,759	77,659	366,683	60,727	62,797	31,115	146,966	20,836	25,668	14
15	5 under 6	18,747	102,392	16,121	18,826	18,380	100,356	13,215	18,870	70,648	383,956	59,326	68,085	34,681	188,781	23,706	34,777	15
16	6 under 7	10,733	69,656	9,190	13,659	12,448	81,038	8,976	16,458	35,269	226,674	27,067	43,692	19,578	126,535	13,035	24,797	16
17	7 under 8	12,413	92,912	10,717	19,567	11,872	88,754	8,525	19,110	18,274	136,287	13,679	28,274	11,777	87,976	7,971	18,257	17
18	8 under 9	9,190	77,962	7,924	17,251	9,190	77,817	6,747	17,586	12,370	104,504	9,100	22,874	8,957	75,736	5,512	16,483	18
19	9 under 10	7,600	71,887	6,615	16,762	7,208	68,152	5,470	16,218	9,138	86,462	6,657	19,741	6,721	63,652	4,373	14,609	19
20	10 under 11	5,702	59,695	4,896	14,558	5,630	58,995	3,928	14,793	7,695	80,640	5,724	19,344	5,310	55,660	3,467	13,295	20
21	11 under 12	4,775	54,830	4,055	14,089	4,670	53,647	3,390	13,972	5,570	65,892	4,165	15,852	4,074	46,719	2,722	11,521	21
22	12 under 13	4,002	50,037	3,602	13,192	3,825	47,803	2,934	12,857	4,598	57,298	3,290	14,873	3,770	47,149	2,426	12,188	22
23	13 under 14	3,191	43,012	2,760	11,753	3,207	43,218	2,335	12,142	3,974	53,520	2,863	14,296	2,881	38,828	1,827	10,325	23
24	14 under 15	2,633	38,186	2,299	10,912	2,572	37,512	1,863	10,874	3,334	48,285	2,407	13,468	2,451	35,483	1,610	9,812	24
25	15 under 20	8,942	153,365	8,018	47,770	8,451	144,993	6,356	46,136	10,902	187,032	8,222	56,537	8,275	142,275	5,388	42,816	25
26	20 under 25	4,339	96,489	3,878	34,225	4,306	95,860	3,224	35,042	6,194	138,005	4,474	47,758	4,327	96,395	2,722	32,544	26
27	25 under 30	2,387	65,202	2,160	25,844	2,246	61,265	1,649	24,613	3,488	95,116	2,651	36,522	2,588	70,688	1,730	26,540	27
28	30 under 40	2,571	88,202	2,320	38,651	2,436	83,666	1,799	37,278	3,857	131,725	2,911	55,624	2,743	94,127	1,769	38,995	28
29	40 under 50	1,245	55,284	1,164	26,448	1,169	51,871	854	25,230	1,911	85,082	1,424	39,523	1,458	64,953	942	29,368	29
30	50 under 60	721	39,327	636	20,256	656	35,820	474	18,634	1,166	63,580	878	31,490	854	46,509	556	22,409	30
31	60 under 70	472	30,448	447	16,292	403	26,059	313	14,066	726	47,058	539	24,349	549	35,507	356	17,992	31
32	70 under 80	307	22,854	282	12,814	257	19,264	195	11,054	484	36,163	352	19,567	363	27,166	238	14,260	32
33	80 under 90	184	15,557	159	8,863	148	12,539	102	7,273	334	28,342	244	16,084	241	20,519	152	11,001	33
34	90 under 100	139	13,191	120	7,816	112	10,654	77	6,419	202	19,261	140	11,269	165	15,697	112	8,807	34
35	100 under 150	304	36,527	276	22,974	232	28,049	166	18,056	536	64,509	412	39,540	390	46,789	250	28,268	35
36	150 under 200	96	16,312	85	10,837	74	12,541	56	8,328	186	32,198	140	21,196	157	26,655	91	17,194	36
37	200 under 250	43	9,520	35	6,583	27	6,037	20	4,235	78	17,448	56	11,265	61	13,418	40	8,751	37
38	250 under 300	20	5,582	17	3,865	15	3,591	10	2,590	48	13,193	35	8,849	35	9,547	20	6,314	38
39	300 under 400	16	5,518	13	3,428	18	6,024	12	3,818	44	15,027	35	10,095	33	11,395	19	8,235	39
40	400 under 500	5	2,135	4	1,482	5	2,232	3	1,698	17	7,588	14	5,080	20	8,831	15	6,174	40
41	500 under 750	9	5,163	8	3,566	3	1,707	2	1,446	23	13,899	15	10,246	20	12,210	10	8,407	41
42	750 under 1,000	4	3,303	5	1,945	3	2,501	2	1,416	9	7,939	5	5,385	9	7,811	6	5,640	42
43	1,000 under 1,500	2	2,427	4	1,151	1	1,174	1	568	7	8,400	5	6,001	6	7,404	4	6,154	43
44	1,500 under 2,000	1	1,955	1	1,757	-	-	-	-	1	1,699	1	835	1	1,649	1	1,349	44
45	2,000 under 3,000	-	-	-	-	-	-	-	-	1	2,204	1	1,731	-	-	-	-	45
46	3,000 under 4,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46
47	4,000 under 5,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47
48	5,000 and over	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48
49	Total taxable individual returns	628,816	2,661,884	477,996	635,823	635,860	2,582,955	421,875	616,318	6,155,255	13,587,121	4,428,301	2,146,774	8,541,442	14,556,667	5,741,177	1,972,347	49
	Nontaxable individual returns: 18/																	
50	No adjusted gross income 19/	36/1,054	20/4,053	843	-	(24)	(24)	(24)	-	38,021	20/37,373	22,118	-	29,490	20/31,208	18,379	-	50
51	Under 0.5	36/2,317	839	1,633	-	36/4,213	1,453	2,581	-	1,118,697	315,487	617,247	-	1,371,098	396,480	776,099	-	51
52	0.5 under 0.75	36/1,370	758	896	-	36/1,790	999	1,369	-	191,410	103,435	113,655	-	287,425	157,635	177,080	-	52
53	0.75 under 1	(24)	(24)	(24)	-	(24)	(24)	(24)	-	12,006	10,318	7,320	-	24,329	21,838	14,640	-	53
54	1 under 1.25	-	-	-	-	(24)	(24)	(24)	-	36/6,319	7,019	3,792	-	10,111	11,171	6,320	-	54
55	1.25 and over	(24)	(24)	(24)	-	(24)	(24)	(24)	-	36/5,902	12,566	4,320	-	11,695	21,578	9,639	-	55
56	Total nontaxable individual returns	36/5,162	21/2,016	3,581	-	36/7,373	21/409	4,792	-	1,372,355	21/411,452	768,450	-	1,734,148	21/577,494	1,002,155	-	56
57	Grand total	633,978	21/2,659,868	481,577	635,823	643,233	21/ 2,583,364	426,667	616,318	7,527,610	21/13,998,572	5,196,751	2,146,774	10,275,590	21/15,134,161	6,743,332	1,972,347	57
58	Individual returns with adjusted gross income under $5,000	533,185	21/1,330,957	393,774	188,885	543,671	21/1,320,449	353,980	195,537	7,326,546	21/11,741,587	5,039,926	1,427,345	10,153,095	21/13,608,116	6,662,268	1,465,065	58
59	Individual returns with adjusted gross income of $5,000 and over	100,793	1,328,911	87,803	446,958	99,562	1,262,915	72,687	420,781	201,064	2,256,985	156,825	719,429	122,495	1,526,046	81,064	507,282	59

For footnotes, see p. 17.

Footnotes

1/ Income for 1943, tabulated here, is total income as tabulated in Statistics of Income for 1943 adjusted by subtracting therefrom the net loss from sales of capital assets, net loss from sales of property other than capital assets, and net losses from business, from partnership, and from rents and royalties.

2/ Tax liability after deducting tax credits relating to income tax paid at source on tax-free covenant bonds and to income tax paid to a foreign countr or United States possession. For 1943, the tax shown is the income and victory tax on 1943 income.

3/ Adjusted gross income classes are based on the amount of adjusted gross income (see note 14), regardless of the amount of net income or net deficit whe computed; returns with adjusted gross deficit are designated no adjusted gross income and the size of the deficit is disregarded.

4/ Salaries and wages include annuities, pensions, and retirement pay not reported in the schedule for annuities and pensions, but exclude wages of less than $100 per return from which no tax was withheld, reported on Form W-2. Such wages are tabulated with miscellaneous income. (See note 13.)

5/ Dividends, domestic and foreign, and interest before amortization of bond premium. This item includes both taxable and partially tax-exempt interest on Government obligations and dividends on share accounts in Federal savings and loan associations, but excludes dividends and interest not exceeding $100 per return reported on Form W-2. Such dividends and interest are tabulated with miscellaneous income. (See note 13.)

6/ Income from annuities and pensions is only the taxable portion of amounts received during the year. Amounts received to the extent of 3 percent of the total cost of the annuity are reported as income for each taxable year, until the aggregate of amounts received and excluded from gross income in this and prior years equals the total cost. Thereafter, entire amounts received are taxable and must be included in adjusted gross income. Annuities, pensions, and retirement pay upon which tax is withheld may be reported in salaries and wages.

7/ Net profit from rents and royalties is the excess of gross rents received over deductions for depreciation, repairs, interest, taxes, and other expenses attributable to rent income; and the excess of gross royalties over depletion and other royalty expenses. Conversely, net loss from these sources is the excess of the respective expenses over gross income received.

8/ Net profit from business is the excess of gross receipts over deductions for business expenses and net operating loss deduction due to a net operating loss from business, partnership, and common trust funds for the preceding year or years. Conversely, net loss from business is the excess of business expenses and net operating loss deductions over the gross receipts from business.

9/ Partnership net profit or loss excludes partially tax-exempt interest on Government obligations, dividends on share accounts in Federal savings and loan associations issued prior to March 28, 1942, and net gain or loss from sales of capital assets. In computing partnership profit or loss, charitable contributions are not deductible nor is the net operating loss deduction allowed.

10/ Net gain from sales or exchanges of capital assets is the amount taken into account in computing adjusted gross income whether or not the alternative tax is imposed. Net loss from such sales is the amount reported as a deduction in computing adjusted gross income. Each is the result of combining net short- and long-term capital gain and loss and the net capital loss carried over from 1942 and/or 1943. Deduction for the loss, however, is limited to the amount of such loss, or to the net income (adjusted gross income if taxed under supplement T) computed without regard to gains and losses from sales of capital assets, or to $1,000, whichever is smallest. Sales of capital assets include worthless stocks, worthless bonds if they are capital assets, nonbusiness bad debts, certain distributions from employees' trust plans, and each participant's share of net short- and long-term capital gain and loss to be taken into account from partnerships and common trust funds.

11/ Net gain or loss from sales or exchanges of property other than capital assets is that from the sales of (1) property used in trade or business of a character which is subject to the allowance for depreciation, (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, and (3) real property used in trade or business.

12/ Income from estates and trusts excludes partially tax-exempt interest on Government obligations, dividends on share accounts in Federal savings and loan associations issued prior to March 28, 1942, and net gain or loss from sales or exchanges of capital assets received from common trust funds. The net operating loss deduction is allowed to estates and trusts generally and is deducted in computing the income to be distributed. However, in the case of a common trust fund the net operating loss deduction is not allowable, but each participant's share of prior year income and losses of the fund is taken into account in determining his own net operating loss deduction.

13/ Miscellaneous income includes alimony received, prizes, rewards, sweepstake winnings, gambling profits, recoveries of bad debts for which a deduction was taken in a prior year, and health and accident insurance received as reimbursement for medical expenses for which deduction was taken in a prior year. Also tabulated in miscellaneous income is $45,873,383 of wages not subject to withholding, dividends, and interest, not exceeding in total $100 per return, reported as other income on Form W-2.

14/ Adjusted gross income means gross income minus allowable trade and business deductions, expenses of travel and lodging in connection with employment, reimbursed expenses in connection with employment, deductions attributable to rents and royalties, certain deductions of life tenants and income beneficiaries of property held in trust, and allowable losses from sales or exchanges of property. Should these allowable deductions exceed the gross income, there is an adjusted gross deficit.

15/ Surtax exemption is $500 for the taxpayer, $500 for the taxpayer's, spouse if not dependent upon another person, and $500 for each dependent with respect to whom a surtax exemption may be claimed. Such dependents must have received from the taxpayer more than half their support for the year and must have had less than $500 gross income during the year. Dependents include only close relatives which are specified by law.

16/ Tax liability after deducting tax credits relating to income tax paid at source on tax-free covenant bonds and to income tax paid to a foreign country or United States possession, allowed only on returns with itemized deductions.

17/ Payments on 1944 declaration of estimated tax include (1) the total amount of estimated tax reported on Form 1040-ES and (2) the credit for prior year overpayment if no Form 1040-ES was filed. (If Form 1040-ES was filed, prior year overpayment was credited against the total estimated tax.)

18/ Nontaxable returns are those with no adjusted gross income and returns with adjusted gross income which when reduced by deductions, standard or itemized, and exemptions result in no tax liability. The 502,946 nontaxable returns with adjusted gross income and with itemized deductions include 37,329 returns with net deficit.

19/ The no adjusted gross income classification is for returns showing other loss on line 4, page 1, Form 1040, equal to or in excess of salaries, wages, dividends, and interest.

20/ Adjusted gross deficit.

21/ Adjusted gross income less deficit.

22/ Returns with standard deduction are optional returns, Form W-2; short-form returns, Form 1040; and long-form returns, Form 1040, with adjusted gross income of $5,000 or over on which the $500 standard deduction is used.

23/ Less than $500.

24/ Number of returns in cell is subject to sampling variation of more than 100 percent. The number of returns and associated money amounts are not shown separately since they are considered too unreliable for general use; however, they are included in totals. For description of sample, see pages 7 and 8.

25/ Returns with itemized deductions are long-form returns, Form 1040, on which deductions are itemized; long-form returns, Form 1040, with no deductions filed by spouses of taxpayers who itemized deductions; and returns, Form 1040, with no adjusted gross income whether or not deductions are itemized.

26/Contributions, reported only on returns with itemized deductions, include each partner's share of charitable contributions of partnerships, but cannot exceed 15 percent of the adjusted gross income.

27/ Interest, reported only on returns with itemized deductions, is that paid on personal debts, bank loans, or home mortgages but excludes interest on business debts reported in schedules for rents and business, and interest on loans to buy tax-exempt securities, single-premium life insurance, or endowment contracts.

28/ Taxes paid, reported only on returns with itemized deductions, include personal property taxes, State income taxes, real estate taxes except those levied for improvements which tend to increase the value of property, and certain retail taxes. This deduction for taxes does not include Federal income taxes; estate, inheritance, legacy, succession, or gift taxes; taxes on shares in a corporation which are paid by the corporation without reimbursement from the taxpayer; taxes deducted in the schedule for rents and business; income taxes paid to a foreign country or possession of the United States if any portion thereof is claimed as tax credit; or Federal social security and employment taxes paid by or for the employee.

29/ Losses resulting from war, fire, storm, shipwreck, or other casualty, or theft, reported in itemized deductions, are the actual nonbusiness losses sustained, that is, the value of such property less salvage value and insurance or other reimbursement received.

30/ Medical and dental expenses, reported only on returns with itemized deductions, paid for the care of the taxpayer, his spouse, or dependents, not compensated by insurance or otherwise, which exceed 5 percent of the adjusted gross income. The deduction is limited to $1,250 if one exemption is claimed, or to $2,500 if two or more exemptions are claimed.

31/ Miscellaneous deductions, reported only on returns with itemized deductions, include alimony payments, expenses incurred in the production or collection of taxable income or in the management of property held for the production of taxable income, amortizable bond premium, special deduction for the blind, the taxpayer's share of interest and real estate taxes paid by a cooperative apartment corporation, and gambling losses not exceeding gambling gains reported in income.

32/ Net deficit reported on nontaxable returns, Form 1040, with itemized deductions. The total number of returns showing net deficit is 229,234, of which 191,905 show no adjusted gross income, and 37,329 show adjusted gross income of various amounts and itemized deductions of larger amounts.

33/ Joint returns of husbands and wives include all combined returns of husbands and wives, Form W-2, whether community or noncommunity income is reported, even though the tax is determined on the basis of separate incomes.

34/ Separate returns of husbands and wives exclude combined returns of husbands and wives, Form W-2, even though the tax is determined on the basis of separate incomes.

35/ Separate community property returns of husbands and wives exclude combined returns of husbands and wives, Form W-2, showing community property divided in accordance with State laws and tax determined on the basis of divided community income.

36/ Number of returns is subject to maximum sampling variation of 30 to 100 percent, depending on the number in the cell. For description of sample, see pages 7 and 8.

For footnotes, see p. 17.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Friday, June 13, 1947

Press Service
No. S-367

The Treasury received today the sum of $164,852.24 from the Government of Finland, representing the semi-annual payment of interest in the amount of $130,025 under the Funding Agreement of May 1, 1923; $13,695.06 on the account of the semi-annual payment on the annuity due under the postponement agreement of May 1, 1941, and $21,132.18 on account of the semi-annual payment on the annuity due under the postponement agreement of October 14, 1943.

These payments represent the entire amount due from the Government of Finland on June 15, 1947, under these agreements.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Monday, June 16, 1947

Press Service
No. S-368

Secretary Snyder today made public the following statement after President Truman's veto of the Tax Reduction Bill had been made public:

The President's veto of the Tax Reduction Bill is thoroughly justified by the existing financial situation of the Government. The President's message is a clear statement of the impropriety of tax reduction at this time.

It constitutes firm assurance to the American people that the Administration is determined that the finances of its Government will continue to be kept on a sound basis. A balanced budget and the maintenance of the integrity of our obligations are, and must be, our foremost considerations. With these objectives clearly attained, then proper attention can be given to tax adjustment.

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United States Savings Bonds Issued and Redeemed Through May 31, 1947

(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	Percent Redeemed of Amount Issued
Series A-D:				
Series A-1935 (matured)..	$ 255	$ 245	$ 10	96.08%
Series B-1936 (matured)..	463	431	32	93.09
Series C-1937	585	326	3/ 259	55.73
Series C-1938	656	150	506	22.87
Series D-1939	1,014	205	809	20.22
Series D-1940	1,199	220	978	18.35
Series D-1941	519	84	435	16.18
Total Series A-D	4,691	1,662	3,029	35.43
Series E:				
Series E-1941	1,457	312	1,145	21.41
Series E-1942	6,609	2,203	4,406	33.33
Series E-1943	10,829	4,277	6,551	39.50
Series E-1944	12,638	5,064	7,574	40.07
Series E-1945	9,889	3,687	6,202	37.28
Series E-1946	4,336	952	3,384	21.96
Series E-1947 (5 months).	4/ 1,668	70	4/ 1,599	4.20
Total Series E	47,426	16,565	30,861	34.93
Unclassified Redemptions Series A-E	---	94	-94	
Total Series A-E	52,117	18,321	33,796	35.15
Series F and G:				
Series F and G-1941	1,529	182	1,347	11.90
Series F and G-1942	3,181	433	2,749	13.61
Series F and G-1943	3,356	451	2,905	13.44
Series F and G-1944	3,686	360	3,326	9.77
Series F and G-1945	3,142	199	2,943	6.33
Series F and G-1946	2,992	67	2,926	2.24
Series F and G-1947 (5 months)................	1,292	*	1,291	-
Total Series F and G	19,177	1,692	17,486	8.82
Total All Series 5/	71,295	20,013	51,282	28.07

* Less than $500,000.
1/ Includes accrued discount.
2/ Current redemption values.
3/ Includes matured bonds which have not been presented for payment.
4/ Includes $30 million reported on public debt statement as "unclassified sales."
5/ Includes Series A and B (matured), and therefore does not agree with totals under interest-bearing debt on Public Debt Statement.

Office of Fiscal Assistant Secretary - Treasury Department.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, June 17, 1947

Press Service
No. S-369
(Corrected)

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated June 19 and to mature September 18, 1947, which were offered on June 13, 1947, were opened at the Federal Reserve Banks on June 16.

The details of this issue are as follows:

Total applied for - $1,961,025,000
Total accepted - 1,305,370,000 (includes $17,025,000 entered on a fixed price basis at 99.905 and accepted in full)
Average price - 99.905 + Equivalent rate of discount approx. 0.376% per annum

Range of accepted competitive bids:

High - 99.907 Equiv. rate of discount approx. 0.368% per annum
Low - 99.905 " " " " " 0.376% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 22,950,000	$ 16,545,000
New York	1,637,745,000	1,074,070,000
Philadelphia	16,395,000	11,005,000
Cleveland	15,645,000	11,445,000
Richmond	6,195,000	5,495,000
Atlanta	3,920,000	3,920,000
Chicago	140,216,000	99,021,000
St. Louis	3,341,000	2,606,000
Minneapolis	2,785,000	2,155,000
Kansas City	6,464,000	5,589,000
Dallas	4,050,000	3,700,000
San Francisco	101,319,000	69,819,000
TOTAL	$1,961,025,000	$1,305,370,000

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TREASURY DEPARTMENT

Washington

FOR RELEASE, AFTERNOON NEWSPAPERS
Wednesday, June 18, 1947.

Press Service
No. S-370

The Treasury Department today transmitted to Chairman Knutson of the House Ways and Means Committee a staff study entitled "The Tax Treatment of Family Income". The study prepared by the Treasury's Division of Tax Research, examines alternative methods of correcting discriminations which arise in the treatment of family income under present Federal income tax law.

A foreword explains that no policy recommendations are made in the study, its purpose being to present facts and analyses which may be helpful in charting tax policy.

The treatment of family income was listed by Secretary Snyder in a statement to the House Ways and Means Committee last March as one of several important fields for possible basic revision of the tax system. He informed the committee that these fields were under study by the Treasury's technical staffs.

The factual findings presented to the Congressional committee today point out that present income tax law discriminates between families in three respects. One of these is residence, present law enabling couples in community property states to save on taxes by dividing their earned and investment community income and filing separate returns. Another is on the basis of the nature of the income, present law requiring earned income in non-community property states to be taxed to the earner but permitting recipients of investment income to split that income with members of their families. The third basis is discrimination between recipients of investment income, by favoring families who avail themselves of the right of splitting investment income by gift and by such devices as family trusts, corporations and partnerships.

Tax savings obtained by one or another of these methods accrue to 1,400,000 couples annually, the report estimates. To almost four-fifths of these taxpayers the saving is placed at $38 or less; for the remainder, the saving may be very substantial, amounting to $12,854 to a $100,000 income family.

Consideration has been given to the family income problem over a period of 25 years, the study sets forth, with emphasis placed chiefly on two proposed remedies. One of these is the mandatory filing of joint returns by all married couples, and the other is the taxing of all earned income to the earner and all community property income to the spouse exercising "management and control".

A third plan discussed in today's report is termed the "dual rate-schedule plan", which would take the profit out of filing separate returns by prescribing a new surtax schedule for married persons filing separate returns.

As a fourth alternative, the study sets forth the proposal to grant spouses in all states the option of dividing their combined incomes for income tax purposes. Only residents of community property states now have this privilege. The proposal is analyzed in detail in the study because it is receiving widespread attention as a possible solution for the tax treatment of family income.

The fourth or "income-splitting plan" would reduce the tax liabilities of approximately 4,900,000 married couples by about $744,000,000 annually, the study estimates. Couples in non-community property states would be the chief beneficiaries, but couples in community property states would also benefit to the extent that they have unequal amounts of separate, non-community income which they are not now permitted to split.

The study includes the following table summarizing estimated revenue effects under the various family income plans:

Plan	Increase (+) or decrease (-) in revenue (millions)	Number of couples affected (millions)
1. Mandatory joint returns	+ $541.7	1.4
2. Management and control of community income	+ 81.6	.6
3. Dual-rate schedule	+ 997.7	1.4 1/
4. Split income:		
a. Splitting optional for spouses	- 743.5	4.9
b. Option to split conditioned on inclusion of children's income	- 632.2	4.8

1/ In addition, the taxes of about 7.2 million single persons would be increased.

The estimated distribution of married couples who would benefit from income-splitting would be as follows:

Combined Surtax Net Income of Couple	Married Couples Now Filing: Joint Returns	Separate Returns	Total	Couples Who Would Benefit From Income Splitting
	(in millions)			
	All States			
0 - $2,000	18.1	0.8	18.9	0
2,000 - 4,000	3.5	1.1	4.6	3.8
4,000 and over	0.9	0.3	1.2	1.2
Total	22.5	2.2	24.7	4.9
	Community-property States			
0 - $2,000	1.8	0.3	2.1	0
2,000 - 4,000	0	0.5	0.5	*
4,000 and over	0	0.1	0.1	*
Total	1.8	0.9	2.7	0.1
	Noncommunity-property States			
0 - $2,000	16.3	0.5	16.8	0
2,000 - 4,000	3.5	0.6	4.1	3.7
4,000 and over	0.9	0.2	1.1	1.1
Total	20.7	1.3	22.0	4.8

* Less than 50,000.

Note: Figures are rounded and will not necessarily add to totals.

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THE TAX TREATMENT OF FAMILY INCOME

Division of Tax Research, Treasury Department
June 1947

The Tax Treatment of Family Income

A major issue of long standing in individual income tax policy pertains to the treatment of family income. This study considers the present law treatment and four alternative methods of taxing family income in the light of the various equity, revenue, economic, and legal and administrative considerations involved. Three of the alternative methods which have been given consideration in the past are briefly reviewed. A fourth alternative, the split-income plan, is presented in more detail because of the current widespread interest in this approach to a solution of the problem. No policy recommendations are made in this study, which is designed to provide factual and analytic background material which may be helpful in formulating such recommendations.

The study was initially prepared in the Individual Income Tax Section of the Division of Tax Research. The revenue estimates used in the study were prepared in the Division of Research and Statistics. In its preparation valuable assistance and suggestions were received from other members of the Treasury tax staff, including consultation with members of the Office of Tax Legislative Counsel on legal matters and of the Bureau of Internal Revenue on administrative matters.

This subject has been under consideration by a committee composed of the technical tax staffs of the Treasury Department and the Joint Committee on Internal Revenue Taxation. This study was made available to the committee in draft form and has benefited at various points by the committee's discussions. The material contained herein, however, is not to be considered as necessarily representing in any way the views of the staff of the Joint Committee on Internal Revenue Taxation.

Division of Tax Research
U. S. Treasury Department

June 1947

THE TAX TREATMENT OF FAMILY INCOME

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1 Income tax liability under present law for married couples with no dependents for specified levels of net income, assuming various divisions of income between spouses

2 Decrease in tax liability under 50:50 split-income plan compared with present law, assuming various divisions of income between spouses with no dependents for specified levels of net income

3 Percentage decrease in tax and percentage increase in net income after tax under 50:50 split-income plan compared with present law, assuming various divisions of income between spouses with no dependents for specified levels of net income

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4 Tax liability under present law and under the dual-rate-schedule plan for single persons without dependents for specified levels of net income

5 Tax liabilities under present law for married couples with one and two children for specified levels of net income, assuming various distributions of income between family members

The Tax Treatment of Family Income

Summary

1. This study examines alternative procedures for reducing tax differences which result from the present treatment of family income under the individual income tax. Present law discriminates between families on the basis of residence, by enabling couples in community-property States to divide their earned and investment community income between separate tax returns thereby reducing their taxes through the double use of the lower rates of the progressive tax rate schedule. It discriminates also on the basis of the nature of income, by requiring earned income in noncommunity-property States to be taxed to the earner, but affording recipients of investment income numerous opportunities for splitting that income with members of their family. Finally, it discriminates between recipients of investment income by favoring families who avail themselves of opportunities to split income by gift and such devices as family trusts, corporations, and partnerships.

2. The tax value of income-splitting varies with size of income, increasing from zero in the case of married couples (without dependents) with not more than $3,000 of net income to $342 at the $10,000 net income level and $12,854 at the $100,000 level. These tax savings accrue to an estimated 1.4 million couples filing separate returns with combined income above the first surtax bracket ($2,000 under present law), almost four-fifths of which obtain tax savings of not more than $38. For the balance (about 300,000), the tax savings may be very substantial. 1/ The extent of tax savings due to additional splitting of family income with children is unknown. Discriminations of the type indicated above tend to increase the relative tax load borne both by low-income taxpayers and by those at higher income levels who cannot avail themselves of income-splitting techniques.

3. The Congress and the Treasury have both considered this problem from time to time over the past 25 years, with principal emphasis on two types of remedial measures: mandatory joint returns, and taxing earned income to the earner and community-property income to the spouse exercising management and control.

4. Under mandatory joint returns, married couples would be required to pool their income in one return, thus eliminating the division of income between spouses as a factor in the determination of combined tax liability. Married couples with combined incomes above the first surtax bracket who now file separate returns would pay higher taxes, and their relative tax burdens would be increased in comparison with those of all other income taxpayers. Mandatory joint returns would increase the aggregate tax liability of some 1.4 million married couples by about $542 million.

1/ The estimates here used assume a $166 billion level of income payments in calendar year 1947.

5. The plan to tax community income to the spouse who exercises management and control would eliminate the tax savings resulting from the automatic division of income under the community-property laws, but would leave unaffected tax savings resulting from other forms of income-splitting. Its adoption would increase the taxes of spouses who now derive tax savings from reporting community income on separate returns, and would encourage couples in community-property States to use available income-splitting techniques. The increase in tax liability resulting from this plan would rise as the proportion of community income accounted for by one spouse increases and as the amount of such income increases. The taxes of about 600,000 married couples in community-property States would be increased by about $82 million.

6. A third plan which has been discussed informally from time to time is the "dual-rate-schedule plan." It would eliminate the tax advantage derived from filing separate returns, by subjecting married persons filing separate returns to a new surtax schedule which would retain the present rates but would make these rates applicable to surtax brackets covering only half the income covered by the present brackets. This new surtax schedule would also apply to single persons. The present rates and brackets would continue to apply to married persons filing joint returns. Under this plan couples would usually find it profitable to file joint returns. It would raise the yield of the income tax by about $1 billion by increasing the combined taxes of about 1.4 million couples who now save by filing separate returns and the taxes of about 7.2 million single persons with surtax net incomes in excess of $1,000.

7. An alternative to the foregoing three plans is the proposal to eliminate tax differences resulting from the splitting of income between couples by granting spouses in all States the option to divide their combined incomes for tax purposes. This plan would reduce the taxes paid by married persons who have unequal incomes which in the aggregate exceed the amount taxable under the first bracket regardless of whether they now file joint or separate returns. It would benefit spouses in noncommunity-property States who have not been able to divide their incomes equally by currently available income-splitting techniques, especially those with earned incomes. Spouses in community-property States would receive tax reductions to the extent that they have unequal amounts of separate noncommunity income. This plan would reduce the tax liabilities of approximately 4.9 million married couples by about $744 million.

8. It is possible to limit the application of the split-income plan to earned income, which accounts for about one-half the income reported by taxpayers with net incomes over $5,000. This limitation would tend to restrict the application of the plan to a declining proportion of income as the couple's total income increases because

the relative importance of earned income tends to decrease with size of income. It would tend to reduce the existing tax discrimination between community- and noncommunity-property States, because spouses in noncommunity-property States already have opportunities for splitting investment income. Discriminations would remain because some large-income spouses in noncommunity-property States do not find it to their interest to take full advantage of the tax savings obtainable by splitting their investment income equally.

9. It is also possible to restrict the plan by limiting the amount of income to be automatically split. This restriction would affect relatively few spouses because the number of married couples with large incomes is relatively small. Moreover, it would partially defeat the plan's objective because high-income couples in community-property States would continue to possess tax advantages over similarly situated couples in other States. In addition, it would preserve the present discrimination against couples with large earned incomes compared with those having large unearned incomes who have access to income-splitting techniques.

10. The treatment of the income of minor children is one of the more difficult problems encountered with development of a plan for the equitable tax treatment of family income. It arises under all three comprehensive plans discussed in the present study, the split-income, mandatory joint returns and dual-rate-schedule plans, and is here illustrated by a description of the problems which would arise with reference to minor children under the split-income plan. To ensure uniformity in the tax treatment of equal-income families under a split-income plan, it would be necessary to discontinue separate returns for children and to include their income with that of the parents. Differences in size of family could be recognized either as under present law, by providing exemptions for each dependent, or by extending the concept of income-splitting to children (on a per capita basis or by allowing children less than per capita splits). The extension of income-splitting to children on a per capita basis would probably result in unjustifiably large tax savings to families with large incomes. However, at upper-income levels, the present exemption results in relatively small tax differences between families of varying size. If the income of children is included in the return of the parents (and only the present type of dependent exemption is retained for the purpose of differentiating tax liability by size of family), some parents would not elect an optional split-income plan since they would obtain a tax advantage by continuing to split income with children under separate returns. This plan would cost about $632 million or some hundred million dollars less than the estimated revenue loss under the optional income-splitting plan applicable only to spouses. In order to secure equal taxes for equal-income families of the same size, the plan would need to be mandatory, both as to income-splitting and the inclusion of children's income. However, complete

uniformity of tax treatment for equal-income families might not be feasible even under a mandatory plan because of the problem of income accumulated in trusts for members of the family. If the primary objective is minimizing tax avoidance, the income of children might be handled by requiring that only income of children which derives from property traceable to the parents be included in the tax return of the family.

11. A split-income plan limited to spouses would virtually eliminate the legal-administrative problems which now arise from attempts to divide income between spouses, it would reduce the number of separate income tax returns and year-end adjustments, and it would largely relieve couples of the need to choose between joint and separate returns. On the other hand, the plan raises a number of administrative issues, some of which might introduce more or less difficult problems. These include modification of the Supplement T tax table and revision of the tax computation schedule to provide for tax differences between couples filing joint returns and all other taxpayers, and the increased difficulty of adjusting withholding to approximate actual tax liability. Modification of the plan involving a head-of-family status, or limitation of the plan as to amount of income or type of income would each raise additional administrative considerations. A split-income plan requiring the inclusion of children's income with that of parents would reduce further the administrative problems arising from income-splitting. However, the modification would itself raise administrative problems involved in the identification of the children covered by the plan. The problem of the apportionment of tax liability among members of the family would not arise if the plan were optional and limited to spouses, and might also be avoided if the plan required the inclusion of the income of children, so long as its use remained optional. If, however, the plan were mandatory, both as to income-splitting and the inclusion of children's income, formal provision would need to be made for apportionment of tax liability. This would entail new problems which, however, might be limited to the relatively few families who would request formal apportionment.

12. Summary of estimated revenue effects under various family plans

(assuming income payments of $166 billion in calendar year 1947)

Plan	Increase (+) or decrease (-) in revenue	Number of couples affected
	(millions)	(millions)
1. Mandatory joint returns	+ $541.7	1.4
2. Management and control of community income	+ 81.6	.6
3. Dual-rate schedule	+ 997.7	1.4 1/
4. Split income:		
a. Splitting optional for spouses	- 743.5	4.9
b. Option to split conditioned on inclusion of children's income	- 632.2	4.8

1/ In addition, the taxes of about 7.2 million single persons would be increased.

THE TAX TREATMENT OF FAMILY INCOME

A. Introduction

The present definition of taxpayer unit under the individual income tax involves substantial tax differences between families with equal incomes and exemptions. These tax differences arise partly on the basis of residence, partly on the basis of the nature of income (whether earned or investment), and in the case of investment income, on the basis of the division of legal title to income among the several members of the family. Although inequities inherent in these tax differences have received intermittent consideration for more than two decades, the problems inolved in this area of taxation still remain to be solved.

The differences which result from the taxation of individuals on the basis of residence is a by-product of the community-property system in effect in some of the American States. 1/ Underlying the community-property system is the concept of the marital partnership -- the doctrine that since both spouses contribute to the economic gains which accrue to the couple after marriage, they have equal rights to them. There is considerable variation in detail among the community-property systems in use in the several States, but as a general rule property acquired after marriage is treated as community property shared equally by the husband and wife. 2/ Income derived from such community property belongs to the community, that is, belongs equally to both spouses. By the same token, income earned by either the husband or the wife (where the couple is living together) is usually regarded to be community income. Since each owns half of the earned income, each is considered to be a separate taxpayer unit liable for the tax which attaches to his or her half of the income. In view of the graduated character of the income tax, this separate liability is in fact a privilege to reduce the couple's tax bill in cases where its combined surtax net income exceeds the amount taxable under the lowest surtax bracket ($2,000 under present law). In such cases, the division of income between husband and wife has the effect of shifting part of the couple's income to a tax bracket to which a lower tax rate applies.

1/ The community-property States are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Oklahoma, Texas, and Washington. The Territory of Hawaii also has community-property law. Oregon's 44th legislative assembly recently enacted another community-property law intended to qualify its residents for income-splitting under the Federal individual income tax. See Appendix A.

2/ Property acquired after marriage by purchase with separate funds or by gift, bequest, devise or inheritance generally is not community property.

The resultant tax savings increase with the size of total family income and measure the amount of the tax difference in favor of earned income in community-property States as compared with earned income in noncommunity-property States. It will be noted from the table below that under present law this difference amounts to only $38 for a married couple with no dependents with a combined net income before personal exemption of $5,000, but increases to $342 at the $10,000 income level, $12,854 at the $100,000 level and $23,921 at the half-million dollar level.

Comparison of tax liabilities of married couples with no dependents in community-property and in noncommunity-property States

Net income before exemption	Total tax on married couples		Tax saving in community-property States	
	Noncommunity-property State (only one spouse has income)	Community-property State (income divided equally between spouses)	Amount	Percent
$ 5,000	$ 798	$ 760	$ 38	4.8%
10,000	2,185	1,843	342	15.7
15,000	4,047	3,154	893	22.1
25,000	9,082	6,460	2,622	28.9
50,000	24,795	18,725	6,071	24.5
100,000	63,128	50,274	12,854	20.4
500,000	407,465	383,544	23,921	5.9
1,000,000	839,715	815,794	23,921	2.8

These are annual tax differences. Their cumulative value is indicated by the fact that in the case of a $50,000 income, the tax differences during the ten years 1937-1946 (excluding interest) aggregate $53,144 or more than an entire year's income before taxes. The ten-year aggregates amount to $320 at the $5,000 level, $2,864 at the $10,000 level, and $20,633 at the $25,000 level.

Income tax differences on the basis of kind of income arise from the circumstance that while in noncommunity-property States earned income is taxed to the earner, ownership of investment income can be shifted for tax purposes among family members by various income-splitting devices. By dividing ownership of income-producing property among members of the family, separate taxpayer units are established, each with the right to report his income separately for tax purposes, thereby reducing the

combined tax liability of the family. In consequence, earned income may be more heavily taxed than investment income. Under present law, a married man with no dependents in a noncommunity-property State having a net income before personal exemption of $10,000 is liable to a tax of $2,185 (an effective rate of 21.9 percent) if all income is taxable to him, which is the case if his income is earned. If the income is derived from investments, ownership of which has been split between two spouses, the effective rate of tax is reduced to 20 percent by an 80:20 split (that is, one spouse owns 80 percent of the income and the other 20 percent), 18.6 percent by a 60:40 split and 18.4 percent by a 50:50 split. 1/

Finally, tax differences exist also between families with equal amounts of unearned income. This arises from the fact that although existing law affords opportunities to taxpayers in all of the States to split their investment income with members of their families, different families utilize income-splitting devices in varying degrees depending upon their individual circumstances. The techniques of income-splitting employed with a view to reducing tax liability are numerous. 2/ Direct gifts to members of the family, family trusts, family corporations, and family partnerships are all income-splitting devices, with tax-saving effects. Where taxpayers are unable to avail themselves of the tax savings accruing from income-splitting because of circumstances surrounding their family relationship or the nature of their investments, the increase in their taxes is no less real than if the income-splitting opportunities were denied to them by law. The benefits of income-splitting are available to residents of both community-property and noncommunity-property States, and in community-property States are employed to supplement the income-splitting permitted by the community-property system.

The effect of the distribution of taxable income between spouses on tax liabilities under present law at various income levels is presented in detail in Table 1.

The tax savings which result from income-splitting between spouses are enhanced, especially at the high-income levels, by the allocation of income for tax purposes between more members of the family. For example, under present law, a married couple with no dependents and a combined net income of $25,000 would pay a total tax of $9,082 if one spouse owned the entire income; a combined tax of $7,567 if one spouse owned $5,000, the other $20,000, and each filed a separate return; and a total of $6,460 if each spouse owned $12,500. 1/ If the couple has two children and ownership of the $25,000 of family income were split in four equal portions of $6,250, the combined total tax would be further reduced to $4,921. 3/

1/ See Table 1.
2/ See Appendix A.
3/ Table 5 contains other illustrations.

Quantitative data on the importance of income-splitting within the family are incomplete. Information showing the extent to which family income is shared with minor children for tax purposes is particularly lacking. From tax returns and other data it is estimated that, assuming $166 billion of income payments in calendar year 1947, about 24.7 million married couples will incur tax liability under present law. Of these 22.5 million or 91 percent will file joint returns while 2.2 million or 9 percent will file separate returns. The latter group will include .9 million married couples filing separate community-property returns and 1.3 million filing separate noncommunity-property returns.

It should be noted that not all married couples filing separate returns under present law derive tax benefits from doing so. In fact, only 1.4 million or about 64 percent of the estimated 2.2 million couples filing separate returns have combined surtax net incomes in excess of $2,000, the level at which separate returns ordinarily begin to produce tax savings under present law. Moreover, the tax benefits derived by almost four-fifths of the married couples in this group from filing separate returns do not exceed $38. For the remainder of married couples filing separate returns (about $300,000), the tax savings may be very substantial depending on the amount of their combined taxable income and the proportions of the division of income between the spouses.

It should not be inferred that the tax savings which accrue to families as the result of separate returns are invariably the result of deliberate income-splitting with a view toward tax saving. In some cases, the relative importance of which is unknown, two or more members of a family receive income from independent sources without reference to tax considerations.

It should be noted further that the problem of the definition of the taxpayer unit involves more than the matter of tax differences for equal income families discussed above. The tax-reducing advantages of income-splitting among various family members results in serious administrative difficulties and costly litigation.

B. Principal issues

Proposals for the elimination of the inequities inherent in the tax differences resulting from the present tax treatment of family income under the individual income tax have been considered by the Congress on several occasions in the past. These proposals reflect the different points of view from which the problem can be approached.

At one extreme is the doctrine that taxpaying ability is determined by total family income regardless of the distribution of the ownership of such income among the members of the family. Those holding this view

propose that the family's total income be taxed as a unit in order that families with equal incomes and equal exemptions be subjected to equal taxes. They would require that all married couples having the same amount of net income pay the same amount of tax, regardless of whether husband or wife is the income receiver or whether both contribute to the family income in varying proportions. One procedure for giving effect to this theory is to make joint returns mandatory: to apply the graduated rates of the individual income tax against the combined income of the spouses, after requiring them to file a joint return. An alternative procedure is to continue to give married couples the option of filing joint or separate returns, but to require those filing separate returns to use a new rate schedule employing smaller brackets which would in effect take the profit out of separate returns and tend to equalize the tax on all married couples with equal incomes. Another alternative, which has recently received considerable attention and therefore is treated in this memorandum at some length, is to tax each spouse on one-half of the couple's combined income, giving each the benefits of lower rates in the graduated surtax schedule.

Another approach to this problem and one which is diametrically opposed to any of the aforementioned procedures for the handling of family income proceeds from the assumption that the family as a unit has no combined taxpaying ability _per se_; that its taxpaying ability is composed of the separate taxpaying abilities of its individual members; and that the taxpaying ability of each of these is determined by the amount of income of which he or she is the owner without reference to the income of the other members of the family. This approach sanctions the tax effects of income-splitting within the family provided that the transferor actually parts with title to and control of the property. This, in substance, is the rationale underlying the present income tax practice which accords each spouse the privilege of filing a separate return covering only his or her separate income. However, even those who favor basing taxes on individual legal rights to income, differ on its specific application. The large volume of litigation involving the recognition for tax purposes of income-splitting by means of trusts, assignments, etc., attests to the differences in opinion as to the degree of separation of ownership and control needed before the tax reduction effects of income-splitting can be accepted. Some deny that the differences in the matter of title to income between the community-property and noncommunity-property systems are sufficiently real to justify the present differentiation in the tax treatment of married couples with the same combined incomes. They therefore propose to tax personal-service income to the earner and to tax income derived from community-property to the spouse exercising management and control. This approach is an attempt to reconcile the tax effects of automatic division of community income practiced in community-property States with the situation in noncommunity-property States when property and control are actually transferred from one spouse to the other.

The issue involved in these alternatives -- basing tax liabilities on total family income vs. basing them on individual legal rights to income -- relates primarily to the choice of the basic tax units under the individual income tax. Since the identification of the taxpayer unit under present law is unsatisfactory to many taxpayers, the objective is to find an alternative method of identifying the taxpayer unit which will be better fitted to the application of the doctrine that taxpayers equally situated as to income and size of family should pay equal taxes. However, when this issue is resolved, there still remains the problem of determining the taxpaying abilities of single persons and families of varying size, all with equal incomes.

It is generally agreed that the relative taxpaying abilities of families of different size cannot be determined merely with reference to their incomes. In practice this requires an adjustment for size of family to provide equitable relative tax loads on equal-income families of varying size. The present income tax resolves this problem by assuming that the uniform per capita exemption allowed for each member of the family, regardless of their number, is adequate adjustment for size of family, and that income remaining after such adjustment is homogeneous in all respects except as to size of income. It, therefore, applies to this homogeneous income one rate schedule which relates taxpaying ability to size of income. At the lower levels of income (those falling entirely within the first surtax bracket), present law imposes on married couples twice the tax paid by single persons with half their income. At the upper income levels it imposes on married couples filing joint returns (and also on those filing separate returns covering substantially unequal incomes) more than twice the tax paid by single persons with half their income, whereas married couples reporting equal incomes on separate returns pay twice the tax incurred by a single person with one-half the income.

The information now available does not cast adequate light on the problem of the relative taxpaying abilities of families of varying size at all income levels. One criterion would be to impose relative tax burdens in accordance with ratios indicated by the relative incomes needed by families of different size to obtain the same standard of living. Although the available information respecting standards of living by size of family is at best fragmentary and representative only of the lower income families, it indicates, for example, that a single person living alone needs about two-thirds the money income of a married couple to maintain the same standard of living; and that a married couple with two dependents needs only about 50 percent more money income than one without dependents and only somewhat more than twice the money income of a single person to attain the same standard of living.

The use of these ratios for the purpose of appraising alternative methods of solving the family income problem is subject to several important limitations. 1/ It appears, for example, that a married

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1/ The available information pertaining to the relationships of size of family to taxpaying ability will be treated more fully in a study entitled "Individual Income Tax Exemptions."

couple does not need twice the money income of a single person to attain the same standard of living because the housewife contributes a substantial amount of real income to the family. However, the income tax applies largely to money incomes and not real incomes. The determination of the relative taxpaying abilities in accordance with the above-indicated ratios would seem to involve the taxation of the real income added by the housewife. Another limitation stems from the fact already mentioned that the data used to obtain the above relative income ratios pertain to relatively low-income groups (primarily under $5,000), whereas the family income problem under consideration pertains primarily to middle- and upper-income groups. Finally, the proportion of income used for consumption purposes tends to decrease and savings tend to increase as income increases. Thus, the ratios of relative income needed to obtain comparable levels of living would have less and less applicability, as an index of relative taxpaying abilities, as a larger and larger proportion of income is saved.

The quantitative information on the effects of a change in the size of families on taxpaying ability is incomplete and provides little basis for choosing among the alternative methods of treating family income for tax purposes discussed below.

C. Proposals previously considered

The history of the proposals to remedy the inequities in the tax treatment of family income, which covers a period of 25 years, indicates that neither the Congress nor the Executive branch of the Government has maintained a consistent position on this problem. Congressional and Treasury proposals have alternated between mandatory joint returns and the plan to tax community-property income to the spouse who manages and controls such income.

A revenue bill passed by the House in 1921 1/ required that community income be included in the gross income of the spouse having management and control over such income. The provision was eliminated by the Senate and in conference the House yielded in favor of the Senate action. 2/ In 1924, the Secretary of the Treasury recommended

1/ H.R. 8245, sec. 208, 67th Cong., 1st Sess.
2/ Conference Report. Revenue Bill of 1921, Report No. 486, Statement of the Managers on the Part of the House on Amendment No. 134.

a similar provision, 1/ but failed to persuade the Ways and Means Committee. 2/

In 1933, the Acting Secretary of the Treasury recommended mandatory joint returns, 3/ but this recommendation was not adopted by the Committee on Ways and Means. That same year, the General Counsel of the Bureau of Internal Revenue reverted to the earlier Treasury proposal and favored a provision which would have taxed unearned community-property income to the spouse managing such income. 4/

In the preparation of the Revenue Bill of 1934, the Committee on Ways and Means tentatively gave its approval to an amendment requiring husbands and wives in all States to file joint returns. However, this proposal was dropped because of drafting difficulties. 5/ In May 1934, Representative Treadway sponsored a bill to tax community-property income to the spouse exercising management and control thereof and hearings on it were held before a Subcommittee of the Ways and Means Committee. 6/ Special Assistant to the Secretary of the Treasury B. H. Bartholow appeared as a witness in favor of the bill. 7/ No action was taken by the subcommittee of the Ways and Means Committee.

1/ Annual Report of the Secretary of the Treasury for the fiscal year ended June 30, 1923, p. 9. Letter from Secretary of the Treasury Mellon to William R. Green, Acting Chairman of the Committee on Ways and Means.

2/ A provision including community income in the gross income of the spouse having management and control over such income was contained in Sec. 213(a) of the Treasury draft of the Revenue Act of 1924. However, this provision was deleted by the Ways and Means Committee in its second print on the Revenue Act of 1924, H.R. 6715, 68th Cong., 1st Sess., January 22, 1924.

3/ "Statement of the Acting Secretary of the Treasury regarding the preliminary report of a Subcommittee of the Committee on Ways and Means relative to methods of preventing the avoidance and evasion of the internal revenue laws together with suggestions for the simplification and improvement thereof," 1933, p. 15.

4/ Letter dated December 15, 1933, to L. H. Parker, Chief of Staff of the Joint Committee on Internal Revenue Taxation, reprinted in Community Property Income Hearings before a Subcommittee of the Committee on Ways and Means, House of Representatives, 73rd Cong., 2nd Sess., on H.R. 8396, May 1-21, June 12-13, 1934, pp. 22-25.

5/ Ibid., p. 6, Statement of Mr. Treadway of Massachusetts, member of the Committee on Ways and Means.

6/ Ibid.

7/ Ibid., p. 31. Statement of B. H. Bartholow, Special Assistant to the Secretary of the Treasury.

In 1937, Under Secretary of the Treasury Magill advocated mandatory joint returns at hearings before the Joint Committee on Tax Evasion and Avoidance. 1/ The Joint Committee, however, did not take action on this recommendation.

In 1941, the Treasury approved mandatory joint returns provided that this procedure would not increase the taxes of spouses with separate earned incomes. The Revenue Bill of 1941, as reported by the Ways and Means Committee, contained a provision for mandatory joint returns, 2/ but did not include the Treasury's recommendation regarding earned income. 3/ The mandatory joint returns provision was rejected by the House. The Senate Finance Committee inserted in this bill a provision to tax community income to the spouse exercising management and control thereof. 4/ Later the Committee withdrew its amendment on the floor of the Senate. At that time, the Treasury took no public position with regard to the proposal.

In 1942, the Treasury again advocated mandatory joint returns with a special allowance for the earned income of the wife or the husband, but the proposal was rejected by both the Ways and Means Committee and the Finance Committee. 5/

In their consideration of the problem of taxing family income, the Congress and the Executive branch of the Government, as well as the others who took part in the discussions, appear to have been concerned primarily with the discriminatory aspects of the current method of taxation. Spokesmen for the community-property States

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1/ Hearings before the Joint Committee on Tax Evasion and Avoidance, 1937, Part 2, pp. 309-313.
2/ H.R. 5417, sec. 111, 77th Cong., 1st Sess., July 24, 1941.
3/ Letter of the Secretary of the Treasury to the President, dated July 31, 1941, reprinted in Congressional Record, August 4, 1941, Vol. 87, Part 13, p. A3764. See also Committee on Ways and Means Report No. 1040 on the Revenue Bill of 1941 (H.R. 5417), p. 10.
4/ H.R. 5417, sec. 119, 77th Cong., 1st Sess., September 2, 1941.
5/ Randolph Paul, Tax Advisor to the Secretary of the Treasury, at first suggested that spouses having separate earned incomes not in excess of a specified maximum be given a tax credit against the joint tax liability consisting of the difference between the tax liability under a joint return and the sum of the liabilities on two separate returns. The proposed tax credit was later changed to 10 percent of the wife's earnings (or the husband's earnings if less than the wife's) and limited to a maximum of $100. (Hearings before the Committee on Ways and Means, House of Representatives, 77th Cong., 2d Sess., on Revenue Revision of 1942, Vols. 1 and 2, revised, pp. 10, 85, and 1612.)

were concerned with retaining the concepts underlying the institution of their property laws. The following sections summarize the salient features of those proposals for the treatment of family income which have been previously considered and the analysis of which is already a matter of record.

1. Mandatory joint returns

If the filing of joint returns were made mandatory, the division of income between spouses would cease to be a factor in the determination of their total tax liability. The couple's tax liability would be determined by the combined total income of the spouses and, consequently, equal-income couples would pay equal taxes.

Mandatory joint returns would increase the tax liabilities of spouses who now secure tax savings by filing separate returns. In general, the more equal the separate incomes of the spouses and the greater their combined income, the greater would be the tax increase resulting from mandatory joint returns. 1/ The couples whose taxes would be increased would have combined surtax net incomes in excess of the first surtax bracket (above $2,000 under present law) who reside in the community-property States where they automatically obtain an equal division of community income, and those who reside in non-community-property States and have separate incomes from property, business, and wages and salaries. Mandatory joint returns would increase the tax liabilities of an estimated 1.4 million of such married couples and would add about $542 million to tax revenues, assuming present income tax rates and exemptions and about $166 billion of income payments in calendar year 1947.

If joint returns were mandatory, the tax liability of a married couple whose entire taxable income falls in the first bracket (not above $2,000) would continue to be twice that imposed on a single person with one-half the income. However, the tax liability of a couple with taxable incomes in excess of this amount would be more than twice that incurred by a single person with one-half the income. The amount by which a married couple's tax exceeds twice the tax of a single person with one-half its income varies directly with the graduation of the surtax rates; the steeper the graduation, the greater the difference.

Mandatory joint returns would leave the absolute amount of taxes payable by single persons unaffected. However, the relative amount of taxes they paid would be reduced, since the tax liabilities of some married couples would be increased.

1/ For illustration, see Table 1, where column headed "100:0" shows tax liability under mandatory joint returns.

If mandatory joint returns were adopted two single people with separate incomes (before and after marriage), aggregating more than the amount taxable under the first surtax bracket, would increase their tax liability by marriage. The amount of tax increase would rise with the size of their combined income. Much has been made of this point in the discussions of this plan. The extent to which mandatory joint returns would create an economic barrier to marriage in the income areas affected would depend in part on the weight the individuals involved assign to economic considerations (of relatively small import in the majority of cases) and in part on the extent to which the increased tax liability incident to marriage would be offset by the consumption economies growing out of shared living expenses.

2. Dual-rate schedule

One proposal for the tax treatment of family income which has been discussed informally from time to time is the so-called dual-rate-schedule plan. This proposal would eliminate the need for making the filing of joint returns mandatory by eliminating the tax profit from separate returns. Under this plan, the splitting of income between spouses would produce no tax savings, and virtual uniformity of tax treatment among couples with the same aggregate incomes could be expected. This end would be achieved in the following manner:

Married couples would retain the option of filing joint or separate returns. Married persons filing joint returns would use the present surtax schedule. However, single persons and spouses filing separate returns would be provided with a new surtax schedule which would retain the present rates but make them applicable to tax brackets embracing only half the amount of income covered by the present brackets. The following dual-rate schedule is based on the present law combined tentative normal tax and surtax rate schedule, before the five-percent reduction, which would apply to couples filing joint returns.

Illustrative dual-rate schedule
(brackets in thousands of dollars)

Combined tentative rates	Surtax net income bracket: Single person and: married person filing separate return	Surtax net income bracket: Joint return	Combined tentative rates	Surtax net income bracket: Single person and: married person filing separate return	Surtax net income bracket: Joint return
20%	$ 0 - 1	$ 0 - 2	62%	$ 13 - 16	$ 26 - 32
22	1 - 2	2 - 4	65	16 - 19	32 - 38
26	2 - 3	4 - 6	69	19 - 22	38 - 44
30	3 - 4	6 - 8	72	22 - 25	44 - 50
34	4 - 5	8 - 10	75	25 - 30	50 - 60
38	5 - 6	10 - 12	78	30 - 35	60 - 70
43	6 - 7	12 - 14	81	35 - 40	70 - 80
47	7 - 8	14 - 16	84	40 - 45	80 - 90
50	8 - 9	16 - 18	87	45 - 50	90 - 100
53	9 - 10	18 - 20	89	50 - 75	100 - 150
56	10 - 11	20 - 22	90	75 - 100	150 - 200
59	11 - 13	22 - 26	91	100 and over	200 and over

Under this plan spouses could not reduce their tax by filing separate returns. Spouses with equal separate incomes would pay the same tax under either joint or separate returns. Spouses with unequal incomes generally would find it profitable to file joint returns. 1/

If the dual-rate-schedule plan were employed, married couples could not reduce their tax liabilities below what they would be under mandatory joint returns. Consequently, spouses who now file separate returns would experience tax increases similar to those which would result from mandatory joint returns. 2/ However, unlike mandatory joint returns, the amount of tax paid by many single persons (those with surtax net incomes in excess of $1,000 under the above illustrative tax schedule) would be increased under the dual-rate-schedule plan. 3/

The dual-rate-schedule plan would also impose relatively heavier taxes on single persons compared with married couples filing joint returns than does the present law, because it would apply to single persons the special tax schedule designed to remove the tax advantage of separate returns for married couples. Under the present per capita exemption system, the married couple with no dependents and a combined net income of $3,000 or less pays twice the tax imposed on the single person with one-half its income. A similar tax ratio applies to single persons compared with married persons now reporting equal incomes on separate returns. However, a married couple reporting an income in excess of the first surtax bracket on a joint return (or reporting substantially unequal incomes on separate returns) now pays more than twice the tax incurred by a single person with one-half its income. Under the dual-rate-schedule plan, married couples filing joint returns would pay only twice the tax incurred by single persons with one-half the income.

1/ Except spouses with both (a) combined incomes large enough to be subject to the maximum effective rate limitation, and (b) substantially unequal incomes. For example, suppose one spouse has a net income of $100,000 and the other $4,900,000. Their combined tax under this plan would be $4,275,000 on a joint return, and $4,263,562 on separate returns, assuming present law rates and exemptions. They could continue to reduce their combined tax bill by $11,438 or 0.3 percent by filing separate returns.

2/ See Table 1, where Col. headed "100:0" shows the liability under joint returns, while other columns show liability under present law, assuming divisions of income between spouses indicated at the top of the columns.

3/ See Table 4.

It is estimated that, under the illustrative dual-rate schedule presented above, tax yields would be increased by $998 million, assuming income payments of about $166 billion in calendar year 1947. This increased yield would be obtained from about 7.2 million single persons with surtax net incomes above $1,000, and 1.4 million married couples with combined surtax net incomes above $2,000 who would file separate returns under present law. The higher yield under this plan compared with mandatory joint returns is attributable to the higher tax on single persons.

3. Management and control plan

The proposal to tax earned income to the earner and community-property income to the spouse exercising management and control is based on the view that the property rights of spouses in community-property and noncommunity-property States are not sufficiently different to justify the tax differences resulting from an equal division of community income in community-property States.

This plan seeks to equalize the individual income tax burdens of married couples in community-property and noncommunity-property States by eliminating the automatic equal splitting of community income between spouses for tax purposes. It undertakes to achieve this end by taxing personal-service income to the earner and unearned community income to the managing and controlling spouse. Income from separate property would be taxed to the spouse owning the property even though such income belongs to the community under the laws of community-property States. Under this definition of taxpayer units, the taxes of couples without separate earned or property incomes (in the noncommunity-property sense) would be the same as those incurred on joint returns. The proposal would therefore increase the taxes of spouses who would ordinarily report community income on separate returns under present law.

It should be noted that, unlike the two plans discussed above, this plan does not attempt to obtain uniform taxes for equal-income couples in all States, since it does not affect noncommunity forms of income-splitting. Spouses in all States would retain the option of reporting on separate returns income split by noncommunity methods.

If this plan were enacted, a transition period would ensue during which spouses in community-property States might try noncommunity forms of income-splitting. During this phase, spouses with property incomes who formerly took advantage of the tax savings offered by the community-property system would be at a disadvantage compared with spouses who were not disturbed in the use of their accustomed income-splitting techniques. A large part of this disadvantage would probably disappear after taxpayers

with property incomes in community-property States became familiar with substitute forms of splitting income. But spouses with earned incomes in community-property States would not be able to turn to other income-splitting devices since earned income cannot be split by noncommunity-property methods.

The plan permits the use of separate returns. Consequently, marriage under the plan would not increase the tax attributable to an individual's separate income, as redefined.

It is estimated that initially the plan would increase the tax liabilities of about 600,000 married couples in community-property States. Revenue yields would be increased by about $82 million, assuming income payments of about $166 billion in calendar year 1947 and present law rates and exemptions.

D. The split-income plan

Currently, widespread interest is being directed to the plan to grant spouses in all States the option to divide equally their combined incomes, exemptions, and deductions for income tax purposes. Eight States have requested that Congress pass legislation placing taxpayers in all States on a uniform income tax basis. 1/ A number of bills to accomplish this end have already been introduced during the present session of Congress (80th Congress, 1st Session). 2/ This procedure would, in effect, extend the tax benefits of the community-property system to married couples throughout the country.

1/ Colorado, Illinois, Iowa, Kansas, Nebraska, North Dakota, Oregon, and South Dakota.

2/ These are: a Senate Amendment to H.R.1030 introduced February 5, 1947 (Butler, Nebraska), H.R. 1759 (Reeves, Missouri), H.R. 2002 (Robertson, North Dakota), S. 626 (Cordon, Oregon), S. 649 (Tydings, Maryland), H.R. 2219 (Angell, Oregon), H.R. 2564 (Landis, Indiana), Senate Amendment to H.R. 1 introduced March 25, 1947, (Butler, Nebraska), H.R. 3199 (Scott, Pa.) H.R. 3228 (Doughton, N.C.), and Senate Amendment to H.R. 1, introduced April 29, 1947 (McClellan, Ark.).

Another Senate Amendment to H.R. 1, introduced April 21, 1947 (Lucas, Illinois), is in the nature of a substitute for H.R. 1 and, in addition to providing for income-splitting, would also raise per capita exemptions to $600 and reduce the tentative surtax rates 2 percentage points in each bracket.

The following bills would give spouses in particular States tax treatment comparable to that received in community-property States: S.J. Res. 57 (Fulbright, Arkansas), S. 550 (Langer and Young, North Dakota), H.R. 2043 (Robertson, North Dakota), S.J. Res. 74 (Tydings, Maryland), S. 776 (Revercomb, West Virginia), H.R. 2461 (Snyder, West Virginia), H.R. 2623 (Redden, North Carolina), H.R. 2724 (Rogers, Florida), H.R. 2764 (Lanham, Georgia), and H.R. 3198 (Scott, Pa.).

One means of implementing this plan would be to allow spouses filing joint returns to (1) combine their income, (2) subtract their aggregate deductions and exemptions, (3) calculate the tax liability on one-half their aggregate taxable net income, and (4) multiply this amount by two to find their combined tax liability. 1/ An alternative procedure would be to allow all spouses to file separate returns covering half of their combined incomes, deductions and exemptions. Under either procedure residence or division of income between spouses would not afford avenues for tax differences between couples with equal taxable incomes.

1. Analysis of plan

This plan would reduce the taxes paid by married persons who have unequal incomes which together exceed the amount taxable under the first surtax brackets, regardless of whether they now file joint or separate returns. The plan would reduce the total tax burden of such married couples compared with single people. Married couples whose combined surtax net incomes do not exceed the first surtax bracket would derive no tax benefit. Other married couples would enjoy tax benefits which would increase as the size of their combined income increases, except insofar as they already enjoy the tax benefits of equal division of income by filing separate returns.

If the entire income of a couple with no dependents were owned by one spouse, the pattern of tax savings would be as follows: No tax savings would be secured by low-income couples whose combined surtax net incomes do not exceed the first surtax bracket. For couples with combined surtax net income in excess of the first bracket the amount of tax reduction would tend to increase as income increases, reaching a maximum of $23,921 at a combined surtax net income of $400,000. 2/

1/ Under present law, taxpayers have the option of taking the standard deduction instead of itemizing their nonbusiness deductions. The standard deduction amounts to about 10 percent of adjusted gross income for users of the Supplement T tax table and to $500 for taxpayers with adjusted gross incomes of $5,000 or more. While spouses filing joint returns can take only one standard deduction, those filing separate returns may receive the benefit of two standard deductions (one for each return). Consequently, spouses filing separate returns may have a maximum of $1,000 of standard deductions as compared with the $500 limit for joint-return couples. Thus, if uniform taxes for couples with the same amounts of income are desired, it would be necessary to increase the standard deduction for spouses filing joint returns under the split-income plan to 10 percent of adjusted gross income, up to a maximum of $1,000.

2/ However, the percentage tax reduction would reach its highest value, about 29 percent, at about $25,000 of net income, as shown in Table 3. Thereafter, the percentage reduction would tend to decline with increasing income levels, although the amount of reduction continues to increase.

This maximum tax decrease would remain constant for couples with combined surtax net income between $400,000 and $2,608,000, the level at which the maximum effective rate of 85.5 percent of net income becomes operative. Above this income level the amount of tax decrease would decline, reaching zero at a combined surtax net income of $5,216,000 or twice the level at which the maximum effective rate limit applies. 1/ For example, in the case of a married couple with no dependents where one spouse owns the entire income, the tax reduction would be zero at the net income level of $3,000; $38 at the $5,000 level; $6,071 at the $50,000 level; $23,921 at the $500,000 level; and $1,207 at the net income level of $5,000,000. 2/

The option to split income equally for tax purposes would enable almost all spouses to minimize their combined tax liability. Except at the highest income levels, the tax savings resulting from the plan would increase as the separate incomes of the spouses became more unequal. 3/

1/ The maximum amount of tax reduction secured from equal division of income occurs at an income level twice as high as that necessary to reach the top surtax net income bracket. Under the Revenue Act of 1945, the highest rate (86.45 percent) becomes effective at a surtax net income level of $200,000. Consequently, the tax saving obtained by a 50:50 split of income between spouses reaches a maximum value of $23,921 when a couple with no dependents has a combined surtax net income of $400,000.

At present, the maximum effective rate limitation of 85.5 percent of net income applies at a surtax net income of $2,608,000 for a married couple with no dependents. The more the combined income of the spouses exceeds this sum, the smaller the tax reduction achieved by an equal division of income. This occurs because division would shift income subject to the 85.5 percent effective rate to the higher 86.45 rate which applies to the surtax net income bracket beginning at $200,000. No tax reduction results from equal division when the combined income of the spouses is twice as large as the income which reaches the maximum effective rate limitation, because the maximum effective rate of 85.5 percent applies to the entire net income both before and after division of income.

2/ Corresponding calculations for other income levels in cases where one spouse receives the entire income (that is, division of income is 100:0), and where incomes are shared by the spouses in varying proportions, will be found in Table 2.

3/ However, couples with combined incomes reaching the maximum effective rate limitation may pay smaller taxes by reporting unequal rather than equal incomes on separate returns. Thus, under separate returns, the combined tax on two net incomes of $2,500,000 each is $18,397 more than the combined tax on the net incomes of $4,500,000 and $500,000. Consequently, the few couples with both unequal separate incomes and combined incomes reaching the maximum effective rate limitation would prefer not to split income equally under the plan.

Thus, the tax saving accruing to a married couple with no dependents and a combined net income of $25,000 would be $2,622, if one spouse held title to the entire income, $1,881 if the spouse with the smaller income owned 10 percent of the combined income, and $157 if the spouse with the smaller income owned 40 percent of the combined income. 1/ As a practical matter, therefore, the option of equal division of income would largely achieve uniform tax burdens for equal-income couples. The proposal would result in more uniform taxation of such couples than formal adoption of the community system of property rights by all States, since it would apply to all the income of married couples. Under the community-property system income from noncommunity property is taxable to the owning spouse and the tax burdens of married couples with the same combined income and exemptions are not necessarily equalized because the amounts of their separate incomes may vary substantially. 2/

The split-income proposal would seem to be most advantageous to married couples in noncommunity-property States where (a) all or most of the couple's income is derived from the personal services of one spouse or from his interest in an unincorporated trade or business, or (b) if the property income bulks large, the couple has not found it feasible to split the property and income for tax reduction purposes.

Allowing married couples in all States the option of equal division of income for income tax purposes would not change the tax liabilities of single persons; it would increase their relative tax load since they would not share in the tax reductions which would accrue to married couples under the plan.

At present, in a noncommunity-property State, a married couple reporting a combined income large enough to reach the second surtax bracket on a joint return pays more than twice the tax imposed on a single person with half as much income. The split-income plan would impose heavier relative tax burdens than the present system on single persons compared with such married couples since all married couples would be required to pay only twice the tax imposed on single persons with one-half their incomes. These changes in relative tax burdens are significant only at the higher income levels, because at the lower income levels the ratio of the tax liability of married and single people under the plan would approximate that under present law.

Under the present per capita exemption system, a married couple with no dependents and a combined net income of $3,000 or less pays twice the tax imposed on a single person with half as much income.

1/ Assuming that separate returns are already being filed where spouses have separate incomes. See Table 2 for additional examples.

2/ However, in some community-property States income from separate property is regarded as community income and is divided equally between the spouses for tax purposes. See Appendix A.

Moreover, the difference in the rates applying to the first and second bracket is only 1.9 percentage points so that married couples reporting combined net incomes as high as $5,000 on joint returns pay only slightly more than twice the tax of single individuals with one-half their combined incomes. 1/ In addition, the total tax of a married couple filing separate returns now approximates twice the tax of a single person with half as much income wherever the legal division of income between spouses is almost equal.

If the plan were adopted, it may be necessary to reconsider the treatment of heads of families as compared with married couples. If married couples in noncommunity-property States were permitted to divide their income equally for tax purposes, the head of family (single person maintaining a household for a dependent) would be placed in less favorable position compared with a married man who supports a wife than he enjoys under present law. 2/ As a result of the per capita exemption employed under present law ($500 for each dependent) a married couple filing a joint return pays the same tax as an equal-income single person with one dependent. 3/ The split-income plan would produce differences in tax burden between the married couple and the head of family whenever the income of the married couple is large enough to secure tax savings from income-splitting. 2/ In view of these differences it may be necessary to consider in conjunction with a split-income plan the case for granting certain heads of families the tax equivalent of equal division of income in order to place them on a comparable basis with married couples.

It is estimated that the plan, as applied to spouses, would reduce the tax liabilities of approximately 4.9 million married couples, assuming income payments of $166 billion in calendar year 1947. About 4.4 million of these would be married couples who would ordinarily report

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1/ A married couple with no dependents, filing a joint return, pays $380 at a net income of $3,000 and $798 at a net income of $5,000. A single person with no dependents pays $190 at a net income of $1,500 and $380 at a net income of $2,500. Thus, a married couple with a net income of $3,000 pays exactly twice the tax paid by a single person with one-half its income; while the married couple with a net income of $5,000 pays $38 (or 5 percent of its tax liability) more than twice the tax paid by a single person with one-half its income.

2/ It should be noted that, in community-property States, a head of family is already in a less favorable position than a married couple.

3/ However, where the dependent has less than $500 of gross income, his income is excluded from tax.

combined surtax net incomes of $2,000 or more on joint returns, 400,000 would be married couples filing separate noncommunity-property returns, and 100,000 would be married couples filing separate community-property returns.

Under present individual income tax rates and exemptions, it is estimated that granting spouses the option of equal division of income would reduce the individual income tax yield by about $744 million, assuming income payments of $166 billion in calendar year 1947.

2. Restricting application of plan

Because the unrestricted application of the split-income plan would automatically accord large tax benefits to couples with large incomes, resulting in a shift of relative tax burden from high-income to low-income groups, consideration might be given to limiting its application. Two types of restrictions can be employed: A limitation might be placed on the total amount of income that may be split for tax purposes; alternatively, the privilege might be limited to earned income.

a. Limiting plan to an amount of income

It can be argued that there is little justification for extending the tax benefits of automatic income-splitting to spouses with large incomes. Such married couples are less likely to pool and share their combined incomes equally for consumption purposes than spouses with small or moderate incomes. Small or moderate incomes are believed to be used primarily for consumption purposes for the joint benefit of both spouses, whereas sharing is believed to tend to be more limited in the case of large incomes where savings are large and may be used for economic power and control rather than for consumption purposes.

Notwithstanding the existence of a general tendency in the direction indicated, it would be difficult to justify limiting the privilege of splitting income for tax purposes to a specified income level, because the data regarding the way in which high-income spouses share and use their incomes are inadequate for purposes of appraising differences in ability to pay. Doubtless, some spouses at high-income levels share in the enjoyment of their incomes equally. The way in which spouses share income may depend not only on the size of their income, but also on the relationship between them and on the source of their income. Spouses are more apt to share their combined incomes when their relations are harmonious than when discord exists between them. Also, there may be a general tendency to devote earned income to the joint benefit of both spouses more readily than trust income which one spouse has habitually used for his or her own benefit. These are all intangible considerations with broad social and political implications which are not susceptible of measurement and go beyond the technical economic analysis undertaken here.

Relatively few spouses would be affected by any maximum which is likely to be set under the split-income plan. Under the present surtax schedule, income-splitting can only vary the taxes of couples with combined surtax net incomes above $2,000. It is estimated that about 5.8 million married couples will have such surtax net incomes, assuming present exemptions and income payments of about $166 billion in calendar year 1947. 1/ Only about 300,000 couples or about 5 percent of these would have incomes large enough to be affected by a maximum limitation of $10,000 of surtax net income. This level of surtax net income is no doubt lower than any maximum income limitation likely to be set. However, it illustrates the point that uniform taxes would be secured for most equal-income couples even under a plan which limited the amount of income eligible to be split. The taxes of couples with incomes exceeding the maximum would tend to vary with their ability to use currently available income-splitting techniques. High-income couples in community-property States would continue to possess tax advantages over couples with equal amounts of incomes in other States. Similarly, in noncommunity-property States, couples with large earned incomes would continue to be at a disadvantage compared with couples with large unearned incomes because of the ability of the latter to use currently available income-splitting techniques.

Uniform taxes for couples with incomes exceeding the maximum allowed to be split could be secured by requiring them to report their combined income on one return and arranging the computations so that income-splitting applied to only the lower portion of their income and would not throw the income in excess of the limit into lower brackets. The combined income above the income-splitting maximum could then be treated as under mandatory joint returns. This procedure would be complicated and would also involve problems of the type inherent in mandatory joint returns.

b. Limiting plan to earned income

One of the possibilities for limiting the scope of the split-income plan and for reducing the amount of tax relief such a plan affords high-income families is to restrict the privilege of splitting income under the plan to earned income.

This restriction would have the effect of limiting the plan to approximately half the income reported by taxpayers with net income in excess of $5,000. Because the relative importance of earned income to total income tends to decrease with size of income, the proposed limitation would tend to restrict the scope of the income-splitting plan to a declining proportion of income as total income increases.

1/ Moreover, as already indicated above, about 900,000 of these couples are already receiving as much tax benefit under separate returns as under income-splitting, since it is estimated that about 4.9 million couples will receive a tax decrease under income-splitting.

Restricting the privilege of equal income-splitting to earned income would tend to eliminate a large part of the basis for tax differences which exist between families in community- and noncommunity-property States, because taxpayers in noncommunity-property States already have opportunities for splitting their unearned income. It would not eliminate all the tax differences because married couples in noncommunity-property States frequently forego the privilege of minimizing their taxes by splitting their unearned income by currently available techniques. This is evident from the fact that spouses reporting substantial incomes on separate noncommunity-property returns frequently report unequal separate incomes. Moreover, the income-splits between the returns of the two spouses appear to become more unequal as income increases.

In view of the relatively large amounts of unearned income at upper-income levels, it is reasonable to assume that a large part of the unequal splits in income between spouses, noted above, represents investment income. Thus, married couples with unequal splits of investment income would pay higher taxes than those with equal amounts of earned income if the plan is restricted to earned income. This is shown by the fact that under present law the tax of a married couple splitting income 80:20 exceeds that incurred by one employing a 50:50 split by $380 at a net income of $15,000, $717 at a net income of $20,000, and $1,107 at a net income of $25,000.

Moreover, couples with equal amounts of unearned income in noncommunity-property States would incur unequal tax liabilities because some are better able to split their income than others. It should be noted, however, that even spouses who split property incomes 50:50 in noncommunity-property States by currently available techniques would be at a disadvantage compared with similar types of income in community-property States if the split-income plan were restricted to earned income. Splitting property income in noncommunity-property States usually involves relinquishing title and a considerable degree of legal control over income and its source. In community-property States the husband retains actual control and management over community income, despite the fact that the wife holds legal title to one-half of such income. Moreover, in most community-property States, it is extremely difficult for the wife to hold the husband to account for his management of community property and income except by dissolution of the marital community.

The foregoing suggests that if the plan to split income for tax purposes were confined to earned income, an important area of tax difference existing under present practice would remain. If the plan were extended to all income, it would result in the imposition of uniform taxes on equal-income couples regardless of the type of income. If, on the other hand, the plan were restricted to earned income the resulting uniformity in tax liability would be confined to couples with equal amounts of earned income, while the taxes on couples with unequal amounts of unearned income would continue to vary with ability to use income-splitting techniques.

One of the arguments which may be made in favor of this method of restricting the plan is that it would give more favorable treatment to earned income and provide the type of incentive to individual initiative which is both desirable in the interest of high productivity and attractive on broad social grounds. This incentive argument applies to earned income received by persons with relatively large incomes, such as salaried business executives, proprietors and partners. It does not apply to low-income wage earners, since they would get little or no tax benefit from income-splitting. For the same reason, it does not apply to any of the single taxpayers, regardless of the size of their earned income. Finally, it does not apply to couples with earned income in community-property States, since they already divide their income. Thus, the plan under consideration would extend preferential treatment only to earned income received by married couples in noncommunity-property States with earnings in excess of the first surtax bracket. Whether in individual instances taxes paid by couples with earned incomes would be lower than those paid by couples deriving equal amounts of income from investment sources would depend upon the ability of the family deriving income from investments to make corresponding reductions in its tax liability by taking advantage of income-splitting devices. In spite of these limitations, the plan has the advantage of tending to give tax preference to the earned income of an important group of high, earned income recipients at the same time that it ensures uniformity of tax treatment among earned income recipients in community- and noncommunity-property States. However, limiting the income-splitting plan to earned income should not be considered a substitute for a general earned income credit. If it is deemed to be in the public interest to give tax preference to all earned income, the type of device here considered is insufficient to implement that policy.

One of the objectives of the split-income plan is to reduce the litigation and administrative difficulties involved in determining whether income-splitting techniques currently employed are permissible under law. If spouses were granted the option of splitting all income 50:50, they would have no incentive to devise other methods for shifting income to one another for the purpose of reducing their tax liability. Thus, some of the legal and administrative problems growing out of present practice would be eliminated. However, if the plan were restricted to earned income, spouses would still be able to reduce their taxes by shifting investment income, and some of the present litigation and administrative difficulties would remain. Moreover, restricting the plan to earned income would raise new legal and administrative problems growing out of the definition of earned income, which might be more troublesome than those previously encountered under the earned income credit. The tax savings involved in the definition of earned income for earned income credit purposes were minor compared with the tax-saving potentialities of income-splitting. So long as taxpayers found it profitable to do so, they would try to obtain earned income tax treatment for unearned income, adding thereby to administrative complexity. They might, for example, in the case of closely held corporations choose to withdraw earnings in the form of higher salaries rather than dividends.

3. Treatment of the income of minor children

One of the problems which arises under any plan for the taxation of family income concerns the treatment of income received by minor children. Under present law, minor children receiving income of $500 or more are required to file separate returns. The filing of a separate return on behalf of a child results in a lower tax liability for the family than if the income were combined with that of the parents when the combined income of the family (parents and children) exceeds the first surtax bracket ($2,000 under present law). Consequently, if minor children continue to file separate returns under a plan taxing the income of spouses as a unit, families with equal incomes and exemptions will not necessarily pay equal amounts of income tax. Aside from the question of independent sources of income of children, parents with substantial property incomes will continue to avail themselves of the opportunity to reduce the family's total tax bill by transferring some of their income-producing properties to their minor children. This problem is common to the three family income proposals, namely those for mandatory joint returns, dual-rate schedule, and the split-income plan. It does not arise in connection with the management and control plan, since it is designed only to overcome the tax differences between community- and noncommunity-property States based on differences in local law and does not attempt to obtain uniform taxes for equal-income couples and families in all States. Although each of the three plans for treating family income raises different problems about the treatment of children's income, a discussion of the problems raised by the split-income plan will indicate the type of issues involved.

Under present rates, a married couple with one dependent and a combined net income of $50,000 would have a tax liability of $18,444 if its income were equally split between the spouses. However, if the child has independent income or if the couple can transfer some of its assets to the child in such a way that one-third of the family's combined income of $50,000 would be taxable to each of the three members of the family, its tax liability would be reduced by $3,386 or 18 percent. The incidence of independent sources of income among children probably varies greatly with age in the case of earnings and with the distribution of wealth among close relatives, such as grandparents, in the case of property income. Also, parents do not have equal opportunities for transferring property and income to their children. Consequently, some of the present differences in the tax treatment of family income would remain under a split-income plan unless parents were required to include all the income of minor children in their

returns. 1/ Moreover, some of the administrative and legal burdens resulting from splitting income within the family by currently available techniques would continue unless the incomes of children and parents were combined for tax purposes. No doubt, the issue of whether the income of children should be included in or excluded from the tax return of the parents will also involve middle-ground questions of source of income. Solely from the viewpoint of minimizing tax avoidance, the problem might be met by requiring that only income of children which derives from property traceable to the parents be included in the tax return of the family; that earned income and property income from other sources continue to be included in the child's separate return.

It will appear from the foregoing that, to the extent that it is deemed desirable to impose equal tax burdens on families with equal incomes, the inclusion of the income of minor children in the tax returns of the parents is necessary. It should be noted, however, that the case for the equal tax treatment of families (including minor children) hinges on the validity of the proposition that the income of the entire family including that of minor children is pooled and shared by all the family; that the family is in effect a tightly knit economic entity providing a better unit for gauging taxpaying ability than its several members individually. This goes beyond technical economic considerations to the core of the sociological problems involved in the institution of the family and the home. In Section D-1 above, it was noted that so far as parents alone are concerned, an optional income-splitting plan was sufficient to insure uniform taxes for equal-income couples. The decision to include the incomes of minor children in the parents' tax return will affect the question of whether the splitting of income be mandatory or optional. Under a mandatory plan, families would be taxed as a unit, regardless of whether the plan increased or decreased their total tax liability. Under an optional plan, families would elect to come under the plan only if it resulted in a combined tax liability lower than that imposed by present procedure.

The primary objective of including children's income under the plan would be to secure uniform taxes for families with equal net incomes and exemptions. Uniform taxes for such families could be obtained on a voluntary basis only if for tax purposes the plan split total family income equally among all family members. Per capita income-splits practically always result in a minimum combined tax liability so that most families would elect to come under such a plan. 2/ However, if families were not

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1/ However, if it were possible to set up trusts with the power to accumulate income for the benefit of minor children, the income from which is not currently distributed or distributable, such income might still be taxed to the trust rather than to the family, thus permitting tax differences between families whose taxpaying abilities over a period of years were substantially equal. See Appendix B.

2/ Unequal splits of income may result in a smaller combined tax liability than equal or per capita splits for the very small number of families with incomes large enough to benefit from the maximum effective rate limitation.

allowed per capita income-splits, uniform taxes for families could not be secured under a voluntary plan. Families would elect not to use the plan so long as they could reduce their taxes by shifting income to achieve a more equal distribution of income among family members. This is an important consideration in the case of families with large incomes derived from investments; it is generally of little moment to those deriving their income from personal services. 1/ To the extent that the imposition of equal taxes on equal-income families is regarded as necessary, the plan would have to be mandatory if it did not provide for splitting income with children. Moreover, it will be noted that if the income of children is included with that of the parents under an optional plan to divide income between the spouses, some tax discrimination will continue between community- and noncommunity-property States. That is, unless present law were changed, spouses in community-property States would continue to be able to split their community income equally without including the income of children, whereas spouses with earned income in noncommunity-property States could do so only if they included the income of children on their return, and those with unearned income would have to avail themselves of income-splitting devices.

If the income of minor children were combined with the income of parents for tax purposes, it would be necessary to examine the problem of differentiating between equal-income couples with different numbers of children to allow for differences in taxpaying ability.

a. Per capita income-splits

As already indicated, one method of obtaining uniform tax treatment for the income of children is to extend the concept of income-splitting to include minor children. Under this procedure, further income-splits on a per capita basis would be granted for minor children (in addition to exemptions). Thus, a married couple with one child would split its income three ways, one with two children four ways, and so forth. This procedure would result in substantial tax savings in the case of large-income families with children; the more the children, the larger the tax savings. 2/ The little that is known about the effect of the number of the children on the taxpaying ability of the family indicates that the tax savings which would result from per capita income-splitting probably could not be justified.

1/ No doubt there would be a number of multiple wage-earner families that would also find it unprofitable to elect income-splitting under a voluntary plan.

2/ See Table 5.

Moreover, the per capita income-splitting plan would undoubtedly reduce the yield of the individual income tax very much more than the estimated cost of giving spouses the option to split their incomes. While some of the additional loss might be recaptured by increasing the tax rates at the appropriate income levels, only part of the lost ground could be regained in view of the already existing high tax rates.

A variation of the per capita income-splits would be to allow parents to split their income with their minor children unequally, regardless of how ownership of such income is distributed within the family. Each child, for example, might be assigned for tax purposes half or a quarter as much of the total family income as each of the parents. This would result in lower tax liabilities than the present type of exemption except for low-income families and would lose less revenue than a straight per capita income-splitting plan.

b. Exemptions for dependents

The present basic method of differentiating for size of family could be retained in combination with a split-income plan for spouses. Under this procedure, for example, spouses would be given the option of a 50:50 income-split for tax purposes provided they included the income of minor children in their tax returns. The dependent exemption would be given for each child but no further income-splits would be allowed for children under the option. It will be noted that if the present type of exemption for dependents were retained, the differentiation in the tax liability of high-income families with a varying number of dependents would remain relatively small. For example, the tax liability of a married couple with two children and a net income of $20,000 would be $4,370 or $323 less than the $4,693 tax paid by a married couple without dependents.

The inclusion of the income of minor children in the parents' tax return, coupled with the present type of dependent exemption, would not provide as large a decrease in tax liability for some families as would the option to split income 50:50 between the spouses without regard to children's income. The converse situation would arise in the infrequent case where the income of the minor child very greatly exceeds the combined income of the parents. In such cases the inclusion of the child's income in the return of the parents enables that income to be split with accompanying tax savings. 1/

1/ See Table 5 where it is shown that a 50:50 distribution of certain net incomes among two members of a family produces a smaller tax liability than an 80:10:10 percentage distribution among three family members.

If this plan were optional, some families with substantial property incomes which they find feasible to distribute among children would not use it, since they could continue to use present income-splitting procedures to effect larger tax savings than they would obtain under the plan. Consequently, complete uniformity of taxation among equal-income families of the same size would not be obtained under the plan. However, the plan would tend to result in more tax uniformity than if the option to split income were given to spouses without requiring the inclusion of children's income. A mandatory plan, requiring both income-splitting and the inclusion of children's income in the family return, would produce even more uniformity, although there remains the problem of the treatment of income accumulated in trust for members of the family, particularly children. 1/

Under the optional method of including children's income, the estimated loss in revenue from the split-income plan would be reduced by about $100 million, making the total estimated loss of revenue from the income-splitting plan about $632 million, affecting 4.8 million families.

c. Other types of adjustments

There are other possibilities for adjusting ability-to-pay for size of family besides those discussed above. If it were desired to obtain larger tax differences between high-income families of varying size than under present law, this could be achieved by increasing the amount of the exemptions as size of income increases. Still another method would be to impose separate tax rate schedules for each size of family which would yield the desired tax differences at each income level. While these are possibilities they are more complicated than those discussed above and appear to hold little promise of practical application.

4. Administrative considerations

The adoption of a plan which allows spouses to split their income for tax purposes, regardless of the legal distributuon of that income between the spouses, involves a number of administrative considerations, some of which have already been indicated in connection with the aspects of the plans presented above. The extent to which existing legal-administrative problems would be reduced or eliminated by a split-income plan and the kinds of administrative problems which would be introduced depend upon the details of the plan. The discussion which follows illustrates some of the more important aspects of the administrative issues involved in the adoption of split-income plans.

a. Income-splitting applied only to spouses

The adoption of a plan which would give spouses the option to divide all their income equally (without requiring the inclusion of children's income in the family tax return) would virtually eliminate

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1/ See Appendix B.

the legal-administrative problems which now arise from attempts to divide income between spouses. Some of the most troublesome administrative problems encountered under the individual income tax result from attempts by husbands and wives to reduce taxes by allocating income between them without affecting the substantial ownership. Under this plan, the administrative need to determine, as between husband and wife, the one to whom income should be attributed for tax purposes will be eliminated. In community-property States it would largely eliminate the administrative need for determining domicile and for distinguishing between the community income and the separate income of the spouses.

Under this plan, however, a substantial incentive would remain to reduce the family's total tax liability by further divisions of income with children. Consequently, some of the current legal-administrative problems respecting income-splitting would remain since it would continue to be necessary to determine the attribution of income for tax purposes as between parents and children.

This plan would permit spouses to divide their combined taxable income on a joint return and would eliminate the need for filing separate returns to minimize the couple's taxes. Therefore, the total number of separate returns filed would be greatly reduced, thereby reducing the administrative effort needed to handle returns. Moreover, joint returns tend to reduce the number of year-end adjustments, particularly tax refunds, which are involved on separate returns of spouses. Under the plan, joint returns generally would not result in higher tax liability than separate returns, and there would be fewer difficult problems of the kind now encountered by couples attempting to decide whether joint or separate returns produce the lower tax liability.

In contrast to the above advantages, the plan raises a number of administrative issues, some of which might introduce more or less difficult problems. If married couples with combined incomes of less than $5,000 who are in the second surtax bracket area are to continue to be given the opportunity of finding their tax liability on the simplified Supplement T tax table, it would be necessary to modify the table to distinguish between joint and separate returns. The present tax table is simpler than a table so modified in that the type of return is not a factor in the tax liabilities presented in the table. In modifying the table, the problem is to show the different tax liabilities by type of return (at the income levels affected by the plan) without unduly complicating the table, especially for the bulk of the taxpayers who use the tax table but are not affected by the income-splitting plan.

If the present relatively simple withholding tax procedures were continued under the plan, certain taxpayers entitled to the benefits of income-splitting for final liability purposes would be subject to

overwithholding. The maximum amount of overwithholding would be about $38 and would occur in the case of a married couple whose income is entirely from the earnings of one spouse and is at the top of the second bracket. This additional amount of overwithholding would not appear to be very important from the administrative standpoint, since many of these taxpayers would be subject to overwithholding for other reasons and would claim refunds in any event. If the indicated overwithholding is considered objectionable, the withholding rates could be reduced but this would in effect underwithhold on other taxpayers. If, for example, the second bracket withholding rate were eliminated and all wage earners subject to only the first bracket withholding rate, the overwithholding indicated above would be eliminated. However, other taxpayers, such as single persons, with income only from earnings and with surtax net income at the top of the second bracket would be underwithheld by a maximum of about $38. This may not be a very important amount of underwithholding for these taxpayers and, in many cases, the underwithholding would more or less offset the overwithholding which would occur for other reasons. If either of these methods is considered to be unsatisfactory, then the withholding procedures, at the expense of complications, could be altered more or less to reflect the benefits of income-splitting. The modified withholding procedures would permit employers, on the basis of information supplied by the employee, to differentiate between married couples in the second surtax bracket entitled to the benefits of income-splitting and other taxpayers in the second surtax bracket not entitled to the benefits of income-splitting.

Under the plan, two tax computation schedules would be required on the long Form 1040: one for joint returns of husbands and wives, and the second for all other taxpayers. Compared with the single schedule now in use, the dual-schedule return would be more complicated and would afford greater opportunity for computation errors by taxpayers not using the Supplement T tax table. Moreover, certain married couples filing separate returns who now use either Form W-2 or the Supplement T tax table (each of which is limited to returns showing less than $5,000 of adjusted gross income) would be required to file the long Form 1040 and compute their final tax liability in order to obtain the benefit of income-splitting. Such taxpayers would be couples with aggregate income in excess of $5,000 but less than $10,000, with incomes or exemptions divided unequally between them, so that income-splitting on a joint return would produce a lower aggregate tax liability than the filing of separate returns.

Under the plan, it would seem to be administratively desirable for both spouses to be jointly and severally liable for the tax liability of a couple filing a joint return, even though one spouse has all the income, exemptions and deductions. Administrative experience indicates that many of these couples would probably file

returns signed by only the spouse who owns the income, thereby resulting in delay in the handling of these returns, including correspondence with the taxpayers to obtain the second signature.

The foregoing discussion reflects the major administrative considerations arising under a plan giving spouses the option to divide all of their income equally. However, if income-splitting were modified to reflect other considerations, additional administrative difficulties would result. For example, if the plan were extended to cover certain family units involving a head-of-family status (as distinguished from the normal family unit covering the married couple), additional administrative problems would arise in connection with the determination of taxpayers properly entitled to the benefits of income-splitting under such status.

Moreover, if the optional plan were limited in its application either as to amount of income or type of income, the incentive to divide income would continue to operate with respect to the categories of income to which the income-splitting plan did not apply. In addition, if the plan were limited as to amount of income covered, taxpayers with incomes just above the limit might tend to understate their incomes. If the plan were limited to earned income, the application of a definition of earned income would give rise to administrative difficulty, since taxpayers would attempt to have as much as possible of their income classified as earned.

b. Income-splitting applied to parents and children

If a split-income plan were modified to include the income of children with that of the parents, the effect on legal-administrative problems would be more extensive. Application of the plan to children would have the advantage of reducing the problems which now arise, and which would continue to arise under a plan limited to spouses, from attempts to divide income with children. Also, it would further reduce the number of returns to be handled to the extent that separate returns of children were eliminated.

On the other hand, the inclusion of the income of children would produce additional administrative problems, the scope of which would tend to be restricted by the fact that the change would affect only those taxpayers with combined income above the first bracket who have children with income. The initial administrative problem with respect to these taxpayers involves the determination whether their children were covered by the definition of children (such as "minor" children) whose income is required to be included in the return of the parents.

Another problem which may arise in connection with the inclusion of the income of children involves the apportionment of tax liability among the members of the family. If the plan applied only to spouses and were put into operation by means of optional joint returns, formal apportionment of tax liability between the spouses would not be necessary on the tax return because the liability of the spouses could be made joint and several as under existing law. If this plan were modified to allow income-splitting only if the income of children were included with that of the parents, formal apportionment on the tax return of the aggregate tax liability among members of the family might also be avoided since the plan would be optional. If, however, the plan were mandatory, both as to income-splitting and inclusion of the income of children, provision for some formal method of apportionment of liability among the several members included in the family tax return would seem to be necessary. An equitable system of apportionment would probably require computations based upon separate tax liabilities of the family members. Under such a system, the liability of each individual for his pro rata share of the family's tax liability could be determined on the basis of the ratio of each individual's tax computed on a separate return to the total of the separate taxes so computed. Therefore, this plan would require complicated tax forms and it would also be necessary to make some revision in the present assessment procedures. However, it may be feasible to limit the resulting complications of this plan to the relatively few families who would request such formal method of apportionment.

Treasury Department, Division of Tax Research May 1947

APPENDIX A

Summary of Income-splitting Devices in Community-property and Noncommunity-property States

A. The community-property system

1. Description of the community-property system

At present the property rights of married persons in nine States and one territory are governed by the community-property system. 1/ While its application varies from State to State, certain features of the system are found in all community-property States. Property owned before marriage or acquired after marriage by gift, bequest, devise, or inheritance is regarded as the separate property of the spouse holding legal rights to it. Property acquired in other ways after marriage presumptively becomes community property with each spouse owning an equal share. Income from community property belongs to the community. Similarly, in four community-property States (Idaho, Louisiana, Oklahoma, and Texas), income of the separate property of one spouse is usually regarded as community income. 2/ Income from separate property is recognized as separate income in other community-property States. Where husband and wife are living together, earned income of either spouse is usually regarded as community income. This applies regardless of whether both or only one spouse is engaged in the activity which is directly responsible for the flow of earnings.

Underlying the community-property arrangement is the concept of the marital partnership. Both spouses contribute to economic gains which accrue after marriage. The husband is usually more directly concerned with the process of monetary acquisition but the wife provides the foundation for such gains by her homemaking and child-rearing activities. Each spouse usually has the right of management and control of separate property. The husband usually has general management and control of community property. In some community-property States the wife has control of her personal earnings and the income from her separate property where such income is treated as community income. Restrictions upon the husband's control of

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1/ These are Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Oklahoma, Texas, and Washington and the Territory of Hawaii. Oregon's 44th Legislative Assembly recently enacted another community-property law intended to qualify its residents for income-splitting under the Federal individual income tax.

2/ Among the exceptions to this rule are the following:

In Idaho, the income of the separate property of a wife may become separate income provided that specific provision for this was made at the time the property was conveyed to her.

In Louisiana, income from paraphernal property (separate property of the wife which forms no part of the dowry) which is managed by the husband becomes community income. If the paraphernal property is managed by the wife it is regarded as separate income.

Royalties from oil and gas leases on separate lands acquired before marriage are considered separate income in Texas.

community property very widely. In Louisiana, mismanagement of community property by the husband may provide grounds, on court approval, for the wife to assume control and management of her half of the community property. In many other States, however, it is extremely difficult for the wife to hold the husband to account except by securing a divorce which dissolves the marital community. 1/ Similarly, the husband's power to convey real and personal property is subject to different degrees of restriction depending upon the community-property State which is under consideration.

2. Tax results of the community-property system

Under the Federal income tax married persons have the option of filing separate or joint returns whichever is to their advantage. Where the combined income of the spouses is large, the community-property system favors the filing of separate returns. Since each spouse owns an equal share in the community's income, each has the privilege of reporting one-half that income on a separate return. Where a couple's entire income is community income, the equal division of that income may provide the maximum tax savings possible under separate returns. Separate returns under the community-property system will practically always reduce taxes when the equal division of community income results in a more equal distribution of income between spouses than would have existed had there not been a community-property arrangement. 2/ For example: A husband has a separate property income of $100,000 while his wife has no separate income. In addition to his separate property income, the husband earns $30,000 which becomes community income. In a noncommunity-property State, a return would be filed reporting the income of the husband as $130,000. Under the community-property arrangement, the husband can file a separate return showing his income as $115,000, the remaining $15,000 of community income being reported by his wife in her separate return.

On the other hand, the community-property system may result in increasing the total tax burden falling on the incomes of the spouses when it emphasizes inequalities of income between the spouses. The following offers an example of this type of situation: A wife has a separate property income of $100,000 and the husband earns $30,000 which becomes community income under the community-property system. The wife's

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1/ See Community-Property Income Hearings before a Subcommittee of the Committee on Ways and Means, House of Representatives, 73rd Cong., 2d Sess., May 1934, on H.R. 8396 - Statement of Miss Helen Carloss, Department of Justice, p. 71.

2/ Assuming that exemptions and deductions are equally divided between spouses. However, it is possible that unequal divisions of income between spouses may result in a smaller combined tax liability than equal division of income for spouses whose combined incomes are large enough to be affected by the maximum effective rate limitation.

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taxable income then becomes $115,000 and the husband's $15,000, thus moving part of the income into higher surtax net income brackets. It is possible, however, for a couple to modify the impact of the community-property system upon them when it results in an increase in their tax liabilities by antenuptial contracts which define how their property rights are to be governed after marriage. Not all community-property States permit married couples the same latitude in this respect. In California an agreement between spouses specifying that the property and income of each should be separate despite local community-property law has been held to be valid. 1/ Texas, however, imposes more rigid restrictions upon spouses in regard to alteration of community-property rights.

In addition, it is possible to change community property to separate property by gift of one spouse to another. 2/ Consequently, advantage may be taken of this right whenever the community-property system works to the tax disadvantage of the spouses.

B. Income-splitting in noncommunity-property States

Married couples in noncommunity-property States do not have a tax privilege directly comparable to the equal division of community income permitted in community-property States. Taxpayers in noncommunity-property States, however, can minimize their taxes by the following intra-family transactions. Taxpayers in community-property States may use many of these transactions to supplement the income-splitting permitted by the community-property system.

1. Transfer of assets

Tax savings may be achieved by the transfer of income-producing assets among family members so that inequalities in the size of the incomes of individual members are reduced. In order for the transfer to be recognizable for tax purposes, it is necessary that the donor irrevocably divest himself of the title and legal control of the property in favor of the recipient who then becomes responsible for the tax liability incurred by virtue of possession of that income. While legal ownership of the property has changed, the original owner may retain actual control over the asset and its income by virtue of his personal relationship with the new owner.

1/ Ina Claire v. United States (Ct. Cls.), 34 Fed. Supp. 1009.
2/ However, property transferred by gift may be subject to gift tax.

On the other hand, assignments of the income derived from property without transfer and loss of legal control over the property do not relieve the assigner of the tax liability brought about by possession of such income.

2. Family partnership

Under certain circumstances, it is possible for a taxpayer and members of his family to enter into a business partnership which is valid for tax purposes. By this means, partnership income may be divided among family members who can reduce the taxes falling on the combined family income by filing separate returns.

A partnership of husband and wife will usually be granted tax recognition where each spouse either (1) invests his own capital, (2) substantially contributes to the control and management of the business, or (3) otherwise performs vital services. 1/ Where these factors are lacking, tax recognition will usually be denied to the partnership with the result that no tax savings ensue from it. Thus, family partnerships whose incomes are derived principally from personal service are considered invalid for tax purposes where family partners do not render services commensurate with the partnership interest.

3. Loans

Interest paid by one family member to another is deductible provided that it is paid on a bona fide loan 2/ and may reduce the tax liability of the couple when separate returns are filed. Similarly, losses sustained because of the failure of one spouse to repay a loan to the other spouse may be allowed as a bad debt deduction. 3/ Non-business bad debts, however, must be completely worthless to secure

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1/ Commissioner of Internal Revenue v. Tower, 327 U.S. 280 and Lusthaus v. Commissioner of Internal Revenue, 327 U.S. 293.
In the Tower case, it was held that the wife had actually contributed neither services nor capital to a partnership formed with her husband despite her contention that she had contributed assets received from her husband as a gift three days before the formation of the partnership.
In the Lusthaus case, the husband sold a one-half interest in his business to his wife. The wife paid for the interest with $50,000 in cash, which the husband had previously given her for purposes of this transaction, and with notes payable. The partnership was denied tax recognition on the grounds that the partnership arrangement was superficial and did not alter the husband's interest in the business.

2/ Steele, 38 BTA 589.

3/ Hetherington, 20 BTA 806.

any deduction and can be applied only against capital gains of the taxable year with the exception that an amount up to $1,000 can be applied against other income of the taxable year. 1/ A five-year carry-over of the bad debt loss is granted. It is essential, however, for the loan to be bona fide and not a gift for it to be used as the basis for a bad debt deduction. Thus, money advanced by a parent to a son without a note and with no specific provision for payment of principal or interest was deemed a gift rather than a loan and hence was disallowed as a bad debt. 2/

4. Capital transactions

Whether a joint return or separate returns are filed, husband and wife are treated as individual taxpayers under the wash sales provision. A husband can establish a capital loss for tax purposes by selling stock on an exchange, even though on the same day his wife purchases an equal number of shares of the same stock. 3/

Shares of ownership in a closely held corporation may be sold to members of a family at far less than market price (for example, sale for $10 of a share earning $100 per year). It has been held that although such sales are heavily tainted with sham and unreality, the earnings due on the shares of ownership sold to the family members are not taxable to the original owners, since the transfer of title was actual and absolute. 4/

5. Estate by the entirety

Husband and wife may own property as tenants by the entirety. According to this concept, the husband and wife each own the entire property.

Where a strict common-law conception of tenancy by the entirety exists, the income from such property is taxable only to the husband. However, in States where the common-law rule has been abolished, income derived from property owned as an "estate by the entirety" may be taxable equally to the husband and wife. 5/

1/ Internal Revenue Code, Sec. 23(k)(4).
2/ Grossman, 9 BTA 643.
3/ Commissioner v. Ickelheimer, 132 Fed. (2d) 660. But see Commissioner v. Kohn, 158 Fed. (2d) 32; Commissioner v. McWilliams, 158 Fed. (2d) 637
4/ Peterson, 42 BTA 102.
5/ Massachusetts is an example of a State where the strict common-law conception regarding estate by the entirety exists. On the other hand, husband and wife are each entitled to report for tax purposes one-half the property held by them as tenants by the entirety in Florida, Maryland, Missouri, New York, and Oregon. For a collection of authorities see 1947 CCH Par. 51.822, et.seq. In addition, see "Dividing Income Between Husband and Wife," Federal Tax Bulletin, May 11, 1945, p. 2.

6. Joint tenancy

Property may be held by husband and wife under a joint tenancy. Each spouse then owns one-half the income flowing from such property and is liable, for income tax purposes, only for his share of the income. 1/

7. Trusts

Trust income may be taxed to the grantor of the trust, the beneficiary, or the trust itself. Tax minimization may be achieved by the transfer of property to trusts where the income is taxable to the beneficiary or the trust.

In general, trust income is taxable to the grantor where he has not effectively divested himself of interest and control over the trust corpus. Thus, the grantor is responsible for the tax on trust income where he may 2/ retake the trust corpus, or have trust income accumulated for his benefit or used to pay his legal obligations. Trust income which is taxable to the grantor is included with his income from other sources to determine his liability under the income tax and therefore is not helpful in minimizing the grantor's taxes.

The beneficiary must include that part of trust income which is currently distributable to him with his income from other sources in determining his liability under the personal income tax. Consequently, tax savings from the viewpoint of the grantor may result from currently distributable trust income where the beneficiary's income is subject to lower surtax rates than the income of the grantor.

Trust income not taxable to the grantor or beneficiary is taxed to the trust as a separate entity. Where the terms of the trust provide for the accumulation in trust of income for unborn or unascertained persons, individuals with contingent interests or for future distribution, such income is taxed to the trust. A trust is allowed an exemption of $100 and is subject to the income tax rates applicable to individuals. Prior to the Revenue Act of 1942, income accumulated by the trust and taxed to it was not taxable to the beneficiary even though it was distributed to him in later years. Thus, it was possible to reduce the beneficiary's tax liability by trust agreements which provided for the accumulation of trust income for future distribution. During the period in which the trust income was accumulated and not currently distributable, it was taxed to the trust often at lower surtax rates than would have been applicable had the income been taxed to the beneficiary. The accumulated trust income could then be distributed to the beneficiary in later years

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1/ For a collection of authorities see 1947 CCH, Par. 51.8245, et. seq.

2/ Either acting alone or with the aid of another person not having a substantial adverse interest.

without becoming taxable to him since the trust had already paid tax on such income. Section 111 of the Revenue Act of 1942 has somewhat narrowed the opportunity to minimize the beneficiary's taxes in this way by enlarging the scope of trust income taxable to the beneficiary as currently distributable income. 1/ It is still possible, however, for a beneficiary's tax liability to be reduced on that part of accumulated trust income which does not fall within the scope of currently distributable income and hence is not taxable to him even though he receives it as a distribution at a later date.

Physical division of the corpus of a trust is unnecessary in order to create a separate trust. 2/ The tax-minimizing effects of trusts may be increased by creating multiple trusts on the basis of a given amount of property. In this way, advantage may be taken of the fact that each of the multiple trusts is entitled to a $100 exemption, thus increasing the total exemptions applicable against a given income, and that each trust is taxed on its income as a separate entity 3/ so that the total trust income is split among the trusts, thereby resulting in a reduction of total tax liability.

8. Difficulty of splitting earned income in noncommunity-property States

It is not practicable to split personal-service income for tax purposes in a noncommunity-property State since income earned by an individual is taxable to him even though part of it is immediately vested in others by contract. 4/

C. Comparison of income-splitting in community and noncommunity-property States

Spouses in community-property States may divide community income between them for income tax purposes regardless of whether the source of such income is property or personal service. The equal division of community income between spouses does not involve payment of gift tax.

Spouses in noncommunity-property States with earned income generally cannot split such income and therefore are at a disadvantage compared to married couples in community-property States. The situation with respect to property income, however, is different. Married couples

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1/ See Internal Revenue Code, Sec. 162 and Regulations thereunder.
2/ Helvering v. McIlvaine, 296 U.S. 488.
3/ Where the income of the trust is taxable to the trust rather than to the grantor or the beneficiary.
4/ Lucas v. Earl, 281 U.S. 111.

in noncommunity-property States may split property income by devices which transfer legal ownership over the property source of such income. These transfers are usually subject to gift tax. This appears to discriminate against married couples in noncommunity-property States in view of the inapplicability of the gift tax to the equal division of community income between spouses.

The impact of the gift tax upon splitting of property income in noncommunity property, however, may not be as disadvantageous as it appears at first sight. Over a lifetime, considerable amounts of property may be transferred by gift without incurring any liability under the gift tax. The first $3,000 of gifts to any person during a year is excluded from the tax. 1/ In addition, each donor is allowed a specific exemption of $30,000 and has the option of taking the entire exemption in one year or spreading it over a period of years. Moreover, a taxpayer is not subject to the estate tax on that part of his property which is transferred during his lifetime. 2/ The rates of the estate tax are higher than those of the gift tax. In addition, the division of property between two taxes each of which has a progressive rate structure reduces the amount of property falling in the highest surtax bracket. Thus, the first increments of property given as gifts are transferred from the highest bracket of the estate tax to the lowest bracket of the gift tax. 3/ A taxpayer can reduce the sum of his taxes by giving away property during his lifetime so long as the highest gift tax rates applicable to his gifts are lower than the highest estate tax rates applicable to his property.

The counterpart of equal division of community income for income tax purposes is not found in the present treatment of community property by the estate tax. The entire value of the community property is included in the estate of the deceased spouse for estate tax purposes with the exception of that part of community property which can be demonstrated to have been derived from the personal service or separate property of the surviving spouse. 4/

1/ This does not apply to gifts of future interests.
2/ Unless the gift is made in de jure contemplation of death.
3/ See "Joint Family Returns in the Federal Income Tax," Ratchford, B.U., The Bulletin of the National Tax Association, February 1942, Vol. XXVII, No. 5, p. 5.
4/ In no case, however, is the amount included in the estate of the deceased spouse less than the amount subject to his or her power of testamentary disposition. Thus, in a community-property State, at least one-half the value of community property is included in the estate of the first spouse to die regardless of the amount contributed to the community by that spouse.

Thus, devices for splitting property income which may be employed in noncommunity-property States may in some instances be more efficient in minimizing taxes than the equal division of community income permitted by community-property States. Equal division of community income between spouses does not require payment of gift tax but may involve even heavier estate taxes at a later period. Other income-splitting techniques may involve payment of gift tax but tend to lighten the burden of the estate tax. Community-property taxpayers, however, have recourse to many of the income-splitting devices used by taxpayers in noncommunity-property States and may use them where they achieve greater tax savings than under the community-property system. 1/

1/ In this connection, it should be noted that the gift tax does not give recognition to the automatic division of community income between spouses. For gift tax purposes the entire value of a gift of community property is taxed to the husband except to the extent that such property can be shown to stem from the personal services or separate property of the wife. That portion of a gift of community property which stems from the personal services or separate property of the wife is treated as a gift of the wife.

APPENDIX B

The Special Case of Family Trusts

Family trusts may minimize taxes in two different ways:

Generally, taxes would be reduced when trust income is taxable to the beneficiary rather than to the grantor provided that the resulting income of the beneficiary is not greater than the remaining income of the grantor.

Generally, tax savings would result when trust income is taxable to the trust rather than to either the beneficiary or the grantor, provided that the top surtax rate applicable to the trust income is lower than those which would apply to either the income of the beneficiary or the grantor. Trust income is taxable to the trust rather than to the beneficiary where such income is not actually distributed or does not fall within the definition of "currently distributable income." 1/

The opportunities for income-splitting by the first method would be reduced by broadening the scope of the tax unit so that the incomes of at least some beneficiaries and grantors were taxed as a unit. In this sense, tax minimization by making trust income taxable to the beneficiary is similar to other forms of income-splitting. The various plans for taxing family income have the same advantages and disadvantages with respect to this method of tax minimization that they possess with regard to other income-splitting devices.

On the other hand, tax savings which result when trust income is taxable to the trust cannot be handled by widening the scope of the tax unit from the individual to the family. Such trust income is taxed separately and is not affected by the beneficiary's or the grantor's status as an individual or a member of a family. For example: a trust might be set up with the power to accumulate income for the benefit of children. If not distributed, such income might be taxed to the trust rather than to the family unit through the beneficiary or the grantor. None of the plans for taxing family income as a unit would be serviceable in eliminating this avenue of tax minimization. Moreover, increased use of trust agreements which arrange to have income taxed to the trust for tax-saving purpose might result if other devices for splitting family income were rendered useless for tax minimization by taxing family income as a unit.

1/ See Appendix A.

A possible method of approaching solutions to the tax minimization problems arising from taxing income to the trust might be to include the trust's income with that of the family in those cases where the grantor and the beneficiary are both members of the taxable family unit. However, whether the procedure of combining trust income with the income of the family is advisable or practicable constitutes a problem of considerable magnitude requiring separate study.

Table 1

Income tax liability under present law 1/ for married couples with no dependents for specified levels of net income, assuming various divisions of income between spouses

Combined net income before personal exemption	Amounts of tax					
	100:0	90:10	80:20	70:30	60:40	50:50
$ 3,000	$ 380	$ 422	$ 380	$ 380	$ 380	$ 380
5,000	798	798	789	779	770	760
6,000	1,045	1,039	1,005	982	971	969
8,000	1,577	1,549	1,476	1,431	1,398	1,387
10,000	2,185	2,119	2,005	1,919	1,862	1,843
15,000	4,047	3,829	3,534	3,306	3,192	3,154
20,000	6,394	5,938	5,410	5,011	4,769	4,693
25,000	9,082	8,341	7,567	6,992	6,617	6,460
50,000	24,795	22,639	20,772	19,551	18,910	18,725
75,000	43,092	39,368	36,518	34,865	33,982	33,649
100,000	63,128	57,697	53,970	51,908	50,673	50,274
500,000	407,465	389,809	384,988	384,028	383,548	383,544
1,000,000	839,715	817,238	815,798	815,794	815,794	815,794
5,000,000	4,275,000 2/	4,255,397 2/	4,260,147 2/	4,264,897 2/	4,269,647 2/	4,273,794 2/
6,000,000	5,130,000 2/	5,111,347 2/	5,117,047 2/	5,122,747 2/	5,128,447 2/	5,130,000 2/
10,000,000	8,550,000 2/	8,535,147 2/	8,544,647 2/	8,550,000 2/	8,550,000 2/	8,550,000 2/

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Footnotes on next page

Table 1 - Concluded

Income tax liability under present law 1/ for married couples with no dependents for specified levels of net income, assuming various divisions of income between spouses

Combined net income before personal exemption	Effective rates					
	100:0	90:10	80:20	70:30	60:40	50:50
$ 3,000	12.7%	14.1%	12.7%	12.7%	12.7%	12.7%
5,000	16.0	16.0	13.8	15.6	15.4	15.2
6,000	17.4	17.3	16.8	16.4	16.2	16.2
8,000	19.7	19.4	18.5	17.9	17.5	17.3
10,000	21.9	21.2	20.0	19.2	18.6	18.4
15,000	27.0	25.5	23.6	22.0	21.3	21.0
20,000	32.0	29.7	27.1	25.1	23.8	23.5
25,000	36.3	33.4	30.3	28.0	26.5	25.8
50,000	49.6	45.3	41.5	39.1	37.8	37.5
75,000	57.5	52.5	48.7	46.5	45.3	44.9
100,000	63.1	57.6	54.0	51.9	50.7	50.3
500,000	81.5	78.0	77.0	76.8	76.7	76.7
1,000,000	84.0	81.7	81.6	81.6	81.6	81.6
5,000,000	85.5	85.1	85.2	85.3	85.4	85.5
6,000,000	85.5	85.2	85.3	85.4	85.5	85.5
10,000,000	85.5	85.4	85.4	85.5	85.5	85.5

Treasury Department, Division of Tax Research — May 1947

1/ Internal Revenue Code, as amended by Revenue Act of 1945.
2/ Taking into account maximum effective rate limitation of 85.5 percent.

Note: Computations were made from unrounded figures and will not necessarily agree with figures computed from the rounded amounts and percentages shown.

Table 2

Decrease in tax liability under 50:50 split-income plan compared with present law, 1/ assuming various divisions of income between spouses with no dependents for specified levels of net income

Combined net income before personal exemption	Decrease in tax 2/				
	100:0	90:10	80:20	70:30	60:40
$ 3,000	$ 0	$ 42	$ 0	$ 0	$ 0
5,000	38	38	29	19	10
6,000	76	70	36	13	2
8,000	190	162	89	44	11
10,000	342	276	162	76	19
15,000	893	675	380	152	38
20,000	1,701	1,245	717	318	76
25,000	2,622	1,881	1,107	532	157
50,000	6,071	3,914	2,047	827	185
75,000	9,443	5,719	2,869	1,216	333
100,000	12,854	7,363	3,696	1,634	399
500,000	23,921	6,265	1,444	485	5
1,000,000	23,921	1,444	5	0	0
5,000,000	1,207	-18,397	-13,647	-8,897	-4,147
6,000,000	0	-18,653	-12,953	-7,253	-1,553
10,000,000	0	-14,853	- 5,353	0	0

Continued on next page

Footnotes on next page

Table 2 - concluded

Decrease in tax liability under 50:50 split-income plan compared with present law, 1/ assuming various divisions of income between spouses with no dependents for specified levels of net income

Combined net income before personal exemption	Decrease in effective rate 2/				
	100:0	90:10	80 :20	70:30	60:40
$ 3,000	0.0%	1.4%	0.0%	0.0%	0.0%
5,000	.8	.8	.6	.4	.2
6,000	1.3	1.2	.6	.2	*
8,000	2.4	2.0	1.1	.6	.1
10,000	3.4	2.8	1.6	.8	.2
15,000	6.0	4.5	2.5	1.0	.3
20,000	8.5	6.2	3.6	1.6	.4
25,000	10.5	7.5	4.4	2.1	.6
50,000	12.1	7.8	4.1	1.7	.4
75,000	12.6	7.6	3.8	1.6	.4
100,000	12.9	7.4	3.7	1.6	.4
500,000	4.8	1.3	.3	.1	*
1,000,000	2.4	.1	*	*	*
5,000,000	*	- .4	- .3	- .3	- .2
6,000,000	0.0	- .3	- .2	- .1	- *
10,000,000	0.0	- .1	- .1	0.0	0.0

Treasury Department, Division of Tax Research — May 1947

1/ Internal Revenue Code, as amended by Revenue Act of 1945.
2/ Minus sign indicates increase in tax.

Note: Computations were made from unrounded figures and will not necessarily agree with figures computed from the rounded amounts and percentages shown.

* Less than 0.05 percent.

Table 3

Percentage decrease in tax and percentage increase in net income after tax under 50:50 split-income plan compared with present law, 1/ assuming various divisions of income between spouses with no dependents for specified levels of net income

Combined net income before personal exemption	Percentage decrease in tax 2/				
	100:0	90:10	80:20	70:30	60:40
$ 3,000	0.0%	10.0%	0.0%	0.0%	0.0%
5,000	4.8	4.8	3.7	2.4	1.3
6,000	7.3	6.7	3.6	1.3	.2
8,000	12.0	10.5	6.0	3.1	.8
10,000	15.7	13.0	8.1	4.0	1.0
15,000	22.1	17.6	10.8	4.6	1.2
20,000	26.6	21.0	13.3	6.3	1.6
25,000	28.9	22.6	14.6	7.6	2.4
50,000	24.5	17.3	9.9	4.2	1.0
75,000	21.9	14.5	7.9	3.5	1.0
100,000	20.4	12.8	6.8	3.1	.8
500,000	5.9	1.6	.4	.1	*
1,000,000	2.8	.2	*	0.0	0.0
5,000,000	*	- .4	- .3	- .2	- .1
6,000,000	0.0	- .4	- .3	- .1	- *
10,000,000	0.0	- .2	- .1	0.0	0.0

Continued on next page

Footnotes on next page

Table 3 - concluded

Percentage decrease in tax and percentage increase in net income after tax under 50:50 split-income plan compared with present law, 1/ assuming various divisions of income between spouses with no dependents for specified levels of net income

Combined net income before personal exemption	Percentage increase in net income after tax 2/				
	100:0	90:10	80:20	70:30	60:40
3,000	0.0%	1.6%	0.0%	0.0%	0.0%
5,000	.9	.9	.7	.5	.2
6,000	1.5	1.4	.7	.3	*
8,000	3.0	2.5	1.4	.7	.2
10,000	4.4	3.5	2.0	.9	.2
15,000	8.2	6.0	3.3	1.3	.3
20,000	12.5	8.9	4.9	2.1	.5
25,000	16.5	11.3	6.4	3.0	.9
50,000	24.1	14.3	7.0	2.7	.6
75,000	29.6	16.1	7.5	3.0	.8
100,000	34.9	17.4	8.0	3.4	.8
500,000	25.9	5.7	1.3	.4	*
1,000,000	14.9	.8	*	0.0	0.0
5,000,000	.2	- 2.5	- 1.8	- 1.2	- .6
6,000,000	0.0	- 2.1	- 1.5	- .8	- .2
10,000,000	0.0	- 1.0	- .4	0.0	0.0

Treasury Department, Division of Tax Research May 1947

1/ Internal Revenue Code, as amended by Revenue Act of 1945.
2/ Minus signs indicate increase in tax or decrease in net income after tax.

Note: Computations were made from unrounded figures and will not necessarily agree with figures computed from the rounded percentages shown.

* Less than 0.05 percent.

Table 4

Tax liability under present law 1/ and under the dual-rate-schedule plan 2/ for single persons without dependents for specified levels of net income

Net income before personal exemption	Amounts of tax: Under present law	Amounts of tax: Under the plan	Effective rates of tax: Under present law	Effective rates of tax: Under the plan	Increase in amounts of tax over present law	Increase in effective rates of tax over present law	Tax increase as a percentage of: Present law tax liability	Tax increase as a percentage of: Net income after present law tax
$ 600	$ 19	$ 19	3.2%	3.2%	-	-	-	-
800	57	57	7.1	7.1	-	-	-	-
1,000	95	95	9.5	9.5	-	-	-	-
1,500	190	190	12.7	12.7	-	-	-	-
2,000	285	295	14.3	14.8	$ 10	.5%	3.5%	.6%
2,500	380	399	15.2	16.0	19	.8	5.0	.9
3,000	485	523	16.2	17.4	38	1.3	7.8	1.5
5,000	922	1,093	18.4	21.9	171	3.4	18.5	4.2
6,000	1,169	1,435	19.5	23.9	266	4.4	22.8	5.5
8,000	1,720	2,247	21.5	28.1	527	6.6	30.6	8.4
10,000	2,347	3,197	23.5	32.0	850	8.5	36.2	11.1
15,000	4,270	5,985	28.5	39.9	1,715	11.4	40.2	16.0
20,000	6,645	9,049	33.2	45.2	2,404	12.0	36.2	18.0
25,000	9,362	12,398	37.5	49.6	3,036	12.1	32.4	19.4
50,000	25,137	31,564	50.3	63.1	6,427	12.9	25.6	25.8
75,000	43,477	52,692	58.0	70.3	9,215	12.3	21.2	29.2
100,000	63,541	74,062	63.5	74.1	10,521	10.5	16.6	28.9
500,000	407,897	419,857	81.6	84.0	11,960	2.4	2.9	13.0
1,000,000	840,147	852,107	84.0	85.2	11,960	1.2	1.4	7.5
5,000,000	4,275,000 3/	4,275,000 3/	85.5	85.5	-	-	-	-
6,000,000	5,130,000 3/	5,130,000 3/	85.5	85.5	-	-	-	-
10,000,000	8,550,000 3/	8,550,000 3/	85.5	85.5	-	-	-	-

Treasury Department, Division of Tax Research May 1947

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Table 4 - concluded

Tax liability under present law 1/ and under the dual-rate-schedule plan 2/ for single persons without dependents for specified levels of net income

Footnotes

1/ Internal Revenue Code, as amended by Revenue Act of 1945.
2/ This plan would retain the rates existing under present law liability but would narrow the surtax brackets applicable to single persons and married persons filing separate returns to one-half their present width.
3/ Taking into account maximum effective rate limitation of 85.5 percent.

Note: Computations were made from unrounded figures and will not necessarily agree with figures computed from the rounded amounts and percentages shown.

Table 5

Tax liabilities under present law 1/ for married couples with one and two children for specified levels of net income, assuming various distributions of income between family members

	Combined net income		
	$50,000	$100,000	$500,000
I. Assumed percentage distribution of income among three family members 2/			
100:0:0	$24,453	$62,714	$407,032
50:50:0	18,444	49,932	383,111
80:10:10	20,268	52,017	371,720
60:30:10	17,456	46,859	365,940
50:25:25	15,822	43,862	361,109
40:40:20	15,637	43,496	360,644
33-1/3:33-1/3:33-1/3	15,058	42,754	360,155
II. Assumed percentage distribution of income among four family members 2/			
100:0:0:0	24,111	62,301	406,600
50:50:0:0	18,164	49,590	382,679
80:10:5:5	20,107	51,514	365,308
70:10:10:10	18,045	46,683	353,633
50:20:15:15	14,862	40,323	342,266
30:30:20:20	13,234	37,820	338,694
25:25:25:25	12,920	37,449	338,675

Treasury Department, Division of Tax Research May 1947

1/ Internal Revenue Code, as amended by Revenue Act of 1945.
2/ Assuming separate returns are filed.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Wednesday, June 18, 1947

Press Service
No. S-371

The Bureau of Customs announced today that of the 23,094,000 pound supplemental quota of cotton having a staple of 1-3/8 inches or more but less than 1-11/16 inches permitted entry for consumption during the period January 14 to September 19, 1947, inclusive, by the President's Proclamation of June 9, 1947, a total of 21,804,285 pounds were entered, or withdrawn from warehouse, for consumption at the opening of the quota on June 16 at 12:00 noon, E.S.T.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Friday, June 20, 1947

Press Service
No. S-372

The Secretary of the Treasury, by this public notice, invites tenders for $1,100,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing June 26, 1947, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated June 26, 1947, and will mature September 25, 1947, 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 time, Monday, June 23, 1947. 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. Subject to these reservations, tenders for $200,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on June 26, 1947, in cash or other immediately available funds or in a like face amount of Treasury bills

maturing June 26, 1947. Equal treatment will be accorded all tenders, whether the bidders offer to exchange maturing bills or to pay cash for the new bills bid for. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, June 23, 1947.

Press Service
No. S-373

Secretary of the Treasury Snyder today announced the offering, through the Federal Reserve Banks, of 7/8 percent Treasury Certificates of Indebtedness of Series F-1948, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series F-1947, in the amount of $2,915,710,000, which will mature on July 1, 1947. Cash subscriptions will not be received.

The certificates now offered will be dated July 1, 1947, and will bear interest from that date at the rate of seven-eighths of one percent per annum, payable with the principal at maturity on July 1, 1948. They will be issued in bearer form only, 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, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations, all subscriptions will be allotted in full.

The subscription books will close for the receipt of all subscriptions at the close of business Wednesday, June 25.

Subscriptions addressed to a Federal Reserve Bank or Branch or to the Treasury Department, and placed in the mail before midnight June 25, will be considered as having been entered before the close of the subscription books.

The text of the official circular follows:

UNITED STATES OF AMERICA

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES F-1948

Dated and bearing interest from July 1, 1947 Due July 1, 1948

1947
Department Circular No. 809

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, June 23, 1947.

Fiscal Service
Bureau of the Public Debt

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, 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 F-1948, in exchange for Treasury Certificates of Indebtedness of Series F-1947, maturing July 1, 1947.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated July 1, 1947, and will bear interest from that date at the rate of 7/8 percent per annum, payable with the principal at maturity on July 1, 1948. They 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 and 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.

4. Bearer certificates 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. Banking institutions 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.

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, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par for certificates allotted hereunder must be made on or before July 1, 1947, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series F-1947, maturing July 1, 1947, which will be accepted at par, and should accompany the subscription.

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.

JOHN W. SNYDER,
Secretary of the Treasury.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, June 24, 1947

Press Service
No. S-374

Secretary Snyder as Chairman of the National Advisory Council on International Monetary and Financial Problems has received from Mr. Camille Gutt, Managing Director of the International Monetary Fund, the following statement which has been sent by the International Monetary Fund to all of the members of the Fund:

TRANSACTIONS IN GOLD AT PREMIUM PRICES

The International Monetary Fund has given consideration to the international gold transactions at prices substantially above monetary parity which have been taking place in various areas of the world. Because of the importance of this matter the Fund has prepared this statement of its views.

A primary purpose of the Fund is world exchange stability and it is the considered opinion of the Fund that exchange stability may be undermined by continued and increasing external purchases and sales of gold at prices which directly or indirectly produce exchange transactions at depreciated rates. From information at its disposal, the Fund believes that unless discouraged this practice is likely to become extensive, which would fundamentally disturb the exchange relationships among the members of the Fund. Moreover, these transactions involve a loss to monetary reserves, since much of the gold goes into private hoards rather than into central holdings. For these reasons, the Fund strongly deprecates international transactions in gold at premium prices and recommends that all of its members take effective action to prevent such transactions in gold with other countries or with the nationals of other countries.

It is realized that some of these transactions are being conducted by or through non-member countries or their nationals. The Fund recommends that members make any representations which, in their judgment, are warranted by the circumstances to the governments of non-member countries to join with them in eliminating this source of exchange instability.

The Fund has not overlooked the problems arising in connection with domestic transactions in gold at prices above parity. The conclusion was reached that the Fund would not object at this time to such transactions unless they have the effect of establishing new rates of exchange or undermining existing rates of other members, or unless they result in a significant weakening of the international financial position of a member which might affect its utilization of the Fund's resources.

The Fund has requested its members to take action as promptly as possible to put into effect the recommendations contained in this statement.

The National Advisory Council on International Monetary and Financial Problems is in full accord with the statement of the views of the International Monetary Fund quoted above.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Wednesday, June 25, 1947

Press Service
No. S-375

Secretary Snyder today announced the unfreezing of Tangier by its inclusion in General License No. 53. This action not only removes all controls over current transactions with Tangier but also unblocks the property of most residents of that country under General License No. 53(A).

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Monday, June 23, 1947

Press Service
No. S-376

The Bureau of Customs announced today that the supplemental quota of 23,094,000 pounds of cotton having a staple of 1-3/8 inches or more but less than 1-11/16 inches has been filled by entries and withdrawals for consumption filed during the period June 16 to 23, inclusive.

No cotton having a staple length of 1-1/8 inches or more but less than 1-11/16 may be entered for consumption until the opening of the new quota year on September 20, 1947.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, June 24, 1947

Press Service
No. S-377

The Secretary of the Treasury announced last evening that the tenders for $1,100,000,000, or thereabouts, of 91-day Treasury bills to be dated June 26 and to mature September 25, 1947, which were offered on June 20, 1947, were opened at the Federal Reserve Banks on June 23.

The details of this issue are as follows:

Total applied for - $1,816,713,000
Total accepted - 1,103,664,000 (includes $16,518,000 entered on a fixed-price basis at 99.905 and accepted in full)
Average price - 99.905 + Equivalent rate of discount approx. 0.376% per annum

Range of accepted competitive bids:

High - 99.906 Equiv. rate of discount approx. 0.372% per annum
Low - 99.905 " " " " " 0.376% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 7,242,000	$ 4,372,000
New York	1,473,568,000	887,063,000
Philadelphia	32,405,000	19,695,000
Cleveland	10,765,000	6,665,000
Richmond	36,890,000	23,770,000
Atlanta	10,800,000	10,800,000
Chicago	163,950,000	98,250,000
St. Louis	22,375,000	13,642,000
Minneapolis	2,905,000	2,167,000
Kansas City	18,120,000	13,077,000
Dallas	3,030,000	2,620,000
San Francisco	34,663,000	21,543,000
TOTAL	$1,816,713,000	$1,103,664,000

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Wednesday, June 25, 1947

Press Service
No. S-378

Tax evasion investigators, assisted by an informer, have turned up a construction laborer who, during four years of war work in an American territory, won over $200,000 from off-hour gambling, Secretary of the Treasury John W. Snyder said today.

The man had paid taxes only on his regular wages, and the investigation resulted in assessment of $160,000 of additional taxes, interest, and penalties against him. He also faces criminal prosecution.

The investigation began as the result of information furnished the Government by an informer. Congress annually appropriates $100,000 for the payment of awards to such informers. The rewards are based on a percentage of the taxes, penalties, fines, and forfeitures collected as a result of the information, but may not exceed 10 percent of the amounts recovered. However, rewards are paid only upon the furnishing of specific information or evidence, not mere suspicions.

A number of other large evasion cases from every part of the country reported to the Secretary in recent weeks by Joseph D. Nunan, Jr., Commissioner of Internal Revenue, include:

In a certain southern city, an Alcohol Tax agent was waiting in line at his bank to deposit his regular paycheck. He recognized an insurance messenger who came into the bank to deposit a large amount of currency, including several $500 and $1,000 bills. This led to an income tax investigation of an automobile trailer manufacturer, and the assessment of $2,200,000 against the firm and several associated individuals.

An eastern textile manufacturing concern and a group of individuals connected with it have been assessed $1,250,000 for failure to pay taxes on concealed sales during the war.

A physician in a northeastern city has agreed to pay $1,650,000 in settlement of taxes evaded over a period of 15 years during which he had a tremendous medical practice.

A midwestern beer distributor has been billed for $1,290,000 for taxes due on black market profits.

A theater chain operating in the south was found to have evaded $650,000 of taxes by omitting from its tax returns all profits from the ice cream, pop corn and other concessions in the theaters.

An eastern man who posed as a "tax expert" faces prosecution for preparing false refund claims for thousands of clients. One of the facts turned up in this investigation was that the man had tried to hide his connection with the returns by signing them with "disappearing ink".

A northern food and wine distributor, who juggled his books to evade taxes, has been assessed over $800,000.

In another northern city, investigators found that the owner of some breweries, which owe $300,000 in taxes on black market profits, was a man who went bankrupt in a legitimate business early in the war but who was able to buy whole breweries a few years later by soliciting advance payment for beer orders during the beer shortage of 1944.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Wednesday, June 25, 1947

Press Service
No. S-379

Secretary Snyder announced today that Stanley S. Surrey will leave his post as Tax Legislative Counsel of the Treasury Department in September to become professor of law in the University of California at Berkeley, California.

Mr. Surrey, who is 37 years of age, joined the Treasury Department as Assistant Tax Legislative Counsel in 1938. He previously had served on the legal staffs of the National Recovery Administration and the National Labor Relations Board.

A New Yorker by birth, he graduated from the College of the City of New York in 1929 and from Columbia University Law School in 1932. At law school he served as managing editor of the Columbia Law Review.

The Treasury promoted Mr. Surrey to Tax Legislative Counsel in 1942. He was on military leave in 1944 and 1945, serving as lieutenant junior grade in the Navy, and returned to the office of Tax Legislative Counsel in 1946.

Mr. Surrey gave a course in Federal income taxation at the University of California during the summer of 1940. He has lectured at various times at the Practicing Law Institute, New York, and will lecture at Columbia University Law School during the present summer.

Adrian W. DeWind will succeed Mr. Surrey as Tax Legislative Counsel. Mr. DeWind graduated from Grinnell College, Iowa, in 1934, and from Harvard Law School in 1937. He practiced law in New York for a few years, and joined the Treasury legal staff in 1943, becoming Assistant Tax Legislative Counsel in 1945.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Wednesday, June 25, 1947.

Press Service
No. S-380

Secretary Snyder today issued the following statement:

In my press conference this morning, in response to questions regarding the implications of Secretary Marshall's address at Harvard, I indicated that we had had evidence for some time that U. S. assistance might be required in the reconstruction of Europe.

As Secretary Marshall indicated in his speech, before the U. S. Government can proceed much further in its efforts to lend assistance to the situation in Europe and help the European world on its way to recovery, there must be some agreement among the countries of Europe as to their essential requirements and the part which they will play in providing such assistance and forming an appropriate basis for whatever assistance might be requested of the U. S. Government. It is for this reason that I stated it was my interpretation that he has asked them to make a self-inventory and to see what they can do for themselves first.

My statements today should in nowise be interpreted as disagreeing in any respect with the comments made by Secretary Marshall at Harvard.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Friday, June 27, 1947

Press Service
No. S-381

The Secretary of the Treasury, by this public notice, invites tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing July 3, 1947, to be issued on a discount basis under competitive and fixed-price bidding as hereinafter provided. The bills of this series will be dated July 3, 1947, and will mature October 2, 1947, 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 time, Monday, June 30, 1947. 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. Subject to these reservations, tenders for $200,000 or less from any one bidder at 99.905 entered on a fixed-price basis will be accepted in full.

Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on July 3, 1947, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 3, 1947. Equal treatment will be accorded all tenders, whether the bidders offer to exchange maturing bills or to pay cash for the new bills bid for. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, July 1, 1947

Press Service
No. S-382

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated July 3 and to mature October 2, 1947, which were offered on June 27, 1947, were opened at the Federal Reserve Banks on June 30.

The details of this issue are as follows:

Total applied for - $1,841,142,000
Total accepted - 1,302,515,000 (includes $13,707,000 entered on a fixed price basis at 99.905 and accepted in full)
Average price - 99.905 + Equiv. rate of discount approx. 0.376% per annum

Range of accepted competitive bids:

High - 99.907 Equiv. rate of discount approx. 0.368% per annum
Low - 99.905 " " " " " 0.376% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 15,370,000	$ 10,870,000
New York	1,567,531,000	1,102,561,000
Philadelphia	16,368,000	13,368,000
Cleveland	1,780,000	1,780,000
Richmond	3,859,000	3,259,000
Atlanta	625,000	618,000
Chicago	141,904,000	99,904,000
St. Louis	17,290,000	12,460,000
Minneapolis	17,865,000	12,825,000
Kansas City	21,070,000	17,380,000
Dallas	2,770,000	2,380,000
San Francisco	34,710,000	25,110,000
TOTAL	$1,841,142,000	$1,302,515,000

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TREASURY DEPARTMENT

Washington

Statement by Edward F. Bartelt, Fiscal Assistant Secretary of the Treasury, before a subcommittee of the House Committee on Armed Services in connection with various bills pending before that Committee relating to the redemption and negotiability of Armed Forces Leave Bonds.

Monday, June 30, 1947

This Committee has before it a number of bills relating to the redemption and negotiability of Armed Forces Leave Bonds. The purpose of these bills is to provide a means whereby veterans may receive cash for their bonds. The method of accomplishing this varies with the different bills. Some provide for declaring the bonds to be immediately payable and for payment of future claims in cash, while others provide that the bonds shall be negotiable so that they could be sold in the market.

The views of the Treasury Department on proposed legislation of this character were expressed in a letter of May 19, 1947, to this Committee from Acting Secretary Wiggins, commenting on 24 of the bills pending before your Committee. I propose today to summarize these views and to add some additional comments.

The Armed Forces Leave Act of 1946 provided in the main that terminal leave payments to members and former members of the armed forces should be made in the form of 2-1/2% non-negotiable bonds maturing in five years. Claims for less than $50 are paid in cash. Claims in any amount of persons discharged prior to January 1, 1943 (and certain other minor optional payments) are also made in cash. Claims in excess of $50 are payable in a single bond in multiples of $25, with a cash payment for the odd amount in excess of the highest $25 multiple. Payment in bonds instead of cash was decided upon because of inflationary aspects.

On the basis of the Treasury's experience in the payment of the adjusted service bonds in 1936, the payment of the Armed Forces Terminal Leave Bonds at this time would result in putting between a billion and a billion and a half dollars into the spending stream within a few months after the effective date of the payment act. This amount of money, added to existing purchasing power, is bound to result in further upward

pressures on prices. Inflationary dangers have not receded since the Armed Forces Leave Act was signed last August. As a matter of fact, price indices show a substantial increase in prices. The Bureau of Labor Statistics consumers price index was 155.8 in May of this year as against a level of 144.1 last August, while the index of wholesale commodity prices is up to 147.8 as of June 21, 1947, as against 129.1 last August. Although production has come up remarkably and shortages of goods have been eliminated in many categories, inflationary forces are still strong. The putting of 1 to 1-1/2 billion of additional cash into the spending stream during the next few months would add to the inflationary pressures which still threaten the economy of the country.

It would seem, therefore, that the reasons which originally prompted the use of bonds payable in the future are as strong today as they were when the policy was adopted. In the long run, the gradual payment of the bonds as they mature would be in the best interests of the veterans themselves. After inflationary conditions ease dollars provided by cashing the bonds will undoubtedly buy more.

It is understood that one of the reasons advanced for paying the bonds now is that the Government would save money in interest costs; the theory apparently being that the Treasury could borrow money at lower rates of interest in order to refund the bonds. The assumption that the Treasury can refinance the Terminal Leave Bonds at low rates of interest apparently contemplates the sale of low-rate securities to banking institutions since low-rate securities would not appeal to other classes of investors. This would be contrary to the sound policy of debt management which has been consistently followed by the Treasury.

Some of the bills would make the bonds negotiable in order to provide a means of selling them in the market. The Treasury thinks this would be a highly undesirable method of accomplishing the objective. In the first place, the bonds are in small denominations and, therefore, a legitimate market for them would be narrow. Market facilities would be irregular, and price quotations might vary from place to place even at the same time.

Many sales would be made at prices considerably below the real values of the bonds, and the holders would thus lose a large part of the benefit which was intended by the Congress.

Sales of Liberty Bonds after World War I at substantial discounts was one of the main reasons that the non-negotiable savings bonds were utilized for large scale financing in World War II. In practice, it would be impossible to police legislative provisions, such as are contained in some of the bills before your Committee, that no person would be considered a holder for valuable consideration of a bond unless he took it in consideration of a payment of an amount not less than the sum of the principal of such bond plus accrued interest.

Moreover, I call your attention to the fact that each armed forces leave bond is designed and printed wholly on the theory of individual ownership and nontransferability as was provided by the original Act. Each bond bears the legend, "This bond may not be transferred."

If, notwithstanding the views of the Treasury Department, Congress should decide to enact legislation providing for the cashing of terminal leave bonds, it is highly important that certain provisions should be included to provide an administratively workable law.

Numerous applications for bonds are now in process in the offices of the various bond-issuing officers of the Government. If the law is amended to permit an applicant to request that his application be amended to provide for payment in cash, the burden thrown on the bond-issuing officers would be heavy. As a matter of fact, a veteran desiring payment in cash would probably encounter greater delay by requesting a change in the form of payment than he would if the bonds were issued in accordance with the original application and forwarded to him. If legislation is passed to provide cash payments rather than through bonds, it should apply only to applications made after the effective date of the new legislation and then only in cases where the applicant had not previously made application for a bond. In other words, a veteran should be given a choice as to whether he wants a bond or cash if legislation is passed, but he should not be permitted to apply for a bond and then change his mind and put an application for cash in administrative channels before he receives the bond. If he initially applies for a bond, he should be required to wait until he receives the bond, which he could then, of course, redeem for cash.

In order to give the veterans the best service, the Treasury also thinks that it would be wise to permit the utilization of the same facilities for the redemption of terminal leave bonds as are now being used in connection

with the redemption of Savings Bonds. The use of banks and other financial institutions as paying agents would be a convenience to the veterans and would expedite the making of payments, since it would provide some 15 or 16 thousand points at which payments could be made. This arrangement could be accomplished by appropriate language making the provisions of subsections (h) and (i) of section 22 of the Second Liberty Bond Act, as amended, relating to the use of paying agents for the payment of United States Savings Bonds, applicable to payments of Armed Forces Leave Bonds.

In the case of payments of future claims in cash, instead of by bonds, the legislation should clearly specify to what extent payments in cash, that is, not involving redemption of bonds, should include amounts equal to the interest that would have been received if a bond had been issued. Since veterans would presumably have the option of applying either for cash or for a bond (which they could subsequently redeem with interest), the provisions with respect to payment of sums equivalent to interest in connection with cash payments should presumably be on the same footing (including taxability under section 7) as the interest payable on the bonds.

Furthermore, the legislation should specify from what appropriation cash payments equivalent to interest should be paid. I think it would be appropriate to make such payments payable from the same fund as the basic amount.

I wish to call to your attention the fact that the Treasury Department will have increased administrative expenses during the fiscal year 1948 if this legislation is enacted. About 9 million bonds will become eligible for redemption, and it will be necessary to anticipate reimbursement to paying agents and Federal Reserve Banks as well as the administrative expenses of the Treasury Department in processing the redemption of these bonds. It is tentatively estimated that these expenses might amount to about $3 million, or thereabouts, which doubtless would be available from the appropriation made last year for making payments under the Armed Forces Leave Act of 1946.

Finally, any legislation on this subject should have a deferred effective date of not less than 30, and preferably 60, days after enactment before the bonds are eligible for redemption. It would take some time to make administrative arrangements to take care of these payments and unless a deferred effective date were provided, the Treasury would not have sufficient time for making arrangements for paying and handling the bonds. Moreover, the Department would be flooded with mail applications and there would be long lines of bondholders at its doors immediately after the pending legislation should become law.

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

FOR RELEASE MORNING NEWSPAPERS,
Wednesday, July 2, 1947.

Press Service
No. S-383

The Bureau of Internal Revenue today announced the issuance of formal amendments to the income tax regulations interpreting the Clifford and related decisions of the Supreme Court. These amendments have been adopted after consideration of the views presented by interested persons regarding amendments which were tentatively proposed and which were published in the Federal Register pursuant to the Administrative Procedure Act on January 28, 1947.

The formal amendments differ in several respects from the tentatively proposed changes which were published in January. First, in accordance with suggestions made, the powers which may be exercised without subjecting the grantor of a trust to income tax on trust income have been broadened in particular situations to promote greater equity and uniformity of treatment. Thus, the amendments relieve a grantor of tax on trust income where a power to allocate the income among any of the beneficiaries is exercisable by trustees who are neither related to, nor employees of, the grantor, or by such trustees in conjunction with related or employee trustees. In addition, powers to invade corpus for the benefit of remaindermen are in general given the same treatment as powers to invade for the benefit of current income beneficiaries.

The second important change made by the formal amendments involves a rearrangement of the provisions of paragraph (d) of the tentative proposals, dealing with the power to determine or control beneficial enjoyment of corpus or income. The arrangement of the exceptions contained in paragraph (d) has been altered, in the interest of greater clarity, to present a more logical classification based on the person by whom powers may be exercised rather than on the basis of the type of power held. However, it is to be particularly noted that this rearrangement does not in any way restrict or curtail the powers which, either under the present regulations or the changes which were tentatively proposed, are exercisable without subjecting the grantor to tax on trust income.

The formal amendments, like the Clifford regulations issued originally, will apply only to taxable years beginning after December 31, 1945.

The formal amendments are accompanied by a mimeograph providing that where no inconsistent claims prejudicial to the Government are asserted by the trustees or beneficiaries, it will be the policy of the Bureau of Internal Revenue not to assert liability of the grantor under the general provisions of section 22(a) of the Internal Revenue Code if the trust income would not be taxable to the grantor under the regulations as amended. The mimeograph also provides that where the grantor's control over a trust created prior to January 1, 1946 is terminated at any time prior to January 1, 1948, it will be the policy of the Bureau of Internal Revenue not to assert liability of the grantor under the Clifford regulations for 1946 and 1947.

Pursuant to the Administrative Procedure Act, the formal amendments will be published in the Federal Register, but will not become effective until 31 days after the date of publication.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Tuesday, July 1, 1947.

Press Service
No. S-384

The Secretary of the Treasury today announced the subscription and allotment figures with respect to the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series F-1948, dated July 1, 1947.

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

Federal Reserve District	Total Subscriptions Received and Allotted
Boston	$ 86,088,000
New York	1,726,902,000
Philadelphia	40,138,000
Cleveland	72,861,000
Richmond	33,729,000
Atlanta	56,562,000
Chicago	273,425,000
St. Louis	64,584,000
Minneapolis	42,948,000
Kansas City	93,177,000
Dallas	61,717,000
San Francisco	187,474,000
Treasury	2,292,000
TOTAL	$2,741,897,000

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Treasury Department
Washington

FOR IMMEDIATE RELEASE
Wednesday, July 2, 1947

Press Service
No. S-385

Secretary of the Treasury John W. Snyder announced today that the Treasury closed the fiscal year 1947 with a budget surplus of $754,000,000.

The Secretary said that this achievement of a budget surplus in a fiscal year commencing only ten months after the completion of our military victory was made possible by the untiring economy efforts of President Truman. It is noted that this occurred during a period in which a large proportion of the total Government expenditures was still occasioned by the cost of liquidating obligations resulting from the war.

The President, Secretary Snyder said, has constantly taken the initiative in cutting expenditures consistent with the national safety and welfare. Whenever possible, the President has regarded the appropriations granted by Congress as ceilings, rather than as targets. In numerous cases he has cut expenditures drastically below those authorized by Congress. Since taking office, President Truman has recommended to the Congress the cancellation of appropriations totaling over $65,000,000,000.

Total Government expenditures in the fiscal year just ended amounted to $42,505,000,000. This is a decline of a third from the expenditures of $63,714,000,000 during the preceding fiscal year and a decline of nearly 60 percent from the wartime peak of $100,397,000,000 reached in 1945.

The expense of the transition from war to peace continues to comprise a substantial proportion of Federal expenditures. Expenditures for veterans (including terminal leave), for example, amounted to $9,250,000,000 in the year

just ended; while expenditures for UNNRA, the credit to Great Britain, Export-Import Bank loans, and subscriptions to the International Bank and Monetary Fund amounted to another $5,915,000,000.

In contrast to the sharp reduction in expenditures, net receipts were practically the same as in the preceding year. The primary reasons for this maintenance of receipts have, of course, been the success of the Nation's reconversion from a wartime to a peacetime economy, the continued high level of production and employment, and substantial receipts from the sale of surplus property.

Of great importance has been the Treasury Department's vigorous enforcement of internal revenue legislation. Secretary Snyder estimated that the extra enforcement activities of the Treasury yielded an additional $2,000,000,000 in revenue during the fiscal year. The funds granted to the Treasury Department by Congress for this extra effort have been repaid many times over.

The Secretary declared that, as long as business, employment, and national income continue high, we should maintain tax revenues at levels that will permit a continued reduction in the public debt. The desirability of such a policy, he added, is emphasized by the fact that the financial soundness and continued stability of the American economy is the cornerstone of our national life.

Comparisons with April budget estimates

Receipts were $759,000,000 more than the estimates released by the President on April 19, practically all of which was due to an unexpected

increase in miscellaneous receipts. This resulted principally from a settlement of accounts earlier than had been anticipated between the Reconstruction Finance Corporation and the Treasury amounting to $580,000,000, relating to sales of surplus property and repayment of capital of the Smaller War Plants Corporation.

Expenditures exceeded the April estimates by $1,255,000,000, due largely to the payment by the Reconstruction Finance Corporation to the Treasury in the settlement of accounts mentioned above and to the fact that refunds of taxes were considerably heavier than had been expected. The Treasury, of course, has no control over the amount of refunds which are required by law to be made, but has endeavored to speed up the program as much as possible in the interest of economy and as a service to the taxpayers. The acceleration of the payment of tax refunds during the year resulted in substantial interest savings to the Treasury, the amount of interest paid on refunds being $3,300,000 less than last year.

Reduction in debt

During the fiscal year just ended the public debt -- including guaranteed obligations held outside the Treasury -- was reduced by $11,522,000,000, of which $754,000,000 was the result of the budget surplus. The total amount outstanding on June 30 was $258,376,000,000. This compares with $279,764,000,000 at the postwar peak which was reached on February 28, 1946. The major part of this reduction in the debt has been accomplished by reducing the Treasury cash balance from its postwar peak to its present level. Future reductions in the debt can occur only from budget surpluses.

Practically the entire decline in the debt since the peak has been in the holdings of the commercial banking system. Holdings of debt by nonbank investors as a whole have remained practically constant. This concentration of debt reduction in bank holdings has been in accordance with the Treasury policy of spreading the ownership of the debt as broadly as possible, and has helped to alleviate inflationary pressures during the reconversion period. This debt reduction program was made possible by the Treasury's policy of maintaining a substantial portion of the debt in short-term securities.

This policy maintained the liquidity of the banking system and put a large portion of the debt in a form in which it could be easily retired. As a consequence of the liquidity of the banks' Government security portfolios, the large turnover of funds incident to the debt reduction program occurred without disturbance to the money market. The reduction in the debt has naturally resulted in a substantial decline in the proportion of short-term securities, as well as in the proportion held by banks. The two-fold character of this decline has consequently resulted in keeping the maturity distribution and the form of the debt well adjusted to the character of its ownership.

A more detailed analysis of the fiscal year's operations follows:

I. BUDGET RESULTS

Budget receipts exceeded expenditures by $754,000,000, as compared with a deficit of $20,676,000,000 last year.

Net receipts amounted to $43,259,000,000, an increase of $221,000,000 compared with last year. Total expenditures amounted to $42,505,000,000, a decrease of $21,209,000,000 from the year before. This improvement in the Government's budget of $21,430,000,000 was accomplished notwithstanding that

in 1947 there were several large items of expenditure which were not in the figures for 1946, notably $1,426,000,000 for subscriptions to the International Bank and the International Monetary Fund under the Bretton Woods Agreement, $2,050,000,000 under the credit to the United Kingdom, $837,000,000 additional for United Nations Relief and Rehabilitation Administration, and about $2,000,000,000 for armed forces leave.

A comparative table showing the trend of expenditures during the last 3 fiscal years is shown below (in billions of dollars):

Budget Expenditures	1945	1946	1947	Increase (+) or Decrease (-) 1947 from 1946
War and Navy Departments 2/	$ 80.4	$43.0	$ 14.4	-$28.6
Veterans Administration	2.1	4.3	1/ 7.3	+3.0
Interest on the public debt	3.6	4.7	5.0	+ .3
Tax refunds	1.7	3.0	3.0	-
International finance	-	.7	4.4	+3.7
United Nations Relief and Rehabilitation Administration	.1	.7	1.5	+ .8
All other	12.5	7.3	6.9	- .4
Total	100.4	63.7	42.5	-21.2

II. PUBLIC DEBT

The gross public debt amounted to $258,286,000,000 on June 30, 1947, a decrease of $11,136,000,000 during the year. In addition, guaranteed debt held outside the Treasury declined by $386,000,000 during the year. The sources of debt reduction during the year are indicated below:

1/ In addition, about $2,000,000,000 of armed forces leave payments (bonds and cash) were made during the year, classified herein under War and Navy Departments and "All other" (Coast Guard).

2/ Excludes river and harbor work and flood control.

Direct debt	
Decrease in general fund balance	$10,930,000,000
Budget surplus	754,000,000
Subtotal	11,684,000,000
Excess of expenditures in trust accounts, etc.	548,000,000
Total decrease in direct debt	11,136,000,000
Guaranteed debt	
Decrease	386,000,000
Total decrease in debt	11,522,000,000

Changes in composition of debt

Marketable issues were reduced $20,904,000,000, but this decrease was partially offset by increases in special issues to Government trust funds and investment accounts by $5,034,000,000, and nonmarketable public issues, $2,872,000,000, represented principally by increases in armed forces leave bonds and United States savings bonds and partially offset by a decrease in Treasury savings notes. There was also an increase in the debt amounting to $2,140,000,000 resulting from noninterest-bearing special notes issued to the International Bank and the International Monetary Fund.

Sales of United States savings bonds (including discount accruals) exceeded redemptions during the year by $2,354,000,000, indicating a continuing public interest in this form of savings.

The net changes in the public debt and the Treasury's cash balance are indicated below:

(In millions)

Classification	Feb. 28, 1946	June 30, 1946	June 30, 1947	Change: From 2/28/46 to 6/30/47	Change: During fiscal year 1947
Gross public debt					
Interest-bearing:					
Public issues:					
Marketable	$199,810	$189,606	$168,702	-$31,108	-$20,904
Nonmarketable	57,206	56,173	59,045	+1,839	+2,872
Subtotal	257,016	245,779	227,747	-29,269	-18,032
Special issues	20,897	22,332	27,366	+6,469	+5,034
Noninterest-bearing notes issued to International Bank and Monetary Fund	-	-	2,140	+2,140	+2,140
Other 1/	1,301	1,311	1,033	-268	-278
Total gross public debt	279,214	269,422	258,286	-20,928	-11,136
General fund balance.....	25,961	14,238	3,308	-22,653	-10,930
Net	253,253	255,184	254,978	+1,725	-206

Changes in maturities 2/

One of the results of the debt retirement program was to retire a substantial amount of bank-held short-term debt. In carrying out the debt retirement program the 91-day Treasury bills were reduced by $1,264,000,000 and the 1-year certificates of indebtedness 3/ were reduced $14,418,000,000. In addition, all other marketable debt callable or maturing during the year was reduced $5,222,000,000. Changes in the maturities (based on maturity or first call date) of the marketable public debt are indicated below:

1/ Includes matured debt and other debt bearing no interest.
2/ Interest-bearing marketable securities only.
3/ Includes the .90% - 13-month notes which matured July 1, 1946.

(In millions)

Maturing	Feb. 28, 1946	June 30, 1946	June 30, 1947	Change: From 2/28/46 to 6/30/47	Change: During Fiscal Year 1947
Within 3 months	$ 29,349	$ 28,755	$ 26,650	-$2,699	-$2,105
3 months to 1 year	40,914	33,220	25,677	-15,237	- 7,543
1 to 5 years	35,388	35,066	42,543	+ 7,155	+ 7,477
5 to 10 years	33,131	32,953	19,024	-14,107	-13,929
10 to 15 years	17,400	16,012	13,326	- 4,074	- 2,686
15 to 20 years	17,796	21,227	27,076	+ 9,280	+ 5,849
Over 20 years	25,832	22,372	14,405	-11,427	- 7,967
Total	199,810	189,606	168,702	-31,108	-20,904

Interest on the public debt

Interest payments on the public debt during the fiscal year amounted to $4,958,000,000, compared with $4,722,000,000 in 1946. Interest payments in 1947 do not reflect the full annual interest savings which ultimately will be effected from debt retirements made during the year. In the first place, there is a time lag between the retirement of debt and the time the interest savings become effective; for instance, only about a half-year's interest would be saved on debt retired in the first half of the year while the interest savings on debt retired in the latter half would not be noticeable until the year following. The second factor which tends to offset interest savings on the retirement of marketable debt is the somewhat higher average rate paid on new issues during the year of securities such as special issues to trust funds and Government investment accounts than the rate paid on the issues retired.

The effect of Treasury financing during the year as it relates to the interest burden of the debt is shown in the following table. It should be noted that the figures in this table relate to computed annual interest charges as of a specified date and not to actual payments during any particular year. The principal reason why computed interest charges currently exceed interest payments is that accruals of discount on savings bonds (included as payments) are still well below the average annual interest on such bonds if held to maturity (included as charges):

Computed Average Interest Rate and Annual Interest Charge on Outstanding Public Debt

(Dollar amounts in millions)

Classification	June 30, 1946 Average interest rate	June 30, 1946 Annual interest charge	June 30, 1947 Average interest rate	June 30, 1947 Annual interest charge	Change in annual interest charge
Marketable:					
Bills	.381%	$ 65	.382%	$ 60	-$ 5
Certificates	.875	305	.875	221	- 84
Notes	1.289	235	1.448	118	- 117
Bonds	2.307	2,757	2.307	2,757	—
Subtotal	1.773	3,362	1.871	3,156	- 206
Nonmarketable:					
Armed forces leave bonds	-	-	2.500	45	+ 45
Savings bonds	2.777	1,362	2.765	1,420	+ 58
Savings notes	1.070	72	1.070	59	- 13
Depositary bonds	2.000	9	2.000	7	- 2
Subtotal	2.567	1,442	2.593	1,531	+ 89
Special issues:					
Federal old-age and survivors insurance trust fund	1.923	114	1.980	141	+ 27
Unemployment trust fund	1.875	126	2.000	143	+ 17
National service life insurance fund	3.000	157	3.000	194	+ 37
Other (Government employees' retirement funds, Postal Savings System, etc.)	3.351	150	3.147	209	+ 59
Subtotal	2.448	547	2.510	687	+ 140
Total	1.996	5,351	2.107	5,374	+ 23

Note: - There are certain differences between computed annual interest charges shown in this table and actual interest payments. The average rates shown for savings bonds and savings notes represent the annual yield if held to maturity. Only the discount currently accruing on savings bonds, which at present is less than the computed annual interest charge, is included in interest payments. On the other hand, interest on armed forces leave bonds and savings notes is reflected as payments only at time of redemption.

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The over-all computed average rate on the interest-bearing public debt outstanding on June 30, 1947 was 2.107 percent, compared with 1.996 percent a year ago. This increase in the general average rate was due to the retirement of large amounts of short-term debt bearing relatively low rates of interest, and the continued issue of nonmarketable and special issues at higher-than-average rates.

III. GENERAL FUND

The general fund cash balance at the close of the fiscal year amounted to $3,308,000,000, a reduction of $10,930,000,000 during the fiscal year. Deposits with special depositaries on account of sales of government securities (i.e., war loan accounts) decreased from $12,993,000,000 on June 30, 1946 to $962,000,000 on June 30, 1947, a decrease of $12,031,000,000.

Attachments:

No. 1 - Classified Statement of Budget Receipts and Expenditures, Fiscal Years 1945 - 1947.

No. 2 - Composition of Outstanding Public Debt, February 28, 1946, June 30, 1946, and June 30, 1947.

No. 3 - Disposition of Matured Marketable Securities During Fiscal Year 1947.

Attachment No. 1

CLASSIFIED STATEMENT OF
BUDGET RECEIPTS AND EXPENDITURES
FISCAL YEARS 1946 - 1947

(In millions of dollars)

	1945	1946	1947	Increase (+) or Decrease (-) 1947 From 1946
Budget Receipts:				
Internal revenue:				
Income tax:				
Withheld by employers	$ 10,289	$ 9,392	$ 10,013	$ +621
Other	24,884	21,493	19,292	-2,201
Miscellaneous internal revenue	6,949	7,725	8,049	+324
Social security taxes	1,494	1,418	1,644	+226
Taxes upon carriers and their employees	285	283	380	+97
Railroad unemployment insurance contributions	13	13	14	+1
Customs	355	435	494	+59
Surplus property (Act October 3, 1944)	101	501	2,886	+2,385
Other miscellaneous receipts	3,369	2,979	1,929	-1,050
Total receipts	47,740	44,239	44,703	+464
Deduct: Net appropriation to Federal old-age and survivors insurance trust fund	1,283	1,201	1,444	+243
Net budget receipts	46,457	43,038	43,259	+221
Budget Expenditures:				
General:				
Agriculture Department	769	1,007	2,323	+1,316
Bretton Woods Agreements Act:				
International Bank	-	159	476	+317
International Monetary Fund	-	-	950	+950
Commerce Department	80	98	149	+51
Credit to United Kingdom	-	-	2,050	+2,050
Export-Import Bank of Washington - capital stock	-	674	325	-349
Federal Security Agency	549	624	911	+287
Federal Works Agency	100	122	315	+193
Interior Department	137	161	260	+99
Justice Department	68	72	101	+29
Labor Department	21	22	107	+85
National Housing Agency	12	40	385	+345
Panama Canal	9	18	20	+2
Post Office Department (deficiency)	1	161	242	+81
Railroad Retirement Board	6	6	9	+3
River and harbor work and flood control	142	168	222	+54
State Department	52	51	115	+64
Tennessee Valley Authority	20	29	25	-4
Treasury Department:				
Interest on the public debt	3,617	4,722	4,958	+236
Refunds of taxes and duties	1,715	3,034	3,050	+16
Other	300	343	525	+182
Veterans' Administration	934	2,871	6,442	+3,571
Other agencies	198	177	363	+186
Subtotal	8,730	14,559	24,323	+9,764
National defense and related activities:				
Agriculture Department	1,198	1,041	a/ 174	-1,215
Navy Department	30,047	15,161	5,575	-9,586
Payments for United Nations Relief and Rehabilitation	114	664	1,501	+837
Surplus property disposal agencies	1/	106	442	+336
Treasury Department	1,462	695	158	-537
United States Maritime Commission	3,227	694	271	-423
War Department	50,399	27,852	8,832	-19,020
War Shipping Administration	2,042	1,367	74	-1,293
Other	1,540	962	462	-500
Subtotal	90,029	48,542	17,142	-31,400
Transfers to trust accounts, etc.:				
Employees' retirement funds (United States share)	197	247	223	-24
National service life insurance fund	1,117	1,381	817	-564
Railroad retirement account	309	292	298	+6
Other	24	a/ 2	17	+19
Subtotal	1,646	1,918	1,355	-563
Total, excluding corporations	100,405	65,019	42,819	-22,200
Government corporations (wholly owned), etc. (net):				
Commodity Credit Corporation	471	a/ 1,044	a/ 1,076	-32
Export-Import Bank of Washington	*	a/ 106	613	+719
Federal Housing Administration	a/ 5	a/ 20	a/ 1	+19
Federal Public Housing Authority	12	1	1	-
Home Owners' Loan Corporation	a/ 323	a/ 275	a/ 202	+73
Reconstruction Finance Corporation:				
National defense and related activities	472	328	138	-190
Other	a/ 288	a/ 23	215	+238
Rural Electrification Administration	a/ 3	a/ 7	a/ 30	-23
Other	a/ 342	a/ 159	27	+186
Total Government corporations, etc.	a/ 7	a/ 1,305	a/ 314	+991
Total budget expenditures (excluding public debt retirements)	100,397	63,714	42,505	-21,209
Budget surplus (+) or deficit (-)	-53,941	-20,676	+754	+21,430

Note: - Figures are rounded to the nearest million and will not necessarily add to the totals shown.

a/ Excess of credits, deduct.
* Less than $500,000.

1/ Included under "General, Other Agencies" in 1945, and "War Activities" in 1946 and 1947.

Attachment No. 2

COMPOSITION OF THE OUTSTANDING PUBLIC DEBT

(In millions of dollars)

Issues	Feb. 28, 1946	June 30, 1946	June 30, 1947	Change 2/28/46 to 6/30/47	Change 6/30/46 to 6/30/47
Public issues (interest-bearing):					
Marketable obligations:					
Treasury bills	$17,032	$17,039	$15,775	-$1,257	-$1,264
Certificates of indebtedness....	41,413	34,804	25,296	-16,117	- 9,508
Treasury notes	19,551	18,261	8,142	-11,409	-10,119
Treasury bonds	121,635	119,323	119,323	- 2,312	---
Postal savings and other bonds..	180	180	166	- 14	- 14
Total marketable obligations..	199,810	189,606	168,702	-31,108	-20,904
Nonmarketable obligations:					
Armed forces leave bonds	-	-	1,793	+ 1,793	+ 1,793
Treasury savings notes	8,043	6,711	5,560	- 2,483	- 1,151
United States savings bonds	48,692	49,035	51,367	+ 2,675	+ 2,332
Depositary bonds	471	427	325	- 146	- 102
Total nonmarketable obligations	57,206	56,173	59,045	+ 1,839	+ 2,872
Total public issues	257,016	245,779	227,747	-29,269	-18,032
Special issues to Government trust funds and agencies	20,897	22,332	27,366	+ 6,469	+ 5,034
Matured debt on which interest has ceased	238	376	231	- 7	- 145
Debt bearing no interest:					
International Bank and Monetary Fund	-	-	2,140	+ 2,140	+ 2,140
Other	1,063	935	802	- 261	- 133
Total gross public debt	279,214	269,422	258,286	-20,928	-11,136
Guaranteed debt					
Not owned by the Treasury	551	476	90	- 461	- 386
Total public and guaranteed debt	279,764	269,898	258,376	-21,388	-11,522
General fund balance	25,961	14,238	3,308	-22,653	-10,930
Total debt less general fund balance	253,803	255,660	255,068	+ 1,265	- 592

Note: - Figures are rounded and will not necessarily add to totals.

Attachment No. 3

DISPOSITION OF MATURED MARKETABLE SECURITIES
DURING FISCAL YEAR 1947 1/

(Dollar amounts in millions)

Date of maturity	Matured securities			Disposition		
					Exchanged	
	Class	Rate of interest	Amount	Payable in cash	New security	Amount
7/1/46	Note	.90%	$ 4,910	$ 1,994	7/8% Certificate	$ 2,916
8/1/46	Certificate	7/8%	2,470	1,246	"	1,223
9/1/46	"	7/8%	4,336	1,995	"	2,341
10/1/46	"	7/8%	3,440	2,000	"	1,440
11/1/46	"	7/8%	3,778	2,003	"	1,775
12/1/46	"	7/8%	3,768	487	"	3,281
12/15/46	Note	1-1/2%	3,261	3,261	---	-
1/1/47	Conversion bond	3%	13	13	---	-
1/1/47	Certificate	7/8%	3,330	196	7/8% Certificate	3,134
2/1/47	"	7/8%	4,954	1,007	"	3,947
3/1/47	"	7/8%	3,133	991	"	2,142
3/15/47	Note	1-1/4%	1,948	1,948	---	-
4/1/47	Certificate	7/8%	2,820	1,499	7/8% Certificate	1,321
6/1/47	"	7/8%	2,775	998	"	1,777
Totals			44,936	19,640		25,296

Note: Figures are rounded and will not necessarily add to totals.

1/ This table does not take into account a net reduction of $1,264,000,000 in the outstanding Treasury bills.

STATUTORY DEBT LIMITATION
AS OF JUNE 30, 1947

July 2, 1947

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $275,000,000,000 outstanding at any one time. For purposes of this section the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder shall be considered as its face amount."

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			$275,000,000,000
Outstanding June 30, 1947			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing			
Treasury bills.............	$ 15,774,960,000		
Certificates of indebtedness	25,295,970,000		
Treasury notes.............	13,702,314,700	$ 54,773,244.700	
Bonds			
Treasury.................	119,322,882,950		
Savings (current redemp. value)	51,366,729,479		
Depositary................	325,426,000		
Armed Forces Leave.........	1,792,972,450	172,808,010,879	
Special Funds			
Certificates of indebtedness	14,403,250,000		
Treasury notes.............	12,963,210,000	27,366,460,000	
Total interest-bearing..................		254,947,715,579	
Matured, interest-ceased......................		225,279,511	
Bearing no interest			
War savings stamps...........	69,930,045		
Excess profits tax refund bonds	19,185,740		
Special notes of the United States:			
Internat'l Bank for Reconst. and Development series....	415,785,000		
Internat'l Monetary Fund series	1,724,000,000	2,228,900,785	
Total....................................		257,401,895,875	
Guaranteed obligations (not held by Treasury)			
Interest-bearing			
Debentures: F. H. A..........	38,210,236		
Demand obligations: C.C.C. ...	45,002,049	83,212,285	
Matured, interest-ceased.....................		6,307,900	
		89,520,185	
Grand total outstanding........................			257,491,416,060
Balance face amount of obligations issuable under above authority....			17,508,583,940

Reconcilement with Statement of the Public Debt - June 30, 1947
(Daily Statement of the United States Treasury, July 1, 1947)

Outstanding	
Total gross public debt.....................................	258,286,383,109
Guaranteed obligations not owned by the Treasury................	89,520,185
Total gross public debt and guaranteed obligations..............	258,375,903,294
Deduct - other outstanding public debt obligations not subject to debt limitation.........................	884,487,234
	257,491,416,060

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, July 3, 1947.

Press Service
No. S-387

The Secretary of the Treasury, by this public notice, invites tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing July 10, 1947, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated July 10, 1947, and will mature October 9, 1947, 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 time, Monday, July 7, 1947. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders 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. Subject to these reservations, non-competitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on July 10, 1947, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 10, 1947. Cash and

exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, July 8, 1947

Press Service
No. S-388

The Secretary of the Treasury announced last evening that the tenders for $1,300,000,000, or thereabouts, of 91-day Treasury bills to be dated July 10, and to mature October 9, 1947, which were offered on July 3, 1947, were opened at the Federal Reserve Banks on July 7.

The details of this issue are as follows:

Total applied for - $1,661,863,000
Total accepted - 1,300,023,000 (includes $13,873,000 entered on a non-competitive basis and accepted in full at the average price shown below)
Average price - 99.850 Equiv. rate of discount approx. 0.594% per annum

Range of accepted competitive bids:

High - 99.906 Equiv. rate of discount approx. 0.372% per annum
Low - 99.811 " " " " " 0.748% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 13,220,000	$ 220,000
New York	1,556,974,000	1,268,054,000
Philadelphia	6,536,000	1,536,000
Cleveland	1,560,000	1,560,000
Richmond	2,690,000	690,000
Atlanta	625,000	625,000
Chicago	69,640,000	16,740,000
St. Louis	450,000	450,000
Minneapolis	1,190,000	1,170,000
Kansas City	2,490,000	2,490,000
Dallas	5,125,000	5,125,000
San Francisco	1,363,000	1,363,000
TOTAL	$1,661,863,000	$1,300,023,000

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Wednesday, July 9, 1947.

Press Service
No. S-389

The Bureau of Customs announced today preliminary figures showing the imports for consumption of commodities on which quotas were prescribed by the Philippine Trade Act of 1946, from January 1, 1947, to June 28, 1947, inclusive, as follows:

Products of Philippine Islands	Established Quota Quantity	Unit of Quantity	Imports as of June 28, 1947
Buttons	850,000	Gross	64,536
Cigars	200,000,000	Number	3,104,834
Coconut oil	448,000,000	Pound	13,288,996
Cordage	6,000,000	"	1,065,958
Rice	1,040,000	"	50
Sugars, refined) unrefined)	1,904,000,000	"	----
Tobacco	6,500,000	"	709,149

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TREASURY DEPARTMENT

Washington

FOR IMM DIATE RELEASE,
Wednesday, June 9, 1947.

Press Service
No. S-390

The Bureau of Customs announced today preliminary figures showing the imports for consumption of commodities within quota limitations provided for under trade agreements, from the beginning of the quota periods to June 28, 1947, inclusive, as follows:

Commodity	Established Quota		Unit of Quantity	Imports as of June 28, 1947
	Period and Country	Quantity		
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	3,072
Cream, fresh or sour	Calendar year	1,500,000	Gallon	720
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	1/ 23,906,423	Pound	11,605,819
White or Irish potatoes:	12 months from Sept. 15, 1946			
certified seed		90,000,000	Pound	Quota Filled
other		60,000,000	Pound	Quota Filled
Cuban filler tobacco unstemmed or stemmed (other than cigarette leaf tobacco) and scrap tobacco	Calendar year	22,000,000	Pound (unstemmed equivalent)	Quota Filled
Red cedar shingles	Calendar year	1,380,300	Square	955,021
Molasses and sugar sirups containing soluble non-sugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	248,329

1/ Quota increased per T.D. 51698.

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, July 9, 1947

Press Service
No. S-391

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 proclamations of April 13, 1942, and April 29, 1943, for the 12 months commencing May 29, 1947, as follows:

Country or Origin	Wheat		Wheat flour, semolina, crushed or cracked wheat, and similar wheat products	
	Established Quota (Bushels)	Imports May 29, 1947, to June 28, 1947 (Bushels)	Established Quota (Pounds)	Imports May 29, 1947, to June 28, 1947 (Pounds)
Canada	795,000	4	3,815,000	154,423
China	-	-	24,000	2,400
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	-
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 Socialist Republics	100	-	-	-
Belgium	100	-	-	-
	800,000	4	4,000,000	156,823

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, July 9, 1947

Press Service
S-392

The Bureau of Customs announced today that preliminary data on imports of cotton and cotton waste chargeable to the quotas established by the President's proclamation of September 5, 1939, as amended, for the period September 20, 1946, to June 28, 1947, are as follows:

COTTON (other than linters)
(In pounds)

Country of Origin	Under 1-1/8" other than rough or harsh under 3/4"		1-1/8" or more but less than 1-11/16" 4/	Less than 3/4" harsh or rough 5/
	Established Quota	Imports Sept. 20, 1946, to June 28, 1947	Imports Sept. 20, 1946, to June 28, 1947	Imports Sept. 20, 1946, to June 28, 1947
Egypt and the Anglo-Egyptian Sudan	783,816	12,164	36,415,174	-
Peru	247,952	247,952	9,209,346	-
British India	2,003,483	1,167,578	-	36,551,390
China	1,370,791	344	-	-
Mexico	8,883,259	8,883,259	-	-
Brazil	618,723	618,723	-	-
Union of Soviet Socialist Republics	475,124	25,348	31,900	-
Argentina	5,203	5,081	-	-
Haiti	237	-	-	-
Ecuador	9,333	-	-	-
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	-	-	-	-
Kuwait	-	-	-	237,600
	14,516,882	10,960,449	45,656,420	36,788,990

1/ Other than Barbados, Bermuda, Jamaica, Trinidad, and Tobago.
2/ Other than Gold Coast and Nigeria.
3/ Other than Algeria, Tunisia, and Madagascar.
4/ Established Quota - 45,656,420.
5/ Established Quota - 70,000,000.
* See Footnote next page.

COTTON WASTES
(In pounds)

COTTON CARD STRIPS made from cotton having a staple of less than 1-3/16 inches in length, COMBER WASTE, LAP WASTE, SLIVER WASTE, AND ROVING WASTE, WHETHER OR NOT MANUFACTURED OR OTHERWISE ADVANCED IN VALUE: Provided, however, that not more than 33-1/3 percent of the quotas shall be filled by cotton wastes other than 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:

Country of Origin	Established TOTAL QUOTA	Total imports Sept. 20, 1946, to June 28, 1947	Established 33-1/3% of Total Quota	Imports Sept. 20, 1946 to June 28, 1947 1/
United Kingdom......	4,323,457	-	1,441,152	-
Canada.............	239,690	69,757	-	-
France.............	227,420	-	75,807	-
British India.......	69,627	69,627	-	-
Netherlands.........	68,240	-	22,747	-
Switzerland.........	44,388	-	14,796	-
Belgium.............	38,559	-	12,853	-
Japan...............	341,535	-	-	-
China...............	17,322	-	-	-
Egypt...............	8,135	6,347	-	-
Cuba................	6,544	-	-	-
Germany.............	76,329	-	25,443	-
Italy...............	21,263	-	7,088	-
Totals	5,482,509	145,731	1,599,886	-

1/ Included in total imports, column 2.

* The President's proclamation of June 9, 1947, prescribed a supplemental quota of 23,094,000 pounds of cotton having a staple of 1-3/8 inches or more but less than 1-11/16 inches in length for the period June 14 to September 20, 1947, which quota was filled on June 23, 1947.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, July 11, 1947

Press Service
No. S-393

The Secretary of the Treasury, by this public notice, invites tenders for $1,100,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing July 17, 1947, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated July 17, 1947, and will mature October 16, 1947, 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 time, Monday, July 14, 1947. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders 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. Subject to these reservations, non-competitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on

July 17, 1947, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 17, 1947. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, July 15, 1947

Press Service
No. S-394

During the month of June, 1947, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $359,163,200, Secretary Snyder announced today.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, July 15, 1947

Press Service
No. S-395

The Secretary of the Treasury announced last evening that the tenders for $1,100,000,000, or thereabouts, of 91-day Treasury bills to be dated July 17, and to mature October 16, 1947, which were offered on July 11, 1947, were opened at the Federal Reserve Banks on July 14.

The details of this issue are as follows:

Total applied for - $1,552,038,000
Total accepted - 1,101,548,000 (includes $14,964,000 entere[d] on a non-competitive basis and accepted in full at the average price shown belo[w])
Average price - 99.814 Equivalent rate of discount approx. 0.737% per annum

Range of accepted competitive bids:

High - 99.906 Equiv. rate of discount approx 0.372% per annum
Low - 99.810 " " " " " 0.752% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 12,390,000	$ 890,000
New York	1,378,848,000	1,018,348,000
Philadelphia	6,260,000	1,260,000
Cleveland	2,515,000	2,515,000
Richmond	2,275,000	2,275,000
Atlanta	3,600,000	3,600,000
Chicago	114,731,000	41,911,000
St. Louis	1,814,000	1,314,000
Minneapolis	1,005,000	1,005,000
Kansas City	15,225,000	15,225,000
Dallas	5,815,000	5,645,000
San Francisco	7,560,000	7,560,000
TOTAL	$1,552,038,000	$1,101,548,000

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Tuesday, July 15, 1947.

Press Service
No. S-396

Secretary Snyder announced today that the British Government has informed him that, except in the case of certain countries with respect to which temporary extensions have been agreed to by the United States Government, the British Government is fully carrying out its obligations under the sections of the Anglo-American Financial Agreement which become effective today. These sections require that beginning July 15 sterling currently earned by third countries or otherwise available to them for current payments will be freely available for current transactions in any currency area.

Throughout the past year the British Government has been taking steps to fulfill its commitments under the Financial Agreement and has announced from time to time during the past six months the relaxation of certain wartime controls over sterling. Liberalization of the use of sterling has now been extended to most of the countries of the world, but it was found impossible by the British Government to complete the necessary technical administrative arrangements with every country by July 15. Accordingly, at the request of the British Government, the United States Government has agreed to extend until September 15 the time within which the British Government may complete arrangements with Austria, Bulgaria. China, Denmark, France, Greece, Hungary, Paraguay, Poland, Rumania, Siam, Turkey, the U.S.S.R., and Yugoslavia. Secretary Snyder emphasized that the two months' postponement does not involve any modification in the obligation of the British Government to permit these countries to dispose freely of the sterling they earn between July 15 and the date the arrangements are agreed to, but involves only the postponement of such disposition.

Secretary Snyder pointed out that the Financial Agreement does not obligate the British Government to remove all exchange controls. The steps taken do not remove, for example, the licensing controls which the British Government exercises over repatriation by Americans of invested capital.

Attached are the texts of letters exchanged by Secretary Snyder and Chancellor Dalton.

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July 14, 1947

My dear Chancellor:

As a result of recent consultations between representatives of your Government and representatives of the United States Government and in accordance with the request of your Government, the United States Government has agreed to the postponement until September 15, 1947, if necessary, of the obligations of your Government under the Anglo-American Financial Agreement in the case of Austria, Bulgaria, China, Denmark, France, Greece, Hungary, Paraguay, Poland, Rumania, Siam, Turkey, the U.S.S.R., and Yugoslavia, with the understanding that upon the date of completion of necessary arrangements with these countries, all sterling accruing to them after July 15, 1947, will become freely available for current payments in accordance with the Anglo-American Financial Agreement.

It is my understanding that with the exception of the temporary extensions to which the United States Government has agreed in the case of the countries mentioned in the preceding paragraph, the British Government will carry out fully its obligations under Sections 7, 8(ii) and 10 of the Anglo-American Financial Agreement. I should appreciate your Government's confirmation of this understanding.

Sincerely yours,

/s/ John W. Snyder
Secretary of the Treasury

Right Honorable Hugh Dalton
Chancellor of the Exchequer
Treasury Chambers
London, England

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July 15th, 1947

Dear Mr. Secretary:

Thank you for your letter of July 14th, 1947, regarding the execution of the Anglo-U.S. Financial Agreement dated December 6, 1945.

In reply I confirm your understanding that, with the exception of the temporary extensions to which the United States Government has agreed in the case of the countries mentioned in the first paragraph of your letter, the British Government is fully carrying out its obligations under Sections 7, 8(ii) and 10 of the Anglo-American Financial Agreement.

Yours sincerely,

/s/ Hugh Dalton

Honorable John W. Snyder
Secretary of the Treasury
Washington, D. C.

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TREASURY DEPARTMENT

Washington

(The following address by Edward H. Foley, Jr., Assistant Secretary of the Treasury, before the National Bankers Association, Rankin Memorial Hall, Howard University, Washington, D. C., is scheduled for delivery at 8:30 P.M., D.S.T., Wednesday, July 16, 1947, and is for release at that time.)

I appreciate this opportunity to address the Public Meeting of the National Bankers Association. I appreciate it because, as the Assistant Secretary of the Treasury charged with the supervision of the Office of the Comptroller of the Currency, I am interested in following all developments in the banking world. I appreciate it because, as a believer in the democratic way of life, I am interested in seeing all segments of the community have an opportunity to participate in all of its activities - economic, political, and social.

Banking plays a strategic role in the community. All other types of activity depend upon it for aid and assistance; while banking, in turn, depends upon all the rest of the community for its customers and for its profits. The banking business, as a consequence, tends to be prosperous or depressed as the whole community is prosperous or depressed. The community is now prosperous; and the banking business is prosperous with it.

If we use good sense and moderation, there is no reason why the whole community should not continue to be prosperous. It is true that the problems of maintaining high levels of employment and production are complex. But they are less complex than those which we had to solve in order to defeat the totalitarian nations; and the Congress and the President have pledged themselves, in the Employment Act of 1946, to mobilize the forces of the Federal Government, in conjunction with those of State and local governments and those of industry, agriculture, and labor, to maintain a high and stable level of production and employment in the entire economy.

You probably read in last week's papers that in June the American economy for the first time in its history provided sixty million civilian jobs. This level of employment is a good measure of the entire level of activity throughout the economy. According to the most recent available figures, the Federal Reserve Board index of industrial production, income payments to individuals, steel ingot production, electric power production, and other well recognized indicators of business activity are at or near their peacetime highs.

This prosperity permeates the entire economy. It is not a prosperity confined to the upper income groups - as our prosperity has so often been in the past. It is a prosperity which reaches down to the lowest income levels.

During the war, it was inevitable that there should be jobs for all - good jobs. It is to our credit that during the postwar transition period we have maintained most of the advances we made in this direction during the war Not only have we achieved the highest level of civilian employment in the history of the country; we have also achieved along with it higher levels of income in the traditionally low-pay occupations. Present average weekly earnings in all manufacturing industries are equivalent to the wartime peak of such earnings -- despite shorter work hours. Average hourly earnings in manufacturing have moved upward without interruption for over a year.

This far-reaching prosperity is particularly satisfying to me because it is evidence that we are making real progress toward providing equal opportunities to all Americans -- the equal opportunities which will mean equal rights and the same quality of freedom for all. President Truman put this so well in his recent address before the Thirty-eighth Annual Conference of the National Association for the Advancement of Colored People when he said:

> "As Americans, we believe that every man should be free to live his life as he wishes. He should be limited only by his responsibility to his fellow countrymen. If this freedom is to be more than a dream, each man must be guaranteed equality of opportunity. The only limit to an American's achievement should be his ability, his industry and his character. The rewards for his effort should be determined only by these truly relevant qualities."

I said earlier that the banking business tends to be prosperous or depressed as the whole country is prosperous or depressed. The present high level of national prosperity is directly reflected in banking statistics. Last year was one of the best years in the banking history of the United States. The net current earnings of all member banks of the Federal Reserve System were at a record high level. Net current earnings, exclusive of those derived from United States securities, have advanced further in 1947; and all indications are that 1947, like 1946, will also be a banner year in overall bank earnings, notwithstanding the large amounts of United States securities which have been removed from the commercial banking system and retired as a consequence of the debt-reduction program of the Treasury.

Earnings figures do not tell the whole story. Bank assets criticized by the supervisory authorities have declined to negligible proportions; while, on the human side, banks in recent years have made substantial progress in raising the compensation and in improving the working standards of their personnel.

I have not had an opportunity to analyze the operating results of the member banks of your Association -- most of which are organized under State charter and, consequently, are not under the supervision of the Office of the Comptroller of the Currency. I feel sure, however, both that you are participating in the over-all prosperity of the banking industry today, and that you are operating with such circumspection and are setting up such reserves as will assure your continued prosperity in the future.

But my primary interest in talking to you today is not that of congratulating you on the prosperity of your industry. It is rather that of thanking you for your services to the Government during the war and the postwar adjustment -- particularly for your services to the Treasury Department in connection with the savings bond program. Most important of all, I want to ask your continued cooperation in this program.

As you know, the Treasury Department during the months of June and July is conducting a special campaign to stimulate the payroll savings plan, and to popularize the bond-a-month plan for the purchase of savings bonds by regular deductions from checking accounts.

These two plans comprise the principal driving force behind our effort to maintain a widespread distribution of the public debt. The cooperation of banking institutions is essential to both of these plans. The bond-a-month plan is, of course, operated by banking institutions themselves and will finally depend for its effectiveness upon your zeal and your efficiency in urging your customers to establish and maintain bond-a-month allotments.

While it is not as directly tied in with the banking system as the bond-a-month plan, the payroll savings plan also depends upon your cooperation for its effectiveness. Many industrial and commercial firms have established payroll savings plans on the advice of and with the cooperation of their bankers. Many banks have long maintained payroll savings plans for their own employees. If any of you do not have such a plan in your own banks, I urge that you install one without delay. In addition to providing payroll ssvings facilities for their own employees, many banks act as issuing agents for the bonds purchased on payroll savings plans established by their customers.

Furthermore, many bankers as directors of industrial and commercial firms have been of invaluable assistance to the payroll savings plan by pointing out to their fellow directors the desirability of establishing or maintaining such plans in the concerns under their direction.

I ask your cooperation in all of these activities. Mr. Vernon L Clark, the National Director of sales of savings bonds, and his staff will be glad to extend you every assistance in promoting savings bond sales. I shall confine myself, therefore, to a few remarks on the social and economic necessity for the program.

But let me first say just a word about one thing which the program is not intended to accomplish. It is not intended to finance the Government. The Federal Government had a surplus of receipts over expenditures for the fiscal year which ended on June 30; and it will have a larger excess of receipts over expenditures in the current fiscal year. Furthermore, because of the substantial amounts of expenditure items which do not require the current disbursement of cash, but which the Government, in accordance with sound accounting principles, has entered as current expenditures, the Treasury is able, on net balance, to retire substantial amounts of debt held by the public in addition to the retirements of publicly held debt made possible by the budgetary surplus itself.

The sale of savings bonds at the present time, therefore, does not result in an increase in the public debt. It results rather in increasing the share of the debt held by individuals and in accelerating the retirement of debt held by other classes of investors, including commercial banks.

It is clear, therefore, that the objectives of the savings bond program are not fiscal. They are not based on the needs of the Treasury. They are based on considerations concerning the welfare of the whole economy.

What are these considerations? What are our underlying objectives in pushing the sale of savings bonds to small investors? There are two major social objectives: a long-term one and a short-term one.

The long-term objective is to maintain and, if possible, to increase the present widespread distribution of the public debt.

Before the war, the public debt stood on a relatively narrow base. During the war, the great majority of the people became Government bondholders. A very large proportion of the people who bought bonds during the war still hold them. Many of them are still purchasing more.

we want to keep it that way. It is good for the bondholders and it is good for the country. It gives to the people a greater sense of economic security and an enhanced feeling of personal dignity. It adds an important new tie to the many ties which help to bind them to the community, and makes them feel that its welfare is their welfare. It causes them to take an increased interest in national issues. It gives them a direct stake in the finances of the United States.

We want, therefore, to maintain, and, if possible, to enlarge the present broad base of the ownership of the public debt. This is the major long-run objective of the savings bond program -- of the bond-a-month plan and of the payroll savings plan. But, in the short run -- during the period immediately ahead -- these plans have an additional objective. This immediate objective is that of helping to resist upward pressures on prices.

We have beaten the primary causes of inflation. We have won the war. The soldiers and the sailors who fought so well are back at their civilian jobs. The war plants are now producing peacetime goods. The pipelines running from producer to consumer are nearly full. The United States Government is operating at a surplus.

But the process of restoring balance in the economy is a slow one. We must have patience. Production -- particularly of durable goods -- is not yet able to meet the full demands of our backed-up purchasing power. The dollars which we save now will stand us and the whole economy in good stead at some later time when every additional dollar spent will mean, not higher prices, as it would today, but more production and more jobs.

Saving up purchasing power -- deferring it from the present to the future -- is, therefore, one of the major objectives of the savings bond program. Every dollar put into savings bonds at the present time helps to strike a blow at inflation. It does this in two ways: First, it withholds a dollar from the consumers' goods markets. Second, it permits the retirement of a dollar of bank-held debt.

The objectives of the savings bond program -- both the long-range objective of maintaining the widespread distribution of the public debt and the short-range objective of resisting upward pressures on prices -- are worth-while objectives. They are worth striving for.

I know that we can count upon your continued cooperation in the savings bond program, as well as in all other matters affecting the national welfare which you have an opportunity to influence in your capacity as bankers. Such cooperation is in accord with your ideals and with your traditions.

But you are not merely bankers; you are also Americans. And as Americans you are concerned with a far wider field of activity -- a field of activity transcending the bounds of banking and transcending even the territorial limits of this country.

The period immediately ahead is a critical one during which the world must choose whether the great strides which we have made in science and in industry during the past few decades will be used for the betterment of the human race or whether they will be turned to its self-destruction.

The United States is making every effort to prevent the world from being divided into armed camps. We want to achieve the ideal of one world, for we know that in this ideal lies the only assurance of enduring peace. But we cannot accomplish this alone. All countries must be willing to sink their differences in the cause of world unity.

Many barriers have been raised to world-wide cooperation in the reconstruction of the devastation -- both material and moral -- wrought by the last war. We must do all that we can to tear these barriers down.

One way of doing this will be to realize here in America, and to carry to the world, that message of equality of opportunity for all classes of citizens, which President Truman expressed in his address to the National Association for the Advancement of Colored People in the passage which I quoted earlier this evening.

Cooperation and amity between races here at home is a long step toward cooperation and amity between nations. Your Association is one of the many influences working toward this greater cooperation and amity at home; and I know that, with the passing years, your message will reach an ever-widening segment of the whole community.

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United States Savings Bonds Issued and Redeemed Through June 30, 1947

(Dollar amounts in millions - rounded and will not necessarily add to totals)

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	Percent Redeemed of Amount Issued
Series A-D:				
Series A-1935 (matured) ..	$ 255	$ 246	$ 10	96.47%
Series B-1936 (matured) ..	463	433	30	93.52
Series C-1937	586	347	3/ 239	59.22
Series C-1938	658	152	507	23.10
Series D-1939	1,018	207	811	20.33
Series D-1940	1,200	222	978	18.50
Series D-1941	519	85	434	16.38
Total Series A-D	4,700	1,692	3,008	36.00
Series E:				
Series E-1941	1,463	317	1,146	21.67
Series E-1942	6,620	2,233	4,387	33.73
Series E-1943	10,840	4,334	6,506	39.98
Series E-1944	12,660	5,138	7,522	40.58
Series E-1945	9,899	3,753	6,146	37.91
Series E-1946	4,340	1,002	3,337	23.09
Series E-1947 (6 months)..	4/ 1,983	110	4/ 1,873	5.55
Total Series E	47,804	16,886	30,917	35.32
Unclassified Redemptions Series A-E	-	110	-110	
Total Series A-E	52,504	18,689	33,815	35.60
Series F and G:				
Series F and G-1941	1,530	186	1,343	12.16
Series F and G-1942	3,183	443	2,740	13.92
Series F and G-1943	3,356	464	2,892	13.83
Series F and G-1944	3,688	375	3,313	10.17
Series F and G-1945	3,143	211	2,932	6.71
Series F and G-1946	2,992	78	2,914	2.61
Series F and G-1947 (6 months)	1,457	1	1,456	.07
Total Series F and G	19,349	1,757	17,592	9.08
Total All Series 5/	71,389	20,446	51,407	28.64

1/ Includes accrued discount.
2/ Current redemption values.
3/ Includes matured bonds which have not been presented for payment.
4/ Includes $59 million reported on public debt statement as "unclassified sales."
5/ Includes Series A and B (matured), and therefore does not agree with totals under interest-bearing debt on Public Debt Statement.

Office of Fiscal Assistant Secretary - Treasury Department.

TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS
Thursday, July 17, 1947

Press Service
No. S-398

John W. Snyder, Secretary of the Treasury, announced today that he had accepted an invitation of President Dutra of Brazil to pay a social visit to his country.

Secretary Snyder stated that he was pleased to have the opportunity to visit Brazil on account of the long friendship of the two countries, and also because of his desire to obtain, first hand, more knowledge of our neighbor countries.

The Secretary plans to leave Washington by air on July 21, and will be accompanied by Honorable Carlos Martins, Brazilian Ambassador to United States; Honorable William Pawley, United States Ambassador to Brazil; Major General Harry H. Vaughan, U. S. Army; Honorable Stanley Woodward, State Department; and Honorable Orvis A. Schmidt, Treasury Department.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, July 21, 1947.

Press Service
No. S-399

The Treasury Department today made public a staff study entitled "Excise Taxes on Communications", prepared by the Department's Division of Tax Research. The study is one of a series on excise taxes which is being prepared in connection with the Treasury's work on postwar tax revision. It does not make any policy recommendations.

Revenues of the various branches of the communication industry, their economic backgrounds, and past and present excise taxes levied on them are reviewed in the study's factual data and analyses. Effects of the taxes on profits, on business costs and competition, and on consumers are discussed. Administrative problems of the taxes also are considered. Services covered are the long distance telephone and telegraph, both wire and radio; local telephone; wire and equipment services.

Estimated federal revenues from the taxes in question for the fiscal year 1947 are as follows: toll telephone, telegraph, leased wires, and wire and equipment services $255,500,000; local telephone, $165,500,000.

Toll telephone and telegraph messages were taxed under the Revenue Acts of 1914, 1917 and 1918, and together with cable messages and leased wire services have been taxed continuously since 1932. The study points out that uniformity in the taxes on the various long distance services was lacking until 1943, when, with the exception of international cable messages and of toll telephone messages of 24 cents and less, a uniform rate of 25 percent was imposed.

The study cites figures for 1944 showing that telephone service comprised in dollar volume about 75 percent of taxed long distance communication services, domestic telegraph 15 percent and international telegraph and leased wires each about 5 percent.

The existing taxes appear to have different effects on the earnings of different long distance communication services, the study states. The effect on profits "is probably least serious for the telephone business, where facilities now are being used at close to capacity," it is stated. "The rate of return in this industry generally has been so favorable that rates for long distance service have been declining. Under such conditions the existence of the tax would normally tend to postpone rate reductions rather than decrease profits."

In the case of telegraph service, the study reports, "the existence of the tax may curtail profits to a more important degree. The demand for telegraph service has been declining for some time relative to telephone service, and consumers may be more sensitive to the tax in the case of

telegraph service....In view of the unfavorable profit position of the industry, any reduction in profits because of the tax may have serious consequences."

Inequitable effects of the communications tax on businesses using the taxed services are pointed out. Since communication costs are a larger proportion of total costs for some firms and types of businesses than others, the tax tends to discriminate against those having the greater need for communication services. Weight of the discrimination may vary among competing businesses because of unequal distance from markets.

Apparently 60 percent or more of total expenditures for long distance communication services are for business purposes.

Local telephone service, it is pointed out, has been taxed only since 1941. The tax probably had no appreciable effect on profits of the telephone industry during most of the war period, according to the study, and under normal conditions it is believed that the effect of the tax on profits would not be very serious.

The tax on wire and equipment service applies to information, protective, recording and control, and entertainment services. These services, the study states, are highly specialized and the volume of business is small, with the demand largely of a business nature. The present tax probably does not greatly reduce the volume of business of the firms supplying most of these services.

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EXCISE TAXES ON COMMUNICATIONS

Part I - Excise Taxes on Long Distance Communication Service

Part II - Excise Tax on Local Telephone Service

Part III - Excise Tax on Wire and Equipment Service

Division of Tax Research, Treasury Department
July 1947

Excise Taxes on Communications

One of the important questions in tax revision concerns the changes to be made in the extensive list of excise taxes. This study is one of a series on the commodities and services subject to excise tax. The purpose of the studies is to make available data on tax rates, revenue and the economic background of the industry and to discuss the effects of the tax on profits, on business costs and competition and on consumers. The administration of the tax and the principal technical problems that arise are also considered. The studies are not intended to make policy recommendations but to provide information and analyses which would be useful in appraising the desirability of changing or eliminating the taxes involved.

The study was initially prepared in the Miscellaneous Tax Section of the Division of Tax Research. The revenue estimates used in the study were prepared in the Division of Research and Statistics. In its preparation valuable assistance and suggestions were received from other members of the Treasury tax staff, including consultation with members of the Office of Tax Legislative Counsel on legal matters and of the Bureau of Internal Revenue on administrative matters.

The general aspects of excise taxes were considered by a committee composed of the technical tax staffs of the Treasury Department and the Joint Committee on Internal Revenue Taxation. The detailed analysis of the individual taxes, however, has been prepared independently and reflects only the views of the Treasury Tax Staff.

Division of Tax Research
U. S. Treasury Department

Excise Taxes on Communications

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EXCISE TAXES ON COMMUNICATIONS

PART I -- Excise Taxes on Long Distance Communication Services

I. Description of the taxes

The principal long distance communications services subject to tax are:

1. Toll telephone and radiotelephone messages
2. Wire telegraph, radiotelegraph and cable messages
3. Leased wires 1/

Messages are taxable when payment therefor is made within the United States irrespective of where they originate. The taxes are payable by the person paying the transmission charge and are collected by the person receiving the payment.

The tax does not apply to amounts paid by a common carrier, telephone or telegraph company, or radio broadcasting station for leased wire services utilized in the conduct of its business.

Exemptions common to all services are:

1. Services utilized in the collection or dissemination of news by or for the public press, radio broadcasting, or a news ticker service furnishing a general news service similar to that of the public press.

2. Services furnished to the States and political subdivisions.

3. Services furnished to the Red Cross.

4. Services furnished directly to the Federal Government. 2/

1/ Services taxed as leased wire services include the following: (a) private line telephone service (taxable as local telephone service when entirely within a local exchange area); (b) private line Morse telegraph service; (c) teletypewriter, teleprinter, and telemeter service; (d) radio program transmission, and (e) photograph or facsimile transmission. Payments for leased wires used exclusively in rendering a service taxable as a wire and equipment service are not taxable.

2/ Exempted by regulation, Federal Register, Vol. 9, p. 4615.

II. Changes in taxes since 1914

Telegraph and telephone messages were taxed in the Revenue Act of 1914, but leased wires were not taxed until the Revenue Act of 1918. The tax rates and effective dates of the changes since those Acts are shown below:

Changes in tax rates since 1914

Revenue Act	Effective date	Rate			
		Toll telephone	Telegraph	Cable	Leased wires
1914	Oct. 23	(1¢ if message is over 15¢)		No tax	No tax
1916	Sept. 9	(----------Repealed----------)		No tax	No tax
1917	Nov. 1	(5¢ if message is over 15¢)		No tax	No tax
1918	Apr. 1, 1919	(5¢ if message is 15¢ to 50¢;) (10¢ if message is over 50¢)			10 percent
1924	July 2	---------------- Repealed ----------------			
1932	June 21	10¢ if message is 50¢ to 99¢; 15¢ if message is $1.00 to $1.99; 20¢ if message is $2.00 or over	5 percent	10¢ per message	5 percent
1941	Oct. 1	5¢ for each 50¢ or fraction thereof, if message is over 24¢	10 percent	10 percent	10 percent
1942	Nov. 1	20 percent if message is over 24¢	15 percent a/	15 percent a/	15 percent
1943	Apr. 1, 1944	25 percent if message is over 24¢	25 percent a/	25 percent a/	25 percent b/

a/ Rate on international messages maintained at 10 percent.
b/ Effective date, May 1, 1944.

III. Revenue collections 1936-46 and estimates for 1947 and 1948

Collections from these three taxes 1/ are estimated to amount to 3.5 percent of total excise tax collections for the fiscal year 1947. The combined yield is about 55 percent higher than the yield of tax on local telephone service.

Collections, fiscal years 1936-1948

(In millions)

Fiscal year	Collections: Toll telephone and telegraph	Collections: Leased wires a/	Fiscal year	Collections: Toll telephone and telegraph	Collections: Leased wires a/
1936	$ 19.8	$ 1.3	1943	$ 85.6	$ 5.5
1937	23.1	1.5	1944	134.1	7.2
1938	22.5	1.5	1945	195.7	12.3
1939	22.6	1.5	1946	221.4	13.0
1940	25.0	1.4	1947 (est.)	255.5 b/, d/	c/
1941	25.9	1.4	1948 (est.)	255.0 b/	c/
1942	45.1	3.1			

a/ Includes wire and equipment service beginning October 1, 1941.
b/ Includes leased wires and wire and equipment service.
c/ Included in toll telephone and telegraph.
d/ Revised.

IV. Economic background of the industry

A. Character of supply

Rapid long distance communication service is available through the telephone, radiotelephone, telegraph, radiotelegraph, cable (international only), leased wires (either telephone or telegraph), and air mail. Not all types of facilities are available between any two points, however.

The latest complete figures, which are for 1944, show that telephone service comprises about 75 percent of taxed long distance communication services, domestic telegraph 15 percent and international telegraph and leased wires each about 5 percent. (Table 1, and Appendix, p. 16) The Bell system is the major long distance carrier, providing about 80 percent of the telephone and leased wire service. (Table 2) Western Union provides all domestic

1/ Including collections from the tax on wire and equipment service.

Table 1

Long distance rapid communication revenue by type of service and type of carrier, 1944

(In millions)

Company	Type of long distance service: Toll telephone and radiotelephone messages	Telegraph and cable messages: Domestic	Telegraph and cable messages: International	Leased wires	Other operating revenues (local service, etc.)	Total operating revenues
Western Union	-	$ 154.9	$ 18.6	$ 4.1	$ 8.3	$ 185.9
Bell System	$ 687.5 1/	2/	-	46.2	1,030.9 3/	1,764.7
Ocean cable carriers	2/	-	16.2	2/	2/	16.9
Radiotelegraph carriers	2/	2/	13.0	1.1	2.3	16.8
Other Class A and B telephone carriers	31.4	-	-	1.0	64.7 3/	97.1
Total	$ 719.3	$ 154.9	$ 47.9	$ 52.8	$ 1,106.6	$ 2,081.4

Treasury Department, Division of Tax Research

Source: Federal Communications Commission, Statistics of the Communications Industry in the United States, Year Ended December 31, 1944, Tables 19, 36, 37.

Note: Data for a few small carriers not included.

1/ Includes $2.2 million from radiotelephone service.
2/ Less than $500,000.
3/ Includes some local private line revenues which are taxable as leased wire services.

Table 2

Approximate distribution of revenues from rapid intercity communication business between the principal telegraph and telephone carriers and airmail, 1880 - 1945 1/

(Millions of dollars)

Year	Total	Telegraph-Western Union and Postal		Telephone - Bell System 2/		Airmail	
		Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
1880	13	13 3/	100.0	-	-	-	-
1895	33	29 3/	87.9	4	12.1	-	-
1910	84	39 3/	46.4	45	53.6	-	-
1920	267	125	46.8	142	53.2	-	-
1930	502	148	29.5	349	69.5	5	1.0
1933	346	96	27.8	244	70.5	6	1.7
1935	389	106	27.2	276	71.0	7	1.8
1936	436	115	26.4	311	71.3	10	2.3
1937	456	117	25.7	327	71.7	12	2.6
1938	438	106	24.2	317	72.4	15	3.4
1939	463	109	23.5	338	73.0	16	3.5
1940	494	114	23.1	361	73.1	19	3.8
1941	572	131	22.8	418	73.0	24	4.2
1942	715	146	20.4	536	75.0	33	4.6
1943	884	167	18.9	654	74.0	63 4/	7.1
1944	987	174	17.6	734	74.4	79 4/	8.0
1945	1,067	183	17.1	803	75.3	81 4/	7.6

Treasury Department, Division of Tax Research

Sources: (1) 1880-1940. United States Senate, Hearings before a Subcommittee of Committee on Interstate Commerce, 78th Congress, 1st Session, on S. Res. 95, Part 2, p. 243.

(2) Telephone and telegraph, 1941-1945. Federal Communications Commission, Statistics of the Communications Industry in the United States and Operating Data from Monthly Reports of Telegraph and Cable Carriers.

(3) Air mail, 1941-1945. Post Office Department, unpublished data

1/ Data for telegraph and telephone on a calendar year basis. Data for airmail on a fiscal year basis.

2/ Message and leased-line toll revenues, including telegraph and TWX.

3/ Partly estimated and include cable revenues of Western Union.

4/ Does not include revenue from the 6¢ airmail sent to or by members of the armed forces.

telegraph service and about 40 percent of the international telegraph service. Most of the international telegraph service is provided by smaller companies. 1/

The companies providing long distance communication services are characterized by large fixed capital investment. Generally, they have the exclusive right to provide a particular type of service and their rates are subject to Federal or State regulation under the general principle of providing a fair return on the investment.

There is a certain amount of competition among the taxed services, but each has some distinctive advantages which affect its competitive position. The principal service of the telephone companies is the oral message, affording person to person conversation. Telegraphic service provides a written record but fewer words in relation to cost than the telephone. The more recently developed TWX service of the American Telephone and Telegraph Company, a private wire service, provides a written message to any subscriber to the service. The Western Union Company is at a distinct disadvantage in private wire competition, since the telemeter which it introduced to meet the competition of TWX, has not become popular. As a result of the development of telephone and air mail service, this Company, which once handled 100 percent of the rapid domestic inter-city communication business, provided only 17 percent of the total in 1945. (Table 2)

The adequacy of facilities and financial position of the two principal companies differ substantially. Telegraph facilities now are probably more than adequate. In contrast, the facilities of the American Telephone and Telegraph Company were inadequate during the war, and it is now undertaking the largest inter-city construction program in history. The carriers operating primarily in the international field have facilities much in excess of service requirements.

B. Rates

The basic charges for telegraph services remained unchanged from 1920 to 1946, but the Western Union Company was granted increases in June and December, 1946 after wage increases had resulted in a deficit. The long distance telephone business has long been profitable and a number of rate reductions have been made during the past 25 years. The rates are now at their lowest level and there has been no indication that inter-state rates will be increased, although intra-state increases have been requested.

1/ See appendix "Structure of the Industry," for details on character of supply.

The regulation of rates and service in these industries has an important bearing on the adjustments that may be made in response to any reduction in demand caused by the tax. Such a loss in business may affect the rate structure and result in changes in the supply of facilities. The particular adjustment, in contrast to non-regulated industries, depends to a substantial extent on the attitudes of the regulatory bodies and the other factors to which they give consideration in the public interest. Long distance communication is subject to regulation by the Federal Communications Commission with respect to inter-state traffic, while regulation of intra-state traffic falls under the jurisdiction of the several State commissions. Moreover, the adjustments that may be made in rates may not be the same for telephone and telegraph carriers because of the difference in the economic position of these industries.

C. Character of demand

The demand for long distance communication is composed of business requirements, urgent personal needs and optional personal expenditures. Business usage is the largest element in both telephone and telegraph revenues, but appears to be more important in the case of telegraph. 1/ Where the communication service is a small factor in the costs of business, it is not likely that the demand will be affected very greatly by a change in the price for the service. In the case of personal usage the effect of price changes on demand would vary with the urgency of the need. There is insufficient evidence to determine whether on balance demand for long distance communication as a whole is relatively responsive or unresponsive to price changes, but the indications are that it is relatively unresponsive.

During the war the demand for telephone service exceeded the supply despite the existence of the tax. Telegraph facilities were not in full use because of manpower shortages, but telegraph revenues rose. Prior to the war, telegraph revenues had recovered very little from the depression low and represented a declining proportion of total inter-city communication, as was indicated above (Table 2). There has been insufficient experience with the 1946 rate increases to ascertain with any degree of certainty the effect of price on demand. The Western Union action in requesting rate increases would seem to indicate that the Company thinks demand will be reduced proportionately less than the change in rates, but the Federal Communications Commission has expressed doubt concerning this. 2/

1/ See page 11 below.
2/ Federal Communications Commission, In the Matter of Western Union Telegraph Company Petition for Rate Increase, Docket No. 7445, June 4, 1946, pp. 31-34.

Demand for long distance telephone service has shown a long-term upward trend because of the increased efficiency of the telephone, greater social acceptance and the lowering of rates. These developments may have strengthened the demand for telephone service to such an extent that future price changes may have a relatively minor effect on demand. Studies before the war by the American Telephone and Telegraph Company's experts can be interpreted as indicating that an increase in the price of telephone service by say, 10 percent, would cause total revenues to increase by 6 to 8 percent in the next year or so, provided national income remained the same. 1/

D. Outlook for the industry

For the near future the prospects for long distance services of the Bell System appear to be relatively favorable. The supply of facilities is expected to be larger as a result of the substantial construction program of 1945-1947. The increases in telegraph rates and decreases in long distance telephone rates in 1946 should strengthen the competitive position of telephone service. As a result, the System should receive a larger relative share of the total volume of long distance communication business and an increase in gross receipts at the existing high level of national income. Costs, however, have also increased substantially.

The outlook for telegraph service in the immediate future is much less favorable than for telephone service, but it is possible that profits may be better than in the past several years. 2/ Physical facilities are adequate, although service has been curtailed somewhat by the closing of unprofitable offices. While Western Union is engaged in a mechanization program designed to speed transmission and cut operating costs, the benefits apparently will not be noticeable before the end of 1947, at the earliest. 3/ A small increase in wages was granted by

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1/ Federal Communications Commission, Proposed Report, Telephone Investigation, Washington 1938, p. 765. The studies of the American Telephone and Telegraph experts were directed toward ascertaining the effect of rate decreases rather than increases. They found that rate decreases resulted in increases in the volume of business varying from 20 to 40 percent of the rate reductions. The figures in the text were derived by assuming that rate increases have exactly the opposite effect of decreases.

2/ For 1946 the Western Union Company had a loss of approximately $9 million. It reported a net profit for December 1946 and for the first 4 months of 1947 profits amounted to $3.9 million compared with a $ 5.9 million loss in the same period of 1946.

3/ Federal Communications Commission, In the Matter of Western Union, etc., June 4, 1946, p. 13.

Western Union on April 1 to most of its employees. No indication has been given regarding a possible further rate increase.

The longer-run effect of recent changes on the competitive position of telegraph service is not clear. However, unless some fundamental improvement is made in telegraphic service, the trend will probably continue to be unfavorable. International carriers, with an excess of facilities, also do not seem to have too favorable an outlook.

V. Effects of the tax

A. Effects of the tax on profits

During the war both the telephone and telegraph companies were unable to handle all demands for service because of shortages of facilities or personnel. Under these conditions it is unlikely that the taxes had any appreciable effect on profits. The domestic and international telegraph carriers as a whole earned some profits during the war while they lost $1 million in 1939. (Table 3). Telephone profits after taxes remained practically unchanged at about $350 million but were much larger before income and excess profits taxes.

In view of the wartime distortion of demand and supply in the communications field, this period does not provide a very good indication of the effect which the existing taxes would have on profits under normal conditions. The rate changes in 1941 were relatively small and were followed shortly by the conversion of the economy to a wartime basis. The taxes probably reduce demand for the taxed services, although the reduction in demand may be proportionately less than the rate of tax. From the information available, however, it appears that the existing taxes may have somewhat different effects on the different segments of the industry.

The effect of the tax on profits is probably least serious for the telephone business, where facilities now are being used at close to capacity. The rate of return in this industry generally has been so favorable that rates for long distance service have been declining. Under such conditions the existence of the tax would normally tend to postpone rate reductions rather than decrease profits. Inter-state business may continue on a profitable basis without rate increases unless costs rise materially, but rate increases are now being requested on intra-state calls because of reduced profits resulting from higher costs. The existence of the tax may counteract to some extent the increases in profits that would be obtained from the higher rates.

In the case of telegraph service, the existence of the tax may curtail profits to a more important degree. The demand for telegraph service has been declining for sometime relative to telephone service,

Table 3

Operating revenues and net income of principal wire telegraph, ocean cable, radiotelegraph, and Class A telephone carriers, 1936-1946

(In millions)

Year	Wire-telegraph and ocean-cable carriers		Radiotelegraph carriers		Class A telephone carriers	
	Operating revenues	Net income	Operating revenues	Net income	Toll revenues	Net income 1/ 2/
1936	$ 132.2	$ 6.9	$ 8.8	$ 0.2	$ 318.7	$362.8
1937	134.6	1.1	10.1	1.3	335.1	364.1
1938	122.4	(5.5)	9.8	0.3	325.1	324.0
1939	127.4	(2.4)	11.5	1.4	346.6	367.4
1940	131.4	1.9	13.2	2.1	369.7	385.8
1941	149.3	6.2	15.0	1.6	435.2	369.4
1942	167.7	8.9	12.5	0.9	556.9	329.7
1943	193.2	3.7	13.5	2.1	682.8	351.9
1944	202.8	10.9	16.8	1.7	765.7	340.8
1945	208.9	(2.3)	22.5	2.4	886.1	3/
1946	198.3	(9.5)	21.5	0.9	921.8	3/

Treasury Department, Division of Tax Research

Source: Federal Communications Commission, Statistics of the Communications Industry in the United States, Year Ended December 31, 1944; Data from Monthly Reports of Principal Telephone Carriers, Radiotelegraph Carriers, and Telegraph and Cable Carriers.

Note: ( ) Denotes a loss.
1/ Includes profits from local as well as long distance operations.
2/ Greatly overstated by intercompany duplication.
3/ Not available.

and consumers may be more sensitive to the tax in the case of telegraph service. Moreover, the existence of the tax may curtail to some extent the rate increases that might otherwise be requested. In view of the unfavorable profit position of the industry (Table 4), any reduction in profits because of the tax may have serious consequences. The Congress, in the bill providing for the merger of Postal Telegraph and Western Union (effected in 1943), evidenced a desire to have an independent nationwide telegraph service. If such a service cannot be maintained profitably on a private basis, it might have to be subsidized. The Federal Communications Commission has pointed out that the Company is in a precarious position. 1/

The tax on international telegraph messages is less likely to be an important factor in determining profits than the tax on domestic messages since the rate is 10 percent and there is less competition from untaxed air mail. However, nearly all of the carriers which are primarily international operators are operating at a loss, and repeal of the tax would be helpful to them.

B. Effects of the tax on business costs and competition

The tax tends to have inequitable effects on businesses using the taxed services. It is believed that as high as 80 percent of telegraph usage is for business purposes. 2/ Fifty percent or more of long distance telephone revenues 3/ and 100 percent of leased wire revenues are

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1/ Federal Communications Commission, In the Matter of Western Union, etc., June 4, 1946, p. 13.

2/ Western Union obtains about 60 percent of its revenues from 300,000 charge (business) accounts. The remaining 40 percent is believed to be split equally between business and personal use. In 1941, the Vice President of Western Union stated that 90 percent of telegrams or cablegrams are of a business nature except on holidays such as Christmas. United States Senate, Hearings before the Committee on Finance on H.R. 5417 (Revenue Act of 1941), p. 85.

3/ In the third quarter of 1946 business expenditures were divided in the following proportion: Manufacturing, 20%; wholesale, 18%; retail, 15%; finance, 5%; public utilities and transportation, 7%; services, personal and business, 14%; government, 5%; other, 16%. American Telephone and Telegraph Company, Analysis of Business and Residence Toll Usage, Combined Associated Company and Long Lines, Third Quarter, 1946. Figures refer only to traffic in excess of 24 miles. Government expenditures are not taxed, but removal of such expenditures from the tabulation would change only slightly the relative importance of various types of taxed business expenditures.

Table 4

Western Union Telegraph Company: operating revenues, operating expenses, and net income after taxes, by months, 1944-1947

(In thousands)

Month	Operating revenues				Operating expenses				Net income after taxes			
	1944	1945	1946	1947	1944	1945	1946 1/	1947	1944	1945	1946	1947
Jan.	$ 15,328	$ 15,642	$ 13,575	$ 16,330	$ 11,849	$ 12,180	$ 13,995	$ 13,744	$ 545	$ 753	$(2,541)	$ 156
Feb.	14,733	13,894	12,770	14,984	11,226	11,010	12,721	12,321	531	469	(2,021)	267
Mar.	16,101	16,009	14,488		12,054	12,056	13,534		705	1,161	(894)	
Apr.	15,342	14,833	14,799		11,712	11,521	13,071		679	(166)	(406)	
May	16,007	16,312	15,539		12,776	12,248	13,420		551	1,066	(58)	
June	15,646	16,027	15,514 2/		12,267	12,379	12,481		646	1,094	983	
July	15,084	15,411	16,667		12,564	12,148	13,441		493	636	760	
Aug.	15,798	17,939	16,430		12,596	14,422	18,733 3/		619	805	(2,941)	
Sept.	15,156	15,888	15,365		12,126	16,131	14,403		653	(6,018)	(1,142)	
Oct.	15,660	17,091	16,268		12,232	14,206	14,532		583	599	(689)	
Nov.	14,868	16,188	15,367		12,073	18,201	13,464		835	(7,773)	(127)	
Dec.	16,180	17,658	16,545 5/		12,035	13,753 4/	14,348		1,476	2,225	171	
Total	$185,904	$192,892	$183,326		$145,509	$160,255	$168,142		$8,316	$(5,149)	$(8,904)	

Treasury Department, Division of Tax Research

Source: Federal Communications Commission, Operating Data from Monthly Reports of Telegraph and Cable Carriers.

1/ Retroactive wage increases not prorated on a monthly basis prior to January, 1946.

2/ Various rate schedules changed, certain categories of low-rate services eliminated, and 10 percent increase made on full rate, day letter, night letter, serial and press messages. Ten percent increase effective for one year only. Increase granted June 12.

3/ Includes increased wages and social security taxes of $5,474,000 for the period June 2-August 31, 1946 due to acceptance of recommendation of the Fact Finding Board.

4/ Wage increases made retroactively on December 29 by National War Labor Board. Computed to be $31,000,000 prior to December 29, 1945.

5/ Ten percent rate increase granted, effective December 29.

from business concerns. The overall average for the three taxes is about 60 percent. Communication costs are a larger proportion of total costs for some firms and types of businesses than others. Consequently, the taxes tend to discriminate against those having the greater need for communication services. 1/ As long distance telephone, telegraph and leased wire rates vary with distance, the taxes also discriminate against sellers competing in the same market but situated at unequal distances from the market. The taxes also affect the competitive relationships of the different types of communication services. Where two services differ in price, the addition of the tax increases the absolute differential in the cost of the services. 2/ In contrast to the recent increase in telegraph rates, long distance telephone rates have been reduced since the imposition of the tax. The resulting increase in the tax cost to telegraph users, and decrease in tax cost on telephone service may have further weakened the competitive position of telegraph. Unless new forms of telegraph service are developed or technological improvements result in rate reductions, the competitive disadvantages induced by the tax will continue to handicap the telegraph industry.

C. Effects of the tax on consumers

Apparently sixty percent or more of total expenditures for long distance communication services are for business purposes. As total consumer expenditures represent a higher proportion of income in the lower income groups than the higher income groups, the portion of the tax that is passed on by business users to consumers probably is regressive. Direct consumer expenditures for long distance telephone and telegraph service by income classes are not available, nor are such expenditures taken into account in the Consumers' Price Index of the Bureau of Labor Statistics. While many such messages are made because of urgent personal needs, the large volume of personal long distance telephone calls (250 million a year at the level of the third quarter of 1946) points to a large social element in such messages. As long distance telephone calls and telegrams are relatively expensive, direct consumer expenditures may well be progressive, but this may not be sufficient to offset the regressive nature of the tax on business expenditures for these services.

Expenditures for long distance communication services also seem to fluctuate less than national income, so that the taxes have the effect of withdrawing relatively more from the income stream in periods of low business activity than periods of high business activity.

1/ See United States Senate, Hearings before the Committee on Finance on H.R. 4309 (Revenue Act of 1945), testimony by the International Apple Association with respect to the importance of long distance telephone calls in the merchandizing of carloads of fresh fruits.
2/ The President of Western Union in his testimony at the Hearings before the Committee on Ways and Means, May 22, 1947, mentions this effect.

VI. Administration and compliance

These taxes are, for the most part, not difficult to administer. It is estimated that only about 7,000 concerns file returns. However, the fact that local telephone service and international telegraph messages are taxed at lower rates than long distance telephone and domestic telegraph gives rise to some problems of classification and bookkeeping. Taxpayers request rulings in doubtful classification cases, and these must be given consideration by the Bureau. In addition, different rates for different types of services complicate billing operations. These difficulties are not as great under existing rates as under some of the former tax schedules and are not alone considered sufficient to justify uniform rates for all communication services.

VII. Technical problems

Two important technical questions which arise under these taxes are:

1. Whether the different types of services should be taxed at different rates.

2. The basis on which changes in tax rates are to be made effective.

A. Differential rates

At the present time long distance communication services are taxed at a uniform rate of 25 percent, except international telegraph or cable dispatches, which are taxed at 10 percent. Prior to the Revenue Act of 1943 the taxes on domestic communications were not uniform. In the Revenue Act of 1942 there were three rate groups: 20 percent on telephone messages; 15 percent on telegraph and cable messages and leased wire service; and 10 percent on international telegraph and cable dispatches. The 10 percent rate on international dispatches has been maintained in the interest of inter-American communication relations.

Uniform tax rates are desirable for several reasons. Differential rates give rise to competitive advantages for the services taxed at lower rates. Most of the services are directly competitive and the choice of the medium used may be based largely on cost. Many business users have the alternative of using the leased wire service or regular message service of the telephone or telegraph. Differential rates might cause important shifts in demand. Other business users that do not have such freedom of choice would be treated inequitably if the service required by them were taxed at a higher rate. Uniform rates, also, are of advantage from the point of view of administration and the work of the reporting carriers because there is no need to decide in which class a particular type of service falls.

An important consideration in determining excise tax rates is the condition of the industry subject to tax. As previously indicated, the position of the telegraph industry in the long distance communication field has deteriorated. With the tax added to the recent rate increases on telegraph, its ability to compete with telephone is substantially different from what it was before the tax increases were made during the war. The present outlook for profits is not very favorable, although it may improve with technological developments. Lower tax rates for telegraph than telephone would help to improve the position of the carrier and maintain this form of communication, but would raise the question of whether such a policy should be followed in the treatment of competing services. Differential rates would, of course, add somewhat to administration and compliance problems.

B. Timing of tax rate changes

A change in tax rates gives rise to the need for applying different rates on service rendered before and after a given date. The Revenue Act of 1943 provided that in the case of the taxes on leased wires, wire and equipment service, and local telephone service, the increased rates should be applicable only to amounts paid on bills rendered on or after a specified date. 1/ In the case of long distance telephone calls and telegraph and cable messages, the increased rates were made effective on a service rendered basis.

The telephone companies have requested that any tax reductions be handled on the same basis as the increases in 1943, i.e., on a bill rendered basis for leased wire and wire and equipment service. 2/ Under the bill rendered basis some customers would get the benefit of the reduction for a longer period of time than others, depending on the billing periods used in individual cases by any company and by different companies. Since the bill rendered system was used for the 1942 and 1943 Revenue Act increases, the diverse results of a decrease would tend to cancel out for many customers the benefits or disadvantages they received when the rates were increased.

1/ Section 302 of the Act, Section 1655(b)(3) of the Internal Revenue Code. Section 606(b) of the Revenue Act of 1942 contained a similar provision.

2/ Testimony of Harry C. Gretz, Assistant Comptroller, American Telephone and Telegraph Company, and Harold V. Bozell, representing the United States Independent Telephone Association, Hearings before the Committee on Ways and Means, May 21, 1947.

Appendix

Structure of the Long Distance Communication Industry

I. Concentration of supply

The telephone is by far the most commonly used form of long distance communication. An approximate distribution of the revenue in 1944 of the different types of taxed services is given in the table below. 1/

Type of service	Revenues (In millions)	Percent of total
Toll telephone and radio-telephone	$ 719.3	73.8%
Telegraph and cable:		
Domestic	154.9	15.9
International	47.9	4.9
Leased wires	52.8	5.4
Total	$ 974.9	100.0%

Most of the long distance communication services are provided by two companies. The proportion of the different types of services provided by the principal carriers was roughly as follows in 1944. 1/

Type of service	Bell System	Western Union	Other Companies	Total
		(Percent)		
Toll and radio telephone a/	96	-	4	100
Telegraph and cable:				
Domestic	-	100	-	100
International	-	39	61	100
Leased wires	88	8	4	100

a/ Radiotelephone calls are not accorded the special 10 percent rate given to international cable and radiotelegraph messages.

1/ See Table 1 for details.

The Bell System provides practically all of the long distance toll telephone service while the Western Union Telegraph Company occupies the same relationship with respect to domestic telegraph message service. Leased wire services are provided by both Western Union and the Bell System in about a 1 to 10 ratio. In the international cable and radiotelegraph field Western Union does about 40 percent of the business, and the rest is handled by about a dozen specialized international carriers. Another form of international communication, the radiotelephone, is exclusively owned by the American Telephone and Telegraph Company. Radiotelephone receipts are about 5 percent of the cable and radiotelegraph receipts for international business.

II. Types of services provided

Western Union and the international cable and radiotelegraph carriers offer a wide variety of telegraphic services designed to meet different types of demand. In spite of the number of types of service offered, most of Western Union's domestic telegraph message revenue comes from the following:

1. Full rate messages The basic message, ten-word minimum rate.

2. Day letters Fifty-word minimum rate, deferred in transmission to full rate messages.

3. Night letters Twenty-five word minimum rate, not delivered before 9 A. M. following day accepted.

In 1940 Western Union received between 75 and 80 percent of its domestic message revenues from these three types. 1/ Full rate messages provided about 55 percent of the revenues, day letters, 15 percent, and night letters, 10 percent.

1/ United States Senate, Hearings before a Subcommittee of the Committee on Interstate Commerce Pursuant to S. Res. 95, 77th Congress, 1st session, p. 245. All references to Western Union prior to the merger with Postal Telegraph in October 1943 also include Postal Telegraph.

Only four classes of long distance toll telephone service are available:

1. Point to point day calls The basic service, three minute minimum rate.

2. Person to person day calls A premium charge over the point to point rate.

3. Point to point night calls Accepted from 6 P.M. to 4:30 A.M. at rates 20 to 30 percent lower than day rates.

4. Person to person night calls Premium rate over the basic point to point night rate.

Leased wire services offered by Western Union and American Telephone and Telegraph are quite similar, except for private line telephone service which is provided only by the American Telephone and Telegraph Company. The overlapping leased wire services offered are: (1) private line Morse telegraph service; (2) teletypewriter (American Telephone and Telegraph) or teleprinter (Western Union) service; 1/ (3) private line telephotographic service; and (4) program (radio broadcasting) transmission service.

III. Competition among services

While telegraph messages, long distance telephone calls, leased wires, and air mail all have distinctive advantages, there is also a great deal of competition between them. Telephone and radiotelephone service have the advantage of permitting the transmission of more words per dollar charged, while telegraphic services provide a written record. Air mail offers the sender the most wordage in relation to cost, but is slower.

Air mail service has greatly reduced the volume of night letter telegrams because transmission generally is about as rapid and it is much cheaper. The latest (1946) air mail rate reduction to 5 cents did not noticeably affect the night letter business because most of it had already been lost to air mail prior to this reduction. 2/

1/ The teletypewriter and teleprinter provide a written message which is transmitted over telegraph or telephone wires.

2/ Conference at Treasury Department with representatives of the Western Union Telegraph Company, February 5, 1947.

The telephone is the most important long distance service of the American Telegraph and Telephone Company and the most important competitor of Western Union telegram service. The Company also offers private wire telegraph service and the teletypewriter (TWX). Western Union is at somewhat of a disadvantage in the private wire competition because of its limited technological developments. The telemeter which it introduced to meet the competition of TWX, is similar to but less popular than the latter. Timed wire messages were also introduced to meet TWX competition, but were declared unlawful by the Federal Communications Commission in 1942. 1/

As a consequence of the competition from new forms of long distance communication, Western Union handled only about 17 percent of the total rapid domestic intercity communications business in 1945 as against 100 percent around 1880. (Table 2) In the international field, cable carriers are being supplanted by radiotelegraphy and air mail. 2/

IV. Adequacy of the service

Both Western Union and American Telephone and Telegraph provide a nationwide network of facilities. However, several times during the last ten years, and especially in the last year or so, Western Union has engaged in a cost reducing program which has involved the closing of its least profitable offices. Consequently, telegraphic service is less accessible than it used to be, and some doubt has been raised whether the Company is making available all the service that is needed. 3/ 4/

Since 1926 the American Telephone and Telegraph Company has followed a policy of building its plant in anticipation of future needs. Facilities were inadequate during the war, but the largest intercity construction program in history was begun immediately after the war. 5/

1/ Federal Communications Commission, Decision and Reports, Vol. 9, p. 190.

2/ Federal Communications Commission, Supplemental Report on the Telegraph Industry, Washington, 1940, pp. 138, 159.

3/ Federal Communications Commission, In the Matter of the Western Union Telegraph Company Petition for Rate Increase, Docket No. 7445, June 4, 1946, p. 12.

4/ The adjustments in telegraph service and plant have resulted in a decline of the net book cost of plant (land lines only) from $327 million as of the end of 1930 to $224 million as of the end of 1944. United States Senate, op. cit., Part 2, pp. 239, 241; Federal Communications Commission, Statistics of the Communications Industry in the United States, Year Ended December 31, 1944, p. 159.

5/ American Telephone and Telegraph Company, Annual Report for the Year 1945, p. 2.

The carriers operating primarily in the international field have facilities much in excess of service requirements. 1/ Originally all international messages were sent by cable, but the development of the radiotelephone and radiotelegraph resulted in the building of competing systems.

V. Costs and rates

Rates for telegraph messages which make up most of the Western Union's revenues are based on a combination of the number of words and the distance transmitted. Distance is based upon a zone system. The rate for messages of similar wordage and distance depends upon the type of handling given and the purpose of the message. The basic rate and service pattern was set up in the 1880's. 2/ A number of special reduced rate message services, such as tourate, timed wire, and greeting messages, were introduced in the 1930's in an attempt to offset the decreasing volume of business. Most of these special classifications are no longer in existence because it was found that they did not create a net increase in receipts.

While variations from the full-rate message were introduced by Western Union from time to time, the charges for full rate, and day and night letters remained unchanged from 1920 to 1946. Ten percent increases over the pre-1946 level were granted in June and December 1946 3/ but schedule realignments made the overall effect about 27 percent higher. The rate increases in 1946 were permitted by the Federal Communications Commission because wage increases had resulted in a loss for 1945 and Western Union expected 1946 operations to be unprofitable. 4/ The 1945 deficit was contracted in spite of the largest gross revenues in the history of Western Union. The Company is now attempting to reduce current costs and to put into effect some mechanical developments which will reduce costs in the future.

1/ Federal Communications Commission, Supplemental Report on the Telegraph Industry, Washington, 1940, pp. 143-148. The situation apparently has not changed since the report was issued.

2/ The night-letter classification was introduced about 1910, when Western Union was owned by the American Telephone and Telegraph Company.

3/ Federal Communications Commission, In the Matter of Western Union, etc., June 4 and December 27, 1946.

4/ The loss for the full year 1946 amounted to about $9 million.

Long distance telephone rates are reasonably similar in form to telegraph message rates as they vary with distance and time consumed (which can be considered roughly analogous to the number of words). The American Telephone and Telegraph Company has followed a policy of research and technological development which has enabled it to give consistently better long-distance communication service. At the same time, the Company has reduced rates considerably in the last 25 years and has still been able to earn a reasonable rate of return. Through better service and lowered rates the Bell System has improved its competitive position relative to Western Union.

There were long distance telephone rate reductions in 1926, 1927, 1929 and 1930, but no reductions were made from 1930 to 1934, when prices of many other goods and services fell very drastically. The Federal Communications Commission was set up in 1934 and subsequently, greater Federal control has been exercised over interstate rates. 1/ Since 1934 there have been a fairly large number of reductions, two having been made in 1946. Transcontinental, station-to-station, daytime telephone calls now cost only $2.50 for three minutes as against $10.25 in 1934 and almost $13 in 1927. A three-minute teletypewriter transcontinental exchange hookup now costs only $1.75. By contrast, a ten-word one-way full rate transcontinental telegram costs $1.44 as against $1.20 in the 1920's and 1930's.

The relationship of the minimum charge for long-distance telephone, telegraph, and TWX services varies according to the location of the two geographic points being considered. Sometimes one is lower and sometimes the other. In terms of words that can be transmitted for the minimum charge, the long-distance telephone and TWX probably are always cheaper. The rate structure for telegraph service best suited to maintain its competitive position and to provide adequate service at reasonable charges is under investigation by the Federal Communications Commission as the Commission is not satisfied with the present rate structure. 2/

1/ The Interstate Commerce Commission had the power to control rates prior to the institution of the Federal Communications Commission.
2/ Federal Communications Commission, In the Matter of Western Union, etc., June 4, 1946, p. 33.

PART II - Excise Tax on Local Telephone Service

I. Description of the tax

The tax applies to payments by subscribers for the ordinary residential or business telephone service within a local exchange area. Payments by subscribers for toll calls costing 24 cents or less are included, and private line telephone circuits entirely within a local exchange area are also considered to be a local telephone service. Amounts paid for coin-operated telephone service are taxable to the extent of any guaranteed amount plus any fixed monthly or other periodic charge which has to be paid by the location owner. The tax is payable by the person making the payment and is collected by the person furnishing the service.

Payment for services rendered to the States and their political subdivisions, the Red Cross, and the Federal Government is exempt. 1/

II. Changes in tax since 1941

Charges for local telephone service were first taxed by the Revenue Act of 1941. Subsequent changes in the tax rate are shown below:

Changes in tax rate since 1941

Revenue Act	Effective date	Rate
1941	Oct. 6	6 percent
1942	Nov. 2	10 percent
1943	May 1, 1944	15 percent

III. Revenue collections 1942-1946 and estimates for 1947 and 1948

Collections from the tax on local telephone service are estimated to amount to about 2.3 percent of total excise tax collections in the fiscal year 1947. The yield is about 65 percent of that from the taxes on long distance and leased wire communication services. Annual collections are shown below:

1/ Exempted by regulation, Federal Register, Vol. 9, p. 4615.

Collections, fiscal years 1942-1948

(In millions)

Fiscal year	Collections
1942	$ 26.8
1943	67.0
1944	90.2
1945	133.6
1946	145.7
1947 (est.)	165.5 (Revised)
1948 (est.)	200.0

IV. Economic background of the industry

A. Character of supply

The telephone industry is characterized by large fixed investment, franchises, and governmental regulation of rates. While certain parts of the telephone plant are designed solely for long distance service, the local plant facilities, of course, are used in effecting long distance calls. Rates are regulated so as to permit a fair rate of return on investment. These determinations are made by different bodies, the Federal Communications Commission on inter-state service and the several State commissions on intra-state service.

The American Telephone and Telegraph Company and its 20 associated companies have virtual control of the local telephone business in the United States. During the first three decades of this century the Bell System purchased many of the independent companies. At the end of 1932, the Bell System controlled about 79 percent of the phones and by the end of 1946 about 81 percent. 1/ Approximately 6,000 small independent companies own the rest of the phones. The percentage of revenues from local service accruing to the System is larger than the ratio of phones controlled because the independent companies are usually located in small communities and do not receive the benefit of the higher receipts from business phones. The Company has always considered the furnishing of

1/ Federal Communications Commission, Investigation of the Telephone Industry in the United States, House Doc. No. 340, 76th Congress, 1st session, Washington, 1939, p. 128; Wall Street Journal, December 30, 1946.

telephone service as a natural monopoly, and since the passage of the Willis-Graham Act of 1921 it has been fairly free to acquire any independent company. 1/ However, it has not in recent years attempted to obtain complete control of the industry.

The number of telephones in operation, increased every year from 1875 to 1929. 2/ During the depression the number of telephones in operation declined and did not recover to the 1929 level until 1939. (Table 1) The number increased about one-third between the end of 1939 and 1945. In spite of the great increase in installations during this period, all demands were not met because of wartime restrictions and shortages. With the end of wartime restrictions, the phone companies began an immediate program of expansion. At the end of 1946 the total number of phones for the Bell System and independents combined was 31.7 million, an increase of 13 percent over the 1945 year-end total. In spite of this increase, there were about 2.5 million requests for installations at the end of 1946, or the same as the year before. 3/ Installations have been held up largely by the time required to manufacture and install the complex central office switching equipment.

B. Rates

Rates charged on local telephone service vary among localities and are subject to differences in State regulatory practices. Following increases made after World War I, there were no important changes in basic rates until 1946. There was a slight decline between 1935 and 1941, but no change in prices to consumers during the war except for the increase in excise tax. (Table 2) Although basic rates remained substantially unchanged for a long period, the rate of return permitted to be earned has shown a long-term decline. 4/ Rates probably were not reduced during the period between the wars because the increase in the demand for local telephone service apparently leads to higher unit costs which the companies have only been able to offset by technological developments and increased employee work loads. Because of higher costs, rates are now being increased.

1/ Federal Communications Commission, op. cit., pp. 145-146, and p. 142.
2/ Federal Communications Commission, Statistics of the Communications Industry in the United States, Year Ended December 31, 1944, Washington, 1946, p. 16.
3/ Wall Street Journal, op. cit., American Telephone and Telegraph Company, op. cit., 1946, p. 2.
4/ See Federal Communications Commission, Proposed Report, Telephone Investigation, Washington, 1938, p. 762, for long-term decline in rate of return allowed by commissions.

Table 1

Selected data for telephone carriers, 1929 - 1946

(In millions)

Year	Telephones in operation			Local service revenue 3/	Net operating income before taxes 3/
	Total 1/	Business 2/	Residential 2/		
1929	20.2	-	-	$ 742.0	$ 374
1930	20.2	-	-	780.0	371
1931	19.7	-	-	776.0	378
1932	17.4	-	-	721.0	283
1933	16.7	-	-	640.0	265
1934	17.0	-	-	631.0	277
1935	17.4	-	-	677.0	299
1936	18.4	-	-	717.0	360
1937	19.5	-	-	764.0	372
1938	20.0	-	-	775.0	364
1939	20.8	6.8	11.1	811.0	406
1940	21.9	7.1	11.9	858.0	440
1941	23.5	7.6	12.9	923.0	501
1942	24.9	7.7	14.1	984.0	584
1943	26.4	8.4	14.7	1,045.0	654
1944	26.9	8.3	15.0	1,084.9	690
1945	28.0 4/	5/	5/	1,143.7	716
1946	31.7 4/	5/	5/	1,275.8	557

Treasury Department, Division of Tax Research

Source: Federal Communications Commission, Statistics of the Communications Industry in the United States, Year Ended December 31, 1939-1944.

1/ Partly estimated by American Telephone and Telegraph Company.
2/ Class A and B telephone carriers only. Figures do not add to total but give a good idea of the distribution of all phones by type of subscriber.
3/ Carriers having annual operating revenues in excess of $250,000.
4/ Estimated from data in Wall Street Journal, December 30, 1946, and American Telephone and Telegraph Company, Annual Report for the Year 1945, p. 2; 1946, p. 5.
5/ Not available.

Table 2

Consumers' Price Index of Cost of Residential Telephone Service, 1935-1947

(1935-1939 = 100)

Year	Index	Year	Month	Index
1935	101.2	1941	March	99.2
1936	100.8		June	98.8
1937	99.4		Sept.	98.8
1938	99.5		Dec.	104.7
1939	99.3	1942	March	104.7
1940	99.4		June	104.7
1941	99.9		Sept.	104.7
1942	105.4		Dec.	108.6
1943	108.6	1943	March	108.6
1944	111.9		June	108.6
1945	113.6		Sept.	108.6
1946	113.6		Dec.	108.6
		1944	March	108.6
			June	113.6
			Sept.	113.6
			Dec.	113.6
		1945	March	113.6
			June	113.6
			Sept.	113.6
			Dec.	113.6
		1946	March	113.6
			June	113.6
			Sept.	113.6
			Dec.	113.6
		1947	March	114.0

Treasury Department, Division of Tax Research

Source: Unpublished data from Bureau of Labor Statistics.
Note: Index includes all taxes, excise and sales.

In the review by regulatory commissions of requests for rate increases, the effect of the excise may receive consideration. To the extent that the tax reduces demand, the telephone carriers may request higher rates in order to compensate for loss of revenue. There is no evidence regarding the extent to which weight is given to this factor by the various regulatory commissions.

C. Character of demand

The demand for local telephone service arises from both business and personal needs. While 35 percent or less of the phones in use are located in business establishments (Table 1) a larger proportion of the local telephone receipts is derived from business calls because business phones are not on a flat monthly rate basis as often as residence phones. The estimates of the American Telephone and Telegraph Company indicate that about 50 percent of the tax revenues from local telephone service are derived from business concerns. 1/

Over a long period of time there has been an upward trend in the use of telephone service as the population increased, service improved, and the standard of living improved. For the operation of practically all businesses, the telephone is a necessity. The telephone is also looked upon as an essential part of the standard of living at certain income levels. Because competition from other forms of local communication is at a minimum and because the service is considered essential by so many users, the demand for local telephone service is unlikely to be greatly affected by price changes within fairly wide limits.

D. Outlook for the industry

The outlook for the demand for local telephone service is favorable. The backlog of orders at the end of 1946 plus currently received orders may result in the installation of more phones in 1947 than in 1946, which was the largest year for installations. There were 2.5 million phones

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1/ According to the Company about 50 percent of tax charges collected by it are from residential consumers and 50 percent from business concerns. (Memorandum entitled "Excise Taxes on Communication Services," submitted to Treasury Department by the American Telephone and Telegraph Company, September 13, 1946). As about 50 percent of long distance revenues in the third quarter of 1946 were derived from business concerns (American Telephone and Telegraph Company, "Analysis of Business and Residence Toll Usage, Combined Associated Company and Long Lines, Third Quarter, 1946"), it can be inferred that 50 percent of the local revenues are also from business concerns.

on order at the end of 1946. 1/ When the backlog has been filled the rate of growth may be expected to revert to a more normal basis. The increased demand requires large plant additions at a time when construction costs are quite high. Operating personnel costs have also increased and the workers were recently granted wage increases. Improved and more efficient equipment is being placed into operation, but the savings therefrom probably cannot offset the general rise in costs. The rate of return on investment for the Bell System, as a whole, in recent years has been the lowest in the history of the System except during the early 1930's. 2/ The rate of return reflects operations from long distance as well as local service, but since local service accounts for over half the total gross receipts, it is an important determinant in the rate of return.

The Company has made application for rate increases for local telephone service and intra-state long distance service in about 25 States. 3/ Similar applications are planned in other States. Rate increases requested have not been stated in percentage terms in most cases, but in a few States a 12-13 percent figure was mentioned. Eight States have already granted the full amount requested, but these are the less populous States.

V. Effect of the tax

A. On profits

Wartime earnings of the telephone companies were very slightly lower after all taxes than in the late 1930's, although the earnings before taxes increased substantially. The average net income per year of the Bell System was about $172 million in the period 1942-1945 as compared with $178 million in the period 1936-1939. (Table 3) On the other hand, net income before taxes of all large telephone companies rose from $406 million in 1939 to $716 million in 1945. (Table 1)

1/ Wall Street Journal, December 30, 1946; American Telephone and Telegraph Company, Annual Report for the Year 1946, p. 5.

2/ American Telephone and Telegraph Company, Annual Report, 1946, p. 3 and Table 3.

3/ Ibid., p. 5.

Table 3

Local telephone service revenues, net income, and rate of return on invested capital of the American Telephone and Telegraph Company, 1929 - 1946 1/

(Dollar amounts in millions)

Year	Local service revenues	Net income	Rate of return on invested capital
1929	$ 691.4	$ 201.3	8.3 %
1932	670.7	122.3	5.0
1936	665.2	184.7	6.8
1937	703.4	182.3	6.5
1938	713.1	155.5	5.7
1939	744.5	190.3	6.6
1940	787.7	210.5	6.8
1941	846.3	191.8	6.1
1942	896.0	164.3	5.4
1943	951.6	177.8	5.7
1944	986.9	169.9	5.5
1945	1,041.2	177.1	5.5
1946	1,163.8	208.6 2/	5.7 3/

Treasury Department, Division of Tax Research

Source: 1929-1943: Standard and Poor's Corporation, Industry Surveys, "Telephone and Telegraph," Part 2, February 8, 1946, p. T1-9;

1944-1946: American Telephone and Telegraph Company, Annual Report for the Year 1945 and 1946.

1/ Consolidated basis. Net income and rate of return apply to all activities of the System. Local telephone service, however, is the source of somewhat over half the gross receipts.

2/ Includes $16.7 million credit for excess-profits tax credit carryback.

3/ Computed before inclusion of excess-profits tax credit.

The excise tax probably had no appreciable effect on profits during most of the war period. Since the demand for new installations could not be met because of labor and material shortages and Government orders, it is doubtful whether the volume of business was reduced by the tax. Moreover, the companies apparently did not seek to have rates increased to offset any possible effect of the tax.

Under normal conditions it is believed that the effect of the tax on profits would not be very serious. The character of the demand is such that the amount of the tax should not be a very important factor. Moreover, no non-taxable service can be substituted. A substantial proportion of the demand is for business use and a large proportion of residential subscribers are on a monthly rate which prevents curtailment of demand except by dispensing with the use of a phone. Because of the control of supply a reduction in demand is not likely to result in a reduction in rates, and telephone carriers may request higher rates, if necessary, to compensate for any loss of revenue. The existence of the tax may indirectly affect profits in case regulatory commissions should be less liberal in granting higher rates on telephone service than they would be in the absence of the tax. 1/

B. On business costs and competition

About half of the receipts from the tax are payments on business expenditures for telephone service and enter into business costs. Local telephone service makes up a larger proportion of the costs of some types of businesses than others, and the tax tends to discriminate against those who have the most need for the service. Information on the importance of communication costs by types of business is not available.

C. On consumers

The overall burden of the tax is likely to be proportionately heavier on low income consumers than on high income groups. The tax payments made by business firms are likely to be shifted forward to consumers in the long run together with other costs, and thus be distributed regressively in accordance with total consumer expenditures. Direct consumer expenditures for local telephone service

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1/ Moreover, the Bell System companies have charged off liberal amounts for depreciation. These practices have been criticized by several State commissions and there is a possibility that the companies may be required to readjust their capital bases or their depreciation charges.

were moderately progressive according to a study of 1941 consumer expenditures. 1/ However, a 1944 study of urban consumer expenditures alone showed a very regressive pattern. 2/ As it is reported that most of the new phones installed in the last year or so by the Bell System were in low rental neighborhoods 3/ it is possible that direct consumer expenditures have shifted over to a regressive pattern. Even if the shift in direct consumer outlays has not gone this far, the regressive business cost factor is probably important enough to make the total effect of the tax of a regressive nature.

Revenues from local telephone service are relatively insensitive to changes in the level of income. During the period 1929 - 1940, consumer expenditures for local telephone service fluctuated less than half as much as national income. 4/ During the war, receipts increased less than would have been expected on the basis of the 1929-1940 experience, but since that time have expanded faster than income, apparently as the result of working off the backlog of unfilled orders accumulated during the war.

Local telephone service is included in the Consumers' Price Index of the Bureau of Labor Statistics, but the present tax represents only about .1 of 1 percent of the total Index.

VI. Administration and compliance

It is estimated that only about 6,000 telephone companies file returns for this tax. The principal administrative problem arises from the fact that local telephone service is taxed at a lower rate than other service and is subject to different exemption provisions. This gives rise to some problems of classification and requests for rulings in doubtful cases have to be considered by the Bureau. In addition, different rates for different types of service complicate billing operations. However, these difficulties are not considered sufficient to indicate uniform rates on local and long distance service for administrative reasons.

1/ Department of Agriculture, Rural Family Spending and Saving in Wartime, Miscellaneous Publication No. 520, Washington, 1943, pp. 50-51; Department of Labor, Family Spending and Saving in Wartime, Bulletin No. 822, Washington, 1945, p. 126.
2/ Bureau of Labor Statistics, unpublished data.
3/ Wall Street Journal, op. cit.
4/ Computed from data in Survey of Current Business, June, 1944.

VII. Technical problems

The only important technical problem that is involved in this tax is the method of giving effect to a change in rates.

Changing the rate on local telephone service will involve extra bookkeeping work on the part of the telephone companies unless the change is made on a bill rendered basis. Local telephone bills are generally on a flat monthly basis and the billing is staggered over the month. If the rate change were made applicable to service rendered on or after a specific date, the companies would have to pro-rate charges for services in the bills rendered before and after such date. To avoid this extra work, the Revenue Act of 1943 provided that the increased rate for local telephone service should be applicable only to amounts paid on bills rendered on or after a specified date. 1/

The telephone companies have requested that any tax reductions be handled on the same basis as the increases in 1943, i.e., on a bill rendered basis. 2/ Under the bill rendered basis some customers would get the benefit of the reduction for a longer period of time than others, depending on the billing periods used in individual cases for any company and by different companies. Since the bill rendered system was used for the 1942 and 1943 Revenue Act increases, the diverse results of a decrease would cancel out for many customers the benefits or disadvantages they received when the rates were increased.

1/ Section 302 of the Act, Section 1655(b)(3) of the Internal Revenue Code. Section 606(b) of the Revenue Act of 1942 contained a similar provision.

2/ Testimony of Harry C. Gretz, Assistant Comptroller, American Telephone and Telegraph Company, and Harold V. Bozell, representing the United States Independent Telephone Association, Hearings before the Committee on Ways and Means, May 21, 1947.

PART III - Excise Tax on Wire and Equipment Service

I. Description of the tax

The tax on wire and equipment service applies to payments for the following services provided by means of wires: 1/

1. Information services
2. Protective services, such as burglar and fire alarm
3. Recording and control services
4. Entertainment services

The tax is payable by the person paying for the service and is collected by the person furnishing the service.

Payments for the following services are exempt from the tax:

1. Services utilized in the collection or dissemination of news by or for the public press, radio broadcasting, or a news ticker service furnishing a general news service similar to that of the public press.

2. Services furnished to the States and political subdivisions.

3. Services furnished to the Red Cross.

4. Services furnished directly to the Federal Government. 2/

II. Changes in tax since 1941

The Revenue Act of 1941 imposed a tax on the payments made by subscribers to wire and equipment services. At the time this tax was imposed the payments for leased wires used in furnishing such services were subject to the tax on leased wires (See Part I, p. 2). Subsequently, by the Revenue Act of 1942, payments for leased wires used exclusively in furnishing a service taxable as a wire and equipment service were specifically exempted.

1/ See Regulation 42, Section 130.38(b).
2/ Exempted by regulation, Federal Register, Vol. 9, p. 4615.

The rates of tax on wire and equipment services as such have been as follows:

Revenue Act	Effective date	Rate
1941	Oct. 1	5 percent
1943	May 1, 1944	8 percent

III. Revenue collections

Collections from the tax on wire and equipment service are included with those from the tax on leased wires in the official collection figures. In the fiscal year 1946 about $13 million was collected from the two taxes. Only a small proportion of the total is believed to have been derived from the tax on wire and equipment service.

IV. Economic background of the industry 1/

A. Character of supply

The services taxed as wire and equipment service are highly specialized and the volume of business is very small.

Information services: These services consist of stock and commodity quotations provided by ticker and specialized news services, such as financial, sporting or racing news. The quotation services are provided principally by one company. 2/ Different companies specialize in particular types of news services, as for example, Dow-Jones, in financial news.

1/ The analysis of these industries has been limited by the lack of published information on the companies providing the services.

2/ The Western Union Company, which has all of the business outside of the Wall Street district. The revenue from this source and its news services amounted to $2.5 million in 1944. (Federal Communications Commission, Statistics of the Communications Industry in the United States, Year Ended December 31, 1944, Washington, 1946, p. 162.)

Protective, recording and control services: Apparently most of these services are provided by a single company. 1/ Its volume of business in 1946 was about $14 million. (Table 1) It had subscribers located in about 1,000 municipalities. 2/ The company maintains central offices where instruments record information transmitted from the subscribers' premises. When fire or police action is required the company notifies the public authorities. In the case of recording and control services, instruments indicate physical, chemical or mechanical conditions at the premises, such as the amount of liquid in a tank. The company performs the remote control operations necessary to keep the equipment operating as desired by the subscribers.

Entertainment services: These services consist of furnishing music to eating and recreational establishments for entertainment and to offices and factories as aids to workers. The music is furnished by an orchestra or records played in central stations located in various towns and "piped" to the subscribers over leased telephone wires. One of the principal suppliers of this type of service is Muzak.

Since each of the services subject to tax is specialized in form, there is probably little, if any, competition between the different types. Moreover, each type appears to be wholly or largely controlled by a single concern. None of the services, except those provided by Western Union, is subject to Federal regulation because the suppliers are not common carriers but lease their wires from the communication companies. Consequently, they are generally in a position to adjust their rates or services as they may desire in response to any reduction in receipts caused by the tax. In some cases, however, such adjustments would be conditioned by the availability of non-taxed services which could be substituted for the taxed service.

B. Character of demand

The demand for these services is largely of a business nature, and is probably not very responsive to changes in price. The charge for the service is usually on a flat basis, 3/ so that the amount of service

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1/ The American District Telegraph Company - a subsidiary of Western Union. This company leases over 70 percent of all fire alarm equipment used for connecting subscribers' premises to outside points. (Indictment, United States of America v. The Gamewell Company, American District Telegraph Company, etc., in the District Court of the United States for the District of Massachusetts, Criminal Action No. 17,623.)

2/ Standard and Poor's Corporation Records.

3/ Wired music is charged for on the basis of the revenues or seating capacity, usually the latter, of the restaurants or clubs using the service. Stock and commodity quotation services of Western Union are furnished on a fee basis adjusted to the mileage of the subscriber from the exchange and the number of subscribers in a given area.

Table 1

Gross receipts and net income of the American District Telegraph Company, 1930 - 1946

(In millions)

Year	Gross receipts	Net income	Year	Gross receipts	Net income
1930	$ 8.5	$ 1.9	1939	$ 9.0	$ 1.3
1931	8.8	1.9	1940	9.3	1.4
1932	8.5	1.6	1941	9.6	1.2
1933	7.9	1.5	1942	11.0	1.3
1934	7.9	1.4	1943	12.7	1.5
1935	8.0	1.5	1944	12.3	1.2
1936	8.2	1.5	1945	13.1	1.1
1937	8.5	1.4	1946	14.1	1.3
1938	8.7	1.2			

Treasury Department, Division of Tax Research

Source: Standard and Poor's Corporation Records.

purchased cannot be varied except by dispensing with it. The information services such as those providing quotations and financial news are necessities for financial concerns, and substitute forms are not available. Some substitution is possible in the case of the protective services, as a concern might use a night watchman instead of the automatic protective device. However, the limited number of subscribers 1/ and the high average charge for the services suggest that demand arises from the larger and more financially stable business. 2/

The demand for the music service may be more sensitive to price and income changes. This is a relatively new type of service and although demand expanded rapidly during the last few years, the service is probably not considered essential. Moreover, there are substitute forms of entertainment such as a record amplification system, which may be less satisfactory but is cheaper and is not taxable as a wire and equipment service.

V. Effects of the tax

The tax at the present rate probably does not greatly reduce the volume of business of the firms supplying these services. Most of them appear to be in a position to adjust rates in order to maintain profits if receipts are reduced. The effects of the tax may be more serious in the case of the entertainment services where there is more opportunity to use alternative forms of service. However, this type of service is experiencing a more favorable expansion in demand than the others.

Since the services are used almost exclusively by other businesses, the tax enters into business costs and discriminates against those specialized businesses which must use these services. It also discriminates against the suppliers of the taxed services where the subscribers are induced to use some form of non-taxed service.

VI. Administration and compliance

Only a few returns are received under this tax and no serious administrative problems have arisen.

1/ At the end of 1946, the American District Telegraph Company had only 42,000 subscribers (Standard and Poor's Corporation Records).

2/ Gross receipts of the American District Telegraph Company declined by less than 10 percent during the depression in the early 1930's.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Friday, July 18, 1947

Press Service
No. S-400

The Secretary of the Treasury, by this public notice, invites tenders for $1,100,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing July 24, 1947, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated July 24, 1947, and will mature October 23, 1947, 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 daylight saving time, Monday, July 21, 1947. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders 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 expresssly 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. Subject to these reservations, non-competitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Reserve Bank

on July 24, 1947, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 24, 1947. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Friday, July 18, 1947

Press Service
No. S-401

The Secretary of the Treasury has announced that effective August 1, 1947, the date of Joseph J. O'Connell's resignation as General Counsel for the Department of the Treasury, he has designated Thomas J. Lynch to serve as Acting General Counsel.

The President and the Secretary of the Treasury accepted Mr. O'Connell's resignation with reluctance and commended him for the outstanding service he has rendered to the Government during the past 13 years. His career, which began with his appointment as an Attorney in the Public Works Administration in 1933, was marked by his efficiency and loyalty. He transferred to the Treasury in 1938 and while Special Assistant to the General Counsel served as the Treasury Member of the Temporary National Economic Committee. In addition to his responsibilities as General Counsel for the Treasury Department, he, for a time, supervised the Bureau of Internal Revenue.

Mr. and Mrs. O'Connell reside in Silver Spring, Maryland, and are the parents of a daughter, Sheila.

Mr. Lynch is a graduate of the University of Michigan and practiced law in Toledo, Ohio, from 1925 to 1934 when he accepted an appointment with the Securities and Exchange Commission, which he served as Assistant General Counsel. In 1939, he was appointed Special Assistant to the Attorney General. From 1940 to 1943 he served with the War Production Board and its predecessor agencies in the capacity of Assistant General Counsel. He was appointed Assistant General Counsel for the Treasury in 1943.

Mr. and Mrs. Lynch reside in Chevy Chase and are the parents of two sons and one daughter.

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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Friday, July 18, 1947

Press Service
No. S-402

The Secretary of the Treasury, John W. Snyder, and the Board of Governors of the Federal Reserve System today issued the following joint statement:

It is well known that active speculative markets in gold exist in various foreign countries. For the most part, these markets are illegal, though in a few instances importation or sale of gold is legal or is tolerated. Under present circumstances gold is traded in many foreign centers, often against U. S. dollars, at prices above monetary parities. The premiums differ from one center to another, so that speculators can make large profits by purchasing gold in one foreign market and selling it in another.

The International Monetary Fund recently issued a statement deprecating international dealings in gold at premium prices, and requesting member countries to take such action as they can within their jurisdictions to prevent such dealings. The Fund emphasized that these transactions tend to undermine exchange stability and cause gold to flow into private hoards rather than into monetary reserves. Furthermore, in countries where the gold is sold, payment is often made with dollars illegally acquired or held. Moreover, foreign exchange which otherwise could be used for sorely needed imports is diverted to the purchase of gold for private hoards.

In view of these circumstances, and on general grounds of the national policy, the Treasury Department and the Board of Governors of the Federal Reserve System request American individuals, banks and business enterprises to refrain from encouraging and facilitating this traffic and in particular to refrain from extending the use of their facilities and funds for the carrying out of such transactions.

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, July 21, 1947.

Press Service

No. S-403

Secretary of the Treasury Snyder today announced the offering, through the Federal Reserve Banks, of 7/8 percent Treasury Certificates of Indebtedness of Series G-1948, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series G-1947, in the amount of $1,223,453,000, which will mature on August 1, 1947. Cash subscriptions will not be received.

The certificates now offered will be dated August 1, 1947, and will bear interest from that date at the rate of seven-eighths of one percent per annum, payable with the principal at maturity on July 1, 1948. They will be issued in bearer form only, 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, as amended, interest upon the certificates now offered shall not have any exemption, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. 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, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations, all subscriptions will be allotted in full.

The subscription books will close for the receipt of all subscriptions at the close of business Wednesday, July 23.

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

The text of the official circular follows:

UNITED STATES OF AMERICA

7/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES G-1948

Dated and bearing interest from August 1, 1947 Due July 1, 1948

1947
Department Circular No. 810

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, July 21, 1947.

Fiscal Service
Bureau of the Public Debt

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, 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 G-1948, in exchange for Treasury Certificates of Indebtedness of Series G-1947, maturing August 1, 1947.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated August 1, 1947, and will bear interest from that date at the rate of 7/8 percent per annum, payable with the principal at maturity on July 1, 1948. They will not be subject to call for redemption prior to maturity.

2. The income derived from the certificates shall be subject to all taxes now or hereafter imposed under the Internal Revenue Code, or laws amendatory or supplementary thereto. 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.

4. Bearer certificates 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. Banking institutions 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.

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, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

IV. PAYMENT

1. Payment at par for certificates allotted hereunder must be made on or before August 1, 1947, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series G-1947, maturing August 1, 1947, which will be accepted at par, and should accompany the subscription.

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.

JOHN W. SNYDER,
Secretary of the Treasury.

TREASURY DEPARTMENT

Washington

(The following address by Secretary Snyder before the graduating class of Bryant College, Providence, Rhode Island, at the Albee Theatre is scheduled for delivery at 12:00 Noon, E.S.T., August 8, 1947, and is for release at that time.)

I was genuinely pleased to receive the invitation to participate in the 1947 graduation exercises of Bryant College. I deem it a real privilege to join with your friends gathered here, to honor you members of this senior class.

You deserve sincere congratulations in receiving these certificates today. By your scholastic achievements, you have demonstrated both a willingness and an ability for worthwhile accomplishment in the business and community life of your country.

Certainly, you may take particular satisfaction in securing a diploma from an institution of such reputation as Bryant College. Throughout more than eighty years of existence, this institution has devoted its entire efforts to fostering the highest principles of American commercial enterprise. It has rendered a notable service and made a material contribution to our economic scheme. It has won the confidence, the respect, and the commendation of businessmen everywhere.

As graduates of Bryant College, you may have full assurance that you have been properly and thoroughly trained for the field of modern day business competition.

I believe that you are entering upon your careers at one of the most interesting and opportune periods of our history.

There are, of course, numerous and difficult obstacles which you must overcome on your road ahead. But, there are also great possibilities before you. The measure of success which may be achieved today is well worth your wholehearted effort.

We are all fully aware of the rapid and essential changes in our social and economic life which have resulted both from the last war and from general world conditions.

For we are now passing through an economic revolution which is affecting every phase of our human experience. Our manner of living, our individual associations, our governments - local, state, and national - our world relationships, both economic and political - all these are being deeply and permanently readjusted from the earlier precepts of our national life.

The growth of training in commercial lines is one of the outstanding developments of our educational system in this century. It is a development that has paralleled the growing intricacies of our economic structure. It has resulted from public recognition for the necessity of specialized training in this most important field.

Today, interest in such training has been reflected in an ever-increasing demand upon the facilities of our educational institutions.

The fact that so many of our servicemen and women, taking advantages of veterans' educational benefits, have turned to training in business and commercial lines is especially significant.

Surveys made among the veterans enrolled in commercial courses, and there are hundreds of thousands of them, indicate that a large number are preparing themselves for the operation of small, individually owned businesses.

This specialized training holds for them a far greater promise of success. And, reduction in the mortality rate among the smaller enterprises of the Nation, due to this preparation, will exert a stabilizing effect upon the entire business structure.

Those who would prosper today, in the field of small business, must be prepared to meet problems unknown a few generations ago. Merchandising is now a much more intricate system.

In addition our small merchant has become a tax collecting agent; he must keep adequate records in order to meet the requirements of the Federal and State tax laws; and unless he has at least elementary knowledge of such matters as competitive merchandising, profit margins, inventory management, accounting, and even labor relationships, he is not likely to remain in business very long.

Here in these United States, under our system of free enterprise, we have created an industrial establishment of unparalleled opportunity for individual and national prosperity.

But, it is a vastly complicated structure we have built in this economy of ours. For its continued proper functioning we shall need all the ingenuity, all the intelligence, all the skill, and all the training we can bring to bear.

I congratulate you of this senior class, who have, through the years spent here at Bryant, equipped yourselves for a worthwhile position in our present economic system.

I should like to mention some particular fields which seem to offer unusual opportunities for successful careers.

Our Government, itself, has of necessity been greatly expanded to provide the services required by an enlarging population, a growing social consciousness among our people, and a constantly broadening economic structure. Here, it seems to me, is an especially attractive field for those who qualify.

For example, take the Treasury Department, with its some 90,000 employees, collecting revenues during the last fiscal year in excess of $43,000,000,000, and disbursing $42,500,000,000 as authorized by the Congress.

Certainly this is Big Business. And I know you business-minded young men and women will appreciate my satisfaction that the Government operated last year with a balanced budget and with a surplus.

Under Treasury jurisdiction come such important public service functions as law enforcement, the printing of currency, securities, and stamps, producing of coins, operations in the collection of revenues, Government purchasing, and the disbursement of funds, as required by law, in the management of our national debt and attendant fiscal operations. For all these varied duties, many thousands of employees with particular technical abilities and skills are necessary.

Many of the positions require training in those fields which are given particular attention in our schools of commerce and business.

Just now, our Government is in process of reduction from a wartime to a peacetime level of operation and employment. But in the years ahead, not only the Federal establishment, but the Government at all levels will require a continuing

flow of men and women from our institutions of higher learning. For successful functioning, it will need personnel skilled in the secretarial arts, in accounting, in civil administration, in business management, in personnel direction, in purchasing, in economics, in finance.

The Treasury, working through the colleges and universities, has sought to encourage students to interest themselves in the fields in which it operates.

I hope that some of the members of this graduating class, will, in the years ahead, seek to devote their talents and energies to the field of Government.

For, if the Government is to discharge properly its public service functions, if it is to preserve and protect our social principles, its policies must be determined by men of the highest integrity and fidelity; its operation must be wisely and prudently managed by men of technical ability and sincere allegiance; its personnel must be well trained and efficient.

Another field offering particular opportunity to those entering a business career is that of foreign commerce. We anticipate a coming period of worldwide exchange of goods on a scale greater than ever before.

The war torn nations of the world, partly because of disastrous weather conditions affecting many phases of reconstruction, have not all made the progress toward rehabilitation of production that was expected. These countries have been unable to supply sufficient of their domestic goods to exchange for those products of ours they so desperately need.

Much of their purchasing has been food and other necessities for existence, rather than products for the reconstruction of their industry.

But we have reason for hope that the corporate efforts of the Nations will, in the years ahead, create a widely expanding commerce. It is to this end that such organizations as the International Monetary Fund, the World Bank, and the International Trade Organization have been constituted. This Nation has taken the lead in these efforts to revitalize world trade.

Finally, there are the great possibilities in the production, financing, and distribution of goods and services at home.

This is the most important field of all, and is undoubtedly the one in which most of you are interested.

The rapid conversion of our enterprise from war to peace was an amazing accomplishment. We have attained a peacetime prosperity unknown before to any Nation.

We still have problems to be met. We can solve these problems of national import if we will exercise the moderation and good sense and the same statesmanship we employed to solve the problems of production for war.

When we examine the present unsatisfied demand for production in almost every field of our national output, when we consider the vast opportunity uncovered in our wartime research, when we realize the savings and cash resources of our industries and our people, when we recognize the worldwide demand for our goods, there is ample reason to view the years ahead with optimism.

You 1947 graduates are fortunate in that you enter upon your careers during such a period. You are in a far different position than those graduates of the late '20's and early '30's who competed for scarce jobs during the dark days of depression. We all know of their struggle to accomplish successful careers. Many of them are the leaders of today.

But it is a truism that keen competition and hardship inspire the greatest of human effort. So, it will be up to you to prove whether you really are more fortunate than they.

I find it difficult to decide whether the greater test of character is made under favorable, or under adverse conditions. Sometimes it appears more difficult to survive good fortune and praise than hardship or criticism.

In the final analysis, it is character which will determine the extent of individual attainment. I know that at Bryant College you have been indoctrinated with those ideals of character which will well adapt you to a constantly changing world.

Our exceedingly complex economic and business relationships demand the highest ethical standards on the part of those who direct and those who serve.

The survival of our free enterprise system, under which we have thrived, depends upon the maintenance of our high social standards.

As you progress through the years to positions of greater and greater responsibility, you will be called upon to display wise tolerance and fair play in all manner of human relationships. It is through such a spirit that the problems that arise will be alleviated.

I have firm confidence in the inherent honesty and fairness of the vast majority of our citizens as individuals, and as the directors of our enterprise. The derelictions of a few emphasize the importance of those moral qualities that have made us great as a people. It is to your generation that the responsibility for promulgating those ideals will rest to an ever increasing degree.

You college-trained men and women have an obligation, as well as a privilege, to contribute to the charting of our future national course along the line of a sound economy at home, and in our leadership in world affairs. It has not been many generations since higher education was only for the few. We have come to recognize that education for the many is indispensable - a necessity for all those who have the ability and desire to improve their circumstance and opportunity for service.

American youth, thus trained, will be prepared to deal with the problems that face us as a Nation emerging from a devastating world war.

All of you have an opportunity to contribute, through the ballot, through enlightened opinion, or through actual service, to the further development of your country, and to the promotion and protection of sound governmental policies.

Equipped as you are by your training, you will exert a definite influence toward a wider understanding of national problems and national affairs.

I will mention just one of the problems that we face as a result of the war, but one of particular interest to the business world in which you will serve. This is the management of our national debt.

As Secretary of the Treasury I cannot overemphasize the importance of the financial obligations which our country has assumed. There can be no compromise in our determination to pay that which we justly owe. No matter how difficult the road, you of this generation must make it a part of your creed that we as a people stand unalterably for financial integrity in our Government.

Nor can there be any compromise either in our determination to exercise such international leadership to which our capabilities for world betterment impel us.

The path to worldwide stability may be a long and trying one. But we will not bring about any durable peace unless we exert our vigorous influence toward that end. I commend to you the President's management of our international affairs. This policy finds its source, and is deeply rooted, in the ideals of the American people. It has their whole-hearted support, regardless of political affiliation.

The paramount position of our Nation today is largely due to the character of the American people. We have, of course, been singularly endowed in the wealth of our country's vast physical resources - her extensive store of minerals, her abundant timberland, her fertility of soil, her vital river systems, and her many other native advantages.

But all these gifts have been utilized and made productive by the American character. Our power and our strength can be attributed to the American philosophy of individualism.

We have earned, and well earned, our prosperous state. The rapid development of our great industries - mining, agriculture and manufacturing - was not a happenstance. It was an accomplishment in suffering, struggle, and unabated hard work.

You young men and women inherit the accumulated knowledge which was gained during the years of our national progression. This knowledge will greatly ease your path. And, although you will meet strong competition in the business world, it will be a competition of an enlightened social order.

You have received a sound and a practical training. You possess the courage, the imagination, and the energies of youth. Even more important, you have the assurance that genuine endeavor here in our country will receive a compensatory reward. Your opportunities for achievement are unlimited.

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, July 22, 1947

Press Service
No. S-405

The Secretary of the Treasury announced last evening that the tenders for $1,100,000,000, or thereabouts, of 91-day Treasury bills to be dated July 24 and to mature October 23, 1947, which were offered on July 18, 1947, were opened at the Federal Reserve Banks on July 21.

The details of this issue are as follows:

Total applied for - $1,600,796,000
Total accepted - 1,101,260,000 (includes $17,649,000 entered on a non-competitive basis and accepted in full at the average price shown below)
Average price - 99.813 Equiv. rate of discount approx. 0.740% per annum

Range of accepted competitive bids:

High -99.905 Equiv. rate of discount approx. 0.376% per annum
Low -99.810 " " " " " 0.752% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 8,515,000	$ 1,461,000
New York	1,446,440,000	1,048,798,000
Philadelphia	10,865,000	711,000
Cleveland	1,727,000	1,727,000
Richmond	2,055,000	1,647,000
Atlanta	5,118,000	3,010,000
Chicago	96,977,000	20,894,000
St. Louis	1,585,000	1,545,000
Minneapolis	3,999,000	3,927,000
Kansas City	15,930,000	11,690,000
Dallas	4,125,000	2,390,000
San Francisco	3,460,000	3,460,000
TOTAL	$1,600,796,000	$1,101,260,000

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Friday, July 25, 1947

Press Service
No. S-406

The Secretary of the Treasury, by this public notice, invites tenders for $1,100,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing July 31, 1947, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated July 31, 1947, and will mature October 30, 1947, 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 daylight saving time, Monday, July 28, 1947. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders 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. Subject to these reservations, non-competitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals)

of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on July 31, 1947, in cash or other immediately available funds or in a like face amount of Treasury bills maturing July 31, 1947. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

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

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

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, July 29, 1947

Press Service
No. S-407

The Secretary of the Treasury announced last evening that the tenders for $1,100,000,000, or thereabouts, of 91-day Treasury bills to be dated July 31, and to mature October 30, 1947, which were offered on July 25, 1947, were opened at the Federal Reserve Banks on July 28.

The details of this issue are as follows:

Total applied for - $1,671,145,000
Total accepted - 1,101,522,000 (includes $19,542,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.813/Equiv. rate of discount approx. 0.740% per annum

Range of accepted competitive bids:

High - 99.905 Equiv. rate of discount approx. 0.376% per annum
Low - 99.810 " " " " " 0.752% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 7,035,000	$ 1,960,000
New York	1,498,119,000	1,015,332,000
Philadelphia	13,103,000	2,066,000
Cleveland	1,400,000	1,125,000
Richmond	2,290,000	2,290,000
Atlanta	279,000	239,000
Chicago	110,774,000	43,577,000
St. Louis	1,055,000	755,000
Minneapolis	985,000	835,000
Kansas City	14,622,000	13,647,000
Dallas	9,528,000	8,491,000
San Francisco	11,955,000	11,205,000
TOTAL	$1,671,145,000	$1,101,522,000

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, August 4, 1947.

Press Service
No. S-408

The Treasury Department today made public a staff study of Federal-State tax relations, pointing out fields in which Federal and State taxes overlap heavily and analyzing proposals for better coordination. The study, entitled "Federal-State Tax Coordination", is one of a series being prepared by the Treasury's Division of Tax Research in connection with postwar tax revision.

Information contained in the study supplements that in a report on Federal, State and Local Government Fiscal Relations prepared in 1942 by a special committee appointed by the Secretary of the Treasury, and published as Senate Document No. 69, 1943. Developments since 1942, arising largely through the impact of the war, have modified some of the problems which the 1942 report considered. The new study presents an account of these developments, tabulates the principal conflicts in Federal and State tax levies of the present time, and indicates the most promising subjects for a practicable near-term coordination program.

Indicating a widespread current interest in the subject, State Governors and other State officials recently held several meetings with Congressional authorities on tax coordination matters. Taxpayers are raising problems in this field with increasing frequency with the Treasury Department and other Federal agencies. The State Governors devoted a substantial part of their 1947 annual conference to this problem.

The study released today is not intended to make policy recommendations.

A table accompanying the study, summarizing Federal-State tax overlapping in the fiscal year 1946, shows that of $39,000,000,000 Federal and $4,900,000,000 State collections of that year, more than 90 percent came at both levels from the same tax categories, including income, death and gift, liquor, tobacco, gasoline, admissions, and stock transfer taxes.

Income taxes lead the list of those discussed in the study. Individual net incomes are taxed by 29 States and the District of Columbia as well as by the Federal Government. Corporate income taxes are imposed by 31 States and the District of Columbia as well as by the United States.

"The area of Federal-State conflict, particularly in the individual income tax field, is not as broad as appears at first sight", the study remarks. "So long as personal exemptions provided by State laws are substantially higher than those under the Federal tax, a large number of taxpayers in the lower income levels will be subject to one only, the Federal tax. Moreover, the continued and expanded use of mutual deductibility provisions will preclude the imposition of confiscatory levies at the higher income levels."

Observing that the State governments are well established in income taxation and that it is a primary reliance for State revenues, the study says a coordination program should proceed on the assumption that both Federal and State authority will continue in this field.

"Coordination will come largely through a positive program of cooperation pointed in the direction of (a) intensified Federal-State and interstate cooperation in tax administration, (b) more uniformity in the definition of tax bases, (c) wider use of deductibility provisions by the remaining States, and (d) resolution of jurisdictional conflicts between States", the income tax discussion concludes.

With respect to inheritance, estate and gift taxes, the study points out that the Federal Government derives less than 2 percent of its internal revenue from the estate tax (including the gift tax) and the States not more than 3 percent. The States' quest for more revenue from this source, and the broader question of Federal-State death tax coordination, are closely associated with the better integration of the estate and gift taxes.

The study says the taxing of tobacco products has gradually developed into an example of extreme overlapping. At present, 38 States have tobacco taxes, and these taxes have been growing in importance as revenue sources. Administration of tobacco taxes is more difficult and costly for the States than for the United States, primarily because the Federal tax is collected from a relatively few manufacturers, the State taxes from a great many wholesalers and retailers.

"It has been suggested that the solution of this problem will ultimately require the withdrawal of the States from the field under an arrangement which will assure them of replacement revenues", the study points out. "In the immediate future, the scope of coordination will probably be limited to such administrative cooperation measures as the States are able to develop with one another."

In liquor taxation, "so much variety has developed that it would require much space to describe in detail the country's taxes on alcoholic beverages," the study says. In the absence of any coordination plan, the Federal and State Governments have developed separate alcohol control systems along with their liquor taxes. These taxes yielded the Federal Government $2,500,000,000 and the State Governments $466,000,000 in the fiscal year 1946.

The present diversity of State liquor taxes, and the fact that taxation is closely tied to liquor regulation, are cited as among the reasons for recent recommendations that the Federal and State Governments continue to go their own ways in this field. Administrative cooperation, the study states, is about the only contribution which the Federal Government can make to coordination under the existing circumstances.

Reviewing gasoline taxes, the study cites the fact they are levied by the Federal Government, by all State governments and by certain local governments in seven States, with the combined rate reaching 10½ cents a gallon in some localities of Alabama and Mississippi. This tax is one of the most important sources of State revenue. The Federal tax originated as an emergency measure in 1932.

Although the consequences of dual taxation "are perhaps less serious in the field of gasoline taxation than in almost any other in the realm of Federal-State duplication", according to the study, it is concluded that "it may be well to explore the possibility of Federal withdrawal from motor fuel taxation in exchange for State withdrawal from another area." Such an arrangement, it is believed, might make a significant contribution to postwar tax revision.

The study found no compelling reasons for an immediate coordination effort in the taxation of either amusements or stock transfers.

Tables which are presented with the study provide detailed data on rates and exemptions of State taxes and in some cases city taxes in the various fields discussed. The tables are up-to-date, surveying the State taxes as of the first of the current month.

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FEDERAL-STATE TAX COORDINATION

Division of Tax Research, Treasury Department
July 1947

FEDERAL-STATE TAX COORDINATION

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Federal-State Tax Coordination

The coordination of Federal-State taxes, frequently discussed in the Thirties and interrupted by the war, is again receiving widespread attention. State Governors and other State officials recently held several meetings on the subject with Congressional authorities. Taxpayers are raising problems in the field with increasing frequency with the Treasury Department and other Federal agencies. The State Governors devoted a substantial part of their 1947 Annual Conference to this problem.

A complete account of the growth and extent of intergovernmental fiscal conflicts, together with a detailed history of the intergovernmental fiscal coordination movement in the United States, was contained in a report on Federal, State and Local Government Fiscal Relations published as Senate Document No. 69, 78th Congress, 1st Session. That document, prepared by a special committee appointed by the Secretary of the Treasury and submitted by him without recommendation to the Senate in response to Senate Resolution 160, presented an account of the situation as it existed in the fall of 1942. Subsequent developments, largely through the impact of war, have modified some of the problems in the field of Federal-State fiscal relations, particularly with respect to a number of taxes, and have also served to enlarge the scope of administrative cooperation between the several governments.

This study, prepared in the Division of Tax Research, supplements Senate Document No. 69 by presenting an account of post-1942 developments, together with a tabular presentation of the current situation with respect to the principal taxes involved in Federal-State tax relations. It is not intended to make policy recommendations, but to provide information and analysis which would be useful in a consideration of the coordination problem and to indicate the subjects considered to have most promise in connection with the formulation of a practicable near-term Federal-State tax coordination program.

Division of Tax Research
U. S. Treasury Department

July 1947

FEDERAL-STATE TAX COORDINATION

Introduction

The report on Federal, State and Local Government Fiscal Relations, prepared by a Special Committee appointed by the Secretary of the Treasury and submitted by him without recommendation to the Senate in response to Senate Resolution 160, contains a complete account of the growth and extent of intergovernmental fiscal conflicts together with a detailed history of the intergovernmental fiscal coordination movement in the United States. 1/ This document was completed in the fall of 1942. Subsequent developments, largely through the impact of the war, have modified some of the problems in the field of Federal-State fiscal relations, particularly with respect to a number of the taxes, and have also served to enlarge the scope of administrative cooperation between the several governments. The present memorandum supplements Senate Document 69 by presenting an account of post-1942 developments, together with a tabular presentation of the current situation with respect to the principal taxes involved in Federal-State tax relations, and indicates the subjects considered to have most promise in connection with the formulation of a practicable near-term coordination program.

The extent of Federal-State tax overlapping is indicated by Table 1. During the fiscal year 1946, when Federal tax collections (exclusive of payroll taxes) amounted to approximately $39 billion and State tax collections (exclusive of payroll taxes) amounted to $4.9 billion, tax categories used by both levels of government accounted for more than 90 percent of all collections, and included income, death and gift, liquor, tobacco, gasoline, admissions, stock transfer and miscellaneous sales taxation.

1/ Federal, State and Local Government Fiscal Relations, 78th Congress, 1st Session, Senate Document No. 69, 1943. p. 595

Income Taxes

Historically the taxation of income began approximately the same time at both the Federal and State levels, but most of the States waited a decade or more after the adoption of the Federal tax before embarking on this field. Today 29 States and the District of Columbia impose individual net income taxes. In addition, 2 States impose taxes on income from intangibles only and two tax such income under their property taxes. Corporate income taxes are imposed by 31 States and the District of Columbia. Two cities also tax income, although at low rates. The Philadelphia tax applies only to the earned income of individuals and the net profits of professional and unincorporated businesses. Toledo imposes a similar tax but extends the base to include the net income of corporations. The rate in both cities is a flat one percent.

The widespread use of the income tax by the Federal Government and the States and its occasional use at local levels has focused attention on the need for intergovernmental coordination in this field. In recent years the income tax has become the most important single source of Federal revenue and is an important source of State revenue as well. During the fiscal year 1946, Federal income and profits tax collections amounted to $31.3 billion and accounted for 76.9 percent of total internal revenue collections. During that same period State corporation income taxes amounted to $436 million and individual income taxes to $395 million and together accounted for 16.9 percent of State tax revenues, excluding unemployment compensation taxes.

The imposition of duplicate levies on the same tax base, aside from adding to the tax burden, increases the cost of taxpayers' compliance (particularly for corporate taxpayers) and involves duplicate administrative costs for the taxing governments.

Exemptions and Rates

The income taxes imposed by the States show some resemblance to the Federal taxes but depart from them and from one another in sufficient degree to make for substantial diversity. Like the Federal tax, all State individual income taxes grant personal exemptions. (Table 2) The exemption is generally stated as a deduction from income but five States express the exemption in the form of a tax credit. The exemptions granted to a single person or to a married couple or head of family are generally higher than the $500 per capita exemption allowed for Federal income tax purposes.

However, in all but four States, the credit for dependents is lower than the $500 Federal exemption for dependents. The frequency distribution of the size of the personal exemptions and credits for dependents allowed under State income taxes as of July 1, 1947, is as follows:

Single person		Married couple or head of family		Dependents	
Amount of exemption	Number of States	Amount of exemption	Number of States	Amount of exemption	Number of States
$ 500	1	$ 1,200	1	$ 200	7
600	1	1,500	6	250	3
700	1	1,600	1	300	4
750	3	1,800	1	320	2
800	1	2,000	9	333	1
1,000	16	2,400	1	400	8
1,200	1	2,500	7	500	3
1,500	1	3,500	2	750	1
2,000	1	4,500	1		
2,500	2				
3,000	1				

Note: For the five States which express the exemption in the form of a tax credit, these credits have been converted into their deduction equivalents.

With few exceptions, the State income tax rate schedules are graduated, but none approaches the heights of the Federal schedule. The highest State rate is 15 percent levied at $15,000; 25 States go no higher than 7 percent, and 8 have maximum rates of less than 5 percent. In only 3 States does graduation reach beyond the $25,000 level. Approximately two-thirds of the States terminate graduation at the $10,000 level or below (Table 3).

Of the 31 States which tax corporate income 25 apply flat rates and 6 graduated rates. The rates are uniformly low, 8 percent being the maximum (Table 4). The frequency distribution of rates imposed under State corporate income taxes as of July 1, 1947 is as follows: 1/

	Rate (percent)									
	1.5	2	3	3.75	4	4.5	5	5.5	6	8
Number of States	1	5	4	1	7	2	3	1	5	2

1/ For the six States which apply graduated rates the maximum rate is used.

The foregoing catalogue of variations in Federal and State income taxation tends to exaggerate the state of anarchy in the field. A number of devices have been developed which are successful in achieving a substantial amount of coordination.

Mutual deductibility

Under Federal law, State income taxes are allowed as a deduction in computing net income for Federal income tax purposes. Similar provisions in approximately two-thirds of the States allow taxes paid to the Federal Government to be deducted in computing State tax liability. As a result of the deductibility feature of State and Federal laws, the combination of the Federal and State income tax rate cannot be confiscatory so long as neither rate alone is confiscatory. Thus the maximum effective rate of 85.5 percent under the Federal tax plus a maximum rate of 15 percent under the State tax would produce a combined rate of only 85.86 percent if reciprocal deductibility is in effect and of 87.68 percent if the Federal Government permitted but the State denied the deduction. Table 5 illustrates the effect of the deductibility feature of income taxes for a married man without dependents at selected income levels. In the case of a $250,000 income, for example, the effective rate of the Federal tax alone (assuming no State tax) is 76.5 percent. If the individual is also subject to the Minnesota tax which imposes an effective tax of 9.7 percent, the combined burden of both taxes, as a result of the deductibility provision of both laws, raises the combined tax liability over that due under Federal law by only 0.3 percent. In the case of a person subject to the New York income tax, which does not allow the Federal tax as a deduction, the combined Federal and State tax amounts to 77 percent.

In addition to reducing the overall burden on taxpayers residing in income tax States, deductibility has the further effect of minimizing interstate differentials in tax burdens. The combined effective rate of the Federal and State income taxes, especially in the higher income brackets, is not appreciably affected by the existence or nonexistence of a State tax. It will be noted by reference to Table 5 that the net effect of the 10-percent Minnesota tax on the total tax burden at the $1,000,000 net income level is only 0.2 percent.

Mutual deductibility is an effective coordination device particularly at the higher income levels, where a confiscatory rate might result from the combination of Federal and State taxes. 1/ This fact

1/ It should be noted that, as a result of the recent introduction of the 10 percent standard deduction (with an upper limit of $500) for purposes of computing Federal income tax liability, most taxpayers in income tax States with incomes of less than $5,000 do not have occasion to itemize the deduction of taxes paid to States; the majority of taxpayers with incomes below $10,000 are also in this category.

notwithstanding only one State (Idaho in 1941) has recently adopted a deductibility provision with respect to both individuals and corporations. Pennsylvania repealed the deductibility provision with respect to the corporate income tax in 1943, while in 1941 Wisconsin limited its deduction to 10 percent of net income in the case of corporations and 3 percent in the case of individual income taxpayers. (Table 6) Arkansas in 1947 limited its deduction to 50 percent of the Federal tax.

Uniformity of tax bases

Another factor which has made for coordination of Federal and State income taxes is the adoption of similar definitions of tax bases. While there are incidental variations which suffice to complicate appreciably the compliance problems of taxpayers, definitions of net taxable income in the several States do not on the whole differ markedly from one another or from the Federal definition. Several States use the Federal definition of "net income" for corporate tax purposes, with certain adjustments. 1/ The progressive individual income tax enacted by Vermont this year adopts the Federal definition of "net income" with certain adjustments, e.g., the exclusion of income expressly exempted from taxation by the States and the exclusion of capital gains and losses. It also adopts the Federal system of personal exemptions ($500 each for the taxpayer, his spouse, and each of his dependents), and uses the Federal definition of "dependent". 2/ The Federal definition of "adjusted gross income" is used (except for exclusion of capital gains and losses) and an optional simplified tax table is provided for all persons whose adjusted gross income is less than $5,000.

The adoption of uniform definitions of income by the States and the Federal Government would make the use of a joint Federal-State income tax return practicable. This would also clear the way for single administration of Federal and State taxes in the event that it was desired to eliminate duplicate administration. It should be kept in mind that the use of the same tax base and the same tax return would not necessarily require the various States to impose similar tax rates. Each State could continue to adjust its rates and exemptions to suit its own revenue needs.

In some cases, present differences between the Federal and the State tax bases are so small as to suggest that uniformity could be quite readily obtained. Some attempts have already been made to develop uniform definitions of net income with a view to making the

1/ Connecticut, Massachusetts, New York, Pennsylvania and Vermont.
2/ It differs from Federal law, however, in that an additional $500 exemption is allowed to persons over 65 years of age.

use of a joint State-Federal income tax return practical. Federal and New York State officials in particular did considerable work at the technical level toward this end some ten years ago but negotiations were not carried to completion. However, sufficient progress was made to hold out promise of ultimate success along this line. Uniform definition of the tax base and the use of common tax returns would open the way to Federal-State agreements for unified administration of the two taxes which would be practicable even if it were limited to only some of the States while others continued their present independent policy. Such a system was successfully employed in both Australia and Canada before the last war. In Australia, the Commonwealth administered the State tax in one State and in the other five, the States administered the Commonwealth Tax. In Canada the Dominion administered the taxes of three provinces.

State tax jurisdiction

The growing use of income taxes at the State level has aggravated the results of the application of different jurisdictional rules in the several States. The diversity of State laws in the determination of the tax base results in the taxation of the same income by more than one State and is one of the more troublesome aspects of multiple taxation. Under the individual income tax, varying definitions of "resident" result in an individual being subject to tax in more than one State on the same income. With respect to the corporation income tax, the great variety of formulas for apportioning income between the States makes possible both complete duplicate taxation and complete exemption.

The problem of jurisdiction has received considerable attention in recent years. States have been urged by the Council of State Governments to adopt uniform and reciprocal rules for the allocation of income arising from interstate transactions or income arising out of the State of domicile of the taxpayer. 1/ With respect to the specific problem arising in connection with the taxation of airlines, a special committee of the National Association of Tax Administrators drafted a statute embodying provisions for interstate allocation of airline tax bases for property and income tax purposes.

The Congress has also considered State jurisdictional issues arising in restricted fields. In the case of the individual income tax, it considered a proposal to eliminate multiple taxation of Federal compensation of Federal employees by limiting State taxes to the State of domicile. 2/ In the field of corporation taxes, the 78th Congress directed the Civil Aeronautics Board to develop

1/ Council of State Governments, "Wartime and Postwar Problems and Policies of the States," 1944, p. 44.

2/ The O'Hara Bill, H.R. 127, 80th Congress, 1st Session.

the means for eliminating multiple taxation of airlines. 1/ The CAB report recommended that the Congress prevent multiple taxation of airlines by providing a uniform basis for the determination of taxable situs and by setting up formulas for allocating the tax base among the States. 2/ The Bulwinkle Bill now pending in Congress follows closely the recommendations of the Civil Aeronautics Board report and proposes formulas for allocating the tax base of airlines among the States. 3/

Administrative cooperation

Recent years have witnessed substantial progress in income tax coordination through Federal-State and interstate cooperation in administration. Federal law now grants the States the privilege of inspecting income tax returns as well as returns for other types of taxes. Furthermore, the Federal Government furnishes copies of returns to the States on request and payment of a fee. Most of the States now make regular use of Federal income tax information and some informal cooperation between the administrative staffs also occurs. By far the most significant form of Federal assistance to State tax administrations is the special transcript services provided by the Bureau of Internal Revenue to the States at nominal expense. The States which arrange for this service automatically receive data on subsequent readjustments of Federal tax liability. This makes available to the States the benefit of Federal income tax enforcement, including audits. Exchange of information between States is also progressing.

State and local governments on their part assist the Federal Government in the administration of the income tax by acting as collecting agents in withholding the Federal income tax from salaries and wages paid by State and local governments.

Experienced State tax administrators anticipate further progress in coordination through administrative cooperation. The Council of State Governments, for instance, has proposed the enactment of both Federal and State legislation authorizing contracts between Federal and State administrative agencies to permit exchange of information and use of one another's personnel and other facilities. The Council has also sponsored State adoption of a model bill which would give tax administrators discretionary authority to make available on a reciprocal basis to officials of other States and the Federal Government tax reports, tax returns, auditors' investigations and related materials. Some of the States have already enacted enabling legislation of this type.

1/ Public Law 416, 78th Congress, 2nd Session.
2/ Civil Aeronautics Board, "Multiple Taxation of Air Commerce," 79th Congress, 1st Session, House Doc., No. 141.
3/ H.R. 1241, 80th Congress, 1st Session.

Canadian and Australian developments

The wartime experiences and postwar plans of Canada and Australia for fiscal coordination are of interest since these countries are in the process of working out somewhat similar problems but in a very different setting. The federal governments in Canada and Australia have greater powers than our Federal Government. Australia has six states; Canada has nine provinces. Australia's population is only about 1/20th and Canada's only about 1/12th of that of the United States. Finally, in a country the size of the United States with its great variations in industrial and economic patterns, the problems are much more complicated and difficult of solution. It is instructive to look at the experience of these countries even though their techniques have no immediate applicability to the United States.

In both Canada and Australia the coordination of federal and state income taxes has played an important part in the broader issues of fiscal coordination. Prior to the war, as noted above, coordination between the Commonwealth and the state income taxes in Australia and the Dominion and provincial taxes in Canada had been achieved by amalgamated administration. However, the problem of duplicating rates remained. As a war measure, the central governments in both countries preempted the income tax field for the duration of the war period and in return gave the states grants equal to their prewar revenue from this source. The central government justified its action on grounds of its need for revenue to finance the war and the usefulness of heavy income taxes in the control of inflation.

In working out postwar arrangements with their states (or provinces), the central governments of these two countries have met with varying degrees of success. In Australia, the central government indicated its intention at the January 1946 Premiers' Conference to continue the exclusive use of the income tax permanently. After long conferences the state representatives accepted this decision, but insisted on a revision of the reimbursement grants. It should be noted that whereas during the war period the grants given to the states for the use of the income tax were merely replacement grants equal to their prewar revenue from this source, the postwar arrangement employs an adjusted population basis which takes into account both the age distribution and the density of the population. Thus, the new basis involves an important geographic redistribution of revenues.

The Canadian Dominion-Provincial wartime tax agreements expired in the spring of 1947. In anticipation of the termination of these agreements, a Dominion-Provincial Conference was held in August 1945. In this conference, the federal government submitted a comprehensive program of fiscal coordination which included (1) a coordinated program of counter-cyclical public investment employing additional grants to the provinces, (2) a broad social security program with the federal government carrying a larger share of the cost, and (3) a reallocation of revenues under which the provinces would give up the income taxes and succession duties and would receive per capita grants which would be subject to adjustment for increases in population and gross national product.

Despite subsequent offers of liberalization of federal payments, no general agreement with the provinces could be reached primarily because of the opposition of Ontario and Quebec, and in June 1947 when the budget was presented, the federal government offered to negotiate five-year agreements with individual provinces. Agreements have been signed by three provinces (British Columbia, Manitoba, and Nova Scotia) and negotiations are under way with other provinces. It is expected that all will sign, except perhaps Ontario and Quebec. Their opposition appears to rest primarily on economic grounds, namely, that the federal plan would lead to a net transfer of income from their residents to residents of other provinces.

Coordination problem

The area of Federal-State conflict, particularly in the individual income tax field, is not as broad as appears at first sight. So long as personal exemptions provided by State laws are substantially higher than those under the Federal tax, a large number of taxpayers in the lower income levels will be subject to only one, the Federal tax. Moreover, the continued and expanded use of mutual deductibility provisions will preclude the imposition of confiscatory levies at the higher income levels. Such conflicts as exist in the income tax field can in large measure be resolved without a revolutionary change in the relationship of the Federal Government and the States through devices already tested and proved to be effective. These devices are adequate to enable the Federal and State governments to follow an integrated income tax program involving a minimum of administrative expense to the governments and a minimum of compliance costs to the taxpayers.

The State governments are well established in income taxation and rely primarily on this revenue source for progression in their tax systems. A program for intergovernmental coordination in this area, at least for the near future, should proceed on the assumption that both the Federal and State governments will continue in the field and that the passage of time will not of itself resolve the problem. Coordination will come largely through a positive program of cooperation pointed in the direction of (a) intensified Federal-State and interstate cooperation in tax administration, (b) more uniformity in the definition of tax bases, (c) wider use of deductibility provisions by the remaining States, and (d) resolution of jurisdictional conflicts between States.

Inheritance, Estate and Gift Taxes

Remarkably little development has occured in the death-gift tax field during the past five years. The structure and the rates of both State and Federal taxes have remained practically unchanged. During fiscal year 1946, the Federal estate and gift tax produced $676.8 million, or less than 2 percent of internal revenue collections. The State taxes on inheritance, estate and gifts produced that year $143 million, or less than 3 percent of State tax collections.

The striking feature of Federal-State relations in the death tax field is the crediting device, introduced in 1924 and amended in 1926, which enables taxpayers to claim taxes paid to States as a partial credit against Federal tax liability. The net effect of this device is that States are able to impose taxes on estates up to 80 percent of the Federal liability under the 1926 law without increasing the taxpayer's total tax burdens. Within this limit, State taxes have only the effect of preempting for the States revenue which otherwise would be payable to the Federal Government. The original purpose of the crediting device was to eliminate interstate competition for wealthy residents and to encourage uniformity in State death taxation. Interstate competition is no longer a consideration but in the realm of interstate uniformity less has been achieved. The crediting mechanism has not disposed of the problems of dual administration, multiple State taxation, and the excessive diversity which characterizes the overlapping system of death taxation. Most of the States have passed laws to take full advantage of the Federal credit, but the actual methods chosen by them differ considerably.

Types of State taxes

For more than a decade every State, except Nevada, has had some form of death tax. Four types of State death taxes are now in use: the inheritance tax, the estate tax independent of the Federal levy, the so-called differential estate tax (designed to absorb the difference between State duties otherwise imposed and the maximum credit allowed under the 1926 act) and the estate tax based on the Federal levy.

Table 7 indicates the types and combinations of death duties imposed by each of the States. Thirty-seven States levy inheritance taxes. Five have only this type of death duty. Thirty-one of the inheritance tax States have also enacted differential estate taxes. 1/ Rhode Island, which is one of the thirty-one States levying both an inheritance tax and

1/ Inheritance taxes are levied by the District of Columbia and the Territories of Hawaii and Alaska. The District of Columbia and Hawaii levy differential estate taxes as well.

a differential estate tax, imposes still a third death duty in the form of an independent estate tax. Oregon, the remaining inheritance tax State, does not levy a differential estate tax, but imposes an independent estate tax.

Ten States taxing the transfer of property at death do not levy inheritance taxes. Two of these, North Dakota and Utah, levy only an independent estate tax. Four, Alabama, Arkansas, Florida and Georgia, have enacted estate taxes conforming in their entirety to the provisions of the 1926 Federal estate tax. Mississippi's estate tax is based upon the provisions of the 1926 Federal tax, but the exemption is only $50,000, half of the amount allowed under the 1926 Federal tax. New York levies rates which are 100 percent of the 1926 Federal rates. 1/ Oklahoma levies an independent and a differential estate tax.

Effectiveness of crediting device

The foregoing diversity in the types and structure of death taxes results in wide interstate variation in death tax burdens. Only a very few States have confined their taxes to 80 percent of the 1926 Federal rates. Most States impose additional burdens on estates of less than $100,000 and also levy burdens in excess of the amount allowed as a credit against Federal tax on estates of more than $100,000.

In the decade following 1926, the Federal estate tax rates were increased several times, without a corresponding increase in the scope of the crediting provision, with the result that the States' share of total death tax revenues decreased. While the specific exemption under the 1926 Federal estate tax law (which serves as the basis for computing the State credit) is $100,000, the specific exemption under the present Federal estate tax law is $60,000. 2/ In consequence, no estate tax credit is at present permitted for taxes paid to States on the large number of federally taxable estates which amount to less than $100,000. Furthermore, since the Federal rates in the upper brackets of the estate tax rate schedule were increased, the relative share of death taxes subject to State credit on large estates has declined. Between 1931 and 1944 the percentage of Federal estate tax liability represented by credits claimed for taxes paid to the States declined from 76 to 10 percent.

The credit does not apply to the Federal gift tax, enacted in 1932. The Federal gift tax rates are three-fourths of the estate tax rates and a separate exemption of $30,000 is allowed for the gift tax. In addition, the gift tax provides for an annual exclusion of $3,000 per donee. Because

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1/ However, under the New York law, the specific exemptions ($20,000 for transfers to spouse and $5,000 to lineal ascendants and descendants and certain other named relatives) are taken out of the first bracket, which is fixed at $150,000.

2/ The $60,000 exemption was adopted in 1942 and replaced the former $40,000 exemption and $40,000 life insurance exclusion.

of the different Federal tax treatment accorded dispositions during life and dispositions at death, transfer tax liability varies appreciably depending upon when and how disposition is made. The amount of tax liability can be substantially reduced by systematic distributions of the property among the heirs during the lifetime of the transferor. Property so transferred is subject to the Federal gift tax and the crediting device is inoperative. To the extent that the lower rates under the gift tax encourage the distribution of estates during the lifetime of the owners, the amount of the estate subject to State taxes and the amount of State revenue is reduced.

In their efforts to increase collections from the transfer taxes and to maintain their relative position in the field, States have enacted gift taxes, as well as independent death taxes. The first State gift tax law was enacted in 1933, one year after the Federal tax became law, and by 1942, 12 States had entered this field (Table 7). In most States, gift and death tax rates are identical.

As a result of the States' efforts to increase their revenues, some of the Federal-State death tax coordination achieved by the introduction of the crediting device has now been dissipated. To remedy this situation it has been proposed that the crediting device be continued but that it be modernized and expressed in terms of the present Federal rates. The proposals usually suggest rates high enough to assure that most, if not all, of the States suffer no loss in revenue. Such action would probably restore some uniformity to the State laws and would lead to some simplification of administrative procedures. Under the present system an executor of an estate has to deal with both Federal and State (often more than one State) governments. Although joint appraisals and joint audits have been worked out on an informal basis in some States, there is no formal arrangement for joint administration.

State tax jurisdiction

An independent but equally difficult problem in the field of death taxation is the question of State jurisdiction to tax. Disputes concerning the taxpayer's domicile have led to the taxation of the same estate by more than one State. The United States Supreme Court in recent decisions has declined to accept the role of arbitrator in these disputes. In the absence of interstate comity, it has been suggested that the Federal Government assume the role of arbiter in this field. This suggestion stems from the thought that through the use of a liberal credit and suasion, the Federal Government might be able to stimulate the resolution of jurisdictional disputes.

Tobacco Taxes

The taxation of tobacco products has gradually developed into an example of extreme overlapping. The Federal Government has been in the field continuously since the Civil War. State taxation of tobacco is a comparatively recent development but has made rapid strides in the last few years. Iowa enacted the first State tobacco tax in 1921. By 1931 the number of States taxing tobacco had increased to 14 and during the next decade the number more than doubled to a total of 29 by 1941. The State tobacco tax continues to grow in importance, and some laws that began as temporary emergency measures have become permanent. At present 38 States have tobacco taxes, eight of which were enacted in 1947. A number of States increased their rates in 1947 and some States which had formerly imposed their taxes as emergency levies made them a permanent part of their tax system.

State taxes

State taxes on tobacco are very largely cigarette taxes; only 10 tax cigars and 9 tax some other form of tobacco products (smoking tobacco, chewing tobacco or snuff). Table 8 shows the States which tax cigarettes and the level of rates imposed. In addition, cigarettes are also taxed by a number of municipalities (Table 9). In some cases, the addition of a city tax makes tax administration "three-deep", as for example in Alabama, Florida and Georgia. The extent of State taxation of other tobacco products is indicated by Tables 10 and 11. States which have general sales taxes, but no special tax on tobacco, usually include tobacco in the base of sales tax. Most of the States which tax tobacco products also require the annual licensing of tobacco distributors, wholesalers, and retailers. In most cases these fees are imposed as aids to tax administration and are nominal in amount.

In terms of revenue significance, tobacco taxes are much more important in the Federal revenue system than in that of the States. In 1946 tobacco taxes ranked ninth as State revenue producers. However, they are increasing in importance. State collections in fiscal year 1946 were $199 million compared with $107 million in 1941 and $11 million in 1931. Federal tobacco taxes produced $1,166 million in the fiscal year 1946, when they accounted for 2.9 percent of internal revenue collections.

The measure of State cigarette taxes is usually expressed in terms of packages of a specified size or number of cigarettes. In only two cases is the tax based on retail price. The State cigar tax rates on the other hand are frequently graduated according to retail price. With few exceptions, the State tax on other forms of tobacco products is also based on retail price.

Administrative problems

The administration of tobacco taxes at the State level has serious limitations. Important among these is the lack of control over interstate shipments. Interstate parcel post shipments provide an important means of tax evasion. The National Tobacco Tax Conference, composed of State tobacco tax administrators, has been engaged for some time in an effort to evolve methods of meeting this form of evasion. Through cooperative efforts of State administrators, through the enactment of use taxes, and through the cooperation of tobacco manufacturers and wholesalers, some progress has been made, but the States are not satisfied with the effectiveness of their enforcement and are seeking Federal assistance in handling this problem.

The States have assisted each other through exchange of information on interstate shipments. For example, the Florida law requires all tobacco dealers to furnish the State administrator of tobacco taxes the names and addresses of all persons to whom they ship cigarettes, both in the State and out of the State. This list is furnished on a reciprocal basis to other States. The usefulness of such information to another State depends upon the form of its tax and the number of its enforcement officers. If the State has a use tax, it can collect the tobacco tax from the consumer provided it has enough inspectors and collectors. Some State administrators have gentlemen's agreements with larger manufacturers who undertake not to make shipments to individual consumers within the State but ship only to licensed wholesalers and retailers. Some States have enacted laws making possession of a certain number of unstamped cigarettes presumptive evidence that they are held for sale. 1/ In New York an investigating force is stationed at the terminals of the tubes and ferries to pick up persons importing tax-free cigarettes from New Jersey.

Enforcement measures devised by the States leave the bulk of the mail order problem unsolved. For several years the State administrators have urged Federal legislation which would make available to them the records of the Post Office Department. More recently the National Tobacco Tax Association has sponsored legislation which attempts to place responsibility on the Federal Government for enforcement of State taxes on tobacco involved in interstate shipments to persons other than licensed dealers. 2/ Under this legislation any person selling tobacco products in interstate

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1/ In New York, for example, possession of 1,000 cigarettes in unstamped packages and in Alabama possession of more than 30 packages of unstamped cigarettes is presumptive evidence that they are held for the purpose of evading the required taxes.

2/ H.R. 3345, 80th Congress, 1st Session, and a number of other similar bills.

commerce, who ships such products to persons other than licensed distributors in a State taxing the sale or use of tobacco products, would be required to forward to the tobacco tax administrator of the buyer's State monthly information regarding such shipments. Violation of the provision would be punishable by fine and imprisonment. The Secretary of the Treasury would be authorized to issue rules and regulations for enforcement.

The administration of State tobacco taxes is more difficult and costly than Federal administration primarily because the Federal tax is collected at the manufacturers' level, whereas the State taxes are collected from wholesalers, and in the case of retailers' purchases across State boundary lines, from retailers. 1/ In the case of out-of-State purchases by consumers, collection can be made only through the costly and cumbersome use taxes. Tobacco manufacturing is concentrated in the hands of a small number of companies and consequently the Federal tax involves only a small number of direct taxpayers. For the fiscal year 1941 the Bureau of Internal Revenue reported the cost of collection to be less than one-fifth of one percent (0.18 percent).

Coordination proposals

The coordination of tobacco taxes has been the subject of lengthy discussions, particularly among State officials. In 1934 the Graves-Edmonds plan, which offered a four-point program for coordinating Federal-State taxes, proposed that Congress provide for the distribution of 1 cent of the Federal cigarette tax to the States in proportion to population, provided that the States withdrew from the tobacco tax field. 2/ In January 1933, Chairman Doughton of the Ways and Means Committee introduced a resolution calling for the sharing of one-sixth of the Federal tax collections with the States along the lines of the Graves-Edmonds plan.

In 1942, the Intergovernmental Fiscal Relations Committee recommended that the Federal tax on cigarettes be increased to the extent of 2 cents per standard package and that the share of Federal revenues represented by this portion of the tax be distributed to the States (which withdraw from the field) on the basis of population, with urban areas given a weight of 150 percent.

1/ An important factor in State administration costs is the discounts on tax stamps given to the tobacco merchants or wholesalers. Discounts ranging from 5 to 10 percent are most common.

2/ F. S. Edmonds was a member of the Pennsylvania State Senate and Mark Graves was president of the New York State Tax Commission.

During the interval since the formulation of the above recommendation, State taxation of tobacco has become more widespread and varied and the problem of coordination more difficult. At that time, State sharing in Federal revenues in an amount corresponding to a 2 cent cigarette tax would have left most of the States at least as well off as they were on the basis of their own imposed tax. That situation no longer prevails.

The problem of intergovernmental fiscal relations in the tobacco tax field is not so much one of overlapping Federal-State taxation, as the inability of the States to efficiently administer their own taxes with respect to interstate shipments. So long as tobacco is taxed at relatively high rates in some of the States but not in others, tax considerations are bound to influence the movement of tobacco from States not imposing tobacco taxes to States which do. The Federal Government is unable to give appreciable assistance to taxing States in the administration of these taxes because the collection of Federal taxes and State taxes involves an entirely different group of taxpayers. The Federal tax is collected from a relatively few manufacturers; the State taxes from a large number of wholesalers and retailers. It has been suggested that the solution of this problem will ultimately require the withdrawal of the States from the field under an arrangement which will assure them of replacement revenues. In the immediate future, the scope of coordination will probably be limited to such administrative cooperation measures as the States are able to develop with one another.

Liquor Taxes

Prior to the repeal of the 18th Amendment, there were no liquor taxes in force in the United States. At that time, with a view to forestalling the development of unnecessary Federal-State conflict, a number of proposals were made that the manufacture of alcoholic beverages be taxed exclusively by the Federal Government and the revenues shared with the States. Such proposals were included, for example in the Fosdick-Scott study, 1/ the report of the Interstate Commission on Conflicting Taxation, 2/ and the Graves-Edmonds plan. No plan of coordination was adopted, however, and the Federal and State governments developed their separate alcohol control systems. In the space of little more than 10 years, so much variety has developed that it would require much space to describe in detail the country's taxes on alcoholic beverages. In the meanwhile, the revenues from this source have become an integral part of State fiscal systems, and more importantly, have become closely tied to the financing of specific functions. In consequence, any system of coordination which might now be proposed, must not only take due account of the varying revenue stakes of the several States in this field, but of the vested interests of specific functional groups as well.

In the fiscal year 1946, the Federal Government derived $2.5 billion from this source, which accounted for approximately 6 percent of all internal revenue collections. State governments collected $466 million or about 10 percent of their tax revenues.

State systems

Overlapping taxes extend to all three levels of government and take the form of specific excises levied on the three principal types of alcoholic beverages, distilled spirits, wine, and beer (Tables 12-14), as well as occupational license taxes imposed on the privilege of engaging in the various branches of the alcoholic beverage business. Although there are instances of municipal excises the imposition of excises at the local level is not common. 3/ Licenses are levied by

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1/ R. B. Fosdick and A. L. Scott, Toward Liquor Control, N.Y., 1933, p. 122.
2/ Conflicting Taxation, the 1935 Progress Report of the Interstate Commission on Conflicting Taxation, p. 6.
3/ Among the local excises are the following:

	Distilled spirits	Wine	Beer
Abbeville, Ala.			3¢ per 12 oz.
Birmingham, Ala.	2% of retail price	2% of retail price	
Jefferson County, Ala.			2¢ per 12 oz. or fraction thereof.
New Orleans, La.	40¢ per gal.	5¢ to 40¢ per gal.	40¢ per bbl.
Shreveport, La.		$1.50 per bbl.	$1.50 per bbl.
Baltimore, Md.	50¢ per gal.		
Garret County, Md.			2¢ on 12 oz. or less; 5-1/3¢ on 12 to 32 oz

either the State or local governments, and not infrequently by both. The largest license fees are for distillers and brewers, usually between $500 and $2,500 each, although a few States have much larger fees, as for example, the $7,500 license for Class A distillers in New York. Smaller fees are required of wholesalers, retailers, restaurants and hotels, and miscellaneous dispensers. These licenses while intended to be regulatory in character are not insignificant revenue producers and in the fiscal year 1946 produced approximately $66 million at the State level.

State rates on alcoholic beverages vary widely. The rates on beer range from 62 cents per barrel in several of the States to as much as $7.00 or more in two States. In general, however, the State rates on beer are far below the $8.00 per barrel Federal rate. In approximately one-third of the States, the beer tax ranges from $1.00 to $1.50 per barrel. In three-fourths of the States it is below $3.00 a barrel.

The State taxes on distilled spirits are also low, compared with the present Federal rate of $9.00 per gallon. In five States, the tax is less than $1 a gallon while in thirteen States it ranges from $1.00 to $1.50 and in ten other States it ranges from $1.50 to $3.00 per gallon. Of the 16 monopoly States, seven impose no tax and the remainder impose taxes, generally 10 percent of the retail selling price. North Carolina which has county-operated stores levies a State tax of 8-1/2 percent of retail price.

Because of the variations in methods of classifying wines under State taxes, it is difficult to compare State and Federal wine taxes. The Federal tax classifies still wines into 3 categories: (1) not more than 14 percent alcohol, (2) over 14 percent but not over 21 percent alcohol, and (3) over 21 percent but not over 24 percent alcohol, and applies rates of 15 cents, 60 cents, and $2.00, respectively, per wine gallon. Federal rates on artificially carbonated wine and sparkling wine are $2.00 and $3.00, respectively. Some of the States make no distinction between light and fortified wines and where distinctions are made the classes do not always correspond to those of the Federal tax. With respect to light wines (defined as containing not more than 14 percent alcohol) 11 of the States impose rates below the Federal rate of 15 cents. With respect to fortified wines (containing over 14 percent alcohol) only six States impose rates as high as the Federal rate of 60 cents.

Three States (Kansas, Mississippi and Oklahoma) have prohibition and allow only liquors of low alcoholic content to be sold. Sixteen States have alcoholic beverage monopoly systems and depend for revenues largely on profits from liquor sales rather than on taxes. In the fiscal year 1945 the net income of the 16 State monopoly systems amounted to more than $113 million.

Coordination problem

The present wide diversity in State liquor taxation practice constitutes a major obstacle to a program of coordination and more particularly to a system of State sharing in Federal collections such as was proposed at the time of prohibition repeal. Recent studies have recommended that the Federal Government and the States continue their separate paths in the taxation of alcoholic beverages exploiting independent and overlapping sources. 1/ These studies recognize that taxation of liquor is closely tied to regulation of liquor consumption which under the 21st Amendment and Federal legislation has been left entirely to State determination.

Existing circumstances make interstate variation in liquor taxation almost inevitable and confine to administrative cooperation the scope of the contribution which the Federal Government can make to coordination. Some measure of Federal-State administrative cooperation has already been achieved, particularly in the detection of illicit distilled spirits manufacturing. In the direct tax administration procedure less complete cooperation has been developed but the free exchange of enforcement information between the Federal Government and the States now in process of development holds some promise that the Federal Bureau of Internal Revenue can assist States in reducing their administrative costs and the compliance burdens imposed on taxpayers. State sovereignty in liquor consumption policy tends to produce wide interstate variation in taxation of liquor.

1/ Newcomer, Mabel, "The Federal, State and Local Tax Structure after the War," Proceedings of the American Philosophical Society, June 16, 1944. The Report of the Intergovernmental Fiscal Relations Committee while making no major recommendations does suggest that Federal occupational and license taxes should be eliminated but the licenses retained for administrative purposes (p. 514).

Gasoline Taxes

Extent of duplication

The gasoline tax was first introduced by the States, beginning with the Oregon law of 1919 and is now in universal use. Local gasoline taxes are imposed in seven States. The Federal Government did not enter the field until 1932. As a result of the taxation by three levels of Government, the combined rate in some cases is high, reaching $10\frac{1}{2}$ cents in some localties in Alabama and Mississippi compared with a $4\frac{1}{2}$ cent combined rate in four of the States and the District of Columbia. (Tables 15 and 16)

The gasoline tax has become one of the most important sources of State revenue. Collections in 1946 amounted to $900 million or more than the total yield of the State individual and corporate income taxes and accounted for 18 percent of total State tax revenues. Federal gasoline tax collections in 1946 were $406 million or less than one percent of total internal revenue collections.

The State gasoline tax has been developed largely as a benefit tax on highway users and has usually been earmarked for highway purposes. Most non-highway consumption of gasoline has been exempted from taxation or taxes paid thereon refunded. In many States gasoline taxes have been earmarked for servicing of highway debt. In 1940, 38 States used part of their gasoline taxes for servicing indebtedness. One-fourth of the States used over 20 percent of their motor fuel taxes for this purpose.

The Federal tax was introduced along with a number of other excises as an emergency measure, limited to one year, during the depression (in 1932), but has been repeatedly renewed. The original rate of 1 cent per gallon was increased to $1\frac{1}{2}$ cents from June 18, 1933 to January 1, 1934. At the end of that period it reverted to 1 cent and remained at that level until it was again raised to $1\frac{1}{2}$ cents in the Revenue Act of 1940.

Coordination proposals

Frequent proposals have been made for the repeal of the Federal gasoline tax. The Senate Finance Committee, in 1933 and 1935 recommended its elimination on the grounds that it was an unwarranted invasion of a field of taxation formerly reserved to the States. The Interstate Commission on Conflicting Taxation in 1933 and the Council of State Governments in 1937 urged the Federal Government to relinquish this source of revenue to the States. This proposal has been strongly supported by the States, by the petroleum industry, by highway

organizations and by some members of Congress. Recent research studies have also recommended the withdrawal of the Federal Government from the motor fuel tax field. The Intergovernmental Fiscal Relations Committee suggested that separation of sources in the motor fuel tax field might take the form of exclusive Federal taxation of fuel used in aviation and exclusive State taxation of other motor fuel. 1/ Two-thirds of the States now exempt aviation fuel from State taxation and the remaining States either have special aviation tax provisions or do not receive much revenue from this source.

The Civil Aeronautics Board in its report on Multiple Taxation of Air Commerce expressed the opinion that the States should refrain from the taxation of aviation fuel used in interstate commerce but indicated the desirability of having the Treasury study the problem for the purpose of working out some equitable relationship between the States and the Federal Government with respect to the taxation of motor fuel and aviation gasoline. The Bulwinkle Bill (H.R. 1241) now pending in Congress proposes to implement the suggestion of the Civil Aeronautics Board by instructing the Treasury to consult with the Governors and fiscal authorities of the States with respect to the State and Federal taxation of aviation fuel and recommend to Congress a program in this field.

A recent study of American highway policy concluded that the direct and clear-cut way to preserve a sharp line of distinction between appropriate spheres of the Federal and State Governments is to leave the States exclusive jurisdiction of the special motor-vehicle charges. Federal participation in highway financing would therefore be limited to such expenditures as can be justified in the general interest. 2/

The foregoing proposals proceed from the view that the Federal Government's participation in motor fuel taxation rests on weaker grounds than its participation in most other areas of taxation shared by Federal and State governments. The States entered this field of taxation more than a quarter century ago, a dozen years in advance of the introduction of the Federal gasoline tax. However, the consequences of dual taxation are perhaps less serious in the field of gasoline taxation than in almost any other in the realm of Federal-State duplication. However, the imposition of separate Federal and State taxes creates some administrative problems, and entails some addition to administrative costs or taxpayers'

1/ The recommendation presupposes that aviation gasoline will remain a product separate from motor vehicle gasoline.

2/ Charles Dearing, "American Highway Policy," The Brookings Institution, Washington 1942, p. 175.

compliance burdens because the taxes are imposed on different bases and are collected at different levels. The widespread use of this source by all of the States and interstate cooperation in administration have minimized State administrative problems associated with the movement of gasoline across State boundaries. However, since the States would welcome Federal withdrawal and appear desirous of being left exclusive use of this area, it may be well to explore the possibility of Federal withdrawal from motor fuel taxation in exchange for State withdrawal from another area. If timed to coincide with the overall revision of the Federal excise structure anticipated for the near future, such arrangement might make a significant contribution to postwar revenue revision. It would be necessary to give special consideration to the taxation of aviation gasoline, which, if not reserved for the Federal Government, might possibly be handled by requiring States, as one of the conditions of Federal withdrawal from motor fuel taxation, to agree to a line of policy calculated to minimize State imposed tax-impediments to interstate aviation.

Amusement Taxes

The Federal Government has levied taxes on admissions since 1917. The rate on general admissions had been 1¢ for every 10¢ or fraction thereof until the Revenue Act of 1943 (effective April 1, 1944) increased it to 1¢ for each 5¢ or major fraction thereof which is the approximate equivalent of a 20 percent rate. Most of the revenue acts prior to that of 1941 exempted admissions below a certain level. These exemptions in many cases were sufficiently high to cover the usual admission charges to motion picture theaters and thus did not affect the majority of theater admissions. 1/ The present tax, however, allows no exemption in terms of admission charges and a large portion of the yield (perhaps at least 80 percent) is derived from motion picture theater admissions. A Federal tax is also imposed on admissions to cabarets, roof gardens, etc. The rate, since July 1, 1944, has been 20 percent of the total charge to the patron, including amounts paid for admission, refreshments, services, etc. Special taxes are also applied to admissions sold in excess of established price and to the lease of boxes or seats.

In the fiscal year 1946 the Federal Government collected $343 million from taxes on general admissions (theaters, concerts, etc.) and $72 million from cabarets and roof garden admissions or a total of $415 million. This total compares with prewar yields of $71 million in 1941 and $21.9 million in 1940.

Types of overlapping taxes

State amusement taxation began with the Connecticut tax of 1921 which was levied as a supplement to the Federal tax (50 percent of the Federal tax). The use of the Federal tax as a base was apparently intended to simplify administration and compliance. The

1/ The following exemptions have been allowed:

Revenue Act of	Exemption
1917	5 - 10¢
1918	0
1921	10¢
1924	50¢
1926	75¢
1928	$3
1932-1939	40¢
1940	20¢
1941	0

increases in the Federal exemption in 1924, 1926 and 1928, however, resulted in important reductions in the base of the State tax and in 1929 Connecticut substituted a tax based on theater seating capacity.

Although amusements of one type or another are taxed in most of the States, general admissions taxes are imposed by less than half of the States. (Table 17.) Of the States which tax general admissions, more than half reach admissions through the general sales tax rather than through a specific excise. The rate applicable in sales tax States is in all cases 2 percent. In States which have specific excises on admissions the rate in several cases is 1 cent for each 10 cents or fraction thereof (which is the rate formerly imposed by the Federal Government).

A number of States impose a tax on admissions to selected classes of amusements such as boxing, wrestling, athletic exhibitions, and racing. The rates applied to gross receipts from boxing and wrestling range from 3 percent to 10 percent with 5 percent the most commonly used rate. Admissions taxes on horse racing are either flat amounts per admission (ranging from 10 cents to 20 cents) or a percentage of admission receipts ranging from 10 percent to 15 percent.

State collections from amusement taxes levied independently of the general sales taxes amounted to $11.9 million in 1946. No data are available with respect to amounts collected from amusements under the general sales taxes.

A number of cities impose amusement taxes and a few cities derive substantial revenue from such taxes. There is some indication of an increasing use of this tax at the local level. The State of Washington, which had a specific admission tax on public amusements, repealed this tax in 1943 and granted the cities and counties permission to levy such taxes. By February 1944, 65 Washington cities, including all those over 10,000 population, adopted admissions taxes. Table 18 presents available information regarding city admissions taxes.

There is also Federal, State and local overlapping with respect to taxes on certain special types of amusement, e.g., bowling alleys, billiard and pool tables, and coin-operated amusement and gambling devices. The former tax was first imposed by the Federal Government under the Revenue Act of 1914 but was repealed in 1926. It was re-enacted in 1941 along with a number of other excises. The present rate is $20 per table or alley per year. Some of the State and local governments also impose similar taxes. In some cases, the State tax is limited to areas outside of cities and towns, with the right to impose licenses in cities or towns left to the municipality. In other States, a minimum rate is prescribed, and sometimes a maximum rate (often high enough to permit a prohibitive tax), with power to fix the actual rate left to the cities or counties. The State rates generally fall within the range of $5 to $40 per table or alley per year.

The Federal tax on coin-operated amusement and gambling devices was also imposed under the Revenue Act of 1941. The present rates are $10 and $100, respectively, per year per machine. States and cities also tax such devices. State rates vary widely and in several cases reach $100 per year per machine and in the case of some cities also reach $100 per year per machine. Although State and city taxes are not in all cases overlapping, the combination of Federal-State or Federal-city rates may reach relatively high levels. Since these taxes, particularly at the State and local level, tend to be of a sumptuary nature and in some cases are clearly intended to be prohibitive, no particular issues have been raised as a result of the overlapping in this field.

Since an important part of State taxation of amusements results from the application of the general sales tax, the problem in this field is not so much one of amusement tax overlapping as one of overlapping between the State general sales taxes and Federal excise taxation. Because the State rates under the sales taxes are extremely low (2 percent in all cases), the overlapping in this field has attracted little attention.

Duplicate administration occurs only where the taxes are on the same base (chiefly where both tax theater admissions). Both Federal and State taxes are collected from the operators of the amusement enterprises. Legal incidence of the Federal tax on general admissions rests on the purchaser of the admission. 1/ In some of the States, authority for passing on the tax is found in permissive or mandatory statutes or in administrative regulations, but generally the proprietor is held ultimately liable. In some of the States the tax is collected from consumers as an addition to the price charged for admission. In others the tax applies to gross receipts from sales of admissions and may or may not be passed on to the consumer in the form of increased prices.

Nature of problem

The Intergovernmental Fiscal Relations Committee concluded, with respect to Federal-State overlapping, that "Amusement taxes seem to have been successfully applied at both levels, without conspicuous advantages for either, or major problems in the overlap." 2/ The Committee called attention, however, to the question which arises of whether the two taxes shall apply to prices before or after tax and indicated that the former procedure is usually followed.

1/ Legal incidence of the Federal cabaret tax, however, falls upon the proprietor.
2/ Committee Report, p. 545.

The expanding use of admissions taxes at the local level thus far has created no special problems. In only a few cases are city and State amusement taxes overlapping. Of the cities shown in Table 18 only those in Alabama, Missouri and West Virginia overlap State taxes and in the case of the Missouri cities the tax is of limited application.

All factors considered, there are no compelling reasons for an immediate coordination effort in the field of amusement taxations. Due partly to the fact that interstate commerce is not a consideration, State and municipalities are able to administer this group of taxes with reasonable success. Amusement taxation, can at best merit a low priority in a near-term program for Federal-State fiscal coordination.

Stock Transfer Taxes

The problem of Federal-State overlapping in the field of stock transfer taxes is of limited geographical significance. Although the Federal Government and six States 1/ impose stock transfer taxes, overlapping is primarily a Federal-New York problem as a result of the large concentration of security transactions in New York. Approximately 85 percent of the aggregate value of all transactions in stocks in the United States are effected in New York. These security transactions are subject to a Federal tax consisting of 5 or 6 cents per $100 or fraction thereof, depending on the market value of the shares sold, and a New York State tax of 1 cent to 4 cents per share, depending on the market value of the shares sold. 2/

A tax on stock transfers was imposed by the Federal Government during the Civil War, the Spanish-American War and the First World War. In the first two instances, the tax was repealed a few years after the end of the war. It became a permanent part of the Federal revenue system after the First World War. The State of New York has taxed security transfers since 1905, shortly after the repeal of the Federal tax of the Spanish-American war era.

While the role of the Federal Government in the taxation of security transactions rests on firmer foundations because of the nation-wide character of the security market and the control of these markets by the Federal Government, the taxation of security transfers by New York State has advanced to a point where revenue considerations are paramount. In fiscal year 1946, New York State received $26.6 million from this source. This was more than the total yield of its estate tax and was equal to approximately 4 percent of total State revenues (exclusive of unemployment compensation taxes). Federal revenues from the stock transfer tax amounted to $30 million in the fiscal year 1946.

1/ Florida, Massachusetts, New York, Pennsylvania, South Carolina, and Texas.

2/ When the selling price per share is less than $20, the Federal tax is 5 cents per $100 of par value, and on no par value stock, 5 cents per share. When the selling price is $20 or more per share, the rate is 6 cents per $100 of par value, and on no par value stock, 6 cents per share. The New York State tax is 1 cent per share when the selling price is less than $5; 2 cents when $5 to $10; 3 cents when $10 to $20; and 4 cents when $20 and over.

The combination of Federal and State stock transfer taxes has been levied for some years and while some complaints have been made by security brokers, no evidence has been presented to indicate that the dual levy has had an appreciable effect on the volume of security trading. This consideration coupled with the facts that the stock transfer tax is relatively simple to administer (by means of stamps) and that its double compliance and duplicate administrative cost aspects are not serious, lead most investigators to the conclusion that the problems arising from overlapping taxation in the field are of secondary importance.

State General Sales Taxes and Federal Miscellaneous Manufacturers' and Retailers' Excises

In addition to the overlapping which exists with respect to the specific excises discussed above, it should be noted that the general sales taxes now imposed by 27 States duplicate specific Federal manufacturers' and retailers' excises on a number of commodities and services. 1/ Table 19 summarizes the principal features of the State sales taxes. Most of the State taxes apply to retail sales of tangible personal property, but in general the tax is also extended to encompass certain services. Previous reference has been made to the taxation of amusements under the State sales taxes. A number of States apply the sales tax to selected public utility services. Duplication of the Federal taxes on transportation and communication services, for example, occurs in a number of States. In the case of the Federal taxes on communication, transportation, and general admissions, the liability is upon the person paying for the service and the person providing the service is required by law to collect the tax from the former.

Although only four of the Federal excises are retailers' excises (furs, jewelry, luggage, and toilet preparations), in the case of a number of the commodities subject to Federal manufacturers' excises it is the practice to bill the buyer at the retail level, separately for the excise tax. While legal liability for the tax is upon the manufacturer, the manufacturer, wholesaler and retailer quote the tax paid by the first party as a separate part of the selling price. The practice of separately stating the tax has long been employed in connection with certain Federal manufacturers' excises, as for example the gasoline tax. However, the practice increased recently, in connection with price control. Where a seller wished to pass on any increase in excises during price control, it was necessary to quote the tax separately. Subsequent to the end of price control, a number of producers and distributors have continued the practice of listing the amount of tax in quoting the price. This practice has made the consumer conscious of the duplication resulting from the Federal excises and the State sales tax.

While in this general field, the duplication between general sales taxes imposed by the States and selective excises collected by the Federal Government is of secondary importance in comparison with the economic impact of the Federal excises, the existence of the duplication will probably be one of the factors considered in connection with the re-examination of the Federal excise structure which the Congress is expected to undertake in connection with postwar tax revision.

1/ General sales taxes are also imposed by New York City and New Orleans and by more than 50 California cities. Other cities impose business license taxes based on gross receipts from retail sales, e.g., Salt Lake City, Utah; Seattle and Vancouver, Washington; and a number of West Virginia cities.

Table 1

Federal and State Tax Collections for fiscal year 1946
(Exclusive of payroll taxes)

(in millions of dollars)

Tax	Federal	State
Net income		
Individual	$ 18,705	$ 395
Corporate	12,462	436
Death and gift	677	143
Alcoholic beverages	2,526 1/	466 1/
Tobacco	1,166	199
Gasoline	406	900
Admissions	415	12 2/
Stock transfer	30	30
Other	2,584	2,338
Total	$38,971 3/	$4,919 3/

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Source: Federal: United States Treasury Department, <u>Treasury Bulletin,</u> June 1947; State: Bureau of the Census, "State Tax Collections in 1946," August 1946.

1/ Includes both excises and licenses.
2/ Collections from special admissions taxes. Excludes amounts collected from admissions under the general sales taxes.
3/ Exclusive of $1.7 billion Federal and $1 billion State payroll taxes.

Table 2

State Individual Income Taxes: Personal Exemptions and Credits for Dependents
July 1, 1947

States	Personal exemptions		Credit for dependents
	Single	Married or head of family	
Alabama	$2,500	$3,500	$300
Arizona	10 1/(1000)	20 1/(2000)	4 2/(320)
Arkansas	2,500	3,500	400
California	3,000 3/	4,500 3/	400
Colorado 12/	750	1,500	750
Delaware	1,000	2,000	200
Georgia	1,000	2,500	400
Idaho	700	1,500	200
Iowa	10 1/(1000)	20 1/(1500)	5 2/(250) 4/
Kansas	750	1,500	200
Kentucky	20 1/(1000)	50 1/(2500)	10 1/(500)
Louisiana 5/	1,000	2,500	400
Maryland	1,000	2,000	400
Massachusetts 6/	2,000	2,500	250
Minnesota	10 1/(1000)	30 1/(2000)	10 2/(333)
Mississippi	1,000	2,500	400
Missouri	1,200	2,400	400
Montana	1,000	2,000	300
New Hamphsire 7/	200	200	-
New Mexico	1,500	2,500	200
New York	1,000	2,500	400
North Carolina	1,000	2,000 8/	200
North Dakota	500	1,500	500
Oklahoma	1,000	2,000	500
Oregon 9/	750	1,500	300
South Carolina	1,000	1,800	200
Tennessee 7/	-	-	-
Utah	600	1,200	300
Vermont 10/	500	1,000	500
Virginia	1,000	2,000	200
Wisconsin 11/	8 1/(800)	17.50 1/(1600)	4 2/(320)
District of Columbia	1,000	2,500	400

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1/ Tax credit deductible from amount of tax rather than from net income. Sum in parenthesis expresses tax credit as income exemption on assumption that latter is always deducted from lowest income bracket.

2/ Tax credit deductible from amount of tax rather than from net income. Sum in parenthesis is the amount by which the first dependent raises the level at which a married person or head of family will first become taxable.

3/ Exemptions shown are applicable to taxable years beginning after Dec. 31, 1944 and before Jan. 1, 1948. Permanent exemptions are $2,000 and $3,500.

4/ In the case of a dependent father, mother or grandparent, the taxpayer may take a deduction of $300 in lieu of $5 tax credit.

5/ The exemptions and credits for dependents are deductible from the lowest income bracket and are equivalent to tax credits of $20, $50, and $8, respectively.

(Footnotes continued on following page)

Table 2

State Individual Income Taxes: Personal
Exemptions and Credits for Dependents, July 1, 1947, (Concluded)

6/ The exemptions shown consist of a specific exemption of $2,000 on earned income, in addition to a personal exemption on earned income of $500 for husband or wife and a credit for each dependent of $250. A person whose total income from all sources does not exceed $1,000 and whose income together with his spouse's does not exceed $1,500 may have an exemption of $1,000 on his property income.

7/ Tax applies only to interest and dividends.

8/ An additional exemption of $1,000 is provided for a married woman with a separate income.

9/ For taxable years beginning on or after January 1, 1947 the exemptions will be increased or decreased depending upon the approval or rejection of the sales tax by a referendum vote on October 7, 1947. If the sales tax is approved, the exemptions will be $900 and $1,800 and the credit for dependents $400; if rejected, the exemptions will be $500 and $1,000 and the credit for dependents will remain at $300.

10/ An additional $500 exemption is allowed to taxpayers over 65 years of age.

11/ For purposes of the surtax, an additional tax credit of $37.50 is allowed.

12/ Exemptions shown are applicable to the period May 1, 1947 to December 31, 1948. Permanent exemptions are $1,000 and $2,500 and the credit for dependents is $400.

Table 3

State Individual Income Taxes: Rates
July 1, 1947

State	Brackets of net income after personal exemption (in thousands of dollars) to which designated percentage rates apply																		
	0 to 1	1 to 2	2 to 3	3 to 4	4 to 5	5 to 6	6 to 7	7 to 8	8 to 9	9 to 10	10 to 11	11 to 12	12 to 15	15 to 20	20 to 25	25 to 30	30 to 50	50 to 100	Over 100
Ala	1.5	3.0	3.0	4.5	4.5	5.0													
Ariz	1.0	1.0	1.25	1.5	2.0	2.5	3.0	3.5	4.0	4.5									
Ark	1.0	1.0	1.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	5.0			
Calif 1/ 2/	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	3.0	4.0	5.0	6.0		
Colo 1/ 3/	1.0	1.0	2.0	2.0	3.0	3.0	4.0	4.0	5.0	5.0	6.0								
Del	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0								
Ga	1.0	2.0	2.0	3.0	3.0	4.0	4.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	7.0				
Idaho	1.5	3.0	4.0	5.0	6.0	8.0													
Ia 3a/	1.0	2.0	3.0	4.0	5.0														
Kans	1.0	1.0	2.0	2.5	2.5	3.0	3.0	4.0											
Ky 1/	2.0	2.0	2.0	3.0	4.0	5.0													
La	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	6.0	
Md 1/ 4/	Ordinary income, 2%; investment income, 5%																		
Mass 5/	Earned income, business income, and annuities, 1.5%; capital gains, 3%; interest and dividends, 6%																		
Minn 6/	1.0	2.0	3.0	4.0	5.0	6.0	6.0	7.0	7.0	8.0	8.0	8.0	9.0	9.0	10.0				
Miss	1.0	1.0	1.0	1.0	2.0	2.0	2.0	3.0	3.0	3.0	4.0	4.0	4.0	5.0	5.0	6.0			
Mo 7/	1.0	1.5	2.0	2.5	2.5	3.0	3.0	3.5	3.5	4.0									
Mont	1.0	1.0	2.0	2.0	3.0	3.0	4.0												
N. H.	Income from intangibles, average property tax rate																		
N. M.	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	4.0
N. Y. 8/	2.0	3.0	3.0	4.0	4.0	5.0	5.0	6.0	6.0	7.0									
N. C.	3.0	3.0	4.0	4.0	5.0	5.0	6.0	6.0	6.0	6.0	7.0								
N. D.	1.0	1.0	2.0	2.0	3.0	5.0	7.5	7.5	10.0	10.0	12.5	12.5	12.5	15.0					
Okla 1/ 9/																			
Ore 1/ 10/	3.0	4.0	5.0	6.0	7.0	7.0	7.0	7.0	8.0										

Continued on following page

Table 3
State Individual Income Taxes: Rates, July 1, 1947 (continued)

State	Brackets of net income after personal exemption (in thousands of dollars) to which designated percentage rates apply																		
	0 to 1	1 to 2	2 to 3	3 to 4	4 to 5	5 to 6	6 to 7	7 to 8	8 to 9	9 to 10	10 to 11	11 to 12	12 to 15	15 to 20	20 to 25	25 to 30	30 to 50	50 to 100	Over 100
S. C.	2.0	2.0	3.0	3.0	4.0	4.0	5.0												
Tenn 11/	Interest and dividends, 6%																		
Utah	1.0	2.0	3.0	4.0	5.0														
Vt 1/	1.0	2.0	2.0	3.0	3.0	4.0													
Va	1.5	1.5	1.5	2.5	2.5	3.0													
Wis 12/	1.0	1.25	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5	6.0	7.0						
D. C.	1.0	1.0	1.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0	2.5	3.0				

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1/ California, Colorado, Kentucky, Oklahoma, Oregon and Vermont provide an optional simplified tax table for individual with an adjusted gross income (defined the same as for Federal income tax purposes) of $5,000 or less. In computing the table, Colorado, Kentucky and Oklahoma allow a standard deduction of 10 percent while California and Oregon allow 6 percent. In addition, Colorado, Oklahoma and Oregon allow deduction of Federal income tax liability as determined by the Supplement T table.
Maryland provides an optional simplified tax return for individuals whose gross income is $5,000 or less and consists only of salary, wages, or compensation for personal services; or dividends, interest and annuities not in excess of $100. The return allows a 10-percent standard deduction.

2/ The rates shown apply to the taxable years beginning after December 31, 1942 and before January 1, 1948. The permanent rates are:

1st - $ 5,000	1%	$15,001 - $20,000	4%
5,001 - 10,000	2	20,001 - 25,000	5
10,001 - 15,000	3	Over - 25,000	6

3/ Gross income in excess of $200 derived from dividends, royalties, and interest is subject to a 2 percent surtax. For the period May 1, 1947 to December 31, 1948 the following temporary rates are applicable:

1st - $ 1,000	1%	$3,000 - $ 4,000	2½%	$ 6,000 - $7,000	5%	$9,000 - $10,000	8%
1,000 - 2,000	1½	4,000 - 5,000	3	7,000 - 8,000	6	10,000 - 11,000	9
2,000 - 3,000	2	5,000 - 6,000	4	8,000 - 9,000	7	Over 11,000	10

3a/ The amount of tax payable under these rates was reduced by 50 percent for the taxable years 1942-1946.

Table 3
State Individual Income Taxes: Rates, July 1, 1947 (concluded)

4/ Effective January 1, 1948, the rate on ordinary income will be 2.5 percent.
5/ A temporary additional tax equal to 10 percent of the tax is applicable to the years 1936 through 1948. A second additional tax equal to 3 percent of the tax is applicable to 1942 and succeeding years.
6/ The rates are 8 percent on the bracket $9,001 to $12,500 and 9 percent on the bracket $12,501 to $20,000.
7/ The rates apply to total income, not merely to the portion of net incomes falling within a given bracket, but as a result of the following tax credits, the schedule in effect is a bracket rate schedule:

$1,001 - $2,000	$5	$5,001 - $7,000	$ 55
2,001 - 3,000	15	7,001 - 9,000	90
3,001 - 5,000	30	Over 9,000	135

8/ The tax payable under these rates was reduced by 25 percent for the taxable years 1941-1944 and by 50 percent for 1945 and 1946. Capital gains are taxed at one-half the regular rates. Income from unincorporated business is taxed at 3 percent.
9/ The rates are:

1st $ 1,500	1%	4,501 - $6,000	4%
1,501 - 3,000	2%	6,001 - 7,500	5%
3,001 - 4,500	3%	Over 7,500	6%

10/ The first $500 is taxed at 2 percent.
11/ The rate applicable to dividends from corporations having at least 75 percent of their property subject to the Tennessee ad valorem tax is 4 percent.
12/ Surtax: Normal tax less $37.50 divided by 6.

Table 4

State Corporation Net Income Taxes: Rates
July 1, 1947

State	Rate
Alabama	3%
Arizona	First $1,000 1% $1,001 - $2,000 2% 2,001 - 3,000 2½% 3,001 - 4,000 3% 4,001 - 5,000 3½% 5,001 - 6,000 4½% Over 6,000 5%
Arkansas	First $3,000 1% $3,001 - $6,000 2% 6,001 - 11,000 3% 11,001 - 25,000 4% Over 25,000 5%
California	4% 1/
Colorado	5% 11/
Connecticut	2% (or alternative minimum tax) 2/
District of Columbia	5%
Georgia	5½% (or alternative minimum tax) 3/
Idaho	First $1,000 1½% $1,001 - $2,000 3% 2,001 - 3,000 4% 3,001 - 4,000 5% 4,001 - 5,000 6% Over 5,000 8%
Iowa	2%
Kansas	2%
Kentucky	4%
Louisiana	4%
Maryland	1½% 4/
Massachusetts	4% 5/
Minnesota	6%
Mississippi	First $4,000 1% $4,001 - $7,000 2% 7,001 - 10,000 3% 10,001 - 15,000 4% 15,001 - 25,000 5% Over 25,000 6%
Missouri	2%
Montana	3% 6/
New Mexico	2%
New York	4½% (or alternative minimum tax) 7/ plus tax on allocated subsidiary capital 8/
North Carolina	6%
North Dakota	First $3,000 3% $3,001 - $8,000 4% 8,001 - 15,000 5% Over 15,000 6%
Oklahoma	4%
Oregon	8%
Pennsylvania	4%
South Carolina	4½% (or alternative minimum tax) 9/
Tennessee	3-3/4%
Utah	3% (or alternative minimum tax) 10/
Vermont	4%
Virginia	3%
Wisconsin	Normal tax: First $1,000 2% $1,001 - $2,000 2½% 2,001 - 3,000 3% 3,001 - 4,000 3½% 4,001 - 5,000 4% 5,001 - 6,000 5% Over 6,000 6% Surtax: equal to normal tax less $75 divided by 6

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Footnotes on following page.

Table 4

State Corporation Net Income Taxes: Rates, July 1, 1947 (concluded)
Footnotes

1/ For taxable years beginning after December 31, 1942 and before January 1, 1948, the amount of tax payable under this rate is reduced by 15%.
2/ The alternative tax is: 1 mill per dollar of the sum of interest-bearing debt, capital stock, surplus, undivided profits and reserves, less deficit and stocks and securities held. Minimum tax, $10.
3/ The alternative tax is: 2% of a base consisting of net income plus salaries paid to officers and to stockholders holding more than 5% of stock, less $10,000.
4/ Effective January 1, 1948, the rate will be 4%.
5/ Includes the additional 1½% applicable to the years 1947-1950. A temporary additional tax equal to 10% of the tax is applicable to the years 1936-1948. A second additional tax equal to 3 percent of the tax is applicable to 1942 and subsequent years.
6/ Minimum tax, $5.
7/ The alternative taxes are: (a) 4½% of 30% of a base obtained as follows: (entire net income plus compensation paid to officers and holders of more than 5% of issued capital stock) minus ($5,000 plus net loss for the reported year), or the portion of such amount allocated to the State; or (b) one mill per dollar valuation of allocated business and investment capital. Minimum tax, $25.
8/ The rates on subsidiary capital are: First $50,000,000, ½ mill per dollar, $50,000,001 - $100,000,000, ¼ mill per dollar, over $100,000,000, 1/8 mill per dollar.
9/ The alternative tax is: 3% of a base obtained as follows: (entire net income plus compensation paid to officers and to stockholders owning in excess of 5% of issued capital stock) minus ($6,000 and deficit for year).
10/ The alternative tax is: 1/20 of 1% of the value of the tangible property within the State. Minimum tax, $10.
11/ The 5% rate is applicable to the period May, 1, 1947 to December 31, 1948. The permanent rate is 4%.

Table 4

State Corporation Net Income Taxes: Rates, July 1, 1947 (concluded)
Footnotes

1/ For taxable years beginning after December 31, 1942 and before January 1, 1948, the amount of tax payable under this rate is reduced by 15%.
2/ The alternative tax is: 1 mill per dollar of the sum of interest-bearing debt, capital stock, surplus, undivided profits and reserves, less deficit and stocks and securities held. Minimum tax, $10.
3/ The alternative tax is: 2% of a base consisting of net income plus salaries paid to officers and to stockholders holding more than 5% of stock, less $10,000.
4/ Effective January 1, 1948, the rate will be 4%.
5/ Includes the additional 1½% applicable to the years 1947-1950. A temporary additional tax equal to 10% of the tax is applicable to the years 1936-1948. A second additional tax equal to 3 percent of the tax is applicable to 1942 and subsequent years.
6/ Minimum tax, $5.
7/ The alternative taxes are: (a) 4½% of 30% of a base obtained as follows: (entire net income plus compensation paid to officers and holders of more than 5% of issued capital stock) minus ($5,000 plus net loss for the reported year), or the portion of such amount allocated to the State; or (b) one mill per dollar valuation of allocated business and investment capital. Minimum tax, $25.
8/ The rates on subsidiary capital are: First $50,000,000, ½ mill per dollar, $50,000,001 - $100,000,000, ¼ mill per dollar, over $100,000,000, 1/8 mill per dollar.
9/ The alternative tax is: 3% of a base obtained as follows: (entire net income plus compensation paid to officers and to stockholders owning in excess of 5% of issued capital stock) minus ($6,000 and deficit for year).
10/ The alternative tax is: 1/20 of 1% of the value of the tangible property within the State. Minimum tax, $10.
11/ The 5% rate is applicable to the period May, 1, 1947 to December 31, 1948. The permanent rate is 4%.

Table 5

Federal and State Income Tax Liability (Effective Rate)
for a Married Man without Dependents, at Selected Net Income Levels 1/

Net Income before Personal Exemption 2/	Effective rate of tax				
	New York 3/	Minnesota (assuming no deduction for Federal tax)	Federal (assuming no State tax)	Combined Federal and New York 3/	Combined Federal and Minnesota 4/
$ 2,000	-	-	9.5%	9.5%	9.5%
3,000	.2%	1.0%	12.7	12.8	13.2
5,000	.7	2.4	16.0	16.5	17.2
10,000	1.5	4.6	21.9	22.8	23.9
25,000	2.7	7.3	36.3	37.5	38.1
50,000	3.1	8.7	49.6	50.6	50.8
100,000	3.3	9.3	63.1	63.7	63.7
250,000	3.4	9.7	76.5	77.0	76.8
500,000	3.5	9.9	81.5	82.0	81.7
1,000,000	3.5	9.9	84.0	84.4	84.2

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1/ United States Internal Revenue Code, as amended by the Revenue Act of 1945, applicable to 1946 and subsequent years; New York and Minnesota income tax laws applicable to taxes paid in 1946.

2/ Prior to allowable deductions for income taxes. The Federal Government allows taxpayers to deduct State income taxes in computing net taxable income for Federal purposes, and similarly Minnesota allows deduction of the Federal tax in computing the State tax. New York does not allow deduction of the Federal income tax in computing the State tax.

3/ Takes into account the 50-percent reduction in taxes paid in 1946.

4/ Takes account of reciprocal deductibility under Federal and Minnesota taxes.

Table 6

State Income Taxes: Deductibility of Federal Income Taxes from Gross Income in Computing Net Income 1/
July 1, 1947

State	Individual income tax	Corporation income tax
Alabama	yes	yes
Arizona	yes	yes
Arkansas	yes 1a/	yes 1a/
California	no	no
Colorado	yes	yes
Connecticut	None imposed	no
Delaware	yes	None imposed
District of Col.	no	no
Georgia	yes	yes
Idaho	yes	yes
Iowa	yes	yes
Kansas	yes	yes
Kentucky	yes	yes
Louisiana	yes	yes
Maryland	no	no
Massachusetts	Earned income and business income - yes Interest, dividends, annuities and capital gains - no	no
Minnesota	yes	yes
Mississippi	no	no
Missouri	yes	yes
Montana	yes	yes
New Hampshire	no 2/	None imposed
New Mexico	yes	yes
New York	no	no
North Carolina	no	no
North Dakota	yes	yes
Oklahoma	yes	yes
Oregon	yes	no
Pennsylvania	None imposed	no
South Carolina	no	no
Tennessee	no 2/	yes
Utah	yes	yes
Vermont	yes 3/	no
Virginia	no	no
Wisconsin	yes 4/	yes 4/

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1/ In general, each State which permits the deduction of Federal income taxes limits such deduction to taxes paid on that part of income subject to its own income tax. 1a/ The deduction may not exceed 50% of the Federal tax.
2/ The tax applies only to intangibles.
3/ The deduction may not exceed $500.
4/ The deduction is limited to 3 percent in the case of non-corporate taxpayers and 10 percent in the case of corporations.

Table 7

Types of State Death Taxes

July 1, 1947

1. Inheritance tax only

Idaho	South Dakota	West Virginia	Alaska
Illinois		Wyoming	

2. Estate tax based on Federal levy

Alabama	Arkansas	Georgia	New York
Arizona	Florida	Mississippi	

3. Inheritance and differential estate tax

Connecticut	Kentucky	Missouri	Ohio	District of Columbia
Delaware	Maine	Montana	Pennsylvania	Hawaii
Indiana	Maryland	Nebraska	South Carolina	
Iowa	Massachusetts	New Hampshire	Texas	
Kansas	Michigan	New Jersey	Vermont	
		New Mexico		

4. Inheritance and differential estate tax (also gift tax)

California	Minnesota	Virginia
Colorado	North Carolina	Washington
Louisiana	Tennessee	Wisconsin

5. Inheritance and independent estate tax (also gift tax)

   Oregon

6. Independent estate tax

   North Dakota
   Utah

7. Independent and differential estate tax (also gift tax)

   Oklahoma

8. Inheritance, independent and differential estate tax (also gift tax)

   Rhode Island

9. No transfer tax

   Nevada

Treasury Department, Division of Tax Research

Table 8

State Cigarette Excise Taxes

July 1, 1947

(Per standard package of 20 cigarettes)

1 cent	2 cents	2½ cents	3 cents
West Virginia	Arizona	New Hampshire 2/	Alabama
	Iowa		Connecticut
	Kentucky 1/		Georgia
	Montana		Idaho
	Nevada		Illinois
	New York		Indiana
	Ohio		Kansas
	Oregon 4/		Michigan
	Utah		Minnesota
	Vermont		Nebraska
	Washington 3/		New Mexico
	Wisconsin		North Dakota
			Rhode Island
			South Carolina
			South Dakota
			Tennessee 3/
			Texas

4 cents	5 cents	6 cents
Florida	Louisiana	Arkansas
Maine	Oklahoma	
Massachusetts		
Mississippi		
Pennsylvania		

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1/ The statutory rate is 1 cent for each 10 cents of the retail price or fractional part thereof.
2/ The statutory rate is 15 percent of the retail price.
3/ If the retail selling price for each cigarette is more than 1 cent, the tax in Tennessee is 15 percent, and in Washington 20 percent, of the sales price.
4/ This tax will not go into effect until approved by a referendum vote on October 7, 1947.

Table 9

City Cigarette Excise Taxes *

(Per standard package of 20 cigarettes)

July 1, 1947

1 cent	$1\frac{1}{2}$ cents	2 cents
Alabama	Florida	Alabama
Decatur 1/	Chipley 2/	Abbeville
Northport 1/	Marianna 3/	Anniston
Ragland 1/	Panama City 4/	Attalla 1/
Tuscaloosa 1/		Bessemer 1/
		Birmingham 1/
Florida		Gadsden
De Funiak Springs 6/		Mobile County 5/
Fort Myers		Montgomery 1/
Pensacola		Prattville
Wewahitchka		Tarrant City 1/
Maryland		Colorado
Baltimore		Denver
West Virginia		Florida
Wheeling		Miami
		Missouri
		Columbia
		Excelsior Springs
		Jefferson City
		Kansas City
		Moberly
		Richmond
		St. Joseph
		St. Louis
		Nebraska
		Omaha
		Virginia
		Richmond

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* The list of cities shown here is not necessarily complete.

Footnotes on next page.

Table 9

City Cigarette Excise Taxes (Concluded)

Footnotes

1/ In the "police jurisdiction" which is outside of, but within three miles of the corporate limits of the city, not including territory within any other incorporated municipality, the rate is half the city rate.

2/ If the retail selling price per package is 10 cents or less, the tax is 1 cent; if more than 10 cents per package, the rate is 1-1/2 cents.

3/ The statutory rate is 1 cent for the first 10 cents of the retail price plus 1/2 cent for each additional 5 cents or fraction thereof of the retail price.

4/ If the retail price per package is 14 cents or less the tax is 1 cent; if more than 14 cents, the rate is 1-1/2 cents.

5/ The statutory rates are as follows:
Cigarettes measuring 3 inches or less in length and weighin not over 3 pounds per 1,000, 1 cent per 20 cigarettes;
Cigarettes measuring over 3 inches but not over 6 inches in length and weighing not over 6 pounds per 1,000, 2 cents per 20 cigarettes;
Cigarettes measuring over 6 inches in length and weighing over 6 pounds per 1,000, 4 cents per 20 cigarettes.

6/ The statutory rate is 1 cent per 15 cents or fraction thereof of the retail price.

Sources: Commerce Clearing House, Corporation Tax Service; A. M. Hillhouse and Muriel Magelssen, Where Cities Get Their Money, Municipal Finance Officers Association, Chicago, 1945; Tax Institute, Tax Policy, November 1946; Public Management, February 1947; National Tobacco Tax Association, Proceedings of the Twentieth Annual Conference, 1946.

Table 10

State Excise Taxes on Cigars

July 1, 1947

State	Weighing not more than 3 pounds per 1,000	Weighing more than 3 pounds per 1,000		
	Tax per 1,000	Intended retail price: over	Intended retail price: not over	Tax per 1,000
Alabama	$ 1.00		9¢	$ 1.00
		9¢	14¢	4.00
		14¢	20¢	5.00
		20¢		10.00
Arizona	1.00		5¢	3.33-1/3
		5¢		10.00
Georgia	1.00		3-1/3¢	1.00
		3-1/3¢	5¢	2.00
		5¢	8¢	3.00
		8¢	10¢	5.00
		10¢	20¢	10.00
		20¢		13.50
Louisiana	.75		5¢	2.00
		5¢	8¢	3.00
		8¢	15¢	5.00
		15¢	20¢	20.00
		20¢		27.00
Maine	20 percent of retail price			
Mississippi	1¢ for each 5¢ of retail price or fractional part thereof.			
New Hampshire	15 percent of the retail price			
New Mexico	1.00	6¢		10.00
Oklahoma	1.00		3-1/3¢	5.00
		3-1/3¢		10.00
South Carolina	1.00		3-1/3¢	3.00
		3-1/3¢		10.00
Tennessee	1.00		3-1/3¢	1.00
		3-1/3¢	5¢	2.00
		5¢	9¢	3.00
		9¢	10¢	5.00
		10¢	20¢	10.50
		20¢		13.50

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Table 11

State Excise Taxes on Smoking and Chewing Tobacco and Snuff

State	Smoking Tobacco	Chewing Tobacco	Snuff
Alabama	1¢ per 5¢ retail price or fraction thereof	½¢ per 5¢ retail price or fraction thereof	½¢ per 5¢ retail price or fraction thereof
Arizona	1¢ per ounce or major fraction thereof	1¢ per ounce or major fraction thereof 1/	1¢ per ounce or major fraction thereof
Louisiana	1¢ per 5¢ retail price or fraction thereof		
Maine	20% of retail price	20% of retail price	20% of retail price
Mississippi	1¢ per 5¢ retail price or fraction thereof		
New Hampshire	15% of retail price	15% of retail price	15% of retail price
North Dakota			2¢ per 1-1/4 ounce or fraction thereof
Oklahoma	20% of factory list price	20% of factory list price	
South Carolina	1¢ per 5¢ retail price or fraction thereof	1¢ per 3 ounces or fraction thereof	1¢ per 3 ounces or fraction thereof
Tennessee	5% of retail price	5% of retail price	5% of retail price

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1/ Cavendish is taxed at the rate of ¼¢ per ounce or fraction thereof.

Table 12

State Excise Taxes on Distilled Spirits 1/- July 1, 1947

(per gallon)

50¢ to $1.00	$1.00 to $1.50	$1.50 to $2.00	$2.00 to $3.00
California	Arizona	Colorado	Arkansas
Missouri	Connecticut	Florida	Indiana
Nebraska	Delaware	Louisiana	South Carolina
Nevada	Georgia	New Jersey	Tennessee
South Dakota	Illinois	New York	
	Kentucky	North Dakota	
	Maryland		
	Massachusetts		
	Minnesota		
	New Mexico		
	Rhode Island		
	Texas		
	Wisconsin		
5 States	13 States	6 States	4 States

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1/ Three States (Kansas, Mississippi, and Oklahoma) prohibit the sale of liquors of alcoholic content above 3.2% (4% in Mississippi). Sixteen States have liquor monopoly systems (Alabama, Idaho, Iowa, Maine, Michigan, Montana, New Hampshire, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, Washington, West Virginia, and Wyoming). Some of the monopoly States impose taxes, generally expressed in terms of a percentage of retail price. Vermont, however, imposes a tax of $2.80 per gallon and thus falls in the group of States with highest taxes. North Carolina has county operated stores in counties which vote in favor of their operation and the State imposes a tax of 8½ percent of retail price.

Table 13
State excise taxes on wines 1/
July 1, 1947

Light wines
(per gallon)

1¢ to 10¢	10¢ to 15¢	15¢ to 20¢	20¢ to 30¢	30¢ to 40¢	40¢ to 60¢	60¢ and over
California	Colorado	Illinois	Minnesota	Arizona	Florida	Arkansas
Missouri	Connecticut	Nebraska	Delaware	North Carolina	Georgia	South Carolina
Rhode Island	Louisiana	Nevada	Kentucky	North Dakota	Indiana	Tennessee
Wisconsin	Massachusetts	South Dakota	Maryland			
			New Mexico			
	New Jersey					
	New York					
	Texas					
4 States	7 States	4 States	5 States	3 States	3 States	3 States

Fortified wines
(per gallon)

1¢ to 10¢	10¢ to 20¢	20¢ to 30¢	30¢ to 40¢	40¢ to 60¢	60¢ and over
					Arkansas
California	Massachusetts		Arizona	Illinois	Florida
	Missouri	Colorado		Indiana	Georgia
Rhode Island	New Jersey	Connecticut	South Dakota	Nebraska	South Carolina
	New York	Delaware		North Dakota	Tennessee
	Wisconsin	Kentucky			Minnesota
		Louisiana			
		Maryland			
		Nevada			
		New Mexico			
		Texas			
2 States	5 States	9 States	2 States	4 States	6 States

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1/ Classifications of wines under State taxes vary widely. For purposes of this table, wines containing not more than 14 percent alcohol are classified as light wines and those containing over 14 percent are classified as fortified wines. Three States (Kansas, Mississippi and Oklahoma) prohibit the sale of liquors of alcoholic content above 3.2 percent (4 percent in Mississippi). Sixteen States have liquor monopoly systems: Alabama, Idaho, Iowa, Maine, Michigan, Montana, New Hampshire, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, Washington, West Virginia and Wyoming. Some of the monopoly States impose taxes on wines. North Carolina has county operated stores in counties which vote in favor of their operation and the State imposes a tax of 8-1/2 percent of retail price on distilled spirits and fortified wines sold in these stores.

Table 14

State Excise Taxes on Beer - July 1, 1947

(per 31-gallon barrel)

50¢ to $1.00	$1.00 to $1.50	$1.50 to $2.00	$2.00 to $3.00
California	Connecticut	Kentucky	Arizona
Colorado	Delaware	Louisiana	Indiana
Maryland	Illinois	New Mexico	Minnesota
Missouri	Massachusetts		North Dakota
Nevada	Michigan		Ohio
Wyoming	Montana		Pennsylvania
	Nebraska		South Dakota
	New Jersey		Virginia
	New York		West Virginia
	Oregon		Iowa
	Rhode Island		
	Texas		
	Washington		
	Wisconsin		
6 States	14 States	3 States	10 States

$3.00 to $4.00	$4.00 to $5.00	$5.00 to $8.00
Alabama	Arkansas	Florida
Idaho	Georgia	Mississippi
New Hampshire	Maine	Oklahoma
North Carolina	South Carolina	
Tennessee	Utah	
Vermont		
Kansas		
7 States	5 States	3 States

Table 15

State Gasoline Tax Rates, July 1, 1947

2¢	3¢	4¢	4.5¢	5¢
Missouri	Dist. of Columbia	Connecticut	California	Arizona
	Illinois	Delaware	Vermont	Kentucky
	Massachusetts 1/	Indiana		Montana
	Michigan	Iowa		Nebraska
	New Jersey	Kansas		New Mexico
		Maryland		Oregon
		Minnesota		Washington
		Nevada 2/		West Va. 1/
		New Hampshire		
		New York		
		North Dakota		
		Ohio		
		Pennsylvania 1/		
		Rhode Island		
		South Dakota		
		Texas		
		Utah		
		Wisconsin		
		Wyoming		
1	5	19	2	8

5.5¢	6¢	6.5¢	7¢
Oklahoma	Alabama	Arkansas	Florida 1/
	Colorado 1/		Louisiana
	Georgia		Tennessee
	Idaho 1/		
	Maine		
	Mississippi		
	North Carolina		
	South Carolina		
	Virginia		
1	9	1	3

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1/ The rates shown for the following States include temporary rates of indicated amounts which expire on the dates shown: Colorado, 2 cents, July 1, 1953; Idaho, 1 cent, March 1, 1949; Pennsylvania, 1 cent, May 31, 1949; Florida, West Virginia, 1 cent, July 1, 1949; and Massachusetts, 1 cent, June 30, 1952.

2/ Nevada imposes an additional 1½ cents levy during the period July 1, 1947 to June 30, 1949 for the benefit of county and city road purposes in those counties which approve the additional tax.

Table 16

Frequency distribution of Local Gasoline Tax Rates
August 1, 1946

State 1/	Municipalities							Counties			
	1/10¢	¼¢	½¢	1¢	1½¢	2¢	Total	1¢	2¢	3¢	Total
Alabama 2/			4	146	2	17	169	7		1	8
Florida				3			3				
Mississippi									2	1	3
Missouri	1	1	27	26			55				
Nevada				1			1				
New Mexico			8	23			31				
Wyoming	—	—	2	2	—	—	4	—	—	—	—
Total	1	1	41	201	2	17	263	7	2	2	11

Treasury Department, Division of Tax Research

Source: American Petroleum Industries Committee of the American Petroleum Institute, mimeograph dated August 29, 1946.

1/ The States in which these municipalities or counties are located impose the following rates: Alabama 6¢, Florida 7¢, Mississippi 6¢, Missouri 2¢, Nevada 4¢, New Mexico 5¢, Wyoming 4¢.

2/ Rates apply only in the town or city. Rates in the police jurisdiction are, in most cases, lower. In general they are half the city or town rates.

Table 17

State Taxes on Amusements 1/

January 1, 1947

State and legal citation	Tax applicable to 2/	Tax rate and measure	Exemptions 3/
Alabama *	Amusement operators	2% of gross receipts	
Arkansas *	Sales of admissions to places of amusement	2% of gross receipts	Admissions of 12 cents or less; activities of non-profit organizations; fairs
Connecticut	Operators of theaters (including moving picture shows)	Ranges from 25¢ a day for seating capacity of less than 500 to $8 a day for capacity of 2,500 or more	None specified
Iowa *	Sales of admissions to places of amusement and athletic events	2% of gross receipts	Admissions of 14 cents or less; activities of non-profit organizations; fairs
Kansas *	Sales of admissions to places of amusement	2% of gross receipts	Admissions of 14 cents or less; activities of non-profit organizations; fairs
Kentucky	Sales of admissions to places of amusement 4/	Tickets costing — Rate: 11¢ - 18¢ — 1¢ 19¢ - 28¢ — 2¢ 29¢ - 38¢ — 3¢ 39¢ - $1.00 - 3¢ plus 1¢ additional for each 10¢ or fractional part in excess of 38¢ $1.01 and over - 10¢ plus 1¢ additional for each 25¢ or fractional part in excess of $1.00	Admissions of less than 11¢; first 50¢ of admissions to athletic contests; race tracks (taxed at 15¢ per admission); municipal bathing beaches and pools; admissions where 75% of the gross receipts are to be used exclusively for charitable, religious, and educational purposes; dramatic or musical productions presented by civic organizations in municipal parks.

(Continued)

Table 17

State Taxes on Amusements (Continued)

State and legal citation	Tax applicable to 2/	Tax rate and measure	Exemptions 3/
Louisiana	Operators of theaters, moving picture shows, skating rinks, and similar places of amusements.	Ranges from $10 on gross annual receipts of less than $2,500 to $2,750 on gross receipts of $550,000 or more	None specified
Maryland	Amusement operators	½ of 1% of gross receipts; passes or reduced rates an additional tax: admission not in excess of 50¢, 5¢; 51¢-$1,00, 10¢; over $1.00, 15¢	Activities of non-profit organizations
Mississippi	Amusement operators	1¢ for each 10¢ or fraction of admissions over 25¢; ½¢ for each 10¢ or fraction of admissions of 25¢ or less	Activities of non-profit organizations; fairs; athletic games between high schools and grammar schools
Missouri *	Sales of admissions to places of amusement	2% of admission paid	None specified
Montana	Operators of moving picture theaters	1¼% of gross receipts in excess of $3,000 per quarter	Activities of non-profit organizations
North Dakota *	Sales of admissions to places of amusement	2% of gross receipts	Admissions of 10 cents or less; activities of non-profit organizations; fairs
Ohio	Amount received for admission to places of amusement	3% of admission paid	Activities of non-profit organizations; agricultural fairs; benefits for war veterans, municipal fire or police depts, municipal corporations (if admission price is 40¢ or less)

(Continued)

Table 17

State Taxes on Amusements (Continued)

State and legal citation	Tax applicable to 2/	Tax rate and measure	Exemptions 3/
Oklahoma *	Sales of admissions to places of amusement	2% of gross receipts	Fairs; church activities
South Carolina	Admissions to places of amusement	1¢ for each 10¢ or fraction of admission paid	Moving picture theaters and public bathing beaches (both of which are otherwise taxed) activities of non-profit organizations; fairs, amateur performances; athletic contests of colleges, schools
South Dakota *	Sales of admissions to places of amusement	2% of gross receipts	Admissions of 14¢ or less; activities of non-profit organizations; fairs
Tennessee	Operators of theaters, moving picture and vaudeville shows	3% of gross receipts; 4% if they operate bank night, lottery, or similar system	None specified
Texas	Amusement operators	1¢ on each 10¢ or fraction of admission where admission exceeds 51¢ per person; Season tickets: 10% of amt. paid; Complimentary tickets: Same as on other tickets Racing: 1¢ on each 10¢ or fraction	Admissions of 51¢ or less, except in case of admissions to racing; activities of non-profit organizations
Utah *	Amount paid for admission to places of amusement	2% of admission paid	State fairs
West Virginia*	Sales of admissions to places of amusement	2% of gross receipts	Admissions under 5¢; activities of non-profit organizations where no professional talent is hired
Wyoming *	Amount paid for admission to places of amusement	2% of admission paid	Admissions of 24¢ or less

Treasury Department, Division of Tax Research

(Footnotes on next page)

Table 17

State Taxes on Amusements (Concluded)

Footnotes

1/ This tabulation excludes:

(a) business licenses or inspection fees,

(b) taxes assessed upon amusement operators under the Indiana and West Virginia gross income taxes, the New Mexico gross receipts taxes, the Arizona and North Carolina general sales taxes, and

(c) taxes of limited application such as those restricted to horse racing, boxing and wrestling matches.

Ten States impose taxes on admissions to horse races: Arkansas, Delaware, Florida, Illinois, Kentucky, Louisiana, Nebraska, New Jersey, New Mexico and New York.

Gross receipts from boxing and wrestling matches are taxed in: California, Delaware, Idaho, Illinois, Indiana, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Montana, Nebraska, New Jersey, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Texas, Virginia, Washington, West Virginia and Wisconsin. In most States the rate is 5% of gross receipts. In other States the rate is either 3% or 10% of gross receipts.

2/ State taxes on amusements are collected in the first instance from operators of amusement places. In most cases they add the tax to the price of admission. Authority for passing on the tax is found in some cases in mandatory or permissive statutes and in other cases in administrative regulations.

3/ In the case of the States marked with an asterisk, the exemption shown in terms of price of admission results from the operation of the bracket system under the sales tax.

4/ In places of entertainment where food or drink are served and professional entertainers are employed, the tax is 25% of the total charge or cover charge whichever is greater.

* Amusements are taxed under the general sales tax.

Table 18

City Taxes on Amusements 1/

January 1, 1947

City	Base	Rate
Alabama		
Bay Minette	Admission price, motion picture theaters	5%
Bessemer	Admission price	
	15¢ or less	1¢
	Over 15¢	2¢
Clanton	Per admission	2¢
Gadsden	Admission price	10%
Mobile	Admission price	10%
Piedmont	Admission price (in excess of 10¢) motion picture theaters	10%
Talladega	Admission price	10%
California		
Bakersfield	Per admission (in excess of 15¢)	1¢
San Bernardino	Per admission	3¢
San Diego	Per admission	1¢
Stockton	Per admission	2¢
Georgia		
Augusta	Admission price	
	$5 or less	1¢ per 50¢ or fraction thereof
	Over $5	2%
Savannah	Admission price	
	$5 or less	1¢ per 50¢ or fraction thereof
	Over $5	2%
Missouri		
Hannibal	Gross receipts, theaters and other places of amusement	2%
Kansas City	Gross receipts, wrestling and boxing, professional concerts, public halls (but not theatres and motion picture shows)	5%
St. Louis	Admission price, sports	3%
New York 2/		

(Continued)

Table 18

City Taxes on Amusements (Concluded)

City	Base	Rate
Pennsylvania		
Philadelphia	Admission price	1¢ per 10¢ or fraction thereof 3/
Virginia		
Falls Church	Per admission	2¢
Norfolk	Admission price (in excess of 4¢)	1¢ per 10¢ or fraction thereof
Richmond	Admission price	5%
Washington 4/		
Bellingham	Admission price	1¢ per 20¢
Everett	Admission price	1¢ per 20¢
Seattle	Admission price	1¢ per 20¢
Sedalia	Admission price	5%
Spokane	Admission price	1¢ per 20¢
West Virginia		
Charleston	Per admission	1¢
Clarksburg	Admission price	1¢ per 50¢ or fraction thereof

Treasury Department, Division of Tax Research

Sources: Commerce Clearing House, Corporation Tax Service; A.M. Hillhouse and Muriel Magelssen, Where Cities Get Their Money, Chicago, 1945 (and 1947 Supplement); Public Management, January and December, 1946; Federation of Tax Administrators, Amusement Taxes, Mimeograph RM-241, March 19, 1946.

1/ The data shown here were obtained from several sources (indicated above) and are not necessarily complete.

2/ The New York legislature in March 1947 authorized counties (except the counties in which New York City is located) and New York City to impose taxes not in excess of 5 percent on admissions to theaters and other places of amusement (except race tracks, boxing and wrestling matches) and roof gardens and cabarets.

3/ In the case of roof gardens, carbarets and night clubs, a tax of 5 percent is applied to 50 percent of the total charge to the patron including amounts paid for admission, refreshments, etc.

4/ The State of Washington repealed its amusement tax in 1943 and granted permissive authority to city and county governments to levy such taxes. Latest available data indicates that approximately 65 cities, including all those having a population greater than 10,000 have adopted admissions taxes.

Table 19

State Sales Taxes: Types and Rates
July 1, 1947

State	Type of tax 1/	Use tax	Rates on retail sales: Tangible personal property	Automobiles	Amusement places	Restaurants	Public utilities	Rates on receipts from other specific sources
Ala.	Retail sales	x	2	1/2 2/	2	2		
Ariz.	General sales		2	2	2	1	1	Manufacturing, preparation for sale of agricultural and horticultural products, slaughtering animals for food, sales of feed to poultrymen or stockmen for own use, 1/4%; extracting, processing, printing and publishing, contractors, advertising, 1%; hotels, apartment houses, office buildings, and garages, credit and collection agencies, 2%.
Ark. 3/	Retail sales		2	2 2/	2	2	2 4/	Printing and photography, 2%.
Calif.	Retail sales	x	2-1/2	2-1/2		2-1/2		
Colo.	Retail sales	x	2	2		2	2 5/	
Conn.	Retail sales	x	3	3		3		
Ill.	Retail sales		2 6/	2 6/			3 5/	
Ind.	Gross income		1/2	1/2	1	1/2	1	All other income, 1%, except that received from wholesales, display advertising, and industrial processing, 1/4%; drycleaning and laundering, 1/2%.
Iowa	Retail sales	x	2	2 7/	2	2	2 4/	
Kans.	Retail sales	x	2	2	2	2	2 4/	
La.	Retail sales	x	1 8/	1		1		
Md.	Retail sales	x	2			2	2 9/	
Mich.	Retail sales	x	3	3		3	3 9/	
Miss.	Gross receipts	x	2 10/	1 11/		2	2 12/	Wholesaling, 1/8%; manufacturing, 1/8-1%; contractors, 1%; extracting, 2-2½%; all other businesses and professions not specifically exempted, 2%.
Mo.	Retail sales		2	2	2	2	2 4/	
New Mex.	Gross receipts	x	2 8/	1 11/	2	2	2	Wholesaling, 1/8% extracting, 1/2 or 2%; processing and manufacturing, 1/4 or 1/2%; contractors, 2%; real estate commissions, factors, agents, brokers, advertising, personal and professional services, 2%.

(Continued)

Table 19 - Continued

State Sales Taxes: Types and Rates
July 1, 1947

State	Type of tax 1/	Use tax	Rates on retail sales: Tangible personal property	Automobiles	Amusement places	Restaurants	Public utilities	Rates on receipts from other specific sources
N.C. 13/	General sales	x	3	3	3	3		Wholesaling, 1/20%.
N. Dak.	Retail sales	x	2	2	2	2	2 4/	
Ohio	Retail sales	x	3 8/	3		3		
Okla.	Retail sales	x	2	2 14/	2	2	2 15/	Printing and publishing, advertising, hotel service, auto storage, 2%.
R. I.	Retail sales	x	1	1		1	1 4/	
S. Dak.	Retail sales	x	2	2	2	2	2 4/	
Tenn.	Retail sales	x	2	2		2		
Utah	Retail sales	x	2	2	2	2	2 16/	
Wash.	Retail sales	x	3 8/	3		3		
	Gross receipts		1/4	1/4		1/4		Wholesalers (except wholesalers of wheat, oats and barley, which are 1/100%), extractors, manufacturers, printers and publishers, 1/4%; all other businesses and professions not specifically exempted, 1/2%.
W. Va.	Retail sales		2 8/	2	2	2		All services except personal and professional services and public utility services, 2%.
	Gross income		1/2	1/2	65/100	1/2	1.3-5.2	Wholesaling, 195/1000%; extracting, 1.3-7.8%; manufacturing, 39/100%; contractors, 2%; industrial loan companies 1%; all other businesses not specifically exempted, 1%.
Wyo.	Retail sales	x	2 8/	2	2	2	2	

Treasury Department, Division of Tax Research

Footnotes on following page.

Table 19 - Concluded

State Sales Taxes: Types and Rates
July 1, 1947

Footnotes

1/ Type of tax: (1) Retail sales - imposed upon sales of tangible personal property at retail or for consumption. In most States applies also to admissions and restaurant and public utility sales.
(2) General sales - applies to wholesaling, extractive industries and manufacturing in addition to sales at retail.
(3) Gross receipts - includes sales of public services and personal and professional services in addition to transactions and receipts under (1) and (2).
(4) Gross income - applies, in addition to all transactions and receipts under (1), (2), and (3), to receipts from non-business activities such as wages and salaries of employees, interest, rents and dividends.

2/ Applies to new automobiles only.
3/ Rates in cities or incorporated towns bordering other States same as that in adjoining State.
4/ Applies to all public utilities except transportation, in Missouri, all except transportation of freight.
5/ Applies to telephone and telegraph services, gas and electricity sales. In Illinois the rates on utilities are imposed under a separate act.
6/ The 2% rate is applied to 98% of gross receipts.
7/ Sales of new motor vehicles are taxed under the use tax and are exempt from the sales tax while sales of used motor vehicles are taxed under the sales tax.
8/ Tax applies to rentals as well as sales.
9/ Applies to gas and electricity only.
10/ The rate on retail sales of pasteurized milk is 1%.
11/ Applies to automobiles, trucks and tractors.
12/ The rate on industrial sales of gas and electricity is 1%.
13/ Maximum tax of $15 on a single article.
14/ The sales tax specifically exempts sales of motor vehicles but a special excise tax of 2% is levied upon the transfer of ownership and the use of a vehicle registered in the State and upon the use of a vehicle registered for the first time in the State.
15/ Applies to all public utilities except water and transportation of freight.
16/ Specifically excluded are street railway fares and intra-state movements of freight and express.