Treas
HJ
10
.A13P4
V.71

U.S Treasury Dept.

Press Treasury

LIBRARY
ROOM 5030

JUN 14 1972

TREASURY DEPARTMENT

TABLE OF CONTENTS

Bill offering 1
January 2, 1948 S-582

Snyder New Year's statement 2
January 1, 1948 S-583

Snyder bond buying to combat inflation 3
December 31, 1947 S-584

Snyder denial Internal Revenue agents active in commodity markets 4
January 3, 1948 S-585

Snyder commends Joseph M. Dodge, ABA, anti-inflation program . 5
January 5, 1948 S-586

Statistics of Income for 1945, Part 1 6
January 9, 1948 S-587

Bill tenders 14
January 6, 1948 S-588

Benjamin Franklin half dollar to be issued 15
January 7, 1948 S-589

Debt limitation 19
January 8, 1948 S-590

Bill offering 20
January 9, 1948 S-591

Snyder statement on ERP, Senate Foreign Relations Committee . 21
January 14, 1948 S-592

Bill offering 25
January 13, 1948 S-593

Bill tenders 26
January 13, 1948 S-594

Consolidated Returns and Intercorporate Dividends tax study . . 27
January 9, 1948 S-595

Market transactions 56
January 15, 1948 S-596

Customs: Philippine commodities 57
January 16, 1948 S-597

Customs: Wheat 58
January 16, 1948 S-598

Italy, Bulgaria, Hungary, Rumania not "enemy nationals" . . . 59
January 16, 1948 S-599

Customs: Import commodities 60
January 16, 1948 S-600

Customs: Cotton 61
January 16, 1948 S-601

Snyder statement, Ways-Means Committee, on HR 4790 . . . 63
January 16, 1948 S-602

Bill tenders 87
January 17, 1948 S-603

1-1/8% Certificate offering, Series B-1949 88
January 20, 1948 S-604

Snyder statement, ERP, House Committee on Foreign Affairs 91
January 21, 1948 S-605

Bill offering 95
January 23, 1948 S-606

Bill tenders 96
January 27, 1948 S-607

"Trial of Coins", Philadelphia Mint 97
January 28, 1948 S-608

Savings bonds used investments in private companies contrary to their purpose, says Snyder 98
January 29, 1948 S-609

Bill offering 99
January 30, 1948 S-610

Subscription figures on 1-1/8% Certificates 100
January 29, 1948 S-611

Snyder letter to Vandenberg on financial aspects of ERP . . . 101
February 2, 1948

Bill tenders 105
February 3, 1948 S-612

Schoeneman statement on subversive organizations 106
February 4, 1948 S-613

Federal Reserve Banks to make telegraphic transfer on bonds 107
February 4, 1948 S-614

Bill offering 108
February 6, 1948 S-615

Customs seizures of contraband narcotics 109
February 8, 1948 S-616

Counterfeit currency seizures, $2,100,000 in France 112
February 9, 1948 S-617

Seizures of firearms 114
February 10, 1948 S-618

Smuggling seizures 117
February 12, 1948 S-619

Quotas on fish filled 119
February 6, 1948 S-620

Debt limitation 120
February 10, 1948 S-621

Bill tenders 121
February 10, 1948 S-622

Security Loan Drive to start April 15 through June 30 122
February 12, 1948 S-623

Snyder address, Jefferson-Jackson dinner, Newark 124
February 19, 1948 (Democratice National Committee release)

Bill offering 131
February 13, 1948 S-624

Tax collections continue to set new records 132
February 15, 1948 S-625

Snyder address, Chicago World Trade Conference: "World Trade - A Necessary Component of our Economy" 134
February 16, 1948 S-626

Snyder remarks Poor Richard Club, citation of merit 141
February 17, 1948

Snyder address, Association of Stock Exchange Firms, Atlanta .. 143
February 13, 1948 S-627

Customs: Cotton 150
February 11, 1948 S-628

Customs: Philippine commodities 152
February 11, 1948 S-629

$75,000 salary list; calendar '44, fiscal '45; calendar '45, fiscal 1946 153
February 20, 1948 S-630

Savings Bonds issued-Redeemed during January, 1948 165

Customs: Wheat 166
February 11, 1948 S-631

Customs: Quota commodities 167
February 11, 1948 S-632

Market transactions 168
February 16, 1948 S-63 3

Bill offering 169
February 17, 1948 S-634

Bill tenders 170
February 17, 1948 S-635

1-1/8% Certificate offering, Series C-1949 171
February 18, 1948 S-636

Eight appointments to National Academy for Public Purchasing 175
February 22, 1948 S-637

Bill tenders 177
February 21, 1948 S-638

Bill offering 178
February 27, 1948 S-639

Wiggins letter to Knutson on49 tax recommendations 179
February 26, 1948

Federal Excise Taxes on Tobacco tax study 185
February 27, 1948 S-640

Potatoquota 75% filled 229
February 26, 1948 S-641

Subscription figures on 1-1/8% Certificates 230
February 27, 1948 S-642

Snyder statement, Senate Finance Committee, on HR 4790 . . 231
March 1, 1948 S-643

Bill tenders 259
March 2, 1948 S-644

Freezing controls removed from $5,000 blocked accounts . . 260
February 27, 1948 S-645

Blocked foreign funds transferred to Department of Justice . 261
March 1, 1948 S-646

Debt limitation 263
March 4, 1948 S-647

Bill offering 264
March 5, 1948 S-648

Customs: Philippine commodities 265
March 10, 1948 S-649

National bank assets 266
March 3, 1948 S-650

Wiggins, House Committee on Agriculture: Oleomargarine Taxes . 270
March 8, 1948 S-651

Bill tenders 281
March 9, 1948 S-652

Snyder address Alpha Tau Amega banquet, Cleveland 282
March 8, 1948 S-653

Customs: Wheat 291
March 10, 1948 S-654

Customs: Quota commodities 292
March 10, 1948 S-655

Customs: Cotton 293
March 10, 1948 S-656

Banks to transfer withheld taxes to war loan accounts 295
March 11, 1948 S-657

Bill offering 296
March 12, 1948 S-658

Market transactions 297
March 15, 1948 S-659

Bill tenders 298
March 16, 1948 S-660

Bonds issued-Redeemed During February, 1948 299

Snyder address Savings Bonds Conference, D. C. 300
March 18, 1948 S-661

Limitation on E Bonds raised from $5,000 to $10,000 304
March 18, 1948 S-662

Statistics of Income for 1945, Part 2 309
March 25, 1948 S-663

Bill offering 318
March 19, 1948 S-664

Elting Arnold appointed Asst. General Counsel 319
March 19, 1948 S-665

1-1/8% Certificate offering, Series D-1949 320
March 22, 1948 S-666

Clarence A. McLaughlin appointed to Excess Profits Tax Council . 323
March 22, 1948 S-667

Bill offering 324
March 23, 1948 S-668

Bill offering 325
March 25, 1948 S-669

Snyder statement on agreement on ITO charter 326
March 25, 1948 S-670

Termination of guaranteeing loans 328
March 26, 1948 S-671

Snyder, Subcommittee on House Committee on Post Office and Civil Servies, HR 5523, to provide annuities for Treas. 329
March 31, 1948 S-672

Bill tenders 331
March 30, 1948 A-673

Subscription figures on 1-1/8% Certificates 332
March 30, 1948 S-674

Seed potato quota 81% filled 333
March 31, 1948 S-675

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 2, 1948.

Press Service
No. S-582

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 January 8, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated January 8, 1948, and will mature April 8, 1948, 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, January 5, 1948. 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 January 8, 1948, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 8, 1948. 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.

TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS
Thursday, January 1, 1948.

Press Service
No. S - 583

Secretary Snyder today issued the following New Year's statement:

Nineteen hundred and forty-seven has been a year of new records for our Nation. Most of them have been good.

Our task now is to try to make 1948 a year of good records only. We can do this if Government, business, labor, and agriculture will all pull together.

Large backlogs of demand for many types of goods still exist; and there is no reason why 1948 should not be a year of new production records. Our main task is to prevent it from becoming a year of new inflationary records also.

As the New Year approaches, I would like to emphasize strongly the value of national thrift. It is most important at this particular time that we make every effort to protect and conserve our national assets and our natural resources.

Conservation and savings form a powerful reserve of strength; offer incentives to greater fields of endeavor; enable the full realization of opportunity; and provide the necessary security for troublesome times.

Individual saving is our most potent weapon in combating inflation. I want to take the occasion of this New Year's day to ask every American who can do so, consistent with his responsibilities, to set a goal of substantial savings for 1948. This is a good time to save money, both from the point of view of the Nation and of the individual saver.

-0o0-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, December 31, 1947.

Press Service
No. S-584

Secretary of the Treasury Snyder today reminded bond holders and bond buyers generally of the fact that the Treasury is urging individuals to buy more Savings Bonds as a means of combatting inflation.

The campaign to increase the sale of Savings Bonds is being stimulated in various ways. In furtherance of this campaign, the Secretary has decided to permit individual holders of the Series C-1938 Savings Bonds, which start maturing January 1, 1948, to reinvest the proceeds, as they mature, in the Series E Savings Bonds which are currently on sale, without regard to the annual limitation. This can be accomplished through the established payment and issue procedure, and the Series E bonds so acquired will be exempt from the $5,000 (maturity value) annual limitation on holdings of Series E bonds. Holders will be permitted to reinvest any part of the proceeds of their maturing bonds up to such denominational amount as the proceeds will fully cover. Since Series E bonds may be purchased only in the names of individuals, only those Series C-1938 Savings Bonds held by individuals will be eligible for this privilege.

Any agent qualified to pay Savings Bonds, which is also an issuing agent, can accomplish this exchange through the simple procedure of redeeming matured bonds registered in the name of an individual owner or coowner, and applying the proceeds to the purchase of new Series E bonds. The bonds may also be exchanged, of course, at any Federal Reserve Bank or Branch, or at the Treasury Department.

The new bonds will be dated as of the first day of the month in which the matured Series C-1938 Savings Bonds are presented for payment. In order to preserve the continuity of the investment, individual holders of the maturing bonds should present them for exchange during the month in which they mature.

The Secretary took occasion to express appreciation for the splendid response of the people of the country to the Treasury's Savings Bond program. He also expressed his confidence that people will divert their spending dollars to Savings Bonds to the fullest extent, in recognition of the check which this action has against inflationary pressures.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Saturday, January 3, 1948.

Press Service
No. S-585

Secretary Snyder tonight denied published reports that Internal Revenue agents in charge, or others of equivalent authority were active in the commodity markets in the period from July 1, 1946 through December 11, 1947.

The denial was prompted by an earlier disclosure attributed to the Senate Appropriations Committee that six Treasury employees, including agents in charge in New York City and Tulsa, Oklahoma, have been speculating in commodity markets.

Secretary Snyder said:

"None of these persons was serving in an executive capacity, as stated in press reports. Rather, they were field employees, none in the Washington area. The transactions of two of these employees involved wheat, totaling 14,000 bushels. One employee had five transactions in cotton in 1946, and the remaining three employees had transactions in corn, totaling 15,000 bushels."

The six names were submitted by the Treasury Department in response to a telegraphic request by the Chairman of the Senate Appropriations Committee, received December 12, 1947, and which read as follows:

> With respect to all executive, professional, scientific, consultant, and CAF grades 11-16 personnel in your Department or any unit thereof, you are hereby requested to obtain and furnish forthwith to the Senate Appropriations Committee the following information as to whether such personnel, in any capacity, has purchased, sold or dealt in any commodity included in any Government purchase program in futures or commodities themselves, directly or indirectly, or as beneficiaries under any trust or through any corporation or any other device, in the period from July 1, 1946 to and including the date hereof.
>
> State the name of the purchaser, address of purchaser, date of purchase, name of commodity or future, amount purchased, date of sale, purchase price and sale price.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Monday, January 5, 1948.

Press Service
No. S-586

John W. Snyder, Secretary of the Treasury, today issued the following statement:

The anti-inflation program, announced today by Joseph M. Dodge, President of the American Bankers Association, is highly commendable. It is an aggressive voluntary step in the direction of controlling inflationary and speculative loans by the banks.

The four objectives of the program, i.e.,

1. commodity and inventory loans designed to withhold essential goods from normal market channels in anticipation of price rises should not be made in the months immediately ahead,

2. mortgage loans for non-essential building, or construction which can be postponed until supplies and labor are more available, should be discouraged,

3. banks should give priority to borrowers who can turn out supplies and services needed here and abroad now,

4. there should be a greatly intensified drive to sell Treasury savings bonds to the public, and to promote other forms of savings, as a means of absorbing surplus money which otherwise would continue to compete for the goods and services in short supply,

indicate the thorough approach the bankers have given to this serious problem.

It is certain, that with the cooperation of the bankers of the country, the program will succeed in obtaining positive beneficial results.

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE,
Friday, January 9, 1948

Press Service
No. S-587

Secretary of the Treasury Snyder today made public data from the preliminary report, Statistics of Income for 1945, Part 1, compiled from individual income tax returns for the income year 1945, under the direction of Commissioner of Internal Revenue George J. Schoeneman.

Summary data

There were 49,965,474 individual income tax returns filed for the income year 1945, an increase of 2,853,979 returns, or 6.1 percent, over the number filed for 1944. The current year returns include 20,869,431 optional returns, Form W-2, the withholding receipt for tax withheld on wages; 19,206,483 short-form returns, Form 1040; and 9,889,560 long-form returns, Form 1040.

Adjusted gross income is reported on 49,750,991 returns and adjusted gross deficit is shown on 214,483 returns. The adjusted gross income is $120,301,131,000, an increase of $3,586,395,000, or 3.1 percent; and the adjusted gross deficit is $292,472,000, an increase of $42,701,000, or 17.1 percent, as compared with similar amounts reported last year.

The tax liability for 1945 is $17,050,378,000, an increase of $833,977,000, or 5.1 percent, over the tax liability for 1944.

These preliminary data present a complete coverage of returns filed for 1945; however, they are subject to such revisions as are found necessary upon further processing of the returns for additional statistics for the complete report.

Comparative data, individual returns, 1945 and 1944

(Money figures in thousands of dollars)

	1945 preliminary report	1944 complete report	Increase	
			Number or amount	Percent
Total individual returns:				
Number of returns	49,965,474	47,111,495	2,853,979	6.06
Adjusted gross income	120,301,131	116,714,736	3,586,395	3.07
Adjusted gross deficit	292,472	249,771	42,701	17.10
Tax liability	17,050,378	16,216,401	833,977	5.14
Taxable individual returns:				
Number of returns	42,650,502	42,354,468	296,034	.70
Adjusted gross income	117,561,661	114,761,385	2,800,276	2.44
Tax liability	17,050,378	16,216,401	833,977	5.14
Nontaxable individual returns:				
Number of returns with adjusted gross income	7,100,489	4,565,122	2,535,367	55.54
Adjusted gross income	2,739,470	1,953,351	786,119	40.24
Number of returns with no adjusted gross income	214,483	191,905	22,578	11.77
Adjusted gross deficit	292,472	249,771	42,701	17.10

Returns included

The individual income tax returns included in this release are for the calendar year 1945, a fiscal year ending within the period July 1945 through June 1946, and a part year with the greater part of the accounting period in 1945. 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 or 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 who, by reason of the size or source of their income, are not permitted to use Form W-2 as a return, 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 by the taxpayer 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 for the returns with adjusted gross income under $25,000, except number of returns, and their distribution by adjusted gross income classes are estimated on the basis of samples as explained on pages 4 and 5.

Internal Revenue Code

Returns for the income year 1945 are filed under the same provisions of the Internal Revenue Code as were the returns for the previous year, so that statistical data for 1945 are comparable with that for 1944.

Classification of returns

Three tables are presented in this release. For table 1, returns are classified by adjusted gross income classes; for table 2, returns are classified by taxable and nontaxable returns, by adjusted gross income classes, and by returns with standard deduction or with itemized deductions; for table 3, returns are classified by States and Territories.

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.

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

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 by States and Territories is based on the location of the collection district in which the return was filed, except that for the District of Columbia, which comprises a part of the collection district of Maryland, the classification is determined by the address of the taxpayer. The Territory of Alaska comprises a part of the collection district of Washington; however, the sampling technique employed does not permit separate tabulation of returns with an Alaskan address.

Description of the sample and limitations of data

Tables 1 and 2 in this release were derived from a basic stratified random sample of individual income tax returns designed to comprise 1 percent of returns, Form W-2 and Form 1040, with adjusted gross income under $7,000; 10 percent of returns, Form 1040, with adjusted gross income from $7,000 to $10,000; 20 percent of returns, Form 1040, with adjusted gross income from $10,000 to $25,000; and 100 percent of returns, Form 1040, with adjusted gross income of $25,000 or more. The different administrative processes applied to the various categories of returns in collectors' offices affected somewhat their availability for sampling. These categories were sufficiently heterogeneous with respect to data tabulated to warrant independent controls. Accordingly, returns in each of the above income ranges were further stratified to assure homogeneous groups subject to uniform administrative processing for sample selection, tabulation and weighting purposes. 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 not achieved. However, the over-all universes, applicable to the separate sampling strata, were independently determined and the data tabulated from the samples were extended to such universes, so that no random sampling error attaches to the total number of returns in each income range. A relatively negligible error in the total number of returns does result, however, from the use of rounded extension factors.

For table 3 in this release, which shows the total number of returns and the amounts of salaries and wages, dividends and interest, adjusted gross income and tax liability for returns with adjusted gross income by States, supplementary random samples were added to the basic sample described above where the basic sample was not sufficiently large to assure reliable State data. The degrees of supplementation varied by States, and data for each State were separately tabulated and extended to the proper universe. Returns with no adjusted gross income are not distributed by States because of the large sampling errors involved.

In view of the different samples used for the distributions on a national basis and for the State distributions, the aggregate data relative to returns with adjusted gross income by States in table 3 do not precisely agree with corresponding United States totals in tables 1 and 2. Apart from the sampling error involved, the difference between the number of returns with adjusted gross income for the United States in tables 1 and 2 and the corresponding aggregate of State frequencies is due in part to the use of rounded ratios in extending the data from samples of returns with adjusted gross income under $25,000 to the universes.

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, in cells associated with taxable or nontaxable adjusted gross income classes under $7,000, frequencies of the magnitude of 1 million or more are subject to variation of less than 3 percent; frequencies of 100,000 or more are subject to variation of less than 10 percent; and frequencies of 10,000 or more are subject to variation of less than 30 percent.

In cells associated with adjusted gross income classes from $7,000 to $25,000, frequencies 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 26 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 1945, by adjusted gross income classes: Simple and cumulative distribution of number of returns, adjusted gross income, and tax liability, with corresponding percentage distribution

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

Line	Adjusted gross income classes 1/	Number of returns: Simple distribution: Number	Number of returns: Simple distribution: Percent of total	Number of returns: Cumulative distribution from highest income class: Number	Number of returns: Cumulative distribution from highest income class: Percent of total	Number of returns: Cumulative distribution from lowest income class: Number	Number of returns: Cumulative distribution from lowest income class: Percent of total	Adjusted gross income 2/: Simple distribution: Amount	Adjusted gross income 2/: Simple distribution: Percent of total	Adjusted gross income 2/: Cumulative distribution from highest income class: Amount	Adjusted gross income 2/: Cumulative distribution from highest income class: Percent of total	Adjusted gross income 2/: Cumulative distribution from lowest income class: Amount	Adjusted gross income 2/: Cumulative distribution from lowest income class: Percent of total	Tax liability 3/: Simple distribution: Amount	Tax liability 3/: Simple distribution: Percent of total	Tax liability 3/: Cumulative distribution from highest income class: Amount	Tax liability 3/: Cumulative distribution from highest income class: Percent of total	Tax liability 3/: Cumulative distribution from lowest income class: Amount	Tax liability 3/: Cumulative distribution from lowest income class: Percent of total
	Individual returns (taxable and nontaxable) with adjusted gross income:																		
1	Under 0.5	5,452,051	10.96	49,750,991	100.00	5,452,051	10.96	1,498,401	1.25	120,301,131	100.00	1,498,401	1.25	-	-	-	-	-	-
2	0.5 under 0.75	3,088,490	6.21	44,298,940	89.04	8,540,541	17.17	1,922,087	1.59	118,802,730	98.75	3,420,488	2.84	27,582	.16	17,050,378	100.00	27,582	.16
3	0.75 under 1	3,124,651	6.28	41,210,450	82.83	11,665,192	23.45	2,738,891	2.28	116,880,643	97.16	6,159,379	5.12	110,823	.65	17,022,796	99.84	138,405	.81
4	1 under 1.25	3,583,559	7.20	38,085,799	76.55	15,248,751	30.65	4,035,572	3.35	114,141,752	94.88	10,194,951	8.47	221,201	1.30	16,911,973	99.19	359,606	2.11
5	1.25 under 1.5 4/	3,735,565	7.51	34,502,240	69.35	18,984,316	38.16	5,178,417	4.31	110,106,180	91.53	15,373,368	12.78	354,715	2.08	16,690,772	97.89	714,321	4.19
6	1.5 under 1.75	3,602,265	7.24	30,766,675	61.84	22,586,581	45.40	5,845,469	4.86	104,927,763	87.22	21,218,837	17.64	472,301	2.77	16,336,057	95.81	1,186,622	6.96
7	1.75 under 2	3,573,466	7.18	27,164,410	54.60	26,160,047	52.58	6,692,418	5.56	99,082,294	82.36	27,911,255	23.20	599,429	3.52	15,863,756	93.04	1,786,051	10.48
8	2 under 2.25	3,308,650	6.65	23,590,944	47.42	29,468,697	59.23	7,022,363	5.84	92,389,876	76.80	34,933,618	29.04	658,934	3.86	15,264,327	89.52	2,444,985	14.34
9	2.25 under 2.5	3,039,531	6.11	20,282,294	40.77	32,508,228	65.34	7,213,675	5.99	85,367,513	70.96	42,147,293	35.03	686,008	4.02	14,605,393	85.66	3,130,993	18.36
10	2.5 under 2.75	2,767,982	5.57	17,242,763	34.66	35,276,210	70.91	7,261,329	6.04	78,153,838	64.97	49,408,622	41.07	707,912	4.16	13,919,385	81.64	3,838,905	22.52
11	2.75 under 3	2,484,187	4.99	14,474,781	29.09	37,760,397	75.90	7,133,274	5.93	70,892,509	58.93	56,541,896	47.00	716,950	4.20	13,211,473	77.48	4,555,855	26.72
12	3 under 3.5	4,024,307	8.09	11,990,594	24.10	41,784,704	83.99	13,017,492	10.82	63,759,235	53.00	69,559,388	57.82	1,391,200	8.16	12,494,523	73.28	5,947,055	34.88
13	3.5 under 4	2,713,135	5.45	7,966,287	16.01	44,497,839	89.44	10,125,025	8.42	50,741,743	42.18	79,684,413	66.24	1,178,294	6.91	11,103,323	65.12	7,125,349	41.79
14	4 under 4.5	1,629,488	3.28	5,253,152	10.56	46,127,327	92.72	6,892,942	5.73	40,616,718	33.76	86,577,355	71.97	871,803	5.11	9,925,029	58.21	7,997,152	46.90
15	4.5 under 5	983,337	1.97	3,623,664	7.28	47,110,664	94.69	4,649,038	3.86	33,723,776	28.03	91,226,393	75.83	635,796	3.73	9,053,226	53.10	8,632,948	50.63
16	5 under 6	889,652	1.79	2,640,327	5.31	48,000,316	96.48	4,826,976	4.01	29,074,738	24.17	96,053,369	79.84	727,208	4.27	8,417,430	49.37	9,360,156	54.90
17	6 under 7	430,753	.87	1,750,675	3.52	48,431,069	97.35	2,779,434	2.31	24,247,762	20.16	98,832,803	82.15	473,245	2.77	7,690,222	45.10	9,833,401	57.67
18	7 under 8	252,895	.51	1,319,922	2.65	48,683,964	97.86	1,888,235	1.57	21,468,328	17.85	100,721,038	83.72	351,156	2.06	7,216,977	42.33	10,184,557	59.73
19	8 under 9	177,315	.35	1,067,027	2.14	48,861,279	98.21	1,501,203	1.25	19,580,093	16.28	102,222,241	84.97	298,374	1.75	6,865,821	40.27	10,482,931	61.48
20	9 under 10	134,856	.27	889,712	1.79	48,996,135	98.48	1,277,388	1.06	18,078,890	15.03	103,499,629	86.03	269,586	1.58	6,567,447	38.52	10,752,517	63.06
21	10 under 11	104,454	.21	754,856	1.52	49,100,589	98.69	1,094,124	.91	16,801,502	13.97	104,593,753	86.94	242,705	1.43	6,297,861	36.94	10,995,222	64.49
22	11 under 12	80,430	.16	650,402	1.31	49,181,019	98.85	923,312	.77	15,707,378	13.06	105,517,065	87.71	214,678	1.26	6,055,156	35.51	11,209,900	65.75
23	12 under 13	66,519	.14	569,972	1.15	49,247,538	98.99	829,486	.69	14,784,066	12.29	106,346,551	88.40	201,619	1.18	5,840,478	34.25	11,411,519	66.93
24	13 under 14	55,891	.11	503,453	1.01	49,303,429	99.10	753,545	.63	13,954,580	11.60	107,100,096	89.03	190,740	1.12	5,638,859	33.07	11,602,259	68.05
25	14 under 15	46,052	.09	447,562	.90	49,349,481	99.19	666,679	.55	13,201,035	10.97	107,766,775	89.58	175,651	1.03	5,448,119	31.95	11,777,910	69.08
26	15 under 20	155,308	.31	401,510	.81	49,504,789	99.50	2,668,955	2.22	12,534,356	10.42	110,435,730	91.80	775,181	4.54	5,272,468	30.92	12,553,091	73.62
27	20 under 25	83,229	.17	246,202	.50	49,588,018	99.67	1,853,715	1.54	9,865,401	8.20	112,289,445	93.34	619,816	3.64	4,497,287	26.38	13,172,907	77.26
28	25 under 30	45,966	.09	162,973	.33	49,633,984	99.76	1,254,327	1.04	8,011,686	6.66	113,543,772	94.38	466,851	2.74	3,877,471	22.74	13,639,758	80.00
29	30 under 40	49,771	.10	117,007	.24	49,683,755	99.86	1,708,972	1.42	6,757,359	5.62	115,252,744	95.80	706,167	4.14	3,410,620	20.00	14,345,925	84.14
30	40 under 50	24,483	.05	67,236	.14	49,708,238	99.91	1,089,366	.91	5,048,387	4.20	116,342,110	96.71	496,611	2.91	2,704,453	15.86	14,842,536	87.05
31	50 under 60	13,418	.03	42,753	.09	49,721,656	99.94	731,521	.61	3,959,021	3.29	117,073,631	97.32	355,878	2.09	2,207,842	12.95	15,198,414	89.14
32	60 under 70	8,441	.02	29,335	.06	49,730,097	99.96	544,726	.45	3,227,500	2.68	117,618,357	97.77	279,443	1.64	1,851,964	10.86	15,477,857	90.78
33	70 under 80	5,448	.01	20,894	.04	49,735,545	99.97	406,852	.34	2,682,774	2.23	118,025,209	98.11	216,513	1.27	1,572,521	9.22	15,694,370	92.05
34	80 under 90	3,601	.01	15,446	.03	49,739,146	99.98	304,660	.25	2,275,922	1.89	118,329,869	98.36	166,809	.98	1,356,008	7.95	15,861,179	93.03
35	90 under 100	2,587	(6)	11,845	.02	49,741,733	99.98	245,041	.20	1,971,262	1.64	118,574,910	98.56	137,655	.80	1,189,199	6.97	15,998,834	93.83
36	100 under 150	5,530	.01	9,258	.02	49,747,263	99.99	661,464	.55	1,726,221	1.44	119,236,374	99.11	387,962	2.28	1,051,544	6.17	16,386,796	96.11
37	150 under 200	1,726	(6)	3,728	.01	49,748,989	99.99	295,289	.25	1,064,757	.89	119,531,663	99.36	180,328	1.06	663,582	3.89	16,567,124	97.17
38	200 under 250	738	(6)	2,002	(6)	49,749,727	99.99	163,463	.14	769,468	.64	119,695,126	99.50	101,678	.59	483,254	2.83	16,668,802	97.76
39	250 under 300	407	(6)	1,264	(6)	49,750,134	99.99	110,845	.09	606,005	.50	119,805,971	99.59	68,097	.40	381,576	2.24	16,736,899	98.16
40	300 under 400	333	(6)	857	(6)	49,750,467	99.99	115,585	.09	495,160	.41	119,921,556	99.68	72,065	.42	313,479	1.84	16,808,964	98.58
41	400 under 500	195	(6)	524	(6)	49,750,662	99.99	86,447	.07	379,575	.32	120,008,003	99.75	51,552	.30	241,414	1.42	16,860,516	98.88
42	500 under 750	193	(6)	329	(6)	49,750,855	99.99	114,603	.10	293,128	.25	120,122,606	99.85	72,902	.43	189,862	1.12	16,933,418	99.31
43	750 under 1,000	65	(6)	136	(6)	49,750,920	99.99	55,141	.05	178,525	.15	120,177,747	99.90	37,060	.22	116,960	.69	16,970,478	99.53
44	1,000 under 1,500	39	(6)	71	(6)	49,750,959	99.99	46,214	.04	123,384	.10	120,223,961	99.94	27,918	.17	79,900	.47	16,998,396	99.70
45	1,500 under 2,000	19	(6)	32	(6)	49,750,978	99.99	31,910	.02	77,170	.06	120,255,871	99.96	22,267	.13	51,982	.30	17,020,663	99.83
46	2,000 under 3,000	7	(6)	13	(6)	49,750,985	99.99	16,806	.01	45,260	.04	120,272,677	99.97	10,053	.06	29,715	.17	17,030,716	99.89
47	3,000 under 4,000	2	(6)	6	(6)	49,750,987	99.99	7,042	.01	28,454	.03	120,279,719	99.98	4,584	.03	19,662	.11	17,035,300	99.92
48	4,000 under 5,000	3	(6)	4	(6)	49,750,990	99.99	13,795	.01	21,412	.02	120,293,514	99.99	10,277	.06	15,078	.08	17,045,577	99.98
49	5,000 and over	1	(6)	1	(6)	49,750,991	100.00	7,617	.01	7,617	.01	120,301,131	100.00	4,801	.02	4,801	.02	17,050,378	100.00
50	Total	49,750,991	100.00	-	-	- -	-	120,301,131	100.00	-	-	-	-	17,050,378	100.00	-	-	-	-
51	Individual returns (nontaxable) with no adjusted gross income 5/	214,483	(7)	-	-	-	-	8/ 292,472	(7)	-	-	-	-	-	-	-	-	-	-
52	Grand total	49,965,474	(7)	-	-	-	-	9/ 120,008,659	(7)	-	-	-	-	17,050,378	-	-	-	-	-

For footnotes, see p. 15.

Table 2. - Individual returns for 1945, 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 classes 1/	Total number of returns	Salaries and wages 10/	Dividends and interest 11/	Annuities and pensions 12/	Rents and royalties 13/		Business and profession 14/		Partnership 15/		Sales or exchanges of capital assets 16/		Sales or exchanges of property other than capital assets 17/		Income from estates and trusts 18/	Miscellaneous income 19/	Adjusted gross income 2/	
						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	2,024,406	1,098,158	25,708	6,350	28,944	1,642	134,166	5,634	17,401	528	7,637	2,123	599	310	3,804	10,269	1,322,903	1
2	0.75 under 1	2,818,413	2,060,255	49,696	7,118	48,308	3,868	252,421	12,263	35,169	1,390	15,873	3,732	1,498	2,016	5,356	19,006	2,471,433	2
3	1 under 1.25	3,398,136	3,256,289	57,041	15,746	53,049	4,442	371,191	11,620	53,373	2,523	21,294	4,913	1,138	1,582	7,154	22,992	3,834,189	3
4	1.25 under 1.5	3,642,872	4,329,335	63,478	14,562	64,984	7,242	445,279	17,007	61,223	3,895	27,054	6,649	1,655	1,189	8,391	25,392	5,005,373	4
5	1.5 under 1.75	3,602,265	5,107,645	69,692	13,046	66,217	7,408	469,536	14,158	75,061	1,900	36,237	6,095	1,394	948	6,021	31,129	5,845,469	5
6	1.75 under 2	3,573,466	5,913,790	71,382	9,891	62,308	8,089	499,937	14,413	87,834	1,528	34,832	6,302	2,353	2,123	12,710	29,836	6,692,418	6
7	2 under 2.25	3,308,650	6,246,287	73,960	9,267	64,108	10,517	481,644	14,022	97,350	1,716	39,822	7,998	1,977	1,283	11,087	32,398	7,022,363	7
8	2.25 under 2.5	3,039,531	6,444,530	73,976	6,957	63,838	9,340	478,090	12,089	101,315	2,452	39,244	6,535	1,624	3,451	11,478	26,489	7,213,675	8
9	2.5 under 2.75	2,767,982	6,505,425	63,446	7,719	64,100	11,503	447,178	10,442	122,816	2,178	40,136	6,751	2,771	1,422	8,716	31,319	7,261,329	9
10	2.75 under 3	2,484,187	6,381,127	74,740	9,042	62,303	9,919	447,974	9,611	109,650	2,030	43,852	6,679	2,083	2,320	9,670	23,387	7,133,274	10
11	3 under 3.5	4,024,307	11,647,774	133,432	11,925	113,734	17,255	785,169	15,470	223,386	3,164	88,053	12,366	5,133	3,100	19,597	42,642	13,017,492	11
12	3.5 under 4	2,713,135	8,972,765	116,273	10,714	94,402	11,237	644,531	13,162	193,029	2,585	78,469	12,521	4,511	2,559	17,697	34,698	10,125,025	12
13	4 under 4.5	1,629,488	5,923,242	90,289	7,611	67,488	7,163	527,353	7,535	189,102	2,206	65,382	8,166	4,053	2,140	24,975	20,654	6,892,942	13
14	4.5 under 5	983,337	3,753,518	87,982	3,757	63,936	6,575	473,528	4,918	180,506	1,136	62,363	5,559	3,006	1,086	15,280	24,438	4,649,038	14
15	5 under 6	889,652	3,396,406	167,999	6,420	88,767	6,116	723,809	11,138	309,890	3,525	101,283	8,176	5,458	2,641	31,363	27,179	4,826,976	15
16	6 under 7	430,753	1,621,064	139,091	5,896	68,273	6,473	566,010	4,900	266,854	2,455	89,072	5,781	3,376	1,412	27,472	13,347	2,779,434	16
17	7 under 8	252,895	895,669	119,973	3,674	53,969	3,591	454,070	7,955	267,045	3,230	68,725	5,821	3,309	2,948	29,287	16,061	1,888,235	17
18	8 under 9	177,315	646,601	103,142	2,384	42,234	3,062	378,062	7,708	248,352	2,593	60,016	5,233	2,132	1,936	25,646	13,168	1,501,203	18
19	9 under 10	134,856	507,860	95,707	2,674	37,514	2,393	334,743	6,460	223,822	1,924	55,432	4,451	1,513	2,902	23,383	12,873	1,277,388	19
20	10 under 11	104,454	431,315	85,186	2,436	31,110	2,154	277,076	5,679	201,675	2,120	47,597	3,482	1,481	1,353	20,892	10,143	1,094,124	20
21	11 under 12	80,430	327,534	77,898	1,888	27,739	1,869	248,211	4,996	179,697	1,447	43,336	3,129	1,319	1,227	19,859	8,500	923,312	21
22	12 under 13	66,519	301,393	71,559	1,466	24,739	1,719	212,339	3,910	163,670	1,790	38,347	2,587	1,011	1,041	18,194	7,814	829,486	22
23	13 under 14	55,891	252,728	66,884	1,085	22,315	1,404	197,247	3,921	164,462	1,553	34,076	2,410	934	1,208	17,339	6,970	753,545	23
24	14 under 15	46,052	211,101	63,498	1,356	17,706	1,092	170,273	2,993	154,651	1,649	33,549	2,269	587	1,039	16,501	6,500	666,679	24
25	15 under 20	155,308	854,804	263,073	4,395	75,518	4,697	642,021	13,851	639,952	4,941	132,803	7,972	2,137	4,234	69,552	20,396	2,668,955	25
26	20 under 25	83,229	564,235	200,835	2,701	49,596	3,212	411,499	11,019	480,515	3,111	97,538	5,194	1,533	2,331	54,890	15,241	1,853,715	26
27	25 under 30	45,966	371,384	146,325	2,177	31,710	2,100	248,096	7,596	347,397	2,356	73,530	3,052	675	1,872	43,727	6,282	1,254,327	27
28	30 under 40	49,771	470,154	214,283	3,583	42,671	2,296	308,870	11,306	505,672	3,563	110,246	3,493	797	2,206	67,397	8,166	1,708,973	28
29	40 under 50	24,483	275,741	151,474	1,500	25,614	1,383	174,875	7,470	345,526	3,023	79,085	1,869	489	1,801	46,305	4,303	1,089,366	29
30	50 under 60	13,418	176,973	111,128	1,160	17,346	1,037	107,094	5,629	232,290	1,857	59,667	1,135	139	1,279	33,335	3,266	731,520	30
31	60 under 70	8,441	123,293	87,890	1,098	11,055	749	73,984	4,270	177,128	1,447	49,893	830	192	620	25,534	2,574	544,726	31
32	70 under 80	5,448	82,789	69,784	792	10,227	521	50,697	2,598	132,932	676	40,093	891	167	630	23,072	1,617	406,852	32
33	80 under 90	3,601	61,727	56,930	574	6,707	377	34,155	2,509	97,559	1,169	34,083	350	103	385	17,003	609	304,660	33
34	90 under 100	2,587	45,652	46,802	368	5,056	276	30,106	2,000	76,312	521	28,945	272	22	430	14,119	1,158	245,041	34
35	100 under 150	5,530	108,853	141,410	1,195	15,063	827	68,579	7,310	197,847	1,510	92,131	624	248	1,433	45,324	2,519	661,464	35
36	150 under 200	1,726	39,944	68,736	419	6,962	292	30,043	2,205	73,969	781	55,191	200	11	797	23,019	1,270	295,289	36
37	200 under 250	738	18,484	41,581	276	4,425	131	12,339	1,768	38,707	375	35,331	89	16	366	14,463	569	163,463	37
38	250 under 300	407	11,648	30,491	85	2,068	107	10,161	998	19,607	150	27,681	50	2	500	10,643	264	110,845	38
39	300 under 400	333	9,788	31,031	82	2,437	168	6,059	815	22,380	473	35,588	30	(32)	400	9,951	155	115,585	39
40	400 under 500	195	5,438	22,840	140	2,056	70	4,072	1,397	12,264	108	31,510	24	2	164	9,793	95	86,447	40
41	500 under 750	193	6,519	36,969	127	926	233	4,521	1,022	16,408	283	38,846	27	-	419	12,213	60	114,603	41
42	750 under 1,000	65	1,026	21,507	128	331	20	1,806	674	7,605	10	14,656	14	-	97	8,770	126	55,141	42
43	1,000 under 1,500	39	834	15,826	114	304	52	3,004	563	2,108	71	16,584	9	-	32	8,088	78	46,214	43
44	1,500 under 2,000	19	697	10,900	64	1,867	63	1,681	505	865	20	7,320	4	-	-	9,106	1	31,910	44
45	2,000 under 3,000	7	153	5,734	1	3	12	15	50	2,155	44	7,749	-	-	-	1,101	1	16,806	45
46	3,000 under 4,000	2	65	6	-	-	-	-	95	3,020	-	3,901	-	-	-	144	1	7,042	46
47	4,000 under 5,000	3	1	12,275	-	21	4	-	25	-	-	1,528	-	-	2	-	(32)	13,795	47
48	5,000 and over	1	2	8,595	-	-	124	-	-	-	-	-	1	-	856	-	-	7,617	48
49	Total, taxable individual returns	42,650,502	89,462,015	3,838,457	183,963	1,644,048	164,724	12,241,514	307,679	7,159,551	78,006	2,245,580	165,858	61,508	64,090	939,421	565,955	117,561,661	49
	Nontaxable individual returns: 31/																		
50	No adjusted gross income 5/	214,483	41,580	18,625	1,122	13,321	13,745	11,462	290,074	12,862	62,445	32,332	11,856	3,903	57,169	2,737	4,872	8/292,472	50
51	Under 0.5	5,452,051	1,345,897	18,105	2,269	37,485	5,430	104,131	21,915	9,765	4,299	9,836	8,125	558	2,116	1,326	10,914	1,498,401	51
52	0.5 under 0.75	1,064,084	444,920	20,585	3,310	31,797	2,024	88,641	5,668	8,933	898	5,468	3,671	202	565	1,480	6,673	599,184	52
53	0.75 under 1	306,238	169,495	8,816	1,731	17,869	1,460	62,708	5,918	6,228	181	4,373	1,563	709	656	990	4,322	267,458	53
54	1 under 1.25	185,423	131,143	6,548	1,254	11,388	921	45,232	2,659	4,445	564	3,036	1,113	253	1,249	253	4,334	201,383	54
55	1.25 and over	92,693	104,749	13,514	2,158	15,544	1,433	29,796	6,279	6,962	2,555	7,408	1,738	692	1,287	2,124	3,387	173,044	55
56	Total, nontaxable individual returns	7,314,972	2,237,784	86,193	11,844	127,404	25,013	341,970	332,513	49,195	70,942	62,453	28,066	6,317	63,042	8,910	34,502	9/2,446,998	56
57	Grand total	49,965,474	91,699,799	3,924,650	195,807	1,771,452	189,737	12,583,484	640,192	7,208,746	148,948	2,308,033	193,924	67,825	127,132	948,331	600,457	9/120,008,659	57
58	Individual returns with adjusted gross income (or deficit) under $5,000	47,325,147	79,877,924	1,137,288	145,549	1,045,123	141,113	6,797,967	494,857	1,596,410	100,173	662,701	124,455	40,112	88,571	170,846	409,151	9/90,933,921	58
59	Individual returns with adjusted gross income of $5,000 and over	2,640,327	11,821,875	2,787,362	50,258	726,329	48,624	5,785,517	145,335	5,612,336	48,775	1,645,332	69,469	27,713	38,561	777,485	191,306	29,074,738	59

Table 2. - Individual returns for 1945, 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 classes 1/	Amount of surtax exemption 20/	Tax liability 3/	Tax withheld	Payments on 1945 declaration 21/	Balance of tax due at time of filing	Overpayment (refund, or credit on 1946 tax)	
	Taxable individual returns:							
1	0.5 under 0.75	1,654,328	27,582	85,400	4,611	5,038	67,467	1
2	0.75 under 1	2,558,618	110,823	161,045	12,469	16,847	79,538	2
3	1 under 1.25	3,307,328	221,201	272,565	20,814	26,003	98,178	3
4	1.25 under 1.5	3,770,756	354,715	395,363	27,021	34,890	102,558	4
5	1.5 under 1.75	3,854,392	472,301	497,426	32,951	43,891	101,969	5
6	1.75 under 2	3,982,110	599,429	608,062	43,148	49,835	101,617	6
7	2 under 2.25	3,932,290	658,934	659,342	45,815	52,862	99,088	7
8	2.25 under 2.5	3,948,177	686,008	673,657	49,252	56,123	93,022	8
9	2.5 under 2.75	3,789,068	707,912	686,724	55,021	58,161	91,995	9
10	2.75 under 3	3,567,283	716,950	685,431	56,222	59,948	84,654	10
11	3 under 3.5	6,011,746	1,391,200	1,304,891	113,137	113,784	140,611	11
12	3.5 under 4	4,243,380	1,178,294	1,074,191	100,647	100,879	97,421	12
13	4 under 4.5	2,528,535	871,803	752,547	93,675	83,389	57,807	13
14	4.5 under 5	1,489,851	635,796	507,900	92,830	72,294	37,227	14
15	5 under 6	1,292,610	727,208	491,517	164,915	110,746	39,969	15
16	6 under 7	589,308	473,245	248,269	152,170	94,066	21,262	16
17	7 under 8	332,190	351,156	140,931	153,796	79,833	23,403	17
18	8 under 9	231,638	298,374	104,050	142,083	71,294	19,052	18
19	9 under 10	171,605	269,586	83,849	137,273	65,047	16,581	19
20	10 under 11	134,464	242,705	72,365	128,324	56,350	14,334	20
21	11 under 12	102,424	214,678	55,069	118,851	52,201	11,444	21
22	12 under 13	84,236	201,619	52,240	114,193	46,524	11,337	22
23	13 under 14	70,226	190,740	44,118	111,383	45,076	9,837	23
24	14 under 15	57,147	175,651	37,440	104,740	42,346	8,876	24
25	15 under 20	192,702	775,181	155,764	483,496	175,663	39,743	25
26	20 under 25	103,070	619,816	106,176	407,295	135,561	29,216	26
27	25 under 30	55,640	466,851	71,437	319,445	94,100	18,131	27
28	30 under 40	58,785	706,167	92,096	502,137	137,500	25,566	28
29	40 under 50	28,051	496,611	54,801	368,284	90,816	17,289	29
30	50 under 60	15,125	355,878	35,500	268,905	63,280	11,807	30
31	60 under 70	9,232	279,443	25,455	213,897	48,682	8,592	31
32	70 under 80	5,835	216,513	17,000	169,848	35,888	6,223	32
33	80 under 90	3,789	166,809	12,756	131,877	27,376	5,199	33
34	90 under 100	2,652	137,655	9,422	110,219	21,903	3,889	34
35	100 under 150	5,488	387,962	23,209	315,407	60,870	11,523	35
36	150 under 200	1,629	180,328	8,605	150,151	26,565	4,994	36
37	200 under 250	699	101,678	3,884	86,041	14,315	2,562	37
38	250 under 300	364	68,097	2,364	58,271	9,141	1,679	38
39	300 under 400	308	72,065	1,896	63,128	8,465	1,423	39
40	400 under 500	184	51,552	1,154	44,833	6,998	1,432	40
41	500 under 750	182	72,902	1,222	64,804	7,912	1,035	41
42	750 under 1,000	56	37,060	206	34,208	3,066	420	42
43	1,000 under 1,500	34	27,918	165	25,921	1,994	162	43
44	1,500 under 2,000	16	22,267	124	21,050	1,335	242	44
45	2,000 under 3,000	10	10,053	28	9,798	280	52	45
46	3,000 under 4,000	4	4,584	14	4,306	264	-	46
47	4,000 under 5,000	6	10,277	-	8,700	1,577	-	47
48	5,000 and over	1	4,801	-	4,825	-	24	48
49	Total, taxable individual returns	52,187,572	17,050,378	10,317,670	5,942,187	2,410,978	1,620,450	49
	Nontaxable individual returns: 31/							
50	No adjusted gross income 5/	246,537	-	4,839	18,998	-	23,836	50
51	Under 0.5	3,779,778	-	119,613	4,445	-	124,059	51
52	0.5 under 0.75	1,047,158	-	31,441	2,396	-	33,836	52
53	0.75 under 1	407,651	-	9,483	1,362	-	10,846	53
54	1 under 1.25	267,918	-	6,944	919	-	7,861	54
55	1.25 and over	123,680	-	6,916	3,055	-	9,973	55
56	Total, nontaxable individual returns	5,872,722	-	179,236	31,175	-	210,411	56
57	Grand total	58,060,294	17,050,378	10,496,906	5,973,362	2,410,978	1,830,861	57
58	Individual returns with adjusted gross income (or deficit) under $5,000	54,510,584	8,632,948	8,543,780	778,788	773,944	1,463,563	58
59	Individual returns with adjusted gross income of $5,000 and over	3,549,710	8,417,430	1,953,126	5,194,574	1,637,034	367,298	59

For footnotes, see p. 15.

Table 2. - Individual returns for 1945, 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 classes 1/	Total number of returns	Salaries and wages 10/	Dividends and interest 11/	Annuities and pensions 12/	Rents and royalties 13/		Business and profession 14/		Partnership 15/		Sales or exchanges of capital assets 16/		Sales or exchanges of property other than capital assets 17/		Income from estates and trusts 18/	Miscellaneous income 19/	Adjusted gross income 2/	
						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	1,915,280	1,063,700	18,816	5,431	21,643	1,195	115,622	5,085	14,875	457	6,304	1,835	471	310	2,756	8,582	1,249,321	1
2	0.75 under 1	2,546,756	1,921,257	27,486	4,230	30,938	2,536	204,181	9,430	28,955	748	11,607	2,245	1,297	1,539	3,911	14,446	2,231,811	2
3	1 under 1.25	3,023,202	2,972,832	33,474	9,099	32,362	2,560	296,290	7,963	43,125	1,583	15,197	3,316	941	789	5,006	18,337	3,410,454	3
4	1.25 under 1.5	3,195,775	3,902,744	33,432	7,768	38,234	4,527	340,839	12,737	48,603	3,243	19,574	4,088	1,360	585	4,454	19,672	4,391,501	4
5	1.5 under 1.75	3,099,778	4,492,627	37,397	5,790	39,148	4,161	358,145	8,827	61,269	1,052	24,742	2,699	945	355	3,461	22,460	5,028,890	5
6	1.75 under 2	3,038,760	5,130,502	39,661	5,275	36,153	4,720	375,254	10,581	65,196	1,161	24,457	2,836	1,981	1,729	8,079	23,177	5,688,708	6
7	2 under 2.25	2,781,447	5,341,851	40,679	4,614	37,123	6,292	361,491	10,191	78,382	1,152	27,645	4,939	1,400	720	7,629	25,396	5,902,915	7
8	2.25 under 2.5	2,503,500	5,383,954	38,398	4,286	37,996	5,278	359,345	7,770	80,608	1,957	27,795	2,932	576	909	6,898	19,002	5,940,014	8
9	2.5 under 2.75	2,241,000	5,333,956	36,223	3,725	36,353	5,309	334,607	6,978	93,659	1,312	27,478	3,049	1,460	557	5,794	21,863	5,877,912	9
10	2.75 under 3	1,986,556	5,161,138	42,538	6,306	38,778	6,185	335,298	6,332	85,580	1,274	30,125	3,389	1,221	619	4,356	16,198	5,703,741	10
11	3 under 3.5	3,129,343	9,145,740	72,409	5,436	67,890	10,421	591,391	8,527	162,548	1,695	57,875	5,897	2,432	820	11,515	31,115	10,120,992	11
12	3.5 under 4	2,071,953	6,900,816	64,947	7,175	56,834	6,477	488,587	8,395	148,313	1,549	51,804	7,676	3,366	1,764	10,247	23,366	7,729,596	12
13	4 under 4.5	1,215,385	4,446,171	50,870	5,281	40,231	4,485	394,304	5,562	144,334	1,386	44,883	4,173	2,164	1,493	15,336	14,201	5,140,677	13
14	4.5 under 5	722,938	2,765,078	47,853	3,000	41,195	3,956	364,707	3,643	137,832	404	42,368	3,184	1,891	722	9,436	16,768	3,418,218	14
15	5 under 6	579,381	2,118,127	80,979	4,053	51,025	3,181	553,520	5,390	234,465	2,143	68,804	3,429	2,277	916	20,170	18,272	3,136,631	15
16	6 under 7	262,819	888,202	65,886	4,310	38,776	4,569	421,079	3,811	208,794	1,118	53,373	2,020	1,615	376	16,025	8,600	1,694,764	16
17	7 under 8	145,461	435,698	48,951	1,162	27,334	1,653	328,832	3,390	190,128	1,865	38,742	2,051	1,931	1,482	14,222	8,569	1,085,127	17
18	8 under 9	95,401	275,331	37,607	717	20,374	1,188	260,998	2,845	168,194	1,366	32,606	1,893	1,321	579	11,612	6,770	807,659	18
19	9 under 10	67,307	189,485	30,301	931	17,424	1,127	219,542	2,532	141,650	684	27,626	1,366	799	418	9,665	6,253	637,549	19
20	10 under 11	48,147	144,188	24,121	676	13,766	849	171,042	1,789	120,324	761	21,514	1,009	628	396	8,120	4,539	504,114	20
21	11 under 12	34,686	96,604	19,543	550	10,850	823	144,035	1,560	101,011	508	17,266	882	665	310	7,457	4,183	398,083	21
22	12 under 13	26,967	83,266	16,076	302	8,413	525	119,148	1,449	87,372	552	15,783	637	578	268	5,469	3,244	336,221	22
23	13 under 14	21,303	58,303	14,159	232	7,582	631	106,334	732	83,389	430	11,430	696	329	155	4,866	2,989	286,970	23
24	14 under 15	16,207	43,360	11,337	256	5,796	395	82,695	831	74,163	537	11,514	410	222	221	4,699	2,944	234,591	24
25	15 under 20	44,887	140,753	34,872	471	19,507	1,081	275,169	2,821	245,437	941	37,294	1,474	845	471	12,618	5,529	765,706	25
26	20 under 25	17,661	57,529	15,866	122	9,869	596	138,253	1,513	140,438	424	19,509	510	472	244	8,283	4,177	391,230	26
27	25 under 30	7,522	28,964	9,087	154	5,243	280	66,308	792	78,088	349	12,189	246	149	249	4,936	1,249	204,451	27
28	30 under 40	6,090	24,350	7,881	121	4,805	211	65,066	1,097	87,022	350	13,281	229	166	110	5,310	1,408	207,412	28
29	40 under 50	2,258	9,956	3,875	35	2,139	120	31,943	422	43,225	105	6,646	78	81	60	2,716	153	99,983	29
30	50 under 60	924	4,667	2,158	17	1,318	42	14,811	257	21,746	129	4,228	28	9	26	1,483	204	50,159	30
31	60 under 70	487	2,296	1,277	5	425	45	9,485	198	14,278	108	3,253	11	10	11	449	166	31,272	31
32	70 under 80	278	1,004	1,062	-	549	21	5,619	72	9,709	22	1,962	13	4	1	644	299	20,723	32
33	80 under 90	164	807	458	22	188	1	3,537	66	6,827	8	1,304	3	3	7	683	83	13,828	33
34	90 under 100	114	792	185	1	303	2	3,571	35	3,767	18	1,809	2	-	11	241	208	10,809	34
35	100 under 150	152	540	919	3	323	6	5,842	24	6,573	16	2,917	6	7	14	636	124	17,818	35
36	150 under 200	43	284	201	-	148	1	2,241	11	1,982	1	1,454	(32)	1	93	936	1	7,143	36
37	200 under 250	8	40	11	(32)	28	-	236	-	-	5	1,207	-	-	16	24	237	1,762	37
38	250 under 300	6	11	182	8	13	-	256	-	6	-	857	-	-	6	250	-	1,579	38
39	300 under 400	3	(32)	4	-	-	-	297	-	791	-	-	-	-	-	-	-	1,092	39
40	400 under 500	1	-	10	-	-	-	-	-	-	-	-	-	-	-	411	-	421	40
41	500 under 750	1	64	457	-	-	-	-	-	2	-	-	1	-	-	1	-	522	41
42	750 under 1,000	1	(32)	(32)	-	-	-	-	-	791	-	-	-	-	-	-	-	791	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	34,849,952	68,566,987	1,011,648	91,564	801,076	85,449	7,949,920	143,658	3,263,451	31,413	818,422	69,252	33,617	19,351	240,804	354,784	82,783,160	49
	Nontaxable individual returns: 31/																		
50	No adjusted gross income 5/	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50
51	Under 0.5	5,388,753	1,336,489	14,236	2,054	32,285	4,911	95,185	17,106	9,351	3,275	8,993	6,121	254	1,385	865	10,252	1,477,166	51
52	0.5 under 0.75	902,563	398,079	8,016	1,258	12,940	715	68,556	3,504	6,267	427	3,237	1,456	63	471	695	4,356	496,893	52
53	0.75 under 1	195,046	123,545	2,099	434	4,557	309	36,488	3,212	2,705	72	1,770	222	555	109	252	2,495	170,975	53
54	1 under 1.25	117,879	95,389	876	243	1,631	155	23,813	665	2,576	405	768	225	19	-	12	2,066	125,945	54
55	1.25 and over	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55
56	Total, nontaxable individual returns	6,604,241	1,953,502	25,227	3,989	51,413	6,090	224,042	24,487	20,899	4,179	14,768	8,024	891	1,965	1,824	19,169	2,270,979	56
57	Grand total	41,454,193	70,520,489	1,036,875	95,553	852,489	91,539	8,173,962	168,145	3,284,350	35,592	833,190	77,276	34,508	21,316	242,628	373,953	85,054,139	57
58	Individual returns with adjusted gross income (or deficit) under $5,000	40,075,914	65,915,868	609,410	81,405	606,291	74,192	5,144,103	136,508	1,214,178	23,152	426,622	60,282	22,396	14,876	100,702	293,752	74,105,729	58
59	Individual returns with adjusted gross income of $5,000 and over	1,378,279	4,604,621	427,465	14,148	246,198	17,347	3,029,859	31,637	2,070,172	12,440	406,568	16,994	12,112	6,440	141,926	80,201	10,948,410	59

For footnotes, see p. 15.

come of $5,000 and over

For footnotes, see p. 15.

Table 2. - Individual returns for 1945, 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 classes 1/	Amount of surtax exemption 20/	Tax liability	Tax withheld	Payments on 1945 declaration 21/	Balance of tax due at time of filing	Overpayment (refund, or credit on 1946 tax)	
	Taxable individual returns:							
1	0.5 under 0.75	1,572,566	25,958	82,777	3,873	4,323	65,015	1
2	0.75 under 1	2,333,083	102,084	150,343	9,332	14,030	71,621	2
3	1 under 1.25	2,975,150	201,101	248,777	15,640	21,632	84,946	3
4	1.25 under 1.5	3,333,424	321,297	357,745	19,150	28,894	84,492	4
5	1.5 under 1.75	3,334,030	420,349	439,919	23,507	36,182	79,260	5
6	1.75 under 2	3,404,371	527,299	530,717	31,693	40,496	75,607	6
7	2 under 2.25	3,327,794	572,588	567,663	33,601	42,739	71,417	7
8	2.25 under 2.5	3,285,753	582,301	565,144	35,179	45,438	63,459	8
9	2.5 under 2.75	3,088,741	592,968	566,270	39,697	46,982	59,981	9
10	2.75 under 3	2,871,868	593,238	558,247	40,236	49,165	54,412	10
11	3 under 3.5	4,702,898	1,121,185	1,031,748	81,299	90,364	82,225	11
12	3.5 under 4	3,256,835	932,414	832,622	72,989	80,086	53,281	12
13	4 under 4.5	1,882,222	675,061	570,539	67,515	65,180	28,172	13
14	4.5 under 5	1,095,554	484,466	378,467	68,068	55,963	18,031	14
15	5 under 6	821,575	499,945	311,981	117,554	84,820	14,410	15
16	6 under 7	342,647	307,839	139,212	104,974	71,582	7,931	16
17	7 under 8	183,117	215,233	69,817	98,036	57,012	9,631	17
18	8 under 9	118,228	172,002	44,495	85,203	49,319	7,014	18
19	9 under 10	80,717	144,654	31,098	75,990	42,981	5,414	19
20	10 under 11	58,263	120,446	24,066	66,397	34,950	4,967	20
21	11 under 12	41,082	100,211	15,875	56,663	30,966	3,293	21
22	12 under 13	31,617	88,592	14,119	52,154	26,146	3,827	22
23	13 under 14	24,825	78,908	9,975	47,814	23,882	2,763	23
24	14 under 15	18,381	67,489	7,433	41,297	21,080	2,321	24
25	15 under 20	50,610	243,417	24,405	152,686	74,861	8,535	25
26	20 under 25	19,830	144,480	10,194	93,477	45,004	4,195	26
27	25 under 30	8,270	84,419	5,216	56,691	24,431	1,919	27
28	30 under 40	6,621	95,130	4,519	66,018	26,924	2,331	28
29	40 under 50	2,423	51,020	1,946	35,539	14,623	1,087	29
30	50 under 60	962	27,504	879	19,296	7,852	523	30
31	60 under 70	515	18,154	497	12,960	5,071	374	31
32	70 under 80	283	12,582	229	9,212	3,288	147	32
33	80 under 90	167	8,716	120	6,478	2,277	158	33
34	90 under 100	127	6,870	157	5,021	1,800	108	34
35	100 under 150	148	11,995	115	8,563	3,375	57	35
36	150 under 200	48	5,062	52	3,855	1,229	74	36
37	200 under 250	10	1,029	9	824	206	10	37
38	250 under 300	5	982	2	622	368	10	38
39	300 under 400	3	948	(32)	837	111	-	39
40	400 under 500	1	369	-	457	-	87	40
41	500 under 750	1	465	14	451	(32)	-	41
42	750 under 1,000	3	711	-	711	-	-	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	42,274,768	9,661,481	7,597,403	1,761,559	1,275,632	973,105	49
	Nontaxable individual returns: 31/							
50	No adjusted gross income 5/	-	-	-	-	-	-	50
51	Under 0.5	3,715,014	-	118,592	3,614	-	122,206	51
52	0.5 under 0.75	912,191	-	28,514	1,659	-	30,173	52
53	0.75 under 1	290,858	-	6,600	462	-	7,063	53
54	1 under 1.25	184,937	-	4,853	228	-	5,081	54
55	1.25 and over	-	-	-	-	-	-	55
56	Total, nontaxable individual returns	5,103,000	-	158,559	5,963	-	164,523	56
57	Grand total	47,377,768	9,661,481	7,755,962	1,767,522	1,275,632	1,137,628	57
58	Individual returns with adjusted gross income (or deficit) under $5,000	45,567,289	7,152,309	7,039,537	547,742	621,474	1,056,442	58
59	Individual returns with adjusted gross income of $5,000 and over	1,810,479	2,509,172	716,425	1,219,780	654,158	81,186	59

For footnotes, see p. 15.

Table 2. - Individual returns for 1945, 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 23/

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

	Adjusted gross income classes 1/	Total number of returns	Salaries and wages 10/	Dividends and interest 11/	Annuities and pensions 12/	Rents and royalties 13/		Business and profession 14/		Partnership 15/		Sales or exchanges of capital assets 16/		Sales or exchanges of property other than capital assets 17/		Income from estates and trusts 18/	Miscellaneous income 19/	Adjusted gross income 2/	
						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	109,126	34,458	6,892	919	7,301	347	18,544	549	2,526	71	1,333	288	128	-	1,048	1,687	73,582	1
2	0.75 under 1	271,657	138,998	22,210	2,888	17,370	1,332	48,240	2,833	6,214	642	4,266	1,487	201	477	1,445	4,560	239,622	2
3	1 under 1.25	374,934	283,457	23,567	6,647	20,687	1,882	74,901	3,657	10,248	940	6,097	1,597	197	793	2,148	4,655	423,735	3
4	1.25 under 1.5	447,097	426,591	30,046	6,794	26,750	2,715	104,440	4,270	12,620	652	7,480	2,561	295	604	3,937	5,720	613,872	4
5	1.5 under 1.75	502,487	615,018	32,295	7,256	27,069	3,247	111,391	5,331	13,792	848	11,495	3,396	449	593	2,560	8,669	816,579	5
6	1.75 under 2	534,706	783,288	31,721	4,616	26,155	3,369	124,683	3,832	22,638	367	10,375	3,466	372	394	4,631	6,659	1,003,710	6
7	2 under 2.25	527,203	904,436	33,281	4,653	26,985	4,225	120,153	3,831	18,968	564	12,177	3,059	577	563	3,458	7,002	1,119,448	7
8	2.25 under 2.5	536,031	1,060,576	35,578	2,671	25,842	4,062	118,745	4,319	20,707	495	11,449	3,603	1,048	2,542	4,580	7,487	1,273,661	8
9	2.5 under 2.75	526,982	1,171,469	27,223	3,994	27,747	6,194	112,571	3,464	29,157	866	12,658	3,702	1,311	865	2,922	9,456	1,383,417	9
10	2.75 under 3	497,631	1,219,989	32,202	2,736	23,525	3,734	112,676	3,279	24,070	756	13,727	3,290	862	1,701	5,314	7,189	1,429,533	10
11	3 under 3.5	894,964	2,502,034	61,023	6,489	45,844	6,834	191,778	6,943	60,838	1,469	30,178	6,469	2,701	2,280	8,082	11,527	2,896,500	11
12	3.5 under 4	641,182	2,071,949	51,326	3,539	37,568	4,760	155,944	4,767	44,716	1,036	26,665	4,845	1,145	795	7,450	11,332	2,395,429	12
13	4 under 4.5	414,103	1,477,071	39,419	2,330	27,257	2,678	133,049	1,973	44,768	820	20,499	3,993	1,889	647	9,639	6,453	1,752,265	13
14	4.5 under 5	260,399	988,440	40,129	757	22,741	2,619	108,821	1,275	42,674	732	19,995	2,375	1,115	364	5,844	7,670	1,230,820	14
15	5 under 6	310,271	1,278,279	87,020	2,367	37,742	2,935	170,289	5,748	75,425	1,382	32,479	4,747	3,181	1,725	11,193	8,907	1,690,345	15
16	6 under 7	167,934	732,862	73,205	1,586	29,497	1,904	144,931	1,089	58,060	1,337	35,699	3,761	1,761	1,036	11,447	4,747	1,084,670	16
17	7 under 8	107,434	459,971	71,022	2,512	26,635	1,938	125,238	4,565	76,917	1,365	29,983	3,770	1,378	1,466	15,065	7,492	803,108	17
18	8 under 9	81,914	371,270	65,535	1,667	21,860	1,874	117,064	4,863	80,158	1,227	27,410	3,340	811	1,357	14,034	6,398	693,544	18
19	9 under 10	67,549	318,375	65,406	1,743	20,090	1,266	115,201	3,928	82,172	1,240	27,806	3,085	714	2,484	13,718	6,620	639,839	19
20	10 under 11	56,307	287,127	61,065	1,760	17,344	1,305	106,034	3,890	81,351	1,359	26,083	2,473	853	957	12,772	5,604	590,010	20
21	11 under 12	45,744	230,930	58,355	1,338	16,889	1,046	104,176	3,436	78,686	939	26,070	2,247	654	917	12,402	4,317	525,229	21
22	12 under 13	39,552	218,127	55,483	1,164	16,326	1,194	93,191	2,461	76,298	1,238	22,564	1,950	433	773	12,725	4,570	493,265	22
23	13 under 14	34,588	194,425	52,725	853	14,733	773	90,913	3,189	81,073	1,123	22,646	1,714	605	1,053	12,473	3,981	466,575	23
24	14 under 15	29,845	167,741	52,161	1,100	11,910	697	87,578	2,162	80,488	1,112	22,035	1,859	365	818	11,802	3,556	432,088	24
25	15 under 20	110,421	714,051	228,201	3,924	56,011	3,616	366,852	11,030	394,515	4,000	95,509	6,498	1,292	3,763	56,934	14,867	1,903,249	25
26	20 under 25	65,568	506,706	184,969	2,579	39,727	2,616	273,246	9,506	340,077	2,687	78,029	4,684	1,061	2,087	46,607	11,064	1,462,485	26
27	25 under 30	38,444	342,420	137,238	2,023	26,467	1,820	181,788	6,804	269,309	2,007	61,341	2,806	526	1,623	38,791	5,033	1,049,876	27
28	30 under 40	43,681	445,804	206,402	3,462	37,866	2,085	243,804	10,209	418,650	3,213	96,965	3,264	631	2,096	62,087	6,758	1,501,561	28
29	40 under 50	22,225	265,785	147,599	1,465	23,475	1,263	142,932	7,048	302,301	2,918	72,439	1,791	408	1,741	43,589	4,150	989,383	29
30	50 under 60	12,494	172,306	108,970	1,143	16,028	995	92,283	5,372	210,544	1,728	55,439	1,107	190	1,253	31,852	3,062	681,361	30
31	60 under 70	7,954	120,997	86,613	1,093	10,630	704	64,499	4,072	162,850	1,339	46,640	819	182	609	25,085	2,408	513,454	31
32	70 under 80	5,170	81,785	68,722	792	9,678	500	45,078	2,526	123,223	654	38,131	878	163	629	22,428	1,318	386,129	32
33	80 under 90	3,437	60,920	56,472	552	6,519	376	30,618	2,443	90,732	1,161	32,779	347	100	378	16,320	526	290,832	33
34	90 under 100	2,473	44,860	46,617	367	4,753	274	26,535	1,965	72,545	503	27,136	270	22	419	13,878	950	234,232	34
35	100 under 150	5,378	108,313	140,491	1,192	14,740	821	62,737	7,286	191,274	1,494	89,214	618	241	1,419	44,688	2,395	643,646	35
36	150 under 200	1,683	39,660	68,535	419	6,814	291	27,802	2,194	71,987	780	53,737	200	10	704	22,083	1,269	288,146	36
37	200 under 250	730	18,444	41,570	276	4,397	131	12,103	1,768	38,707	370	34,124	89	16	350	14,439	332	161,701	37
38	250 under 300	401	11,637	30,309	77	2,055	107	9,905	998	19,601	150	26,824	50	2	494	10,393	264	109,266	38
39	300 under 400	330	9,788	31,027	82	2,437	168	5,762	815	21,589	473	35,588	30	(32)	400	9,951	155	114,493	39
40	400 under 500	194	5,438	22,830	140	2,056	70	4,072	1,397	12,264	108	31,510	24	2	164	9,382	95	86,026	40
41	500 under 750	192	6,455	36,512	127	926	233	4,521	1,022	16,406	283	38,846	26	-	419	12,212	60	114,081	41
42	750 under 1,000	64	1,026	21,507	128	331	20	1,806	674	6,814	10	14,656	14	-	97	8,770	126	54,350	42
43	1,000 under 1,500	39	834	15,826	114	304	52	3,004	563	2,108	71	16,584	9	-	32	8,088	78	46,214	43
44	1,500 under 2,000	19	697	10,900	64	1,867	63	1,681	505	865	20	7,320	4	-	-	9,106	1	31,910	44
45	2,000 under 3,000	7	153	5,734	1	3	12	15	50	2,155	44	7,749	-	-	-	1,101	1	16,806	45
46	3,000 under 4,000	2	65	6	-	-	-	-	95	3,020	-	3,901	-	-	-	144	1	7,042	46
47	4,000 under 5,000	3	1	12,275	-	21	4	-	25	-	-	1,528	-	-	2	-	(32)	13,795	47
48	5,000 and over	1	2	8,595	-	-	124	-	-	-	-	-	1	-	856	-	-	7,617	48
49	Total, taxable individual returns	7,800,550	20,895,028	2,826,809	92,399	842,972	79,275	4,291,594	164,021	3,896,100	46,593	1,427,158	96,606	27,891	44,739	698,617	211,171	34,778,501	49
	Nontaxable individual returns: 31/																		
50	No adjusted gross income 5/	214,483	41,580	18,625	1,122	13,321	13,745	11,462	290,074	12,862	62,445	32,332	11,856	3,903	57,169	2,737	4,872	8/292,472	50
51	Under 0.5	63,298	9,408	3,869	215	5,200	519	8,946	4,809	414	1,024	843	2,004	304	731	461	662	21,235	51
52	0.5 under 0.75	161,521	46,841	12,569	2,052	18,857	1,309	20,085	2,164	2,666	471	2,231	2,215	139	94	785	2,317	102,291	52
53	0.75 under 1	111,192	45,950	6,717	1,297	13,312	1,151	26,220	2,706	3,523	109	2,603	1,341	154	547	738	1,827	96,483	53
54	1 under 1.25	67,544	35,754	5,672	1,011	9,757	766	21,419	1,994	1,869	159	2,268	888	234	1,249	241	2,268	75,438	54
55	1.25 and over	92,693	104,749	13,514	2,158	15,544	1,433	29,796	6,279	6,962	2,555	7,408	1,738	692	1,287	2,124	3,387	173,044	55
56	Total, nontaxable individual returns	710,731	284,282	60,966	7,855	75,991	18,923	117,928	308,026	28,296	66,763	47,685	20,042	5,426	61,077	7,086	15,333	9/176,019	56
57	Grand total	8,511,281	21,179,310	2,887,775	100,254	918,963	98,198	4,409,522	472,047	3,924,396	113,356	1,474,843	116,648	33,317	105,816	705,703	226,504	9/34,954,520	57
58	Individual returns with adjusted gross income (or deficit) under $5,000	7,249,233	13,962,056	527,878	64,144	438,832	66,921	1,653,864	358,349	382,232	77,021	236,079	64,173	17,716	73,695	70,144	115,399	9/16,828,192	58
59	Individual returns with adjusted gross income of $5,000 and over	1,262,048	7,217,254	2,359,897	36,110	480,131	31,277	2,755,658	113,698	3,542,164	36,335	1,238,764	52,475	15,601	32,121	635,559	111,105	18,126,328	59

For footnotes, see p. 15.

Table 2. - Individual returns for 1945, 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 23/ - Continued

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

Line	Adjusted gross income classes 1/	Deduction for: Contributions 24/	Deduction for: Interest 25/	Deduction for: Taxes 26/	Deduction for: Losses from fire, storm, etc. 27/	Deduction for: Medical, dental, etc., expenses 28/	Deduction for: Miscellaneous deductions 29/	Total deductions	Net income	Net deficit 30/	Amount of surtax exemption 20/	Tax liability 3/	Tax withheld	Payments on 1945 declaration 21/	Balance of tax due at time of filing	Overpayment (refund or credit on 1946 tax)	Line
	Taxable individual returns:																
1	0.5 under 0.75	4,000	352	2,169	129	2,597	1,533	10,780	62,802	-	81,762	1,624	2,623	738	715	2,452	1
2	0.75 under 1	14,245	2,564	10,549	870	15,514	3,443	47,184	192,438	-	225,535	8,739	10,702	3,137	2,817	7,917	2
3	1 under 1.25	24,469	6,079	15,898	1,607	30,503	9,171	87,725	336,009	-	332,178	20,100	23,788	5,174	4,371	13,232	3
4	1.25 under 1.5	33,932	10,059	22,879	2,627	40,751	14,061	124,308	489,564	-	437,332	33,418	37,618	7,871	5,996	18,066	4
5	1.5 under 1.75	42,919	14,792	30,420	4,481	52,057	21,507	166,175	650,404	-	520,362	51,952	57,507	9,444	7,709	22,709	5
6	1.75 under 2	50,897	20,446	36,936	4,529	58,333	26,807	197,950	805,760	-	577,739	72,130	77,345	11,455	9,339	26,010	6
7	2 under 2.25	54,863	24,296	41,811	5,026	59,442	30,759	216,196	903,252	-	604,496	86,346	91,679	12,214	10,123	27,671	7
8	2.25 under 2.5	59,921	28,805	47,132	6,904	59,118	39,893	241,772	1,031,889	-	662,424	103,707	108,513	14,073	10,685	29,563	8
9	2.5 under 2.75	61,076	33,752	49,146	7,687	62,798	41,277	255,739	1,127,678	-	700,327	114,944	120,454	15,324	11,179	32,014	9
10	2.75 under 3	63,267	34,897	54,015	7,633	57,044	46,826	263,683	1,165,850	-	695,415	123,712	127,184	15,986	10,783	30,242	10
11	3 under 3.5	126,796	74,257	104,798	15,760	103,055	97,732	522,397	2,374,102	-	1,308,848	270,015	273,143	31,838	23,420	58,386	11
12	3.5 under 4	100,928	62,093	85,605	11,256	77,261	90,325	427,469	1,967,961	-	986,545	245,880	241,569	27,658	20,793	44,140	12
13	4 under 4.5	73,105	45,464	61,486	9,138	48,330	69,313	306,834	1,445,431	-	646,313	196,742	182,008	26,160	18,209	29,635	13
14	4.5 under 5	47,698	31,306	42,595	5,845	32,064	58,875	218,382	1,012,439	-	394,297	151,330	129,433	24,762	16,331	19,196	14
15	5 under 6	69,882	45,290	63,003	9,840	39,616	66,000	293,632	1,396,714	-	471,035	227,263	179,536	47,361	25,926	25,559	15
16	6 under 7	42,452	26,071	40,779	3,939	20,543	43,039	176,822	907,847	-	246,661	165,406	109,057	47,196	22,484	13,331	16
17	7 under 8	31,350	18,753	29,444	3,262	14,292	25,486	122,587	680,521	-	149,073	135,923	71,114	55,760	22,821	13,772	17
18	8 under 9	25,897	14,824	25,062	2,274	10,342	20,336	98,735	594,809	-	113,410	126,372	59,555	56,880	21,975	12,038	18
19	9 under 10	23,318	12,433	22,484	1,708	8,101	19,167	87,211	552,628	-	90,888	124,932	52,751	61,283	22,066	11,167	19
20	10 under 11	21,129	10,696	20,461	1,875	6,240	15,493	75,894	514,116	-	76,201	122,259	48,299	61,927	21,400	9,367	20
21	11 under 12	18,288	9,043	17,735	1,691	5,230	13,075	65,063	460,166	-	61,342	114,467	39,194	62,188	21,235	8,151	21
22	12 under 13	16,674	7,925	16,543	1,415	3,737	11,881	58,175	435,090	-	52,619	113,027	38,121	62,039	20,378	7,510	22
23	13 under 14	15,434	7,327	15,265	1,153	3,568	10,895	53,642	412,933	-	45,401	111,832	34,143	63,569	21,194	7,074	23
24	14 under 15	14,103	6,346	13,847	929	2,781	10,600	48,606	383,483	-	38,766	108,162	30,007	63,443	21,266	6,555	24
25	15 under 20	60,573	25,469	60,655	3,943	9,304	40,047	199,990	1,703,259	-	142,092	531,764	131,359	330,810	100,802	31,208	25
26	20 under 25	44,478	17,976	45,077	2,688	5,340	27,027	142,586	1,319,899	-	83,240	475,336	95,982	313,818	90,557	25,021	26
27	25 under 30	31,980	12,042	32,396	1,530	2,621	17,022	97,590	952,286	-	47,370	382,432	66,221	262,754	69,669	16,212	27
28	30 under 40	46,124	16,151	45,155	2,272	2,624	25,428	137,753	1,363,807	-	52,164	611,037	87,577	436,119	110,576	23,235	28
29	40 under 50	30,833	10,402	30,660	1,306	1,215	16,696	91,112	898,271	-	25,628	445,591	52,855	332,745	76,193	16,202	29
30	50 under 60	22,660	7,663	20,634	1,002	562	12,799	65,320	616,041	-	14,163	328,374	34,621	249,609	55,428	11,284	30
31	60 under 70	18,025	5,915	15,820	649	411	8,621	49,441	464,014	-	8,717	261,289	24,958	200,937	43,611	8,218	31
32	70 under 80	14,414	4,125	11,826	567	197	7,689	38,817	347,312	-	5,552	203,931	16,771	160,636	32,600	6,076	32
33	80 under 90	12,469	3,102	9,131	278	155	4,530	29,664	261,168	-	3,622	158,093	12,636	125,399	25,099	5,041	33
34	90 under 100	9,960	2,879	7,288	347	103	4,735	25,312	208,920	-	2,525	130,785	9,265	105,198	20,103	3,781	34
35	100 under 150	30,865	7,439	21,288	719	131	13,240	73,682	569,964	-	5,340	375,967	23,094	306,844	57,495	11,466	35
36	150 under 200	15,078	3,438	10,296	184	57	6,855	35,907	252,238	-	1,581	175,266	8,553	146,296	25,336	4,920	36
37	200 under 250	9,103	2,271	5,431	491	63	3,524	20,883	140,818	-	689	100,649	3,875	85,217	14,109	2,552	37
38	250 under 300	6,512	2,030	3,699	22	10	3,416	15,689	93,577	-	359	67,115	2,362	57,649	8,773	1,669	38
39	300 under 400	6,409	1,562	3,919	111	8	2,591	14,599	99,894	-	305	71,117	1,896	62,291	8,354	1,423	39
40	400 under 500	4,750	1,357	3,078	38	14	3,200	12,439	73,588	-	183	51,183	1,154	44,376	6,998	1,345	40
41	500 under 750	7,619	1,178	3,556	82	-	2,281	14,716	99,365	-	181	72,437	1,208	64,353	7,912	1,035	41
42	750 under 1,000	4,009	703	1,535	43	-	767	7,057	47,292	-	53	36,349	206	33,497	3,066	420	42
43	1,000 under 1,500	4,250	530	1,605	23	1	1,330	7,739	38,474	-	34	27,918	165	25,921	1,994	162	43
44	1,500 under 2,000	2,482	204	871	7	-	331	3,894	28,016	-	16	22,267	124	21,050	1,335	242	44
45	2,000 under 3,000	1,518	52	489	1	-	142	2,201	14,605	-	10	10,053	28	9,798	280	52	45
46	3,000 under 4,000	121	10	47	-	-	9	186	6,855	-	4	4,584	14	4,306	264	-	46
47	4,000 under 5,000	1,568	-	172	-	-	156	1,896	11,899	-	6	10,277	-	8,700	1,577	-	47
48	5,000 and over	1,143	20	570	-	-	549	2,283	5,335	-	1	4,801	-	4,825	-	24	48
49	Total, taxable individual returns	1,423,586	674,388	1,205,260	127,881	836,133	990,479	5,257,717	29,520,783	-	9,912,804	7,388,897	2,720,267	4,180,626	1,135,346	647,345	49
	Nontaxable individual returns: 31/																
50	No adjusted gross income 5/	1,803	2,098	3,777	797	2,820	1,748	13,044	-	305,516	246,537	-	4,839	18,998	-	23,836	50
51	Under 0.5	1,692	1,097	2,773	212	2,677	1,547	9,997	14,705	3,467	64,764	-	1,021	831	-	1,853	51
52	0.5 under 0.75	6,389	2,618	8,227	975	16,908	4,699	39,815	63,853	1,377	134,967	-	2,927	737	-	3,663	52
53	0.75 under 1	5,076	4,187	7,161	3,416	23,167	6,277	49,281	50,636	3,433	116,793	-	2,883	900	-	3,783	53
54	1 under 1.25	4,006	3,529	6,278	1,518	16,400	5,264	36,996	40,371	1,928	82,981	-	2,091	691	-	2,780	54
55	1.25 and over	7,459	8,963	15,904	18,463	37,799	43,096	131,686	59,616	18,259	125,680	-	6,916	3,055	-	9,973	55
56	Total, nontaxable individual returns	26,425	22,492	44,120	25,381	99,771	62,631	280,819	229,181	333,980	769,722	-	20,677	25,212	-	45,888	56
57	Grand total	1,450,011	696,880	1,249,380	153,262	935,904	1,053,110	5,538,536	29,749,964	333,980	10,682,526	7,388,897	2,740,944	4,205,840	1,135,346	693,233	57
58	Individual returns with adjusted gross income (or deficit) under $5,000	784,541	411,654	649,559	108,873	798,638	614,153	3,367,413	13,794,760	333,980	8,943,295	1,480,639	1,504,243	231,046	152,470	407,121	58
59	Individual returns with adjusted gross income of $5,000 and over	665,470	285,226	599,821	44,389	137,266	438,957	2,171,123	15,955,204	-	1,739,231	5,908,258	1,236,701	3,974,794	982,876	286,112	59

For footnotes, see p. 15.

Table 3. - Individual returns with adjusted gross income for 1945, by States and Territories: Number of returns, salaries and wages, dividends and interest, adjusted gross income, and tax liability

(Money figures in thousands of dollars)

States and Territories	Number of returns	Salaries and wages 10/	Dividends and interest 11/	Adjusted gross income 2/	Tax liability 3/
Alabama	605,871	1,005,172	18,216	1,210,859	134,976
Arizona	184,246	306,597	10,698	426,052	55,000
Arkansas	310,517	450,727	10,670	592,339	68,215
California	4,083,251	7,627,973	379,199	10,989,863	1,764,266
Colorado	403,785	648,317	34,615	949,265	131,725
Connecticut	837,399	1,772,426	113,628	2,178,897	341,245
Delaware	107,709	213,520	30,519	299,012	62,637
District of Columbia	386,412	798,563	37,053	993,047	158,284
Florida	690,505	1,130,429	72,405	1,669,373	256,002
Georgia	751,585	1,219,880	41,200	1,546,107	186,806
Hawaii	190,431	391,715	12,670	522,070	84,330
Idaho	180,678	242,236	6,019	376,559	41,488
Illinois	3,471,774	6,871,964	261,182	9,026,694	1,359,845
Indiana	1,338,572	2,422,705	65,464	3,160,005	404,739
Iowa	837,040	959,856	44,513	1,775,146	209,777
Kansas	638,076	850,988	22,570	1,348,436	165,636
Kentucky	636,487	1,031,595	27,687	1,294,558	145,151
Louisiana	635,463	1,013,947	34,759	1,360,598	171,090
Maine	311,807	480,335	28,445	618,253	72,621
Maryland	873,857	1,729,895	77,996	2,148,457	301,693
Massachusetts	1,858,647	3,793,012	205,437	4,594,761	665,426
Michigan	2,273,787	4,652,483	142,349	5,748,698	804,959
Minnesota	992,060	1,496,765	59,928	2,146,778	273,639
Mississippi	298,510	430,145	11,261	570,868	63,495
Missouri	1,308,035	2,138,336	99,752	2,820,759	378,768
Montana	185,907	269,575	7,960	409,214	48,520
Nebraska	460,076	568,442	19,259	980,087	123,919
Nevada	65,174	124,201	7,915	177,485	30,566
New Hampshire	194,999	312,929	20,400	392,882	47,393
New Jersey	1,981,047	4,300,718	171,419	5,225,042	737,972
New Mexico	140,033	196,942	5,734	294,776	34,844
New York	6,063,750	12,864,324	779,349	16,816,795	2,743,072
North Carolina	842,833	1,237,817	46,813	1,623,637	181,173
North Dakota	175,955	160,235	5,061	350,589	36,705
Ohio	2,953,543	5,929,656	208,827	7,287,283	1,015,220
Oklahoma	571,796	879,812	22,055	1,211,284	137,486
Oregon	518,109	956,926	22,817	1,314,582	193,654
Pennsylvania	3,872,854	7,484,445	324,297	9,187,829	1,275,957
Rhode Island	315,963	595,291	35,027	742,636	108,643
South Carolina	400,838	619,616	13,238	765,464	78,998
South Dakota	192,316	176,872	5,634	347,498	34,801
Tennessee	695,825	1,150,957	29,713	1,413,075	173,584
Texas	1,988,628	3,207,261	97,171	4,492,619	609,637
Utah	214,841	387,454	7,515	474,067	51,680
Vermont	113,448	159,098	11,072	214,858	24,229
Virginia	821,029	1,393,554	57,499	1,767,397	226,178
Washington 33/	959,667	1,827,428	42,545	2,329,276	328,913
West Virginia	545,803	1,028,532	19,204	1,143,302	113,312
Wisconsin	1,209,941	2,057,926	73,546	2,713,484	337,027
Wyoming	82,206	143,777	4,489	198,750	25,603
Total	49,773,085	91,713,369	3,886,794	120,241,365	17,020,899

For footnotes, see p. 15.

Footnotes

1/ Adjusted gross income classes are based on the amount of adjusted gross income (see note 2), 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.

2/ 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.

3/ 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.

4/ This class includes the nontaxable returns over $1,500.

5/ The no adjusted gross income classification is for returns showing allowable deductions for the computation of adjusted gross income equal to or in excess of gross income (see note 2); that is, other loss on line 4, page 1, Form 1040, is equal to or in excess of salaries, wages, dividends, and interest.

6/ Less than 0.005 percent.

7/ Not computed.

8/ Adjusted gross deficit.

9/ Adjusted gross income less adjusted gross deficit.

10/ 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 19.)

11/ 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 19.)

12/ 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.

13/ 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.

14/ 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.

15/ 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; each of which is reported in its respective source. In computing partnership profit or loss, charitable contributions are not deductible nor is the net operating loss deduction allowed.

16/ 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, 1943, and 1944. 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.

17/ 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.

18/ Income from estates and trusts excludes partially tax-exempt interest on Government obligations and dividends on share accounts in Federal savings and loan associations issued prior to March 28, 1942; such income is reported in interest and dividend income.

19/ 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 $51,194,155 of wages not subject to withholding, dividends, and interest, not exceeding in total $100 per return, reported as other income on 901,973 returns, Form W-2.

20/ 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.

21/ Payments on 1945 declaration of estimated tax include the credit for prior year overpayment of tax as well as the aggregate payments made on Form 1040-ES.

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/ 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.

24/ 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.

25/ 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.

26/ 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.

27/ 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.

28/ 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.

29/ 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.

30/ Net deficit reported on nontaxable returns, Form 1040, with itemized deductions. The total number of returns showing net deficit is 249,436, of which 214,483 show no adjusted gross income, and 34,953 show adjusted gross income of various amounts and itemized deductions of larger amounts.

31/ 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 496,248 nontaxable returns with adjusted gross income and with itemized deductions include 34,953 returns with net deficit.

32/ Less than $500.

33/ Includes Alaska.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, January 6, 1948.

Press Service
No. S-588

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 January 8 and to mature April 8, 1948, which were offered January 2, 1948, were opened at the Federal Reserve Banks on January 5.

The details of this issue are as follows:

Total applied for - $1,914,793,000
Total accepted - 1,305,222,000 (included $40,111,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.760 Equivalent rate of discount approx. 0.950% per annum

Range of accepted competitive bids:

High - 99.770 Equiv. rate of discount approx. 0.910% per annum
Low - 99.759 " " " " " 0.953% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 7,961,000	$ 7,961,000
New York	1,540,832,000	952,253,000
Philadelphia	1,280,000	1,255,000
Cleveland	26,550,000	26,550,000
Richmond	2,310,000	2,310,000
Atlanta	5,835,000	3,735,000
Chicago	235,215,000	222,015,000
St. Louis	7,175,000	7,175,000
Minneapolis	4,260,000	4,260,000
Kansas City	19,800,000	15,700,000
Dallas	8,655,000	8,603,000
San Francisco	54,920,000	53,405,000
TOTAL	$1,914,793,000	$1,305,222,000

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, January 7, 1948.

Press Service
No. S-589

One of this country's beloved immortals, Benjamin Franklin, is being brought out of honored retirement to play a prominent new role in the drama of every-day American life.

Franklin's likeness will soon appear on a brand new half dollar of regular issue, it was announced today by Secretary of the Treasury Snyder. A design for the new coin, recommended by Nellie Tayloe Ross, Director of the Mint, has received the Secretary's enthusiastic approval. Lending it distinction will be not only Franklin's wise and kindly features but also an impressive representation of another "great" of American history, the Liberty Bell.

The coin is expected to be ready for distribution from the Philadelphia, Denver and San Francisco mints in about two or three months. Only two specimens have been struck so far. Secretary Snyder said he had shown the coin to President Truman, and reported that the President was much pleased with it.

Ben Franklin was many things to many men, but he never lost an opportunity to preach the virtues of thrift. His face on the new half dollar will serve as a potent reminder, so the Secretary hopes, that thrifty financial management is as important to individuals and to society today as it was in Franklin's time. Specifically, the Secretary thinks it will remind everyone that an excellent thing to do with spare half dollars and other spare coins these days is to buy savings bonds and stamps.

Mrs. Ross, the Mint Director, said that coinage of half dollars of the old design, introduced in 1916, had been stopped at all mints, in anticipation of the introduction of the new Franklin-Liberty Bell coin.

Mrs. Ross envisaged several years ago a new half dollar honoring Franklin and the Liberty Bell. The 1916 design became eligible for replacement in 1941, under the law authorizing changes in the design of a coin of regular issue not oftener than every 25 years. The late John R. Sinnock, Engraver of the Mint, was the artist who gave the idea sculptural form.

For the obverse of the design Mr. Sinnock used a composite study of Franklin's face in full profile. The study was prepared from a variety of portraits of Franklin. It is a slight modification of a Franklin profile used for a medal issued by the Mint in 1933.

The Liberty Bell representation on the reverse of the coin was adapted by Mr. Sinnock from one which he modeled for a commemorative half dollar issued for the Sesquicentennial of American Independence in 1926. The bell is suspended from its familiar wooden beam, with the time-honored crack in the bell discernible. The lettering E Pluribus Unum is inscribed at one side of the bell, and the American eagle appears at the other.

The initials on the obverse are those with which Mr. Sinnock signed his coin and medal designs.

Franklin will join a very select company when the coin goes into circulation. Only four persons before him have had their portraits chosen for use on coins of regular issue of the Federal Government. Lincoln's head appears on the one cent piece of 1909, Jefferson's on the nickel of 1938, Washington's on the quarter of 1932, and Franklin D. Roosevelt's on the dime of 1946. Faces used on all other regular issue coins have been either portraits of Liberty or of the American Indian.

Mrs. Ross said none of the Franklin-Liberty Bell half dollars would be released until a sufficient supply has been minted for simultaneous distribution all over the country. This will require several weeks.

DESCRIPTION OF THE FRANKLIN HALF DOLLAR

On the obverse of the coin, in the center field, appears the portrait of Benjamin Franklin, facing to the viewer's right. Above the portrait, around the border, is the word "Liberty." Below, around the border, are the words "In God We Trust." In the lower right field is the date 1948, and directly under the portrait are the initials of the coin's designer, the late John R. Sinnock.

On the reverse of the coin, in the center field, is the Liberty Bell suspended from a beam. In the left field is the inscription "E Pluribus Unum" and in the right field is the eagle, the national emblem. Above, around the border, are the words "United States of America" and below, around the border, "Half Dollar."

On the Liberty Bell may be read partially the inscription "Proclaim Liberty Throughout All the Land Unto the Inhabitants Thereof." Faintly readable also is the name of the concern, "Pass and Stow, Philada.", which recast the bell after it was damaged while being tested.

BENJAMIN FRANKLIN ON THRIFT

Secretary of the Treasury Snyder feels pretty sure that if Ben Franklin were alive today, he would be an energetic advocate of the purchase of United States savings bonds and stamps. For Franklin the printer, the author, the inventor, the scientist, the diplomat and the patriot was throughout his eminent life the proponent of thrift.

"If you would be wealthy, think of saving as well as getting," he advised readers of Poor Richard's Almanac.

In rhyme, he put it this way:

"For age and want save while you may;
No morning sun lasts a whole day."

And more forcefully: "A man may, if he knows not how to save as he gets, keep his nose all his life to the grind stone and die not worth a groat at last."

* * *

Franklin was a student of the technical aspects of money matters, too. He wrote a treatise on money -- or a "tract", as it was called then -- when he was 23.

He had much to do with Government finances, also. Franklin headed a commission which raised 26 million livres in France to help win the Revolutionary War. And he wrote extensively about the public debt and taxes.

* * *

Franklin doubtless would be much interested in the wide circulation which his portrait on the new half dollar will gain. He wrote to his daughter, Mrs. Sarah Bache, from France in 1779 that "incredible" numbers of likenesses of him were appearing in France on medallions, on lids of snuff boxes, on finger rings and such. He added:

"These, with pictures, busts and prints (of which copies upon copies are spread everywhere) have made your father's face as well known as that of the moon, so that he durst not do anything that would oblige him to run away, as his phiz would discover him wherever he should venture to show it."

STATUTORY DEBT LIMITATION
AS OF DECEMBER 31, 1947

January 8, 1948

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			$275,000,000,00
Outstanding December 31, 1947			
Obligations issued under Second Liberty Bond Act, as amended			
Interest-bearing			
Treasury bills	$ 15,136,337,000		
Certificates of indebtedness	21,219,710,000		
Treasury notes	16,758,491,800	$ 53,114,538,800	
Bonds			
Treasury	117,862,839,750		
Savings (current redemp. value)	52,052,708,701		
Depositary	318,620,000		
Armed Forces Leave	766,500,400		
Investment Series	969,960,000	171,970,628,851	
Special Funds			
Certificates of indebtedness	14,764,500,000		
Treasury notes	14,190,539,000	28,955,039,000	
Total interest-bearing		254,040,206,651	
Matured, interest-ceased		396,443,012	
Bearing no interest			
War savings stamps	63,005,199		
Excess profits tax refund bonds	12,124,560		
Special notes of the United States:			
Internat'l Bank for Reconst. and Development series	215,785,000		
Internat'l Monetary Fund series	1,318,000,000	1,608,914,759	
Total		256,045,564,422	
Guaranteed obligations (not held by Treasury)			
Interest-bearing			
Debentures: F.H.A.	32,955,236		
Demand obligations: C.C.C.	42,975,441	75,930,677	
Matured, interest-ceased		5,478,975	
		81,409,652	
Grand total outstanding			256,126,974,07
Balance face amount of obligations issuable under above authority			18,873,025,92

Reconcilement with Statement of the Public Debt - December 31, 1947
(Daily Statement of the United States Treasury, January 2, 1948)

Outstanding - December 31, 1947	
Total gross public debt	256,899,844,85
Guaranteed obligations not owned by the Treasury	81,409,65
Total gross public debt and guaranteed obligations	256,981,254,50
Deduct - other outstanding public debt obligations not subject to debt limitation	854,280,43
	256,126,974,07

S-590

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 9, 1948.

Press Service
No. S-591

The Secretary of the Treasury, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing January 15, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated January 15, 1948, and will mature April 15, 1948, 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, January 12, 1948. 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 January 15, 1948, in cash or other immediately available funds or in a like face amount of Treasury bills maturing January 15, 1948. 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.

oOo

TREASURY DEPARTMENT

Washington

(Statement by Secretary Snyder, on the European Recovery Program, before the Foreign Relations Committee of the United States Senate.)

January 14, 1948

The President, in his message, has laid before you the Administration's proposal for a European Recovery Program and in greater detail the Secretary of State has described the need for assistance to Europe and the manner in which, and extent to which, it is recommended that American assistance be given. The financial aspects of the Program have been carefully considered by the National Advisory Council on International Monetary and Financial Problems. This is a program for the economic recovery of Europe: it is not merely a relief program. The Council throughout has approached the foreign financial policy issues involved to determine what specific lines of action would most effectively contribute to this basic objective of economic recovery. As Chairman of the Council, I welcome this opportunity to set forth the conclusions reached by the Council and then to comment on the financing of the Program.

First, I shall review the principal financial aspects of the Program, then say something about the measures which we shall expect the European countries themselves to take, and finally comment briefly on the financing of the Aid Program.

The first matter which I wish to take up is the question of the form in which aid should be extended to Europe. This assistance should be provided as a combination of grants-in-aid and loans. The criterion for selecting one or the other form should be the capacity of the participating countries to earn, in the years to come, the dollars which would be needed to pay interest and principal. We must keep in mind that these countries have already incurred an obligation for large annual payments of interest and amortization arising from the dollar loans extended to them over a period of years by the U. S. Government or the United States private capital market. We should take care not to insist that these countries contract additional dollar debts which will absorb so much of their dollar earnings as to operate to the disadvantage of future trade and private investment. If the entire aid for European countries were to be on a loan basis, it would be practically impossible for them to meet the additional annual charges from their earnings of dollars, even after trade and investment return to normal. The proportion of total aid which can prudently be provided on a loan basis must depend on the estimate of the borrowing country's capacity to repay in dollars and also on the degree of flexibility which can be introduced into the terms of repayment.

S-592

The International Bank may be expected to finance part of the capital requirements of the European countries, particularly where they require the financing of permanent additions to their equipment. It does not seem likely, however, that the Bank will be able to carry the whole, or even the major, part of the Program which properly ought to be put on a loan basis. We propose, therefore, that when the Administrator for Economic Cooperation decides, after consulting the National Advisory Council, that it is desirable to extend aid on a credit basis, he will allocate the funds to the Export-Import Bank of Washington, which will then make the loan as directed and on terms specified by the Administrator in consultation with the National Advisory Council. This procedure will enable the Administrator to draw upon the broad experience of the Export-Import Bank in the making of foreign loans. Incidentally, this is one example of the manner in which the National Advisory Council would perform its customary role of coordination of U.S. foreign financial policy. I shall be glad to describe this role in greater detail if the members of the Committee wish me to do so.

It is also important that the American business enterprises be given opportunity to participate in the Recovery Program by making new investments abroad, or by expanding existing facilities where the Program calls for additional capital equipment. In this way they will contribute to the restoration of Europe, while at the same time they will be carrying out their own programs for expansion abroad. But we must recognize that new investments would be made at a time of great uncertainty and that investors may anticipate encountering difficulty in converting their earnings or their original principal into dollars. To facilitate private investment, therefore, it will probably be necessary for the Government to guarantee the convertibility into dollars of local currency earned by the investment or available for the repatriation of the original investment. While we may expect that the participating countries will try to make dollars available, it is possible that they will not have adequate dollars to permit conversion. The Economic Cooperation Administration should not be expected to guarantee American companies making these investments against normal risks, but merely to give them a transfer guaranty. We propose that not more than 5 percent of the funds appropriated by Congress for the Program should be obligated for these guaranties, and that the guaranties themselves should not exceed the amount of the original investment and should not be extended more than 10 years from the termination of the four-year program.

Some people have argued that the participating countries should pay for part of the Program by using up their gold and dollar assets in the United States, and by liquidating the American investments of their own citizens. I need not labor the point that the European countries must have some gold and dollar reserves to finance their international trade if they are to return to normal operations after 1952. It should be kept in mind that the Economic Recovery Program is not

intended to cover the entire import requirements of these countries. It would be folly on our part to force the European countries to use up their gold and dollar balances to a point where they would not have adequate funds to operate smoothly through ordinary commercial and financial channels. By insisting that the participating countries exhaust their gold and dollar balances, we would merely add further instability to their monetary systems. As a matter of fact, all of the participating countries except Switzerland, Turkey, and Portugal have already reduced their dollar balances to or below the amount which would normally be regarded as safe.

When we turn to the possibility of liquidating European investments in the United States, we must also look at the problem in terms of its long-run consequences. These investments annually earn a dollar income, which will be used to cover part of the cost of the Program, and which will be used in the future to meet part of the cost of imports after the Program ends. Without these investments, the balance-of-payments situation of the participating countries will be worse in the future. I doubt very much that it would be wise policy for the United States to require European countries as a general rule to liquidate the property owned in the United States by their nationals as a condition for receiving aid from this Government.

Even if these countries could liquidate all of the property owned by their citizens in the United States, they could not pay for more than a small part of the Program. We estimate that as of last June 30 the dollar assets held by persons in the recipient countries amounted to about $4.8 billion. Of this amount $1.5 billion consisted of direct investments, and a considerable part of the remainder also consists of holdings which would be difficult to liquidate. Some of these assets are already pledged for loans, while for many of the countries involved the amounts held here are negligible.

Some of the governments, however, will decide to liquidate some or all of their holdings so as to pay for imports. In practice this may be an alternative to borrowing from the United States. We certainly will not object to the governments using these funds. The question of policy for us to decide is the extent to which we can help these countries in obtaining control of these assets. In the case of unblocked assets, the only way the European governments can get control of them under present circumstances is through the compliance of their citizens with local laws. In fact, a considerable portion of the assets formerly blocked in the United States has been unfrozen as a result of such action. While we do not have exact data on unblocked assets, we believe the amount is comparatively small.

A large part of the blocked assets are still blocked because their owners have not obtained from their own governments the certification that there is no enemy interest in their assets, which is required by

the United States Treasury before the assets are unblocked. The National Advisory Council and the executive departments concerned with this matter are giving very careful study to this problem. We hope to reach a final view as to the most satisfactory solution of this problem very shortly, and I should like at that time to appear before you again to outline our program.

It will not be possible to obtain all the goods needed for the Recovery Program in the United States, nor would it be desirable to attempt to do so. Some commodities are in short supply here, and purchasing abroad would leave more available for our own population and would in many instances reduce the net cost of the Program. The needed amounts of food cannot be obtained in the United States. A large percentage of the requirements of grain, fats and oils, meat and other agricultural products can be procured only in other countries of the Western Hemisphere. In this manner we can make it possible for countries in the Western Hemisphere to supply larger amounts of foods and materials to Europe and at the same time maintain essential imports from the United States.

It is the opinion, therefore, of the National Advisory Council that the Economic Cooperation Administrator should be authorized to expend funds for the procurement of supplies for the Recovery Program outside of the United States. This would relieve pressure upon goods and services in short supply in the United States, and would in some instances have the further effect of assisting third countries in maintaining needed imports from the United States. We definitely would not permit the use of dollars to buy goods abroad where the supplies available in the United States at reasonable prices are adequate for our needs as well as for the requirements of foreign countries. In any case, all purchases would be made according to an agreed program, and the administering agency would control the use of the funds appropriated by Congress. In addition to purchases in the Western Hemisphere, there are special instances where it may be in our interest to procure certain essential products in one participating country for delivery to another, making payment in dollars. For example, we might buy steel or coal in one participating country for delivery to another. The dollars which are received would then be used by the supplying country to pay for imports from the United States, thus reducing the need for direct expenditures by the United States for aid to the supplying country.

If the Recovery Program is to be successful, adequate measures for monetary stabilization must be taken promptly and with vigor by the European countries. At the Paris meeting the 16 participating countries undertook "to apply any necessary measures leading to the rapid achievement of internal financial, monetary and economic stability while maintaining in each country a high level of employment." They have recognized that recovery is not possible as long

as inflation continues, and unless production is increased. The measures which should be taken must vary somewhat from country to country, but the general outline is clear. Budgets should be brought into balance rapidly, so that the necessary expenses of government can be met without increasing the public debt and without increasing direct inflationary pressures. In most countries modifications in tax structures and control of expenditures will be needed. As determined steps are taken, the trend toward budgetary balances, increased production, and steadying prices will all interact upon one another to facilitate stabilization.

The Administration proposes that each country receiving aid from the United States shall enter into a separate agreement with this Government, which will cover the terms on which aid will be given. The European signatories will undertake to adopt the financial and monetary measures which are necessary to stabilize their currencies and to maintain and establish proper rates of exchange. These agreements will also cover such matters as cooperation with other countries, the proper use of the goods supplied, and the establishment of a separate account for the local currency equivalent to the aid supplied in the form of grants. Moreover, each country would agree to supply the United States Government with full information about any pertinent aspect of the Recovery Program and to give a report on the Program to its own people. On the basis of the information which the cooperating countries will give us, and also from the reports of our own missions in these countries, we can be informed about the situation and so be in a position to discuss with the country the measures which it has taken, or ought to take, to contribute to the recovery of Europe and its own stability.

We have a direct interest in assuring that the aid we provide to Europe makes a maximum contribution to the reduction of inflationary pressures and the restoration of stability. To this end we propose that each participating country will deposit in a special account the local currency equivalent at an agreed rate of exchange to the dollar cost to this Government of the goods supplied through grants-in-aid. These accounts should be drawn upon only for constructive, stabilizing purposes. In many instances it will probably be best either to let the accounts remain idle or to authorize the use of this local currency to effect a net reduction in the government's debt. There may be instances, however, in which it might also be used for reconstruction or development, or other purposes which would contribute to the increase of production in the country. In the view of the National Advisory Council, such expenditures should be undertaken only in agreement with this Government.

I wish to make it clear that the National Advisory Council, in considering the financial measures which the European countries should take, had very much in mind the necessity of preserving the spirit of free and friendly cooperation between this Government and the European

governments. I am sure this country does not wish to dictate to these friendly countries either the particular measures they should take, or the exact manner in which they should be taken.

The adjustment of some exchange rates may be expected in the course of European recovery. Inflation in Europe in certain instances has given rise to exchange rates which result in an overvaluation of the currencies in relation to the dollar. This state of affairs has tended to hinder the exports of such countries and, at the same time, to make imports relatively cheap in terms of local currency. In some cases countries have resorted to export subsidies, by means of special exchange rates, or have used other measures in conflict with our own long-range international economic program.

The determination of an appropriate exchange rate is a very complex matter, involving the widest range considerations relating to prices, costs, and balances of payments. The difficulties in setting exchange rates under present conditions are such that, although the rates of some of the participating countries will certainly have to be adjusted, the timing of these adjustments will vary from country to country. Accordingly, it would not be good policy for us to insist upon an across-the-board modification of exchange rates before we extend aid. The revision of rates of individual countries should instead be considered as a part of a developing program of internal and external stabilization in conjunction with United States assistance. To ensure that these revisions will no undertaken where necessary, the recipient countries will be asked to agree that when, in the opinion of the United States Government, their exchange rates are imposing an unjustifiable burden on their balances of payments, they will consult with the International Monetary Fund about revision. Countries which are not members of the Fund would be expected to consult directly with the United States Government. The National Advisory Council is making continual studies of the exchange rate problem and is the agency directed by Congress to coordinate policy in this matter.

After progress has been made toward internal stabilization in the European countries by balancing budgets, increasing production, and expanding trade, the time will arrive when it may be appropriate to make stabilization loans which would give greater assurance to the people of the participating countries that the stabilization will be permanent. There is greater confidence in the stability of money if there is gold or dollars in the hands of the central bank. At the appropriate point in the Program it would be well worth while to give countries this additional assurance by extending a loan to provide monetary reserves. If the loan is given prematurely, the reserves might be dissipated through balance-of-payments deficits. A stabilization loan to be effective should come when there is reasonable assurance that the internal situation of the country concerned is satisfactory, and that it will be able to maintain its exchange rate at a stable level for a considerable period of time.

It is not likely that this situation will be reached immediately, but it is possible that in the course of 1948, and probably in 1949, some countries will be in a position to use stabilization loans effectively. At the appropriate time Congress may then be requested to appropriate additional funds to be used by the U.S. Stabilization Fund to make these loans.

Before I conclude my remarks on this phase of the European Recovery Program, I should like to comment briefly on the amount needed to carry it out. The President has recommended that $6.8 billion be appropriated to support the program during the 15 months ending June 30, 1949. The National Advisory Council has carefully reviewed the procedures which have been used by the inter-departmental committees of experts in arriving at this figure. These procedures involved a critical examination of European needs and of availabilities in the United States and in other major supplying areas, and careful estimates of European dollar income and resources. The National Advisory Council believes that this approach is sound and has concluded that the recommended amount is needed to achieve the objectives of the Program.

Finally, I should like to make a brief comment concerning the financing of the Program. It would serve no good purpose to ask the European countries to put their own houses in order if we, ourselves, adopted methods which might accentuate inflation in the United States or upset our own economic stability. It is my firm opinion that we should finance the European Recovery Program within a balanced budget. I am confident that, so long as we pursue a sound fiscal policy, we shall be able to cover the cost of the European Recovery Program out of current revenues.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 13, 1948

Press Service
No. S-593

The Secretary of the Treasury, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing January 22, 1948, to be issued on a discount basis under competitive and non-competitive bidding as herinafter provided. The bills of this series will be dated January 22, 1948, and will mature April 22, 1948, 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, Friday, January 16, 1948. 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 January 22, 1948, in cash or other

immediately available funds or in a like face amount of Treasury bills maturing January 22, 1948. Cash and exchange tenders will receive equal treatement. 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 therof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 13, 1948.

Press Service
S-594

The Secretary of the Treasury announced last evening that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated January 15 and to mature April 15, 1948, which were offered January 9, 1948, were opened at the Federal Reserve Banks on January 12.

The details of this issue are as follows:

Total applied for - $1,447,250,000
Total accepted - 1,003,366,000 (includes $44,020,000 entered on a non-competitive basis and accepted in full at the average price shown below)
Average price - 99.753 Equivalent rate of discount approx. 0.976% per annum

Range of accepted competitive bids:

High - 99.770 Equivalent rate of discount approx. 0.910% per annum
Low - 99.751 " " " " " 0.985% "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 2,939,000	$ 2,939,000
New York	1,311,945,000	875,237,000
Philadelphia	5,310,000	5,310,000
Cleveland	3,895,000	3,895,000
Richmond	5,370,000	5,370,000
Atlanta	3,435,000	3,435,000
Chicago	38,155,000	30,989,000
St. Louis	4,620,000	4,620,000
Minneapolis	4,995,000	4,995,000
Kansas City	15,377,000	15,377,000
Dallas	14,614,000	14,604,000
San Francisco	36,595,000	36,595,000
TOTAL	$1,447,250,000	$1,003,366,000

-oOo-

TREASURY DEPARTMENT

Washington

FOR RELEASE MORNING NEWSPAPERS,
Friday, January 9, 1948

Press Service
No. S-595

Proposals for repeal of two minor business taxes are discussed in a study entitled "Consolidated Returns and Intercorporate Dividends" which was made public by the Treasury Department today.

That both taxes should be dispensed with has been suggested in a great many plans for postwar revision of the corporate tax structure. Today's study deals factually and analytically with these suggestions. On the basis of 1947 business levels, the Treasury estimates that simultaneous withdrawal of both taxes would cost the Federal Government about $206,000,000 in revenue.

Corporations now are taxed on 15 percent of the dividends they receive from other domestic corporations. Regular corporate income tax rates apply.

An additional tax of 2 percent is imposed upon the consolidated surtax net income of affiliated groups of corporations, when these groups exercise the privilege of filing consolidated returns.

Taxing of intercorporate dividends has had a devious history. Such dividends were fully taxable to the recipient corporations under 1913-1916 revenue acts. Dividend income was fully deductible between 1917 and 1935. In 1935 a tax was levied on a fixed portion of dividend income, with the apparent purposes, largely, of combating the development of holding companies and also combating corporate split-ups as a means of avoiding the graduated corporate income tax.

Present opponents say the tax is inequitable, and that as an instrument for inhibiting the concentration of corporate ownership it is ineffective. Proponents of the tax argue that the original reasons for it still exist, and say business has now become fully adapted to it. Today's study examines the arguments in detail, and presents some alternative forms of taxation which have been proposed.

As in the case of the taxing of intercorporate dividends, the privilege of filing consolidated returns and the taxing of such returns have had a checkered legislative history. The present law on consolidated returns, with a 2 percent penalty tax, dates from 1942.

An important factor is the test of what constitutes an "affiliated group" of corporations. Generally speaking, this test is based on the existence of 95 percent stock ownership.

The consolidated return was adopted originally as a technical aid in the collection of the first World War excess profits tax. It has since become an issue in the dispute over industrial concentration. Supporters

of the tax point out that it brings substantial tax savings to its users. These savings are said to accrue primarily to big business, which thus obtains a competitive advantage. Hence the consolidated return is alleged to contribute to the decline of small business.

Ability to offset the losses of one member of an affiliated group against the gains of another was the first advantage of the consolidated return to its users. An additional advantage arose when taxing of intercorporate dividends began in 1935. The penalty tax on consolidated returns is intended to offset these advantages.

The study analyzes various criticisms of the tax. One complaint against the principle of the levy is that an affiliated group of corporations is a single economic enterprise. Some other criticisms are that the rate of tax is arbitrary, that the base used is faulty, that the test of affiliation should rest on control rather than on substantially complete ownership as now, and that if consolidated returns are to be permitted at all, filing of them should be compulsory rather than optional.

Appendices accompanying the study present the legislative history of both intercorporate dividend taxation and consolidated returns, with extensive quotations from Congressional committee reports and other documentary sources.

oOo

CONSOLIDATED RETURNS AND INTERCORPORATE DIVIDENDS

Division of Tax Research, Treasury Department
January 1948

Consolidated Returns and Intercorporate Dividends

The taxes on consolidated returns and intercorporate dividends are a feature of the tax law intended primarily to reduce the complexity of the structure of corporate business and to mitigate the tendencies towards industrial concentration. It is the purpose of this study to bring together available information on the origin of these taxes and their adequacy in achieving the intended objectives. This study also discusses the various equity, economic, and administrative considerations raised by alternative methods of achieving the desired ends. The report is designed to provide a factual and analytic background which may be helpful in formulating tax policy with respect to this aspect of the postwar tax system.

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 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

Consolidated Returns and Intercorporate Dividends

TABLE OF CONTENTS

Page

I. Introduction

II. The Tax on Intercorporate Dividends

1. Considerations basic to the establishment of the tax 1

2. Arguments advanced by opponents of the tax 2

3. Arguments favoring the retention of the existing tax 3

4. Adequacy of the existing tax from the standpoint of its basic objectives 3
   a. The tax as a deterrent to holding companies 4
   b. The tax as a deterrent to split-ups 4

5. Alternate forms of taxation. 5
   a. Solutions to the problem of corporate split-ups 5
   b. General substitutes for the existing tax. 6
   c. The substitution of a tax credit for an income credit . . 6

III. The Tax on Consolidated Returns

1. The existing tax and its precedents. 7

2. The basis for the penalty tax on consolidated returns. 9

3. Criticism of the penalty tax on consolidated returns 10
   a. Criticism of the principle of the tax on consolidated returns 10
   b. Criticism of the form of the tax now in use 11
      (1) The rate of tax 11
      (2) The base of the tax 12
   c. The test of affiliation 13
   d. Optional vs. compulsory use of the consolidated return. . 14

TABLE OF CONTENTS - 2

Page

APPENDIX A - Taxation of Intercorporate Dividends - Legislative History 16

APPENDIX B - Statutory Development of the Consolidated Return. . . . 23

APPENDIX C - The Effects of Lowering the Percentage Used in Determining Affiliation for the Purposes of the Tax on Consolidated Returns (with Table, "Dividend Receipts in 1936 Reported on Corporation Income Tax Returns Classified by Percent of each Dividend Receipt to Total Taxable Dividends Paid by the Payor Corporation, Showing Number and Amount of Dividend Receipts"). . . . 47

APPENDIX D - Intercorporate Dividends Received from Domestic Corporations, 1926-1943 49

APPENDIX E - Number of Consolidated Income Tax Returns Filed, 1928-1944 50

Consolidated Returns and Intercorporate Dividends

I. Introduction

Section 26(b) of the Internal Revenue Code excludes from the corporate normal and surtax base 85 percent of the amount received as dividends from domestic corporations. 1/ The effect is to levy the corporate income tax upon the remaining 15 percent of such dividends.

Section 141(c) of the Internal Revenue Code imposes a penalty tax of 2 percent upon the consolidated surtax net income of corporations using consolidated returns. Such returns are available to all but certain specified types of corporations, 2/ provided the companies involved meet the statutory definition of an affiliated group. 3/

The proposal to repeal both these levies appears in a great many plans for the postwar revision of the Federal corporate tax structure. The Treasury Department estimates that the revenue loss resulting from the repeal of the tax on intercorporate dividends would be $160,000,000. The estimated loss of revenue resulting from the repeal of the existing tax on consolidated returns is $95,100,000. That resulting from the simultaneous withdrawal of both taxes has been estimated at $206,300,000. 4/

II. The Tax on Intercorporate Dividends

1. Considerations basic to the establishment of the tax

The present tax on intercorporate dividends had its origin in the controversy which took place during the 1930's over the complexity of the structure of corporate business and particularly over the development of the holding company form. To a large extent the legislation of 1935, which set up the tax of intercorporate dividends, was intended to direct business organization into forms less apt to foster monopoly.

Historically, 5/ three distinct tax policies towards intercorporate dividends have been pursued. Under the Revenue Acts of 1913 and 1916, dividends were fully taxable to the recipient corporation. Between 1917 and 1935, the dividend income of corporations was fully deductible in computing taxable net income. In 1935, a tax was imposed on a fixed

---

1/ However, the exclusion cannot exceed 85 percent of adjusted net income.
2/ Section 141(e).
3/ Section 141(d).
4/ Assuming personal income of $200 billion. The definition of personal income is given in "National Income Supplement to Survey of Current Business," July 1947.
5/ See Appendix A for the legislative history of this tax.

portion of dividend income. Existing law levies the corporate income tax on 15 percent of dividends received from domestic corporations. This is accomplished by excluding from the normal and surtax base 85 percent of the amount received as dividends from domestic corporations. 5/

While the reintroduction of the tax on intercorporate dividends in 1935 is explained in large part by the increasing hostility toward concentration in business ownership characteristic of that decade, the precipitating factor was the introduction of rate graduation in the tax on corporate net income. Progressive tax schedules place a premium on tax avoidance by the technique of splitting-up a single large corporation into smaller ones eligible for lower-bracket rates. The tax on intercorporate dividends tends to prevent avoidance through corporate split-ups.

2. Arguments advanced by opponents of the tax

The tax on intercorporate dividends has been opposed on the grounds (1) that it is inequitable and (2) that it is an ineffective instrument for inhibiting the concentration of corporate ownership. It is maintained that the tax is inequitable because it falls indiscriminately on all corporations holding the securities of other corporations irrespective of their structure or the nature of their business. Insurance companies, banks and other investment institutions are given the same treatment as holding companies whose operations are much more likely to contribute to monopoly. No account is taken of the fact that legitimate business reasons, such as the requirements of State law or the opposition of minority stockholders, may compel multiple incorporation for many affiliated groups.

It is also alleged that the tax results in discriminatory multiple taxation. This is an extension of the "double taxation" argument directed at the corporate income tax itself, which holds that the income taxed to the corporation when originally earned is the same income received by the shareholder as dividends. It is argued that the taxation of such income, both at the corporate level and when received by the shareholder, constitutes discriminatory double taxation regardless of the corporate or personal identity of the recipient. Moreover, if a recipient corporation redistributes its dividend income to other corporations who in turn distribute it to individuals, discriminatory double taxation becomes discriminatory multiple taxation.

Opponents of the tax also question the need for its use as a device for preventing the splitting-up of corporations. It is pointed out that, in most instances, the type of organization adopted will be determined primarily by business needs rather than the desire to reduce taxes, and that even though the latter factor sometimes plays a

---

5/ Note that the exclusion cannot exceed 85 percent of adjusted net income.

considerable role in the decision, it is rarely of primary importance. In most lines of manufacture closely integrated operating companies would find the diseconomies accompanying corporate split-ups so great that the device would not be practical. While split-ups for tax purposes might be feasible in the trade, service and amusement industries where low capitalization is more common, opponents of the tax object to its general imposition in order to prevent a practice which is apt to occur only in restricted areas.

It has been contended also that the tax may have a detrimental effect upon corporate investment, particularly in new and speculative areas. For some innovating enterprises, corporate sponsorship and intercorporate investment is essential during the developmental stage when the product is as yet unseasoned. Certain enterprises, notably public utilities, obtained a large share of their initial capital direct from corporations in allied industries.

3. Arguments favoring the retention of the existing tax

Advocates of the existing tax rely heavily upon the same arguments advanced in 1935 when the tax was introduced. Rate graduation still offers an incentive to corporate split-ups, and the holding company problem is still present. Despite the admitted limitations to the use of taxation as an instrument of control, it is potentially at least an effective means of changing the patterns of business organization. In the absence of completely effective direct controls, supporters of the tax argue that a case can be made for its use as a second best instrument of control.

Supporters of the existing tax also point out that, within the ten years in which it has been in operation, business has adapted itself to the tax, administrative problems have been resolved, and the effects of the tax on the economy have had a chance to work themselves out. Specifically, the impact of the tax on corporate earnings has been reflected in the price of securities; and to the extent that these have been transferred since 1935, the tax has been capitalized. Under these circumstances repeal might bring a windfall gain to many of the present shareholders. This is believed to raise a presumption in favor of the continuance of the existing tax.

4. Adequacy of the existing tax from the standpoint of its basic objectives

Doubt has been expressed concerning the efficacy of the existing tax on intercorporate dividends both as a device for eliminating the holding company and for deterring avoidance through corporate split-ups.

a. The tax as a deterrent to holding companies

It is difficult to establish conclusively the immediate effects of the tax upon the pattern of business enterprise since tax considerations cannot easily be segregated from other factors. However, it is clear that the results obtained by the use of the tax can hardly be comparable with those which could be achieved through direct controls. While a tax penalty of greater size would bring more substantial results, the inequities of the law also would be aggravated.

b. The tax as a deterrent to split-ups

The increased rate graduation in the tax on corporate income which has taken place between 1935 and 1945 has deprived the tax on intercorporate dividends of much of its effectiveness as a device for preventing split-ups. In the Revenue Act of 1935 under which the existing tax on intercorporate dividends was enacted the rates on corporate income had a range of 2.5 points. Under these conditions, the taxability of 10 percent of intercorporate dividends might have sufficed to deter the splitting-up of corporations in order to achieve a preferential rate. 6/

Under existing legislation the rates range from 21 percent on a corporation with an income up to $5,000 to a maximum of 38 percent on an income of $50,000 or more, a spread of 17 points. This means that the deterring effect of the existing tax on 15 percent of intercorporate dividends has been reduced greatly. A tax upon 35 to 40 percent of such dividends might be required to set up a deterrent to corporate splitting equivalent to the tax on 15 percent of such dividends under the rates in effect in 1935. 7/

6/ Under the Revenue Act of 1936 the rates on corporations became 8 percent to 15 percent, a range of 7 points, and 15 percent of the intercorporate dividends were taxable. Since these changes were effective December 31, 1935, they superseded the corresponding provisions of the Revenue Act of 1935.

7/ A tax on intercorporate dividends at 15 percent, the maximum rate under the Revenue Act of 1936, would produce an effective rate of 2.25 percent. With a maximum corporate rate of 38 percent, the effective rate of tax on intercorporate dividends has risen to 5.7 percent. Since the spread in the tax rates on corporate income in the Revenue Act of 1936 was 7 points while the spread in the present tax is 17 points or 2.4 times that of the earlier tax, a proportionate increase in the tax burden would make intercorporate dividends taxable to the extent of 36 percent of such dividends (i.e. 15 percent taxability x 2.4 percent increase in the range of graduation = 36 percent taxability).

5. Alternate forms of taxation

The inadequacies of the existing levy have inspired several proposals for alternate methods of taxing intercorporate dividends. All are of a highly controversial character.

a. Solutions to the problem of corporate split-ups

(1) The first of these proposals relates only to the problem of corporate split-ups. It is suggested that the income of "affiliated" corporations be aggregated and that the rate of tax applied be that appropriate to such aggregated income. Under section 141(d) of the Internal Revenue Code, which relates to the tax on consolidated returns, corporations are "affiliated" if one owns 95 percent of the voting and non-voting stock of another, exclusive of non-voting preferred stock. The aggregation of the incomes of such affiliates would necessarily take the profit out of splitting up into smaller corporations. However, corporations could avoid the proposed requirement for aggregating incomes by disqualifying themselves under the affiliation test, and since the percentage used therein is very high, this could be accomplished easily by a deliberate reduction of stock ownership. Therefore, in order to achieve the desired results, it would probably be necessary to reduce the percentage used in the test of affiliation from 95 percent to a substantially lower figure, say 50 percent.

(2) A second approach to the problem of corporate split-ups calls for the restriction of the benefits of the lower bracket rates to corporations in which no owner of a given percentage (say, 40 percent) of the stock of the taxpayer corporation also owns a stated percentage (say, 40 percent) of the stock of another corporation. The benefits of the lower bracket rates might also be restricted to cases in which no stockholder holding a given percentage (say, 25 percent) of the stock of the taxpayer corporation is a corporation.

(3) Still another approach to the corporate split-up problem calls for the reduction of the dividend received credit from 85 percent to 60 percent in cases where the subsidiary corporation is subject to a rate of less than 38 percent.

Each of these three proposals constitutes a radical departure from existing law and practice. The first is not unlike the plan to make consolidated returns compulsory for "affiliated" groups, which is discussed on pages 14 and 15 below. The second proposal is administratively impracticable. The third is held to be unwise because it would penalize unfairly small business enterprises which receive a minor part of their income in the form of dividends.

b. General substitutes for the existing tax

(1) A more general substitute for the existing tax is the proposal to treat dividend income of corporations in the same manner as ordinary earnings, but to specify that in cases where intercorporate ownership is compatible with public policy the tax on dividend income shall not apply. This proposal is highly impractical. It opens the door to special pleading, and requires a high order of administrative discretion.

(2) Similar in many respects is a proposal to restrict the tax on intercorporate dividends to companies falling beneath the definition of an "undesirable" holding company, which is written into the tax law itself. This device transfers a substantial part of the burden of distinguishing between "good" and "bad" holding companies from the administrative agencies to Congress. The drafting of a workable set of definitions would be an extremely difficult, if not impossible, task. It would have to be done so as to exclude from the tax companies whose security holdings do not connote control and whose receipts from dividends are a small part of their total income. If the tax could be restricted in this manner, the rate could be raised to a truly punitive level.

c. The substitution of a tax credit for an income credit

The existing tax is levied upon an amount determined by means of a credit against income. It has been pointed out that this method will produce unduly favorable treatment in cases where a holding company's income is between $50,000 and $333,333. For instance, assume a company whose only income is a dividend of $100,000. Under existing law, only $15,000 of this intercorporate dividend would be subject to tax, and it would be taxed at a rate of about 23 percent instead of the 38-percent rate normally applicable to corporations with income in excess of $50,000. The lower rates now applied to incomes below $50,000 were intended to benefit "small business" and the corporation used in this hypothetical illustration could scarcely be regarded as falling within that category.

The suggestion has been made that this defect in the existing law could be corrected by calculating the corporation's tax liability on the basis of its entire net income including dividends. A credit would then be allowed against this tax equal to 85 percent of the portion of the tax which is based upon intercorporate dividends. This procedure would mean a somewhat more complex tax computation.

While this substitution of a tax credit for the income credit used under existing law would produce greater equity, the extent of the problem at issue may not be sufficiently great to warrant a change in an established procedure.

III. The Tax on Consolidated Returns

1. The existing tax and its precedents 8/

Under existing law consolidated returns are optional to all but certain specified types of corporations, 9/ provided the companies involved meet the statutory requirements of an affiliated group. The latter is defined to mean:

> "one or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation if—
>
> "(1) Stock possessing at least 95 per centum of the voting power of all classes of stock and at least 95 per centum of each class of the nonvoting stock of each of the includible corporations (except the common parent corporation) is owned directly by one or more of the other includible corporations; and
>
> "(2) The common parent corporation owns directly stock possessing at least 95 per centum of the voting power of all classes of stock and at least 95 per centum of each class of the nonvoting stock of at least one of the other includible corporations.
>
> "As used in this subsection, the term 'stock' does not include nonvoting stock which is limited and preferred as to dividends." 10/

However the election to file a consolidated return will bring into play an additional tax of 2 percent of the consolidated corporation surtax net income of the affiliated group of includible corporations.

8/ See Appendix B for a history of the tax treatment of consolidated returns.

9/ Section 141(e) denies this privilege to corporations exempt under section 101, insurance companies subject to taxation under section 201 or 207, foreign corporations, and companies entitled to the benefits of section 251 by reason of receiving a large percentage of their income from sources within possessions of the United States, corporations organized under the China Trade Act of 1922, regulated investment companies subject to tax under supplement Q, and certain personal service and other corporations falling beneath section 725(a) and sections 727(c)(g) or (h), which have not filed a consent to be treated as an includible corporation for the purpose of consolidated returns. Under section 141(f) companies, each of which is an insurance company and taxable under section 201, are granted the privilege; similarly companies each of which is an insurance company and taxable under section 207.

10/ Section 141(d).

The privilege of filing consolidated returns is restricted further by the requirement that corporations electing to use such returns must consent to the regulations governing their use prescribed by the Commissioner of Internal Revenue under the authority granted him by section 141(b).

The first specific provision for consolidated returns was made in 1917 when the Commissioner of Internal Revenue ruled that such returns were mandatory for affiliated groups for the purposes of the excess profits tax. This action was based upon a desire to facilitate administration and to prevent tax avoidance and evasion. 11/ Under the Revenue Act of 1918 consolidated returns became mandatory for income tax purposes as well. In 1922, after the excess profits tax of World War I had been repealed, such returns were made optional to eligible corporations and remained so to date. Commencing in 1934 their use was denied to all corporations except "railroads." 12/ With the appearance of another excess profits tax in the 2nd Revenue Act of 1940, the option to elect consolidated returns was restored to corporations generally for the purposes of this tax. The option to use such returns under the corporate income tax reappeared in 1942.

While the definition of an affiliated group has varied materially over the years, the chief difference between the present rule and that which applied during most of the earlier period is the absence from the present law of a provision for so-called class B affiliations. A class B affiliation is one in which the bulk of the stock of two or more corporations is owned or controlled by the same interests but not through a common parent corporation. This basis for affiliation was removed in the legislation of 1928. Only under the Revenue Act of 1917 was it a prerequisite that the affiliates be engaged in the same or closely related business, or bear a close business relationship to each other through common assets, inventories and accounts. 13/

The first penalty imposed on the use of the consolidated return was enacted in 1932, the rate being three-quarters of one percent. This was raised to one percent in the N.I.R.A. legislation of 1933, and to two percent in the following year. Between 1936 14/ and 1941, when the privilege of using the consolidated returns for income tax purposes was denied to most corporations, no tax penalty was imposed. When the option to use such returns was restored in 1942, the two-percent penalty tax was reimposed.

11/ These regulations were upheld in the Revenue Act of 1921.
12/ The privilege was extended to Pan American Trade Corporations for taxable years beginning after December 31, 1939.
13/ Revenue Act of 1921, section 1331, and the regulations validated thereby.
14/ A tax of three-fourths of one percent levied under the Revenue Act of 1935 was superseded and rendered inoperative by section 141(c) of the Revenue Act of 1936.

The regulations now used to administer the consolidated return have a peculiar significance. These regulations are the result of turning over to the Commissioner of Internal Revenue a host of technical questions with instructions to meet them individually as they arise. As a matter of fact the regulations have served to correct the chaotic administrative problem which prevailed in the twenties. However, their legal position is obscure. No real test has occurred because a corporation which disliked any feature of the regulations could abandon the consolidated return at the next exercise of its option. Under existing law the next exercise is never very far off. 15/

2. <u>The basis for the penalty tax on consolidated returns</u>

Although the consolidated return was adopted originally as a technical aid in the collection of an excess profits tax, it has become an issue in the dispute over industrial concentration. Those who support the tax point out that the consolidated return brings substantial tax savings 16/ to its users. These savings are said to accrue primarily to big business which thus obtains a competitive advantage. Hence the consolidated return is alleged to contribute to the decline of small business in the United States.

15/ Regulation 104, Sec. 23.11(a), reads as follows: "Consolidated Returns Required for Subsequent Years.--If a consolidated return is made under these regulations for any taxable year, a consolidated return must be made for each subsequent taxable year during which the affiliated group remains in existence unless (1) a corporation (other than a corporation created or organized, directly or indirectly, by a member of the group) has become a member of the group during such subsequent taxable year, or (2) Chapter 1 of the Code to the extent applicable to corporations, or these regulations, which have been consented to, have been amended, and any such amendment is of a character which makes less advantageous to affiliated groups as a class the continued filing of consolidated returns, or (3) the Commissioner, prior to the time of making the return, upon application made by the common parent corporation and for good cause shown, grants permission to change."

16/ A more thorough determination of tax savings would take into account the manifold accounting adjustments on entering a consolidated return and on reverting to a separate return basis. These are means of potential tax savings or tax avoidance. Such items are the carry-back and carryover provisions relating to net operating and net capital losses, intercompany inventory gain or loss and similar technical provisions.

Prior to 1935 the tax "savings" in question were principally the result of being able to offset the losses of one member of an affiliated group against the gains of another. With the imposition of a tax on intercorporate dividends in 1935, additional "savings" resulted. The consolidated return eliminated the tax otherwise due on dividends passing between members of the affiliated group. Hence the existence of a tax on intercorporate dividends provided further justification for a penalty tax on the consolidated return.

3. Criticism of the penalty tax on consolidated returns

a. Criticism of the principle of the tax on consolidated returns

Critics of the tax on consolidated returns argue-

(1) that an affiliated group is a single economic enterprise;

(2) that a correct statement of the income of the group is secured only by a consolidated return, with all intercompany transactions eliminated. Such returns enable the group profits and losses to be brought into account and to be fully accounted for when they have been subjected to the acid test of a transaction outside the group. The returns also eliminate the necessity of inquiring into the bona fides of thousands of intercompany transactions;

(3) that a correct statement of income involves generally the offsetting of the gains and losses of the several corporations. Such action is as appropriate in computing consolidated net income as is the offsetting of the gains and losses of the several departments or divisions in computing the net income of a single corporation;

(4) that whenever matters not relevant to the affiliated status or the consolidated return period require exceptions to the rule of offsetting the gains and losses of the several corporations, the rules governing the consolidated return have imposed, and should impose, appropriate qualifications.

These critics also point out that if the offsetting of the gains and losses of the several affiliates in a consolidated return is to be regarded as an advantage, it is an advantage limited by three factors—first, by the number of years, preceding or subsequent to the year of the loss, to which the loss can be carried; second, by the profit and loss cycle of the business in which the losing corporation is engaged, and third, by the ability of the affiliated group management to anticipate the loss of the affiliate and channel profitable operations to it sufficient to offset the anticipated loss.

Because the carryover and carryback of a net operating loss enables the loss realized by a non-affiliated corporation to be offset against its gain in other years, the special advantage of the affiliated corporation is reduced to the fact that it can realize an immediate offset

while the non-affiliated corporation which cannot absorb the loss by a carryback merely has a contingent offset against possible future profits. So long as the carryback remains in the law, this advantage tends to disappear in cases where non-affiliated corporations have profits in earlier years against which the current loss can be offset. It should be borne in mind that the foregoing argument applies only to the part of the "savings" resulting from offsetting gains against losses, and does not relate to the "savings" resulting from the avoidance of the tax on intercorporate dividends.

Advocates of the consolidated return deny strenuously the charge that it contributes to the growth of monopolistic business groups and to the disappearance of small business. They hold that the general social and economic forces governing the economy are of far greater importance in this connection than the consolidated return. If a trend toward monopoly exists, the appropriate remedy is a set of direct controls enforced by specially authorized regulatory agencies.

b. Criticism of the form of the tax now in use

Apart from the objections raised to the principle of taxing consolidated returns specific criticisms have been made of the form of tax now in use. The points at issue are the size of the penalty tax, the tax base, the test of affiliation and the provision which makes the use of the consolidated return optional.

(1) The rate of tax

The choice of the proper rate of tax depends in large part upon the objective sought. Logically, a person who is convinced that the consolidated return fosters a socially undesirable form of business organization is led to the conclusion that the consolidated return should be either (a) prohibited entirely, or (b) subjected to a tax which wipes out completely the advantages accruing to the affiliates as a result of the use of the consolidated return.

An attempt was made to relate the existing tax of 2 percent of the consolidated surtax net income to the savings from consolidation. The approximate tax reductions which consolidation produced in a sample of 215 consolidated 1943 tax returns were estimated and the results related to consolidated adjusted net income. 17/ A total of 136, or 63 percent,

17/ The 215 returns used were those showing an adjusted net income which were available at the Bureau of Internal Revenue in Washington, D.C. They comprise about 17 percent of a total of 1,286 consolidated returns filed by corporations on Form 1120 for the taxable year 1943. The existing corporate tax rates were applied to the parent's consolidated adjusted net income increased by the deficits of their subsidiaries, and also to the consolidated adjusted net income as shown on Form 1120. The difference between the respective amounts of tax liability was assumed to be the net tax reduction attributable to the deduction of subsidiary deficits. It was impossible to correct the data for the possible effects of the loss carryover provided by section 122 of the Internal Revenue Code. Because of this the estimated "savings" are overstated.

of the 215 cases apparently had "savings" of less than 2 percent of consolidated net income. The results indicate, however, that there is no consistent percentage relationship between "savings" and consolidated net income which is typical of the group as a whole. Some large tax savings appeared where there were heavy loss offsets and the consolidated firm had little net income. Moreover, there is not a single case in this sample where the savings are precisely 2 percent of consolidated net income.

It is evident that the relation between the existing rate of tax and the "savings" which are the alleged occasion for the tax is highly arbitrary. It is also evident that the application of any other percentage of consolidated net income would produce equally arbitrary results.

(2) The base of the tax

On the theory that the arbitrariness of the existing tax is due to the base used, it has been suggested that the tax be assessed not on consolidated surtax net income but upon: (1) an amount equal to the losses of subsidiary corporations used as an offset either to the income of the parent or that of the consolidation, and (2) the income brought to the parent in the consolidation by the subsidiaries.

If it is accepted that the corporate revenue system is devised to function on an individual firm basis and that a combination of subsidiary net income with net operating losses produces real tax savings, there is some logic in this proposal. To the extent that the losses brought to the consolidated income are deductible, they are a source of tax "savings." Insofar as the profits the subsidiaries bring to the parent would otherwise have been transferred to it through dividends, the tax on consolidated returns is a substitute for the tax on intercorporate dividends. But to levy a tax on these "savings" on the theory that they are the result of a tax reduction device ignores the possible carryover of the net operating losses of affiliated corporations. Moreover, there is no reason for the assumption that the entire earnings of a subsidiary would become dividends to the parent. Thus the precise amount of net tax savings resulting from the use of the consolidated return in any taxable year is not easily ascertained. This amount can be determined only by requiring simultaneous separate and consolidated returns and by computing the difference in the tax liabilities. Since it is otherwise impossible to determine accurately the net tax "savings" for any year, any rate used will be more or less arbitrary. 18/

18/ Exponents of this revision in the base of the existing tax have suggested a rate of 1 percent of the profits and losses in question. Undoubtedly this rate would involve a net reduction in yield. The data on the 215 consolidated 1943 tax returns mentioned above indicate that the proposed tax would yield less than 16 percent of that now in use.

As a variant to the foregoing, it has been proposed that an effective rate of 5.7 percent be levied on intercompany dividends and that subsidiary loss offsets resulting from the consolidation of net income be disallowed by subjecting an amount equal to the loss to the rate of tax applicable to the profitable corporation. The net effect would be the disallowance of the losses of subsidiaries in consolidation and the taxation of dividends passing between the affiliates at the regular rate of tax applied to intercorporate dividends. Needless to say, a tax of this sort runs flatly counter to the rationale of a consolidated return.

c. The test of affiliation

Since the test of affiliation used in the present law is the ownership of 95 percent of the voting and nonvoting stock, 19/ it is evident that the test requires substantially complete ownership. If the test of control were substituted, the presence of 51 percent of the voting stock of the subsidiaries in the hands of the parent would be adequate to establish affiliation.

While the reduction of the stock ownership requirement to this level would bring the consolidated return to a substantially larger group of corporations, 20/ it would also reduce the strength of the argument that the consolidated return is necessary because the affiliated group is a single economic unit.

The problem of affiliation may also be resolved by abandoning the test of ownership entirely and restricting the use of the consolidated return to groups of enterprises which bear a "reasonable" business relationship to one another. Advocates of this approach point out that under the existing test of affiliation a salt mine could be consolidated with a department store. While this is a telling argument against the ownership approach, the suggestion that the test of "reasonable" business relationship be used instead also encounters a substantial objection. The difficulty of distinguishing between "reasonable" and "unreasonable" business relationships is great. For example: are the members of a vertical or horizontal combination unrelated? What about a group of enterprises producing a wide variety of products but using a common marketing apparatus, a common source of raw materials, a common source of financing, the same or similar machinery or methods of production?

If this proposal is adopted, the tests of reasonableness would be based on the presence of common assets, inventories and accounts. If administratively feasible, this approach has the advantage of denying consolidation in cases where the only interconnection is a financial one. If this type definition of affiliation is used, the penalty tax on consolidated returns loses much of its support.

19/ Except "nonvoting" stock which is limited and preferred as to dividends.
20/ See Appendix C.

d. Optional vs. compulsory use of the consolidated return

If consolidated returns are to be permitted at all, logic seems to require compulsory filing in this form rather than an option to do so. If it is conceded that the consolidated return is the correct way to report the income of a group which, in fact, constitutes a single economic enterprise, there seems no good reason why the consolidated return should not be insisted upon. The compulsory feature is probably essential to the full realization of the administrative advantages which result from the continuous filing of consolidated returns, and has the added advantage of tending to prevent the splitting up of an existing enterprise into a number of small corporations in an effort to obtain the benefits of the lower income tax rate applicable to corporations with net incomes of less than $50,000, or the initial organization of a series of small corporations for this purpose.

On the other hand a number of specific objections have been raised to the compulsory filing of consolidated returns. It has been pointed out that under existing law the requirement that such returns be filed can be avoided easily by the redistribution of shares which will disqualify a group of companies from the definition of an affiliated group. This requires merely that the controlling group reduces its holdings to less than 95 percent of the stock of subsidiary corporations. Although steps might be taken to discourage such reduction, the efficacy of these measures is doubtful. A more effective check upon this method of avoiding consolidation would be a substantial change in the text of affiliation to the ownership of more than 50 percent of the voting stock of the subsidiaries.

Making the filing of consolidated returns compulsory would deprive the existing regulations dealing with them of the support afforded by the consent provided in section 141(a). It has been argued that this would immediately bring into court the question of the validity of the delegation of the rule-making power involved, as well as subject particular rules included in the regulations to judicial scrutiny and over-hauling. Doubt has been expressed that the regulations could survive such a test and the question has been raised whether making the consolidated return compulsory is sufficiently important to risk the invalidation of the existing regulations.

A more modest version of the proposal to make consolidated returns compulsory is to make their continuation mandatory once the original election to use such a return had been made. Under existing procedure, an affiliated group which chooses initially to file a consolidated return obtains an option to change its mind and revert to separate returns with practically every material change in the law or regulations. This system fosters the use of consolidated returns as an

instrument for achieving temporary tax reductions and encourages frequent shifting between consolidated and separate returns. Such shifting is expensive to the government. Its price is not merely a reduction in tax revenue, but also the loss of the administrative advantages which the continuous use of the consolidated return brings to the government.

To prevent the avoidance of this requirement by the reduction of stock ownership in a subsidiary corporation below the 95 percent now used to establish the existence of affiliation, the law would have to be amended so that the withdrawal of an individual corporation could not take place until ownership has dropped substantially below 95 percent. The figure of 50 percent suggests itself as an appropriate limit for this purpose.

To implement further the requirement that consolidated returns be continued once they have been entered upon, it appears necessary to depart from another feature of the existing procedure. At the present time, the addition to the affiliated group of any corporation 21/ is made the occasion for another exercise of the option to file consolidated or separate returns. To close this loophole, it is necessary to require the inclusion of newly acquired subsidiaries which qualify under the existing test of affiliation within the consolidated return and to maintain the latter in the face of the withdrawal of other corporations in the group. This will bring it about that once the parent has chosen to file a consolidated return it must continue to do so as long as it maintains <u>any</u> includable subsidiaries.

21/ Other than a corporation created or organized directly or indirectly by a member of the affiliated group.

APPENDIX A

Taxation of Intercorporate Dividends - Legislative History

Introductory

Dividends received by one corporation from another constitute income to the recipient corporation under the 16th Amendment 1/ and section 22, 2/ I.R.C. and became thereby a constituent of corporate net income under section 21. For the taxable years beginning after December 31, 1935, intercorporate dividends have been subjected, not to the rate generally applicable to corporate net income, but a rate equal to 15 percent thereof. The method whereby this result is reached is to exclude from the bases of the tax (normal tax and corporation surtax net income) "85 per centum of the amount received as dividends from a domestic corporation which is subject to taxation under this chapter, but not in excess of 85 per centum of the adjusted net income." 3/ For this purpose, foreign dividends and dividends from China Trade and section 251 corporations are not counted, by reason of the special tax status of such corporations. 4/ For the taxable year 1946, the rate of 38 percent 5/ when applicable to other net income, is to be compared to a rate of 5.7 percent on intercorporate dividends, with corresponding differentials when a rate of less than 38 percent is applicable.

A tax on intercorporate dividends at a rate of 15 per centum of the general rate was first applied to the first taxable year beginning after December 31, 1935, 6/ and has been applied to all

---

1/ Constitutionality sustained in Brushaber v. Union Pacific R.R., 240 U.S. 1, 36 S. Ct. 236; Cf. Southern Pacific Co. v. Lowe, 247 U.S. 330; Gulf Oil Co. v. Lewellyn, 248 U.S. 71.

2/ I.R.C. Sec. 22 (a) "'Gross Income' includes gains, profits, and income derived *** from *** dividends ***." In substance, this provision appears in all legislation pursuant to the 16th Amendment. It was also clear from the Act of 1909, Sec. 38, that dividends were regarded as income to a corporation. I.R.C. Sec. 115(a) defines a dividend, as did all preceding income tax legislation after the R.A. of 1913.

3/ I.R.C. Sec. 26(b). Prior to the Revenue Act of 1945, it was possible, under certain circumstances, for the 85 percent dividends received credit to be larger for surtax purposes than for normal tax use. The 1945 Revenue Act simplified the computation so that the credit is now the same for both normal and surtax. The present credit equals 85 percent of eligible dividends received or 85 percent of adjusted net income, whichever is the lower.

4/ I.R.C. Sec. 26(b).

5/ I.R.C. Secs. 13, 14, and 15, as amended by Sec. 121, R.A. 1945.

6/ R.A. 1936, Secs. 1 and 26(b).

subsequent taxable years. 7/ As respects taxable years beginning prior to January 1, 1936, intercorporate dividends were either excluded from net income or were fully included therein. 8/

Revenue Act of 1935

The present intercorporate dividends tax originated in section 102, R.A. of 1935, as an incident of the introduction into the Federal corporate tax system of graduated corporation income tax rates. In his message to Congress on June 19, 1935, the President said:

"I, therefore, recommend the substitution of a corporation income tax graduated according to the size of corporation income in place of the present uniform corporation income tax of 13-3/4 percent. The rate for smaller corporations might well be reduced to 10-3/4 percent, and the rates graduated upward to a rate of 16-3/4 percent on net income in the case of the largest corporations, with such classifications of business enterprises as the public interest may suggest to the Congress.

"Provision should, of course, be made to prevent evasion of such graduated tax on corporate incomes through the device of numerous subsidiaries or affiliates, each of which might technically qualify as a small concern even though all were in fact operated as a single organization. The most effective method of preventing such evasions would be a tax on dividends received by corporations. Bona fide investment trusts that submit to public regulation and perform the function of permitting small investors to obtain the benefit of diversification of risk may well be exempted from this tax.

"In addition to these three specific recommendations of changes in our national tax policies, I commend to your study and consideration a number of others. Ultimately we should seek through taxation the simplification of our corporate structures through the elimination of unnecessary holding companies in all lines of business. We should likewise discourage unwieldy and unnecessary corporate surpluses. These complicated and difficult questions cannot adequately be debated in the time remaining in the present session of Congress." (Quoted in Ways & Means Committee, Report #1681, pp. 3-4.)

7/ R.A. 1938, Secs. 1 and 26(b).
8/ R.A. 1934, Secs. 1 and 26(b); NIRA, Sec. 213; R.A. 1932, Secs. 1 and 26(b); R.A. 1928, Secs. 1 and 26(b); R.A. 1926, Secs. 200(a), 207, 230, and 234(a)(6); R.A. 1924, Secs. 200(a), 207, and 234(a)(6); R.A. 1921, Secs. 200(1), 205, 230, and 234(a)(6); R.A. 1918, Secs. 200, 205, 230, and 234(a)(6); R.A. 1917, Sec. 4; R.A. 1916, Sec. 10; R.A. 1913, Sec. II(g); Act of 1909, Sec. 38.

In its report on the Revenue Bill of 1935, the Ways and Means Committee said:

"Your committee is recommending the substitution of the following graduated tax on corporations in lieu of the present uniform rate of tax: 13-1/4 percent on the first $15,000 of the net income and 14-1/4 percent on the remainder.

"The President suggested that it might be well to consider imposing a small tax on intercorporate dividends in order to prevent the evasion of the graduated tax by means of a multiplicity of corporations. In view of the moderate graduation provided for in this bill, your committee does not believe that such a tax is necessary to prevent evasion, but it proposes at a later date to consider the proposition on its merits in connection with discouraging chains of holding companies." (Ways & Means Committee, Report #1681, pp. 6-7.)

The Senate Finance Committee made the following recommendations:

"The House bill proposes a graduated tax on the net income of corporations of 13-1/4 percent on the first $15,000 of net income and 14-1/4 percent on the remainder of the net income over $15,000. This is proposed in lieu of the existing 13-3/4 percent flat-rate corporation tax. Your committee believes that this graduation does not substantially conform to the President's views, inasmuch as he suggested that the graduation might well begin at 10-3/4 percent and end at 16-3/4 percent. Therefore, a graduated corporation tax is recommended as follows:

"12-1/2 percent on the portion of net income not in excess of $15,000.

"14 percent on the portion of net income in excess of $15,000 and not in excess of $40,000.

"15 percent on the portion of net income in excess of $40,000 and not in excess of $100,000.

* * * * * * * * * * * *

"The President suggested as the most effective method of preventing evasion of a graduated tax on corporations, a tax on dividends received by corporations. Under existing law, dividends received by a corporation from a domestic corporation are allowed as a deduction from gross income in computing net income. Your committee has amended existing law by restricting the deduction to 85 percent of the dividends received from domestic corporations. This has the effect of imposing a tax slightly in excess of 2 percent upon dividends received by a corporation. The amendment applies not only to ordinary

corporations but also to all insurance companies other than life." (Finance Committee, Report #1240, p. 6.)

The result reached by the Conference Committee on the bill is indicated by the following from the Statement of the Managers on the part of the House:

"Amendment No. 2: This amendment provides for a graduated income tax on corporations as follows:

"Upon net incomes not in excess of $15,000, 12-1/2 percent.

"Upon net incomes in excess of $15,000 and not in excess of $40,000, 14 percent in addition of such excess.

"Upon net incomes in excess of $40,000 and not in excess of $100,000, 15 percent in addition of such excess.

"Upon net incomes in excess of $100,000, 15-1/2 percent in addition of such excess.

"The House bill contains the following rates in respect to this tax:

"Upon net incomes not in excess of $15,000, 13-1/4 percent.

"Upon net incomes in excess of $15,000, 14-1/4 percent in addition of such excess.

"The House recedes with an amendment substituting the following rates for those proposed in the Senate bill:

"Upon net incomes not in excess of $2,000, 12-1/2 percent.

"Upon net incomes in excess of $2,000 and not in excess of $15,000, 13 percent in addition of such excess.

"Upon net incomes in excess of $15,000 and not in excess of $40,000, 14 percent in addition of such excess.

"Upon net incomes in excess of $40,000, 15 percent in addition of such excess."

* * * * * * * * * * * *

"Amendment No. 6: Under existing law, which was not changed in this respect by the House bill, corporations, both domestic and foreign, are allowed a deduction, in computing net income, of dividends received from domestic corporations subject to income tax (except dividends

received from a China Trade Act corporation or from certain corporations taxable on only gross income sources within the United States because of receiving a large percentage of their gross income from sources within a possession of the United States). The Senate amendment confines the deduction to 85 percent of the amount of the dividends. The House recedes with an amendment changing 85 percent to 90 percent." (Conference Report, #1885, pp. 6-7.)

Revenue Act of 1936

The Revenue Act of 1936, applicable, as was the Revenue Act of 1935, only to taxable years beginning after December 31, 1935, retained the system of a graduation in rate applicable to the tax on corporate income (but with an increase in rate), and reduced the dividends received credit from 90 percent of the dividends received to 85 percent of the dividends received. Two other features of the Revenue Act of 1936 which have become permanent are (1) the elimination of the normal tax credit theretofore given to the individual shareholder for domestic dividends received; and (2) an increasing concern for accumulations by holding companies. With the elimination of the normal tax credit for dividends received, the individual tax and the corporation tax ceased to be parts of one system for the taxation of income; each tax became separate and distinct from the other.

Revenue Act of 1938

The Revenue Act of 1938 introduced the present limitation of the amount of the dividends received credit to an amount not in excess of 85 per centum of the adjusted net income. The reason therefor appears in the following:

"Subsection (b): The present law taxes at the normal rates 15 percent of dividends received. This result is accomplished by including the entire amount of dividends in gross income and allowing a credit against net income for 85 percent of the amount received. In cases where a net loss results from other sources, deduction as a credit of 85 percent of dividends received permits the taxpayer to offset all his net loss against the portion of his dividends included in taxable net income. There seems no justifiable reason why the total loss should not be allocated against total dividends received. The amendment accomplishes this by limiting the credit to an amount not in excess of 85 percent of the adjusted net income." (Ways & Means Committee Report, #1860, p. 21)

Post-1938 Legislation

Later revenue legislation introduced no changes in the taxation of intercorporate dividends, nor were the elements of the corporate income tax system with which it is connected eliminated.

Pre-1935 Legislation

For taxable years beginning after December 31, 1917, and prior to January 1, 1936 (including dividends received in the calendar year 1918), a deduction 9/ was allowed in computing net income of the amount received as dividends from a domestic corporation. The same was true of such dividends received in the calendar year 1917, but only for the purpose of the additional tax laid by section 4 of the Revenue Act of 1917. 10/ Such dividends were similarly excluded under the Act of 1909 11/ applicable to dividends received after December 31, 1908, and before March 1, 1913.

The reason consistently assigned for the exclusion was "that a corporate tax has already been paid upon the earnings out of which the dividends have been distributed." (Report, Ways & Means Committee, 72nd Cong., 1st Session, House Report No. 708, p. 12; Report, Senate Finance Committee, 72nd Cong., 1st Session, Senate Report No. 665, pp. 16-17.) During the effective period of the exclusion, proposals were made which failed of adoption for eliminating the exclusion, the reason assigned being "to discourage holding companies." (Cong. Rec., Vol. 78, pp. 6551-61, 6467-71.) And "* * * if you exempt the holding corporation, you will get no tax at all [on individual shareholders]." (Cong. Rec., Vol. 55, pp. 2492-4.) "[The holding corporation] is practically untaxed * * *." (Cong. Rec., Vol. 44, p. 4030.)

The Revenue Acts of 1913 12/ and 1916 13/ did not eliminate intercorporate dividends from the base of the corporation tax either by way of deduction or credit. Exclusion of the intercorporate dividends from the base of the tax was proposed (the contention being that double tax otherwise resulted), but the proposal failed.

9/ R.A. 1934, Secs. 1 and 26(b); NIRA, Sec. 213; R.A. 1932, Secs. 1 and 26(b); R.A. 1928, Secs. 1 and 26(b); R.A. 1926, Secs. 200(a), 207, 230, and 234(a)(6); R.A. 1924, Secs. 200(a), 207, and 234(a)(6); R.A. 1921, Secs. 200(1), 205, 230, and 234(a)(6); R.A. 1918, Secs. 200(1), 205, 230, and 234(a)(6).

10/ R.A. 1917, Sec. 4.

11/ Act of 1909, Sec. 38.

12/ R.A. 1913, Sec. II(G).

13/ R.A. 1916, Sec. 10.

In presenting the Revenue Bill of 1916, Mr. Hull, Chairman of the Ways and Means Committee said: "The dividends received by one corporation from the stock of another corporation are not exempted from the tax. This provision was based upon the policy that if a corporation desires to hold stock in another corporation, with all the corporate and business advantages arising therefrom, it should not object to paying taxes accordingly. Upon this ground no provision is made for exemptions to individual taxpayers deriving income from corporate earnings." (Discussion, Cong. Rec., Vol. 53, p. 509). In the Senate, Senator Williams, in opposing Senator O'Gorman's motion to exclude intercorporate dividends, said: "Mr. President, the reason of that discrimination *** is this: 'We did not want holding companies to be encouraged by the tax laws of the country. Upon the contrary, we did desire to discourage them. We also desired to discourage the system of interlocking stockholders, which has led to very much abuse. Both these things have led to abuse * * *.'" (Cong. Rec., Vol 53, p. 13333-4).

Prior to the adoption, in the Revenue Act of 1935, of the policy excluding from the base of the tax part, but not all, of the intercorporate dividends, the only similar suggestion made was that of the Senate Finance Committee in reporting section 4 of the Revenue Act of 1917. This section credited the corporate net income "with the amount received as dividends upon the stock or from the net earnings of any other corporation, joint-stock company or association, or insurance company, which is taxable upon its net income as provided in this title, less that proportion of such amount which the amount received by the distributing corporation, joint-stock company or association, or insurance company from similar sources bears to the entire net income of such distributing corporation, joint-stock company or association, or insurance company." In its report, the Senate Finance Committee explained this provision as follows: "Eight. That for the purpose of the ordinary corporation tax, there is allowed the same credit for dividends from other corporations that is now allowed to individuals as to the normal tax, except that this credit should be allowed only to the corporation receiving such dividends directly from the corporation earning the same and not receiving such amounts from any other corporation as dividends. That is, this credit shall only be allowed once on the same earnings, irrespective of the number of corporations to which it may in turn be passed on as dividends. (p. 21)." (Report, Senate Finance Committee, 65th Cong., 1st Session, S. Report 103.) The Conference Committee on the bill eliminated that part of the Senate Amendment designed to allow but one exclusion as to the earnings passed down a chain of corporations, with the result that section 4, Revenue Act of 1917, excluded intercorporate dividends entirely from the base of the tax imposed.

APPENDIX B

Statutory Development of the Consolidated Return

For all taxable years ending after December 31, 1917, the consolidated return has been a feature of the Federal income tax law. The law applicable to prior taxable years contained no provision either for a consolidated return or for any other special method of determining the incomes of groups of corporations under a common ownership or control.

The statutory development of the consolidated return divides itself into five principal periods:

I. 1918-1921 (including 1917 for excess profits tax only).

II. 1922-1928.

III. 1929-1933.

IV. 1934-1941 (not including 1940-1941 for excess profits tax).

V. 1942 to date (including 1940-1941 for excess profits tax only).

A higher rate of tax on a consolidated return characterized a part only (1932-1933) of the third period, a part only (1934-1935) of the fourth period, and the fifth period (1942 to date).

I. <u>1918-1921 (including 1917 for excess profits tax only) - Income, excess profits, and war profits taxes for years ending in 1918 and beginning prior to January 1, 1922; and excess profits and war profits taxes only for taxable years ending in 1917.</u>

(1) <u>R.A. 1917 -- As construed in the R.A. of 1921, Section 1331 (taxable years ending in 1917, but for excess profits tax only).</u>--The consolidated return was evolved, without statutory authorization, by the Commissioner, on the recommendation of his Tax Advisory Committee, as a compulsory method of computing the excess profits tax net income and tax under Title II, R.A. of 1917, of affiliated domestic partnerships and corporations.

"Affiliated" was sweepingly and indefinitely described as follows:

> "***a corporation or partnership is affiliated with one or more corporations or partnerships (1) when such corporation or partnership owns directly or controls through closely affiliated interests or by a nominee or nominees all or substantially all of the stock of the other or others, or (2) when substantially all of the stock of two or more corporations or the business of two or more partnerships is owned by the same interests and in both (1) and (2) it is found that (a) such corporations or partnerships are engaged in the same or a closely related business, or (b) one corporation or partnership buys from or sells to another corporation or partnership products or services at prices above or below the current market, thus effecting an artificial distribution of profits, or (c) one corporation or partnership in any way so arranges its financial relationships with another corporation or partnership as to assign to it a disproportionate share of net income or invested capital." (Regs. 41, Art. 77, as amended by T.D. 3389, August 24, 1922, superseding T.D. 2662 and T.D. 2901).
>
> "Railroads, gas, electric, water and other public service corporations when (a) operated independently and (b) not physically connected or merged particularly when situated in different jurisdictions and subject to regulation by public service commissions - will not be required or permitted, without special permission obtained in advance to make a consolidated return.***" (Regs. 41, Art. 78, as amended by T.D. 3389, August 24, 1922, superseding T.D. 2662 and T.D. 2901).

The method met with considerable approval from affiliated groups, since it eliminated the taxation of intercompany profits and effected the offsetting of the losses of the one against the gains of another - thus relieving the group from the burden either of proper separate corporation accounting, or of arrangements whereby the losses of one would through intercompany charges or allowances be offset.

The method contemplated a thoroughgoing application to the computation of the usages of consolidated accounting.

> "When all, or substantially all of the stock of a subsidiary corporation was acquired for cash, the cash so paid shall be the basis to be used in determining the value of the property acquired. Where stock of a subsidiary company was acquired with the stock of the parent

company, the amount to be included in the consolidated invested capital in respect of the company acquired shall be computed in the same manner as if the net tangible assets and the intangible assets had been acquired instead of the stock.***" (Regs. 41, Art. 78, as amended by T.D. 3389.)

While the objective was stated to be the computation of

"***the amount of the tax properly due from each corporation or partnership on the basis of equitable and lawful accounting," (Regs. 41, Art. 77, as amended by T.D. 3389),

it is clear from the foregoing that it involved shifting the computation of the tax from the separate corporation to the group so as to be free from the necessity of computing the results of intercompany transactions which, through indifference or design, would not be representative of the separate corporations.

The R.A. of 1921 validated, in Section 1331(b), the definition of affiliation, and in Section 1331(a) provided that Title II of the R.A. of 1917 should be construed as authorizing consolidated returns for domestic corporations and partnerships which were affiliated.

(2) R.A. of 1918 (Taxable years ending after December 31, 1917 and beginning prior to January 1, 1922. Income, excess profits, and war taxes). -- The House revenue bill of 1918 contained no provision as to groups under a common ownership or control, or as to consolidated returns. The Senate, accepting the recommendation of its Finance Committee, required "under regulations to be prescribed by the Commissioner, with the approval of the Secretary," consolidated returns for income, excess profits, and war tax purposes, of affiliated corporations, the definition of affiliation being identical with that of Regs. 41. The Senate debate elicited both approval and disapproval. (Cong. Rec., Vol. 57, pp. 668-669, 719-723, 734-736). The Senate's views prevailed in conference, but only with the elimination of the restrictions as to related businesses and artificial practices. As enacted, the test of affiliation was -

"two or more domestic corporations shall be deemed to be affiliated (1) if one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all the stock of the other or others, or (2) if substantially all of the stock of two or more corporations is owned or controlled by the same interests." (Sec. 240(b), R.A. 1918).

Section 240(a) provided that on a consolidated return

"***The total tax shall be computed in the first instance as a unit and shall then be assessed upon the respective affiliated corporations in such proportions as may be agreed upon among them, or, in the absence of any such agreement, then on the basis of the net income properly assignable to each.***"

Except for this provision, and the provision that there is to be but one specific credit or exemption, the Act contained no specification of the content or method of the return. From this provision arose the long-drawn-out controversy and litigation as to how the usages of consolidated accounting (looking to the ownership of the parent in the group) are to be reconciled with, and correlated to, the statutory provisions looking to separate corporations. Complex administrative difficulties also arose from the phase of this provision fixing the only liability of any affiliate for the tax as its share of the consolidated tax; and assessment, collection, and adjustment of the tax on this basis.

II. 1922-1928 (Taxable years beginning after December 31, 1921, and not ending after December 31, 1928) -- Income tax only.

In the R.A. of 1918, the consolidated return requirement of affiliated corporations was the only method of obtaining from each of them the tax properly due. The R.A. of 1921 introduced two methods: (1) the consolidation of the accounts of two or more related trades or businesses (whether unincorporated or incorporated, whether organized in the United States or not), owned or controlled directly or indirectly by the same interests (Section 240(d)); and (2) at the election of the affiliated corporations, a consolidated return (for taxable years beginning after December 31, 1921) (Section 240(a) to (d)).

The first provision gave the Commissioner power to

"***consolidate the accounts of such related trades and businesses, in any proper case, for the purpose of making an accurate distribution or apportionment of gains, profits, income, deductions, or capital between or among such related trades or businesses."

The Ways and Means Committee explained that the power was solely for this purpose

"***and not for the purpose of computing the tax on the basis of the consolidated return.***Subsidiary corporations, particularly foreign subsidiaries, are

sometimes employed to 'milk' the parent corporation, or otherwise improperly manipulate the financial accounts of the parent company.***" (Ways and Means Committee, Report No. 350, p. 14, 67th Cong., 1st Sess.).

The Finance Committee explained:

> "***This is necessary to prevent the arbitrary shifting of profits among related businesses, particularly in the case of subsidiary corporations organized as foreign corporations." (Senate Finance Committee, Report No. 275, p. 20, 67th Cong., 1st Sess.)

The change from a required to an optional consolidated return was effective for taxable years beginning after December 31, 1921. The committee report stated:

> "***Owing to its complexity, certain affiliated corporations would prefer not to make a consolidated return, although such return benefits the affiliated companies when one or more of them sustain a loss.***" (Ways and Means Committee, Report No. 350, p. 14, 67th Cong., 1st Sess.)

> "***The consolidated return is necessary to prevent evasion under the excess profits tax, but this necessity will disappear when the excess-profits tax is repealed." (Senate Finance Committee, Report No. 275, pp. 19-20, 67th Cong., 1st Sess.)

A change from one form of return to another might be made only with the permission of the Commissioner. All other consolidated return features (test of affiliation, computation as a unit, assessment in proportions, several liabilities, etc.) were identical with those of the R.A. of 1918. An increase in the classes of corporations taxed under systems different from that applicable generally gives rise to a provision that domestic corporations deriving income from sources within the possessions may not file consolidated returns.

The R.A. of 1924 (taxable years ending after December 31, 1923) continued the 1921 provisions, both as to the consolidated accounts and the consolidated return, with only minor changes. To the authorization to the Commissioner to "consolidate the accounts," Section 240(d) added the requirement that the Commissioner "shall consolidate the accounts" "at the request of the taxpayer." In the test of affiliation, precision gains ground when, in Section 240(c) the ownership of "at least 95 percent of the voting stock" is substituted for the ownership or control of "substantially all the stock."

The R.A. of 1926 (taxable years ending after December 31, 1924) continued the 1924 provision with only minor changes. In Section 240(d), defining "affiliation," the term "stock" is defined as not including "non-voting stock which is limited and preferred as to dividends" and, as so defined, is substituted for the term "voting stock."

Regulations 65, prescribed October 6, 1925, states for the first time the basic rule under which the computation in a consolidated return has proceeded ever since.

"Subject to the provisions covering the determination of taxable net income of separate corporations, and subject further to the elimination of intercompany transactions (whether or not resulting in any profit or loss to the separate corporations), the consolidated taxable net income shall be the combined net income of the several corporations consolidated.***" (Art. 636) (Cf. the provisions of Regulations 41, Articles 77 and 78.)

The results in controversy and in litigation of the difficulty and complexity of the problems presented by the consolidated return, were clearly apparent by the close of the period. The statutory test of affiliation had proved much too indefinite for satisfactory administration. The statutory provisions as to the allocation of the consolidated tax among the affiliates, the liabilities of which were limited to the part so allocated, caused large losses in revenue, and imposed heavy burdens in administration. The method by, and the extent to which, the data in the tax accounts of the affiliates were to be "consolidated" into the computation of the consolidated tax (only one small detail of which the statute prescribed) produced a great variety of conflicting views among the courts. These conflicts were incapable of resolution under the system of review without decision on each by the Supreme Court; and only on a few of them was such a review possible. The results were large losses of revenue and great uncertainty in administration. A reflection of these difficulties will be found in the debates on the elimination of the return in the revenue revision of 1926, and in the 1927 report on revenue revision by the Staff of the Joint Committee on Internal Revenue Taxation.

III. 1929-1933 (Income tax for taxable years ending after December 31, 1928, and beginning prior to January 1, 1934; and the declared value excess profits tax for taxable years ending in 1933.

Dissatisfaction with and controversy as to the consolidated return characterized each revenue revision within the period. accentuated in the latter part by the elimination of the net operating loss carry-over. These resulted in the retention throughout the period of the essentials of the dual system introduced by the R.A. of 1921, namely:

(1) power in the Commissioner to redistribute income and deductions of businesses under a common ownership or control; and

(2) a consolidated return as the elective privilege of an affiliated group.

But though the essentials of both remain, each is drastically revised by the R.A. of 1928. As so revised, the dual system has continued to date with the exception of the additional rate on a consolidated return (introduced by the R.A. of 1932, abandoned by the R.A. of 1936, and reintroduced by the R.A. of 1942), and the restriction of the consolidated return privilege to certain industrial groups (introduced by the R.A. of 1934, and abandoned by the R.A. of 1942).

(1) R.A. 1928.--In the revenue bill of 1928, the revisions in the dual system proposed by the Ways and Means Committee were:

First. For taxable years ending after December 31, 1927, authority in the Commissioner, at his discretion, to distribute

> "income or deductions***among***businesses*** (whether or not affiliated) owned or controlled, directly or indirectly, by the same interests*** if he determines that such distribution***is necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such*** businesses." (Section 45).

This provision (Section 45 of the bill, and of all later revenue laws), the Committee stated was:

> "***based upon Section 240(f) of the 1926 Act, broadened considerably in order to afford adequate protection to the Government made necessary by the

elimination of the consolidated return provisions of the 1926 Act***to prevent evasion (by shifting of profits, the making of fictitious sales, and other methods frequently adopted for the purposes of 'milking'), and in order clearly to reflect their true tax liability."

"It has been contended that Section 240(f) of the 1926 Act permits what is in effect the filing of a consolidated return by two or more trades or businesses, even though they are not affiliated within the meaning of the section. Section 45 of the bill prevents this erroneous interpretation ***". (Ways and Means Committee, Report No. 2, pp. 16-17, 70th Cong., 1st Sess.)

This recommendation was adopted by the House and, without changes by the Senate, became law.

Second. For taxable years ending prior to January 1, 1929, the existing law was continued as to the consolidated return as an elective privilege of an affiliated group. But for the taxable years thereafter the consolidated return was eliminated. For taxable years ending after December 31, 1928, the loss, however, of an affiliate in an affiliated group (more precisely and narrowly defined) might, by written agreement, be offset against the income of another affiliate (Section 118). The House disapproved of the Committee's recommendation as to offsetting the losses, and provided for no substitute either for such offset or for a consolidated return.

The Senate, accepting the recommendation of its Finance Committee, approved the provisions of the House bill authorizing the Commissioner to distribute income and deductions among business owned or controlled by the same interests, and restoring, as under existing law, the consolidated return as an elective privilege of an affiliated group for taxable years ending prior to January 1, 1929. For taxable years ending after December 31, 1928, the Finance Committee, with a spirited defense of the consolidated return proposed its restoration --

"in Class A affiliations but not in Class B affiliations" (p. 29) "with certain necessary amendments to eliminate the administrative problems of the present law." (p. 1);

expressed a conviction

"***that the elimination of the consolidated returns provision will not produce an increase in revenue, will not impose any greater taxes on corporations, and will in all probability permit of tax avoidance to such an extent as to decrease revenue.***" (pp. 13-14);

asserted that "***to require for tax purposes the breaking up of a single business into its constituent parts is***unreasonable***" (p. 14); that "the revenue laws should be brought nearer to a recognition of*** business practices and standards ***"(p. 14); and that "Many difficult and complicated problems, however, have arisen in the administration of the provisions permitting the filing of consolidated returns. It is, obviously, of utmost importance that these questions be answered with certainty and a definite rule be prescribed. Frequently, the particular policy is comparatively immaterial, so long as the rule to be applied is known. The committee believes it to be impracticable to attempt by legislation to prescribe the various detailed and complicated rules necessary to meet the many differing and complicated situations. Accordingly, it has found it necessary to delegate power to the commissioner to prescribe regulations legislative in character covering them. The standard prescribed by the section keeps the delegation from being a delegation of pure legislative power, and is well within the rules established by the Supreme Court. (See Hampton, Jr., & Co. v. United States, decided by the Supreme Court on April 9, 1928, and cases there cited.) Furthermore, the section requires that all the corporations joining in the filing of a consolidated return must consent to the regulations prescribed prior to the date on which the return is filed." (Senate Finance Committee, Report No. 960, p. 15, 70th Cong., 1st Sess.)

The Senate adopted the recommendations of its Finance Committee and prevailed in conference. The outstanding features (hereinafter called the R.A. of 1928 system) were:

(a) The consolidated return is an elective privilege of an "affiliated group."

(b) Affiliation is more narrowly and precisely defined. The ownership by the same interests of 95 per centum of the stock of two or more corporations no longer qualifies. The affiliated group is required to have as a head "a common parent corporation" with which is "connected through stock ownership" "one or more chains of corporations" but only if

"(1) at least 95 per centum of the stock of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations; and

(2) the common parent corporation owns directly at least 95 per centum of the stock of at least one of the other corporations; and the term 'stock' does not include non-voting stock which is limited and preferred as to dividends."

(c) The making of the return is upon the condition that all members of the group consent to all the legislative regulations in effect prior to the making of the return. The development of the regulations under this provision rapidly eliminated the greater part of all litigation as to consolidated returns.

(d) Authority to make legislative regulations, with the approval of the Secretary, is delegated to the Commissioner. The plenary scope of the delegation is emphasized -

(A) by the requirement that "the tax shall be determined, computed, assessed, collected, and adjusted in accordance with the regulations under subsection (b) prescribed prior to the date on which such return is made. Only one specific credit, computed as provided in Section 26(b), shall be allowed in computing the tax." (Section 141(c));

(B) by the standard prescribed - "such regulations as he may deem necessary in order that the tax liability of an affiliated group***and of each corporation in the group, both during and after the period of affiliation may be determined, computed, assessed, collected, and adjusted in such manner as clearly to reflect the income and to prevent avoidance of tax liability." (Section 141(b));

(C) by the few details prescribed by the statute. Thus "in the case of a corporation which is a member of the affiliated group for a fractional part of the year the consolidated return shall include the income of such corporation for such part of the year as it is a member of the affiliated group." (Section 141(a)). "Only one specific credit, computed as provided in Section 26(b), shall be allowed in computing the tax."

(e) The commitment to the regulations of the assessment, collection, and adjustment of the tax displaces the provisions of prior law. This provision enabled the Commissioner in his regulations to treat the consolidated tax as the joint and several liability of the affiliates. This together with the agency of the parent solved the many problems which had for so long burdened administration.

(f) As under prior law, corporations taxed under systems different from that generally applicable are excluded from the consolidated return, although an insurance company subject to the tax imposed by Section 201 or 204 is not excluded from a consolidated return with such an insurance company. Certain wholly-owned foreign subsidiaries of domestic corporations might, however, be treated as a domestic at the election of the parent.

(g) Section 45 has already been described.

(2) R.A. of 1932 (Taxable years ending after December 31, 1933).--
The Ways and Means Committee reported the revenue bill of 1932, continuing the R.A. 1928 system. The Committee, however, found it necessary to propose to the House an amendment imposing an additional rate of 1-1/2 percent on a consolidated return, the Chairman saying:

> "The House is divided***and this is a compromise***"
> (Cong. Rec., Vol. 75, pt. 7, p. 7127).

The Speaker said:

> "I imagine no one can defend the proposition that you must give a multiplicity of corporations an advantage over an individual corporation and at the same time say that that advantage should not be equalized, or a test made to see what benefits they get out of it***it will yield a large sum of money ***it will test out in the next year or two whether or not the opposition to consolidated and affiliated returns is correct."
> (Cong. Rec. Vol. 75, pt. 7, p. 7127.)

The debate was extensive and amendments to eliminate the consolidated return and to impose an additional rate of 2-1/2 percent were rejected by the House which adopted the Committee amendment. (Cong. Rec., Vol. 75, pt. 7, p. 7130, 72nd Cong., 1st Sess.) The Senate eliminated the additional 1-1/2 percent, adopting the recommendation of its Committee on Finance which could see "no justification" for the additional rate, or for "the exaction of a price for the use of this form of return," reaffirming the conclusions set forth in its report upon the revenue bill of 1928. (Senate Finance Committee Report No. 665, p. 33, 72nd Cong., 1st Sess.) The Conference amendment was for an additional 3/4 of 1 percent, but only for taxable years ending in 1932 and 1933. (Section 141(c).)

(3) National Industrial Recovery Act (Taxable years ending in 1933, 1934, and 1935).--The House made no change relating to consolidated returns. The Senate, as recommended by its Committee on Finance, provided that the additional rate on a consolidated return should be 1 percent for taxable years ending in 1933, 1934, and 1935. (Senate Finance Committee, Report No. 114, p. 7, 73rd Cong., 1st Sess.) The Conference agreement was for an additional rate of 3/4 of 1 percent for taxable years ending in 1933, and for an additional rate of 1 percent for taxable years ending in 1934 and 1935. (Section 218(e), N.I.R.A.)

IV. 1934-1941 (Taxable years beginning after December 31, 1933, and prior to January 1, 1942 1/ (not including taxable years beginning after December 31, 1939, for excess profits tax purposes)

Throughout this period, a consolidated return is eliminated for corporations generally, the only affiliated corporations permitted to file being those constituting a "railroad" group 2/

1/ For special application to personal holding company tax, see Section 402(c), R.A. 1934.

2/ Section 141(d)(3), R.A. of 1934, added to the requirements of "affiliated groups" in the R.A. of 1928 system the requirement that: "Each of the corporations is either (A) a corporation whose principal business is that of a common carrier by railroad or (b) a corporation the assets of which consist principally of stock in such corporations and which does not itself operate a business other than that of a common carrier by railroad. For the purposes of determining whether the principal business of a corporation is that of a common carrier by railroad, if a common carrier by railroad has leased its railroad properties and such properties are operated as such by another common carrier by railroad, the business of receiving rents for such railroad properties shall be considered as the business of a common carrier by railroad."

(for taxable years beginning after December 31, 1933), and those constituting a Pan-American Trade Corporation group 3/ (for taxable years beginning after December 31, 1939). This railroad class was opened up to admit as a "railroad" a "street, suburban, or interurban electric railway" by Section 141(b)(3), R.A. 1936 (for taxable years beginning after December 31, 1935), and a "street or suburban trackless trolley system" or "a street or interurban bus system of transportation operated as a street or electric railway of a trackless trolley system" by Section 141 (b)(3), R.A. 1938 (for taxable years beginning after December 31, 1937).

An additional rate of 2 percent is imposed for taxable years beginning after December 31, 1933, and prior to January 1, 1936; for all subsequent years within the period the rate on the consolidated return is the same as the rate on a separate return.

3/ Section 225, R.A. 1931, which provided:
"SEC. 225. PAN-AMERICAN TRADE CORPORATIONS.
"The Internal Revenue Code is amended by inserting after section 151 -
"SEC. 152. PAN-AMERICAN TRADE CORPORATIONS.
"If a domestic corporation engaged in the active conduct of a trade or business within the United States (hereinafter referred to as the 'parent corporation') owns directly 100 per centum of the capital stock of one or more domestic corporations each of which is engaged solely in the active conduct of a trade or business in Central or South America (hereinafter referred to as a Pan-American Trade Corporation), such corporations (including the 'parent') shall be deemed to be an affiliated group of corporations within the meaning of section 141 of this chapter, provided that the following conditions are satisfied:
"(1) At least 80 per centum of the gross income for the taxable year of the parent corporation is derived from sources other than royalties, rents, dividends, interest, annuities, and gains from the sale or exchange of stock or securities; and
"(2) At least 90 per centum of the gross income for the taxable year of each of the Pan-American Trade Corporations is derived from sources other than royalties, rents, dividends, interest, annuities, and gains from the sale or exchange of stock or securities; and
"(3) No part of the gross income for the taxable year of any of the Pan-American Trade Corporations is derived from sources within the United States."

In all other respects, the R.A. of 1928 system continued.

To affiliated groups any member of which has a net loss, the advantage 4/ of a consolidated return continues by reason of the denial of a carry-over of net losses for all taxable years in the period beginning prior to January 1, 1940, and is increased to all groups having intercompany dividends by the imposition of the so-called intercorporate dividends tax, resulting from the restriction of the dividends-paid credit under Section 26(b), R.A. 1936, to 85 percent of the dividends received (applicable to all taxable years beginning after December 31, 1935).

(1) R.A. of 1934 (Taxable years beginning after December 31, 1933).--In the revenue revision of 1934, the Subcommittee of the Ways and Means Committee recommended the denial of the consolidated return privilege to all corporations, expressing the view that in a tax system applicable generally to separate corporations, the income of an affiliated group was not a proper base for the tax, and that permitting such a base unduly favored large-scale enterprise organized in many corporations, and had undesirable collateral effects in unfair competition and trade practices. The Acting Secretary of the Treasury, in his statement regarding the Subcommittee's report, expressed a contrary view:

> "For many years business enterprises have found it desirable for business reasons other than tax considerations to incorporate separately different branches of their enterprises. Thus, if a corporation does business in several States, it may be necessary under State law, as well as convenient, to form separate local corporations to handle the local business. Another illustration of the same general situation appears among railroads, where numerous lines, legally owned by distinct corporations, have been combined to form a single system. Thus, a traveler over a railroad from New York to Chicago may pass over rights of way legally owned by a number of different railroad corporations.
>
> "Separate corporations forming a part of a single enterprise of course have innumerable business relations with each other. Contracts are made, property is transferred, loans are negotiated, and services are performed by and between individual members of the affiliated group. Within broad limits, these arrangements can be made on whatever terms are chosen by the officers and directors of the parent

---

4/ By Sec. 153, R.A. 1942, net operating losses for taxable years beginning after December 31, 1941, were a carry-back to taxable years beginning after December 31, 1940.

corporation. By means of them, income as well as property can be shifted from one corporation to another as business or tax considerations may be deemed to require. If the arrangement is a palpable evasion of the tax law, it can and should be disregarded, but many contracts, which do shift income from one subsidiary to another or to the parent, are perfectly reasonable in themselves and cannot be proved to be evasions.

"Businessmen and their professional advisers, the lawyers and accountants, have long recognized that the one way to secure a correct statement of income from affiliated corporations is to require a consolidated return, including therein the income and deductions of the parent and every subsidiary, with all intercompany transactions eliminated. Such a consolidated statement is simply a recognition of the actual fact that the separate corporations, though technically distinct legal entities, are, for all practical business purposes, branches or departments of one enterprise. This fact has been so thoroughly established for many years that many affiliated corporations today would find it a practical impossibility to determine the income and deductions of any one member of the group. For example, the telephone and telegraph systems are composed of many separate corporations operating in the several States. To determine the income of each individual corporation in the case of each interstate message, would require a tremendous number of computations, both by the taxpayers and by the Treasury.

"The principal reason given in the subcommittee's report for the abolition of the consolidated return is that this would prevent the loss of one subsidiary from being absorbed by the income of another or of the parent. For reasons already stated, this result is not likely to follow as a practical matter. Subsidiary corporations now showing losses in separate statements, could arrange, by intercompany contracts and by a readjustment of accounting methods, to obtain a fair share of the profits of the affiliated group. There is no way to prevent the bulk of such contracts because the Treasury cannot hold that a contract which enables a company to make a profit is necessarily unfair or evasive. Moreover, full recognition of intercompany transactions would often result in deductible losses as well as taxable gains. The fact that consolidated returns have been regarded as absolutely essential to check these practices in the past is sufficient basis for the belief that these evils will recur in the future.

"For these reasons the Department believes that the abolition of consolidated returns might well be a backward step, which would result in little, if any, additional revenue. On the other hand, there are considerable savings to the Treasury, as well as to taxpayers, in the present arrangement. The administration of the law is simpler since it conforms to established business practice. The Treasury need deal with only one corporation, the parent. On the taxpayer's side, the requirement of separate returns would cause largely increased expense to set up separate sets of books for tax purposes, an undesirable result in itself. The present law permits a return in accord with business practice, and gives the Treasury broad powers to make the necessary rules and regulations to prevent escape from the tax. In the judgment of the Department, the law should not be changed in this particular.

"In considering this proposal on its merits, the committee may wish to discuss as well other forms of taxation on large-scale businesses, such as the excess profits tax. Recommendations as to these are beyond the scope of this statement." (Hearings, Revenue Revision, 1934, Committee on Ways and Means, 73rd Congress, 2nd Sess., December 16, 1933, pp. 84-85.)

The Committee, rejecting the recommendation of its Subcommittee, said:

"It cannot be denied that the privilege of filing consolidated returns is of substantial benefit to the large groups of corporations in existence in this country. This is especially true in depression years, for the effect of the consolidated return is to allow the loss of one corporation to reduce the net income and tax of another, and during a depression more losses occur. Another effect of the consolidated return may be to postpone tax. This is because there is no profit recognized for tax purposes on intercompany transactions, and profits on a product of the consolidated group, passing through the hands of the different members of the group, are not taxed until the product is disposed of to persons outside the group.

"In the past, when any corporation could carry forward a net loss from one year to another, the consolidated group did not have such a great advantage over the separate corporation. Now that this net loss carry-over has been denied, the advantage of the consolidated return is much greater on a comparative basis.

"The importance of the matter may be seen from the following figures which show the relation between the gross income of all corporations and corporations filing consolidated returns:

Year	Gross income: All corporate returns	Gross income: Consolidated returns	Percentage of total gross income shown on consolidated return
1928	$157,254,907,731	$69,825,396,488	44.4%
1929	160,621,509,181	72,456,327,976	45.1
1930	138,312,059,068	65,906,147,467	47.6
1931	107,515,239,037	50,244,116,910	46.7

"Your committee considered at length the question of abolishing the consolidated return. Our committee originally recommended this action. The Treasury believed this policy undesirable. The Treasury pointed out that the one way to secure a correct statement of income from affiliated corporations is to require a consolidated return, with all inter-company transactions eliminated. Otherwise, profits and losses may be shifted from one wholly owned subsidiary to another, and their separate statements of income do not present an accurate picture of earnings of the group as a whole. For all practical purposes the various subsidiaries, though technically distinct entities, are actually branches or departments of one enterprise, For these reasons, consolidated statements of income have been the rule for ordinary business purposes, and for 16 years the income tax law has provided for consolidated returns. The administration of the income tax law is simpler with the consolidated return since it conforms to ordinary business practice; enables the Treasury to deal with a single taxpayer instead of many subsidiaries; and eliminates the necessity of examining the bona fides of thousands of intercompany transactions.

"Consequently, after careful consideration of the question, the committee decided that it would be undesirable to abolish the consolidated return at this time. It appeared in the hearings that such action would be especially burdensome to many corporations, such as

the railroads, which are frequently obliged to maintain separate corporate structures in the several States in which they operate, although for all ordinary business and accounting purposes, the subsidiaries form a single operating system. Moreover, complete data are not yet available as to consolidated returns for 1932, when the 1 percent differential was first imposed upon corporations filing such returns. In view of the advantages obtained by corporations exercising the privilege of filing consolidated returns, however, the committee concluded that an additional tax of 2 percent should be levied on corporations availing themselves of this option, instead of the 1 percent provided by the present law. The Treasury estimates that under present conditions this plan will bring in more revenue than the abolition of the consolidated return." (Ways and Means Committee, Report No. 704, pp. 16-17, 73rd Cong., 2nd Sess.)

The committee's recommendation was extensively debated by the House, 5/ and a letter from the Secretary of the Treasury to the Chairman was read, saying:

"The Treasury approves the decision of the committee to retain the provision for consolidated returns. To eliminate this provision at this time would cause greatly increased expense to the many corporations in the setting up of new accounting systems, without compensating advantage to the Treasury. Our experience with the differential rate of tax upon corporations filing consolidated returns is not yet long enough to enable the Department to state accurately the results of the provision. The increase in the differential rate of 2 percent will, of course, provide increased revenue from such corporations."

The House adopted the recommendation of its Committee on Ways and Means. The Committee on Finance recommended to the Senate the approval of the House bill. The Senate, after extensive debate 6/ however, adopted Mr. Borah's amendment eliminating consolidated returns. The Conference Committee restored the provision of the House bill, including the additional 2-percent rate, but only for the benefit of an affiliated group of corporations, each of which is a railroad.

5/ Cong. Rec., Vol. 78, pt. 3, p. 2512, 73rd Cong., 2nd Sess.
6/ Cong. Rec., Vol. 78, pt. 6, pp. 5847, 6304-07, 73rd Cong., 2nd Sess.

(2) R.A. of 1935 (Taxable years beginning after December 31, 1935).--The changes made by the revenue bill of 1935 represented merely the adjustment of the additional rate of tax on a consolidated return to the system of graduated rates of corporation tax introduced by that Act. Section 102(b), amending Section 141(c), R.A. 1934, fixed a rate of 15-3/4 per centum on a consolidated return which is 3/4 of 1 percent above the rate applicable to the net income in excess of $40,000. These rates were inoperative, since the R.A. of 1936, applicable also to taxable years beginning after December 31, 1935, revised both the graduated system of corporate rates and the consolidated return rates.

(3) R.A. of 1936 (Taxable years beginning after December 31, 1935).--The Subcommittee of the Committee on Ways and Means recommended that "railroads be subject to the plan of [the undistributed profits tax provisions of the revenue bill of 1936] 'the privilege of filing consolidated returns be continued as to them' and that 'the rate of tax be the same as in the case of other corporations.'" (Ways and Means Subcommittee, March 26, 1936, 74th Cong., 2nd Sess.) The House adopted the recommendation of its Committee on Ways and Means so providing, including a provision for treating as a "railroad" "a street, suburban, or interurban electric railroad." Both the Senate and the Conference Committee agreed. (Section 141(d).)

(4) R.A. of 1938 (Taxable years beginning after December 31, 1937).--The Revenue Act of 1938 again expanded the class entitled to file consolidated returns by defining the term "railroad" to include "a street or suburban trackless trolley system of transportation or a street or suburban bus system of transportation operated as a part of a street or suburban electric railroad or trackless trolley system." This expansion was made by a Senate amendment (Senate Finance Committee, Report No. 1567, p. 23, 75th Cong., 2nd Sess.), from which was absent the limitation imposed in Conference, that the bus system must be "operated as a part of a street or suburban electric railroad or trackless trolley system."

(5) R.A. of 1939 (Taxable years beginning after December 31, 1939).--This Act again expanded the class entitled to a consolidated return by constituting "Pan-American Trade Corporations" an affiliated group entitled to elect consolidated returns. (Section 225) The Act also restored the net operating loss carry-over for two years (by Section 211, for taxable years beginning after December 31, 1939.

V. 1942 to date (including 1940-1941 for excess profits tax only) - Taxable years beginning after December 31, 1939 for excess profits tax only, and taxable years beginning after December 31, 1941, for income tax.

For excess profits tax only, the elective privilege of a consolidated return is restored to corporations generally for taxable years beginning after December 31, 1939. 7/ No additional rate of tax is imposed. The R.A. of 1928 system is thus reinstated in its entirety for excess profits tax purposes, with minor changes. Two refinements are introduced for the first time, each narrowing the test of membership in the affiliated group. These were:

(1) In the test of affiliation "at least 95 per centum of each class of the stock" replaces "at least 95 percent of the stock" in Section 141.

(2) The consolidated return privilege, with one exception, 8/ is denied altogether to non-includible corporations, namely, those classes of corporations to which are applicable special methods of taxation; 9/ for the first time, the list of non-includible corporations, is comprehensive, and non-includible corporations, with the exception noted, may neither file a

---

7/ Section 201, 2nd R.A. 1940, adding Section 730 of Subchapter 2E of the Code. The provisions originated as a Senate amendment in substantially its enacted form. The Ways and Means Committee, Report No. 2894, p. 15, 76th Cong., 3d Sess., said:

> "Your committee gave consideration to requiring consolidated returns in connection with the excess profits tax. However, it was not possible to prepare a consolidated return provision without delaying the bill for a considerable length of time."

The levying of an additional rate was apparently not considered.

8/ Two or more domestic insurance companies, each of which is subject to taxation under the same section of Chapter 1.

9/ In Section 730(d), Second R.A. of 1940.

consolidated return nor constitute either a parent or any other link in the chain requirement of affiliation. 10/

The making of a consolidated return is "consent to all the regulations ***prescribed prior to the last day prescribed by law for the filing of such return," (displacing "consent to all the regulations*** prescribed prior to the making of such return" of the income tax law).

For both income and excess profits taxes, 11/ the elective privilege of a consolidated return, and the R.A. of 1928 system is restored to corporations generally for taxable years beginning after December 31, 1941, subject, however, to an additional rate of 2 percent of the consolidated corporation surtax net income. The refinements introduced for the first time for excess profits tax purposes (narrowing the test of affiliation by requiring ownership of classes of stock and by excluding non-includible corporations, and allowing more time for the prescription of regulations, were carried over into I.R.C. Section 141. 12/

For the first time, the statute in Section 159(a), R.A. 1942, removes, as to war losses, limitations theretofore since 1928, applied by the regulations on carry-over items of an affiliate originating in a separate return period.

10/ Thus, throughout, the definition of "affiliated group" in Section 730(d), the term "includible corporation" replaces the term "corporation"; and the term "includible corporation" is defined as "any corporation except -
  (1) Corporations exempt from the tax imposed by this subchapter.
  (2) Foreign corporations.
  (3) Corporations organized under the China Trade Act, 1922.
  (4) Corporations entitled to the benefits of Section 251, by reason of receiving a large percentage of their income from possessions of the United States
  (5) Personal service corporations.
  (6) Insurance companies subject to taxation under Section 201, 204, or 207."

11/ Section 159(a), R.A. 1942, amending I.R.C. Section 141.

12/ This involved a number of changes in the definition of "includible corporations," only one of which was other than technical (Section 141(e)(7)) which, together with Sections 727(a) and 727, had the effect of permitting a corporation otherwise exempt from excess profits tax to be an "includible corporation" and as a member of an affiliated group, to file a consolidated return, but such filing subjected the corporation as a member of the group to excess profits tax.

Substantially in its enacted form, these provisions of the R.A. of 1942 originated in the Ways and Means Committee bill. Mr. Randolph Paul, Tax Adviser to the Secretary of the Treasury, speaking before the Ways and Means Committee on March 3, 1942, said:

> "At the present time corporations subject to the excess profits tax are permitted to file consolidated returns for the purpose of that tax if they must meet certain standards of consolidation, and if they consent to regulations prescribing the method of computing the tax on a consolidated basis. Except for railroads and certain corporations in foreign trade, these corporations, however, are not permitted to file consolidated returns for the purposes of the corporation income tax. This divergence in treatment makes for considerable complexity in the application of the two taxes, a complexity which burdens taxpayer and the Bureau of Internal Revenue alike. Moreover, an accurate measure of the income of a group of affiliated corporations can only be obtained through the use of consolidated returns. Under the rates of tax now suggested for the corporation income tax, the inaccuracies that occur through separate returns may work a severe hardship. It is therefore suggested that affiliated corporations be given the privilege of filing consolidated returns for the purposes of the corporation income tax as well as the excess profits tax. Any group of corporations electing such privilege should be required to do so for both taxes. The Committee may wish to consider the desirability of having a differential in tax for corporations electing to file consolidated returns." (Hearings, Revenue Revision of 1942, p. 88, March 3, 1942, Committee on Ways and Means, 77th Cong., 2nd Sess.)

No statement of policy appears in the reports or debates.

The authority under I.R.C. Section 45 to distribute all items of the tax account among the members of a group is made clear by the amendment made by the R.A. of 1943, Section 128(b). 13/

The repeal of the excess profits tax for taxable years beginning after December 31, 1945 14/ increases the base of the additional 2-percent rate laid on the consolidated corporation surtax net income, such net income being no longer diminished by "the credit for income subject to the" excess profits tax.

13/ "It is believed that the amendment makes no change in existing law." (Senate Finance Committee Report, No. 627, p. 61; Ways and Means Committee Report, No. 871, p. 50.)

14/ Section 121(a), Section 122(g)(3), R.A. 1945.

SUMMARY

Years for which additional tax was levied on consolidated return

Rate of income tax on consolidated returns

I. 1913-1917..No consolidated return.

II. 1918-1931..Same as for separate return.

III. 1932-1935..Higher than for separate return.

	Taxable years	Higher by	Imposed by
1.	Ending in 1932, 1933	3/4 of 1%	R.A. 1932, Sec. 141(c).
2.	Ending in 1934 but beginning prior to Jan. 1934	1%	(NIRA, Sec. 218(e), (See R.A. 1934, (Sec. 141(c)).
3.	Beginning after Dec. 31, 1933 and prior to Jan. 1, 1936	2%	R.A. 1934, Sec. 141(c).
4.	[Inoperative Beginning after Dec. 31, 1935	not less than 3/4 of 1%	R.A. 1935, Sec. 102(b), superseded by Sec. 141(c), R.A. 1936.]

IV. 1936-1941 (Taxable years beginning after Dec. 31, 1935 and prior to Jan. 1, 1942..Same as for separate return.

V. 1942 to date..Higher than for separate return.

	Higher by	Imposed by
Taxable years beginning after Dec. 31, 1941	2 per centum of the consolidated corporation surtax net income of the affiliated group.	Sec. 159, R.A. 1942

Except for the years 1934 and 1935, the periods during which a higher rate is laid on a consolidated return, have been periods during which the consolidated return privilege was not restricted to those engaged in a particular industry (i.e., "railroads" and "Pan-American Trade Corporations"). This restriction characterized the period 1934-1941. This and the additional rate have been the only substantial innovations in the consolidated return system established by the R.A. of 1928.

Each of the acts levying the additional tax was concerned with the distribution of the burden of an increase in revenue.

At no time has an additional tax been laid on a consolidated return under any of the additional income taxes laid by chapter 2 of the I.R.C. and the corresponding provisions of prior law. The consolidated return has at all times been a feature of the excess profits tax laid by I.R.C. chapter 2E (1940-1946), and corresponding provisions applicable to the years 1917-1921. The consolidated return has been a feature of the declared value excess profits tax only for 1933 (I.R.C. chap. 2B and corresponding provisions applicable to earlier revenue laws) and, to a limited extent, of the personal holding company tax (1934 to date) (I.R.C. chap. 2A and corresponding provisions of earlier revenue laws). It has been regarded as inapplicable to the excess profits on Navy contracts (I.R.C. chap. 2C and corresponding provisions applicable to earlier revenue laws) and to the tax on unjust enrichment (I.R.C. chap. 2D and corresponding provisions applicable to earlier revenue laws).

The consolidated return has been an elective privilege of an affiliated group at all times since 1921. The common parent has been a requirement for an affiliated group since 1928, as has the requirement that every other member of the group be connected with the parent by a chain of ownership representing 95 percent of its voting stock. The consent of all members of the group to the legislative regulations which the Commissioner, with the approval of the Secretary, is authorized to prescribe, has also been required since 1928. The revenue laws have contained, since 1920, an uncertain, and since 1927 a fairly comprehensive, provision designed to enable the Commissioner to obtain, in the case of organizations owned or controlled by the same interests, a proper reflection of income and the prevention of avoidance of tax.

APPENDIX C

The Effects of Lowering the Percentage Used in Determining Affiliation for the Purposes of the Tax on Consolidated Returns

Recent statistical data showing the effect of reducing the percentage used under the test of application are not available. However, a dividend tabulation made by the W.P.A. on the basis of 1936 corporate income tax returns is available 1/ and the results have been summarized in the attached table.

In this table dividends received by corporations are classified according to the ratio between the amount of the dividend received and the total dividend payment made by the payor corporation. This percentage has been computed separately for each dividend received by a corporation. Column (2) shows the number of times the dividend received was the indicated percentage of the total dividend of the payor corporation. Column (3) shows the amount of the dividends received which were the indicated percentage of the dividends of the payor corporation.

It is evident that out of 181,000 returns tabulated only 4,526 would qualify as affiliated if the test were the ownership of 90 percent of the stock of one corporation by the other. The reduction of the percentage used to 75 would increase the number qualifying by less than 14 percent. The number which would qualify if the percentage used were 50 is roughly half again as large as the number qualifying with a stock ownership test of 90 percent.

1/ This tabulation is in the files of the Statistical Division of the Bureau of Internal Revenue and is identified as follows: Table 4b, Source Book, Volume 4, B.I.R. Special Study 32, Cabinet 3, Shelf 1.

TABLE I

Dividend Receipts in 1936 Reported on Corporation Income Tax Returns Classified by Percent of each Dividend Receipt 1/ to Total Taxable Dividends Paid by the Payor Corporation, Showing Number and Amount of Dividend Receipts 2/

Percent classes each dividend to total taxable dividend paid by payor corporation 3/			Dividend receipts 4/	
			Number	Amount
(1)			(2)	(3)
Total			181,089	1,582,578,896
From		To Under		
		1	158,127	176,569,060
1	-	5	8,154	90,707,050
5	-	10	2,425	51,312,006
10	-	20	2,259	92,689,823
20	-	30	1,346	151,026,387
30	-	40	977	52,258,044
40	-	50	745	55,636,690
50	-	60	1,144	85,016,389
60	-	75	771	83,979,872
75	-	90	615	148,184,144
90 and over			4,526	595,199,431

1/ A dividend receipt is the total amount of taxable dividends received by a corporation from one corporation in a twelve-month period.

2/ Dividend payments to the number of 8,961 and the amount of $149,309,802 have been excluded from the tabulation because no information was available on the payor corporations.

3/ Payor corporations include both domestic and foreign corporations filing on Form 1120 or 1120L.

4/ This column represents the sum of dividend receipts for cases where both recipient and payor corporations report on a calendar-year basis, and for cases where either or both recipient and payor corporation report for fiscal years ended in the period July 1936 through June 1937.

Additional tabulations are available at the Bureau showing dividend receipts in 1936 classified by (1) asset classes of recipient corporations, and (2) industrial groups of recipient corporations.

APPENDIX D

TABLE II

Intercorporate Dividends Received from Domestic Corporations

1926 - 1943

Year	Dividends received (millions of $'s)
1926	1,506
1927	1,658
1928	1,917
1929	2,593
1930	2,571
1931	1,969
1932	1,260
1933	1,026
1934	2,217
1935	3,014
1936	2,677
1937	2,682
1938	1,791
1939	1,906
1940	2,021
1941	2,235
1942	1,344
1943	1,334

Sources: 1926-1941, Statistics of Income for 1941, Part 2, pp. 272-273.
1942-1943, Treasury Bulletin, June 1946, p. 22.

APPENDIX E

TABLE III

Number of Consolidated Income Tax Returns Filed

1928 - 1944

Year	Consolidated returns			Number of subsidiaries
	With net income	With no net income	Total	
1928	5,870	3,430	9,300	Not available
1929	5,408	3,346	8,754	30,112
1930	4,067	4,884	8,951	32,209
1931	2,698	5,797	8,495	31,307
1932	1,272	6,154	7,426	29,232
1933	1,880	5,221	7,101	28,589
1934	147	298	445	2,522
1935	9	54	63	464
1936	35	63	98	722
1937	30	63	93	693
1938	22	80	102	690
1939	31	77	108	715
1940	44	68	112	709
1941	65	42	107	706
1942	737	205	944 *	5,596
1943	1,005	277	1,286 *	6,165
1944	1,009	289	1,300 *	5,781

* Total includes returns of inactive corporations.

Sources: 1928-1941, Statistics of Income for 1941, Part 2, p. 293.
1942, Treasury Press Release No. 44-54, December 31, 1944, p. 16, and No. V-229, February 25, 1946, p. 6.
1943, Treasury Press Release No. V-229, February 25, 1946, pp. 6 and 10.
1944, Statistics of Income for 1944, Part 2, Preliminary, pp. 10 - 11.

TREASURY DEPARTMENT

Washington

FOR RELEASE MORNING NEWSPAPERS
Thursday, January 15, 1948.

Press Service
No. S-596

During the month of December, 1947, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net purchases of $696,391,000, Secretary Snyder announced today.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Friday, January 16, 1948

Press Service
No. S-597

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 December 31, 1947, inclusive, as follows:

Products of Philippine Islands	Established Quota Quantity	Unit of Quantity	Imports as of December 31, 1947
Buttons	850,000	Gross	94,902
Cigars	200,000,000	Number	3,261,568
Coconut oil	448,000,000	Pound	21,988,520
Cordage	6,000,000	"	2,322,672
Rice	1,040,000	"	50
Sugars, refined) unrefined)	1,904,000,000	"	—
Tobacco	6,500,000	"	1,316,548

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Friday, January 16, 1948

Press Service
No. S-598

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	Imports May 29, 1947, to Dec. 31, 1947	Established Quota	Imports May 29, 1947, to Dec. 31, 1947
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	352	3,815,000	1,198,004
China	-	-	24,000	8,400
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	320
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	352	4,000,000	1,206,724

-oOo-

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Friday, January 16, 1948.

Press Service
No. S-599

The Secretary of the Treasury announced today that the Governments of Italy, Bulgaria, Hungary, and Rumania, and nationals thereof, are no longer deemed to be "enemy nationals" within the meaning of General Ruling No. 11.

Treasury officials pointed out that today's action, which is in the form of an amendment to Public Circular No. 25, was taken in view of the ratification of the treaties of peace with Italy, Bulgaria, Hungary, and Rumania. The amendment does not authorize transactions under certain Treasury licenses nor does it in any way affect the definitions appearing in Executive Order No. 9193, which established the Office of Alien Property.

It was also announced that the Treasury Department is prepared, in appropriate cases, to grant licenses for payments to creditors resident in the United States of business organizations and individuals in Bulgaria, Hungary, and Rumania from blocked accounts in this country in which the debtors have an interest. It was recalled that on May 20, 1947 a similar announcement was made concerning payments to creditors of persons in Italy.

Treasury officials explained that the step with respect to Bulgaria, Hungary and Rumania is being taken even though the final disposition of the blocked assets of these countries has not been determined. They pointed out, however, that in taking this step the Treasury Department is in substance applying to its unblocking procedures the principles of Public Law 671, 79th Congress, which authorizes the Office of Alien Property to pay debt claims of American citizens out of vested assets of their Bulgarian, Hungarian and Rumanian debtors.

It was stated that, in general, licenses will be issued only in those instances where the debt was incurred either prior to the date of the blocking of the country involved or as a result of a transaction entered into subsequent to that date pursuant to a license specifically authorizing the use of blocked funds.

oOo

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Friday, January 16, 1948

Press Service
No. S-600

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 December 31, 1947, inclusive, as follows:

Commodity	Established Quota Period and Quantity		Unit of Quantity	Imports as of December 31, 1947
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	7,662
Cream, fresh or sour	Calendar year	1,500,000	Gallon	1,768
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	23,906,423	Pound	Quota Filled
White or Irish potatoes:				
Certified seed	12 months from	90,000,000	Pound	69,594,647
Other	Sept.15,1947	60,000,000	Pound	29,569,084
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	Quota Filled
Molasses and sugar sirups containing soluble non-sugar solids equal to more than 6% of total soluble solids	Calendar year	1,500,000	Gallon	580,550

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Friday, January 16, 1948

Press Service
No. S-601

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, 1947, to December 31, 1947, inclusive, are as follows:

COTTON (other than linters)
(In pounds)

County 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, 1947, to Dec. 31, 1947	Imports Sept. 20, 1947, to Dec. 31, 1947	Imports Sept. 20, 1947, to Dec. 31, 1947
Egypt and the Anglo-Egyptian Sudan	783,816	-	43,574,472	-
Peru	247,952	227,888	1,903,999	-
British India	2,003,483	19,000	-	10,642,714
China	1,370,791	-	-	-
Mexico	8,883,259	8,883,259	-	-
Brazil	618,723	618,723	-	-
Union of Soviet Socialist Republics	475,124	249,068	177,949	-
Argentina	5,203	-	-	-
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	-	-	-	-
	14,516,882	9,997,938	45,656,420	10,642,714

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. 20,1947, to Dec.31,1947	Established 33-1/3% of Total Quota	Imports Sept.20,1947,to Dec. 31,1947 1/
United Kingdom.....	4,323,457	19,703	1,441,152	19,703
Canada.............	239,690	70,818	-	-
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	-	-	-
Cuba...............	6,544	-	-	-
Germany............	76,329	-	25,443	-
Italy..............	21,263	-	7,088	-
Totals	5,482,509	160,148	1,599,886	19,703

1/ Included in total imports, column 2.

-oOo-

TREASURY DEPARTMENT

Washington

Statement of Secretary Snyder before the
Ways and Means Committee of the
House of Representatives,

January 16, 1948

I am glad to have this opportunity to appear before the Ways and Means Committee to discuss the issues raised by H.R. 4790.

I am sure that this Committee fully appreciates the great responsibilities I have as Secretary of the Treasury in pursuing a sound fiscal policy. The financial integrity of our Government must always be my first consideration. Its foundation must rest upon a revenue system that will provide the cost of maintaining government and financing its necessary functions, with provision for funds to manage, service and reduce the national debt.

I can make no other approach to our tax problems than through a realistic appraisal of the hard facts of the current situation. It is not a question of what we would like to have at the moment, but what in the long run is in the national interest. Nor is it a matter of what would be desirable and proper under different circumstances but what is the proper action to take under the conditions which now prevail.

The cold facts are that present economic conditions, budgetary considerations, inflationary pressures, and debt management problems require the maintenance of government revenues at present level.

It is from these viewpoints that I wish to discuss the issues raised by HR 4790.

This bill would reduce individual income tax liabilities by $6.2 billion for a full year of operation. In addition, estate and gift tax liabilities under the provisions at present in the bill would be reduced by $60 million. If this bill were to be enacted, effective for calendar year 1948 incomes and withholdings at the lower rates were to start April 1, the surplus of $7.5 billion estimated in the President's Budget for the fiscal year 1948 would be reduced by $1.1 billion. But in the fiscal year 1949 receipts would decrease $6.5 billion and refunds would increase $0.4 billion. The estimated surplus of

$4.8 billion in fiscal 1949 would be converted into a deficit of $2.1 billion, thereby increasing the public debt. (Exhibit 1, page 13.)

Under current conditions, it is my firm conviction that a tax reduction of the magnitude involved in H.R. 4790 would constitute a major threat to the Nation's financial integrity and economic stability. I cannot conceive of any considerations under existing conditions that would justify a tax policy or program that would fail to balance the budget in the fiscal year 1949 and also make provision for the adequate retirement of the public debt.

Our progress in debt retirement since the peak of $279.8 billion, which was reached on February 28, 1946, to the present level of $257 billion has been effected largely by drawing down the large Treasury cash balances from a wartime to a peacetime level. Only in the last fiscal year of 1947 were we able to make a substantial reduction from surplus tax revenues. We have now reached a position where the anticipated surplus for fiscal year 1948 will make possible a substantial debt reduction which provides one of the most effective anti-inflationary weapons possessed by the Government.

Treasury debt retirement and debt management policies have been continuously directed against the inflationary monetary pressures. Not only are we able to follow the sound principle of reducing the public debt during a period of prosperity in order to maintain financial integrity, but at the same time, we are able to maintain a wholesome pressure against inflation.

The gross public debt has been reduced by over $23 billion since its peak was reached in February, 1946. Not only has this entire amount been taken out of the debt held by the banks (commercial banks and the Federal Reserve banks) but through the sale of government securities to non-bank holders, including individuals and trusts, an additional $2 billion has been moved out of the banking system.

The effect of the reduction of commercial bank-held government securities is to reduce bank deposits and the money supply. I need not point out to this committee the importance to our economy to continue this effective program.

It is clear that the present inflationary pressures in our economy require that the revenue loss resulting from any tax adjustments should be offset by upward revisions in other taxes. There must be no reduction in aggregate revenue. In view of my responsibilities for the sound management of the Federal finances, I cannot endorse a bill which would reduce revenues when income and employment are at peak levels and which would result in a deficit in the fiscal year 1949.

Economic conditions

Last spring, when your Committee was considering H.R. 1, a bill which would have reduced our tax revenues very substantially, it was urged that such a reduction was necessary to forestall a decline in production and business activity. Subsequent developments have shown that this apprehension was not well founded.

Since the President's veto of H.R. 1, national income, production, and employment have all made new record peacetime highs. Inflationary pressures have also continued strong. Production has continued virtually at capacity levels; and there is every reason to believe that if a tax reduction bill had been enacted over the President's veto, the result would have been, not more production, but even higher prices.

The same considerations which impelled the President to veto H.R. 1 -- and also to veto its successor bill, H.R. 3950 -- are controlling today. As the President said in his veto message on H.R. 1, "Ample evidence points to the continuation of inflationary pressures. Tax reduction now would increase them." This has proved to be a sound conclusion.

The need for a tax adjustment

From June 1946 to November 1947, consumer food prices rose 39 percent; all consumer prices rose 24 percent. (Exhibit 2, page 14, Chart 1.)

The high cost of living has brought real hardship to many families with low incomes. Price increases have made Federal taxes unduly burdensome for these taxpayers. It is for this reason that the President has recommended a cost-of-living adjustment in the individual income tax.

The President's suggested adjustment is in the form of a tax credit of $40 per capita. Its effect is to increase the exemptions from $500 to a little over $700 per capita at the bottom of the income scale and by amounts which gradually decrease for taxpayers in the higher brackets, where there is less pressing need for a cost-of-living adjustment. It is estimated that this would drop 10.3 million taxpayers with the lowest incomes from the income-tax rolls. It would cost $3.2 billion of revenue in a full year. Ninety-three percent of this relief would go to taxpayers with net incomes under $5,000. (Exhibit 3, page 15.)

As the President recommended, the revenue loss resulting from the cost-of-living adjustment should be made up by increasing the tax on corporate profits. Taxes on corporations have been considerably reduced since the war years. The corporation excess-profits tax was repealed, as was the declared value capital stock tax. The corporation income tax was reduced. Since that time and under the inflationary conditions which have persisted, many corporations now realize profits greatly in excess of those ever realized in a stabilized peacetime economy. Under existing conditions, the fairest way of levying a tax on corporate profits which the President recommended would be to reenact the excess-profits tax, with a few modifications. The small corporations should be exempted by providing a specific exemption of $50,000 of excess profits for all corporations. The rate should be reduced from the 85.5 percent in effect for 1945 to 75 percent and the standards for normal profits (both the average earnings and invested capital credits) should be raised by 35 percent. With these modifications the tax would still yield the $3.2 billion needed to offset the revenue loss resulting from the individual income tax cost-of-living adjustment. The tax would apply only to 22,000 corporations with the largest excess profits, out of a total of 360,000 taxable corporations. The imposition of a corporate excess-profits tax to compensate in revenue for the cost-of-living tax adjustment is the most equitable way of maintaining the Federal revenues at their present strength and with the least adverse effect on our economy.

Under the President's proposal, we will maintain a balanced budget, including provision for the Marshall Plan, and make substantial payments on our public debt. His proposal makes only a temporary change in our tax system leaving basic structural changes to a more appropriate time when our entire tax structure can be revised on an equitable basis.

Comments on H.R. 4790

I turn now to specific comments on H.R. 4790. I have appended to my statement a number of statistical tables to aid the Committee in its consideration of the bill. (Pages 11-41.)

H.R. 4790 includes the following tax-reducing provisions: an increase in the per capita exemption from $500 to $600, resulting in a revenue loss of $1,744.7 million; a special additional exemption of $600 to all persons 65 years of age and over, resulting in a revenue loss of $268.2 million; a special exemption of $600 for the blind to replace the present deduction of $500, resulting in a revenue loss of $300 thousand; the equal division of incomes of husbands and wives for tax

purposes resulting in a revenue loss of $803.5 million; an increase in the standard deduction for single persons and married couples filing joint returns with adjusted gross incomes of over $5,000, resulting in a revenue loss of $93.8 million; a reduction in tax rates ranging from 30 percent for taxpayers with net incomes after exemptions of $1,000 or less to 10 percent for amounts of net income after exemptions in excess of $4,000, resulting in a revenue loss of $3,334.4 million; and repeal of the 1942 amendments relating to the estate and gift taxes as they apply in community-property states, resulting in a revenue loss of $60 million. The total revenue loss from the reduction of both income and estate tax would be $6,305 million in a full year.

The revenue loss from all the individual income tax provisions amount to $6.2 billion for a full year. (Exhibit 4, page 16.) The estimates of revenue loss from each of the individual income tax changes are given by net income classes in Exhibit 5, page 17.

Under present law there would be 52.1 million income taxpayers in 1948. The bill would remove 6.3 million from the tax rolls. Of the total number dropped, the $100 increase in the per capita exemption accounts for 5.3 million and the special exemptions for the aged and the blind for 1.0 million.

Increase in exemptions

The individual income tax exemptions were lowered several times during the period after 1939 to increase the Federal revenues in support of the defense and war effort. Millions of individuals were added to the tax rolls, the number of taxable returns increasing from 4 million in 1939 to almost 43 million in 1945. (Table D, page 40.)

The first postwar change in exemptions was made effective in 1946 by the Revenue Act of 1945. The normal tax exemption of $500 was revised to take into account marital and dependency status. This was done by making the $500 per capita system which since 1944 was applicable only to the surtax, also applicable to the normal tax.

The present exemptions which had their origin in the wartime emergency would be too low under peacetime conditions even if there had been no price increases. However, consumer prices increased 31 percent from 1944 to November 1947 alone.

For these reasons the President on several occasions has stated that the millions of taxpayers with low incomes should have high priority for relief from their wartime tax burdens. It is for these reasons that he has recommended in his State of the Union Message the tax credit of $40 per capita as a cost-of-living adjustment. Although the economic and budgetary

situation does not permit a reduction in total taxes, the Federal tax system should, nonetheless, be adjusted in a manner which would bring relief to the millions of hard-pressed taxpayers with the lowest incomes. This can best be done under the President's recommended tax credit which would completely relieve 10.3 million low-income taxpayers from income tax this year.

H.R. 4790 would increase the exemptions from $500 to $600 per capita. This increase is inadequate in the light of the very substantial increase in the cost of living.

Income splitting

The bill contains a provision which would permit married couples filing joint returns to divide their combined incomes equally between them in computing their income taxes. This is designed to eliminate a long-standing tax discrimination against married couples residing in non-community-property states. I do not question the importance of the problem to which this provision is addressed because several common-law states have, in recent years, adopted community-property laws designed primarily to give their residents the tax advantages previously enjoyed only in the original community-property states. The subject is one which should be given a high priority among the structural changes in the Federal tax system. I believe, however, that it would be unwise to make this or any other major structural change in the current situation which would result in a substantial revenue loss. As previously indicated, splitting the incomes of husbands and wives would result in a loss of $803.5 million, 97.5 percent of which would go to individuals with net incomes in excess of $5,000.

Rate reductions

H.R. 4790 would make a substantial reduction in individual income tax rates. It would reduce the normal tax and surtax rates by 30 percent for taxpayers whose net incomes after personal exemptions are $1,000 or less, and by percentages ranging from 30 to 20 in the notch area between $1,000 and $1,400. For net incomes after exemptions between $1,400 and $4,000, the reduction would be 20 percent. For amounts of income in excess of $4,000, the reduction would be 10 percent. The effect of these rate changes on the combined normal tax and surtax bracket rates is shown in Exhibit 6, page 18.

23.7 million taxpayers would get a 30 percent rate reduction. 7.9 million would get a rate reduction ranging from 30 to 20 percent. 12.5 million taxpayers would get a 20 percent reduction. The remaining 1.7 million would get reductions ranging from 20 percent down to approximately 10 percent. (See Exhibit 7, page 20.)

As I have already stated, any tax adjustment at this time should be concentrated at the bottom of the income scale. The most efficient way of doing this is through the cost-of-living tax adjustment credit recommended by the President. I cannot endorse any general reductions in tax rates under present circumstances. As soon as the inflationary forces have been checked, as I have previously said, it will be proper to fit rate reductions into a well-balanced tax revision program designed to maintain incentives and broad consumer markets.

Exemptions for the aged and the blind

The bill provides an additional $600 exemption for persons over 65 years of age. It also provides a similar exemption for the blind. The exemption for the blind is not a new feature of the tax law. It merely makes a technical revision of the present allowance and increases the amount by $100. These as well as other low-income groups and disabled persons have been hard-pressed by rising prices and the high cost of living. It is my view that the cost-of-living adjustment recommended by the President is the most equitable way of providing tax relief for the aged, the disabled, and low-income taxpayers generally.

Increase in the standard deduction

H.R. 4790 would increase the standard deduction for single persons and married couples filing joint returns if they have incomes above $5,000. The increase in the deduction is from $500 to 10 percent of adjusted gross income for those with incomes between $5,000 and $10,000 and $500 to $1,000 for those with incomes of $10,000 or more.

The increase in the standard deduction for married taxpayers is apparently intended as a necessary part of the split-income provision. It is designed to equalize the standard deduction allowed to residents of common-law states with that now allowed to residents of community-property states. The increase in the standard deduction for single persons is not, however, related in any way to the split-income provision. It would reduce the taxes of single persons with incomes in excess of $5,000 if they elected to use the standard deduction. I can see no justification for this provision.

Repeal of 1942 estate and gift tax amendments

The 1942 estate and gift tax amendments were in general designed to equalize the tax treatment of gifts and transfers of property at death in community-property and common-law states. The amendments have been tested in the Supreme Court and held to be constitutional. H.R. 4790 would repeal these amendments and again give the residents of community-property states the benefit of splitting property for gift and estate

tax purposes. Moreover, it is my understanding that it is contemplated that the bill in later form will include a provision which would exempt transfers between husband and wife under the gift tax to the extent of 50 percent and completely exempt such transfers under the estate tax up to 50 percent of the net estate.

If all married couples took full advantage of this provision, the combination of such estate and gift tax changes would involve a loss in revenue amounting to $245 million or 30 percent of the yield of these taxes. As I have already stated, this is not the proper time to make such major structural changes in the tax system involving a significant loss of revenue.

The President's Program compared with H.R. 4790

The benefits to individuals are distributed more equitably under the President's cost-of-living adjustment than under H.R. 4790. H.R. 4790 removes 6.3 million from the tax rolls. The President's program removes 10.3 million. In addition, taxes would be lower under the President's program for single persons with net incomes (before personal exemptions) up to $968 (or gross incomes up to $1,050); for married persons with no dependents up to $1,937 (or gross incomes up to $2,125); for married persons with two dependents up to $3,874 (or gross incomes up to $4,300), etc. (Exhibit 8, pages 21-23 and Exhibits 9 and 10, pages 24-35.) Altogether, the President's program provides greater relief to 13 million taxpayers with the lowest incomes. These are the taxpayers who are in most urgent need of relief from the burdens of the present high cost of living.

Under the President's individual income tax adjustment, of $3.2 billion, 93.0 percent would go to individuals with net incomes under $5,000. This compares with 66.3 percent under H.R. 4790.

It is also true that H.R. 4790 reduces the taxes of individuals with net incomes in excess of $5,000 by $2.1 billion as against $0.2 billion under the President's recommendation. It is clear that H.R. 4790 goes far beyond the requirements of a cost-of-living adjustment especially with respect to the $2.1 billion relief given to individuals with incomes in excess of $5,000.

Conclusion

In the light of all the facts, the conclusion is inescapable. I must oppose H.R. 4790 because it is neither in the interest of sound fiscal management of the Government nor in the public interest. It is unbelievable that any tax proposal would be seriously promoted that would produce a budget deficit and an increase in the public debt of $2.1 billion in the fiscal year of 1949.

I must repeat, that in the present circumstances, there should be no general tax reduction. As the President has recommended, any revenue loss from tax adjustments to relieve taxpayers from the impact of high cost of living should be recouped by increasing the taxes on corporate profits.

The tax system is being called upon to play a major role in this country's struggle against inflation. We have preserved our financial strength. Let us not undermine it at the critical time when it can serve us best.

In his State of the Union Message, the President said:

> "When the present danger of inflation has passed we should consider tax reduction based upon a revision of our entire tax structure.
>
> "When we have conquered inflation, we shall be in a position to move forward toward our chosen goals."

On my appearance before this Committee last year I indicated what I conceive to be our chosen goal in taxation. It is the revision of the tax system on the basis of fundamental principles. In that revision, we should seek to correct existing inequities. I quote from my statement of last May:

> "I believe that a sound tax system should meet the following essential tests. The tax system should produce adequate revenue. It should be equitable in its treatment of different groups. It should interfere as little as possible with incentives to work and to invest. It should help maintain the broad consumer markets that are essential for high-level production and employment. Taxes should be as simple to administer and as easy to comply with as possible. While the tax system should be flexible and change with changing economic conditions, it should be possible to achieve this flexibility without frequent revisions of the basic tax structure. A stable tax structure, with necessary flexibility confined largely to changes in tax rates and exemptions, will make it easier for business and Government to plan for the future."

I have a firm conviction that pursuing these principles we can together build a peacetime system of taxation that will play an important role in keeping this country prosperous.

EXHIBITS

Table of Contents

		Page No.
Exhibit 1	Estimated effect of H.R. 4790 on budget receipts, expenditures and surplus, fiscal years 1948 and 1949	13
Exhibit 2	Wholesale, retail and consumers' price indexes, 1939 to date	14
Exhibit 3	Estimated number of taxable income recipients and their total individual income tax under present law and under the proposed cost-of-living tax adjustment credit of $40 per capita, distributed by net income classes, in calendar year 1948	15
Exhibit 4	Estimated number of taxable income recipients and their total individual income tax under present law and under H.R. 4790, distributed by net income classes, in calendar year 1948	16
Exhibit 5	Estimated revenue loss from each individual income tax provision of H.R. 4790, distributed by net income classes, in calendar year 1948	17
Exhibit 6	Comparison of combined normal tax and surtax rates under present law and under H.R. 4790	18
Exhibit 7	Estimated number of taxable income recipients distributed by the various percentage reductions provided under H.R. 4790, in calendar year 1948.	20
Exhibit 8	Comparison of amounts and effective rates of individual income tax under present law, H.R. 4790, and the proposed cost-of-living tax adjustment credit of $40 per capita, for selected amounts of net income under $5,000	21-23
Table 1	Single person - No dependents	21
Table 2	Married person - No dependents	22
Table 3	Married person - Two dependents	23
Exhibit 9	Comparison of amounts and effective rates of individual income tax under present law and under the proposed cost-of-living tax adjustment credit of $40 per capita	24-29
Table 1	Single person - No dependents	24
Table 2	Married person - No dependents	26
Table 3	Married person - Two dependents	28

EXHIBITS

Table of Contents

		Page No.
Exhibit 10	Comparison of amounts and effective rates of individual income tax under present law and under H.R. 4790	30-35
Table 1	Single person - No dependents	30
Table 2	Married person - No dependents	32
Table 3	Married person - Two dependents	34
Chart 1	Consumers' Price Index, 1939 to Date, All Items, Food and Clothing, 1935-'39=100	follows p.35
Chart 2	Effective Rates of Individual Income Tax, Present Law and H.R. 4790, Married Person, No Dependents	follows p.35
Appendix A	Tables A - D	36-41

EXHIBIT 1

Estimated effect of H. R. 4790 1/ on budget receipts, expenditures and surplus, fiscal years 1948 and 1949

(In billions of dollars)

	Receipts	Expenditures	Surplus or deficit (-)
Fiscal year 1948			
Without H. R. 4790	$45.2	$37.7	$7.5
With H. R. 4790	44.1	37.7	6.4
Decrease under H. R. 4790	1.1	0	1.1
Fiscal year 1949			
Without H. R. 4790	44.5	39.7	4.8
With H. R. 4790	38.0	40.1	- 2.1
Decrease under H. R. 4790	6.5	0.4*	6.9

Treasury Department — January 16, 1948

*Represents increase resulting from larger individual income tax refunds under H. R. 4790.

1/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.

Source: Estimates without H. R. 4790 are from The Budget of the United States Government for the fiscal year ending June 30, 1949.

EXHIBIT 2

Wholesale, retail and consumers' price indexes, 1939 to date

Year or month	Wholesale prices (1926=100)	Retail prices (1935-39=100)	Consumers' prices 1/ (1935-39=100)		
			All items	Food	Clothing
Monthly average:					
1939	77.1	99.0	99.4	95.2	100.5
1940	78.6	100.6	100.2	96.6	101.7
1941	87.3	108.3	105.2	105.5	106.3
1942	98.8	124.9	116.5	123.9	124.2
1943	103.1	134.0	123.6	138.0	129.7
1944	104.0	137.6	125.5	136.1	138.8
1945	105.8	141.4	128.4	139.1	145.9
1946	121.1	155.0	139.3	159.6	160.2
1947	151.7	2/	2/	2/	2/
1946:					
January	107.1	143.1	129.9	141.0	149.7
February	107.7	142.9	129.6	139.6	150.5
March	108.9	143.7	130.2	140.1	153.1
April	110.2	144.8	131.1	141.7	154.5
May	111.0	145.7	131.7	142.6	155.7
June	112.9	147.7	133.3	145.6	157.2
July	124.7	156.3	141.2	165.7	158.7
August	129.1	159.8	144.1	171.2	161.2
September	124.0	164.3	145.9	174.1	165.9
October	134.1	167.2	148.6	180.0	168.1
November	139.7	171.5	152.2	187.7	171.0
December	140.9	172.7	153.3	185.9	176.5
1947:					
January	141.5	172.7	153.3	183.8	179.0
February	144.5	172.7	153.2	182.3	181.5
March	149.5	177.2	156.3	189.5	184.3
April	147.7	177.2	156.2	188.0	184.9
May	147.1	177.1	156.0	187.6	185.0
June	147.6	178.7	157.1	190.5	185.7
July	150.6	179.7	158.4	193.1	184.7
August	153.6	181.4	160.3	196.5	185.9
September	157.4	184.9	163.8	203.5	187.6
October	158.5	2/	163.8	201.6	189.0
November	159.5	2/	164.9	202.7	190.2
December	162.7 3/	2/	2/	2/	2/

Treasury Department — January 16, 1948

1/ For moderate-income families in large cities.
2/ Not available.
3/ Estimate from Economic Report of the President, January 14, 1948.

Source: Wholesale and consumers' prices: U.S. Department of Labor; retail prices: U.S. Department of Commerce.

EXHIBIT 3

Estimated number of taxable income recipients and their total individual income tax under present law 1/ and under the proposed cost-of-living tax adjustment credit of $40 per capita, distributed by net income classes, in calendar year 1948

(Assuming personal income of $200 billion)

Net income class ($000)	Number of income recipients			Total tax 2/			
	Taxable under present law	Taxable under the $40 per capita tax credit	Made nontaxable by the $40 per capita tax credit	Under present law	Under the $40 per capita tax credit	Decrease under the $40 per capita tax credit	
						Amount	Percentage distribution
(Number of income recipients in thousands; money amounts in millions)							
Under 1	5,832.7	3,090.2	2,742.6	$ 252.1	$ 79.7	$ 172.5	5.4%
1 - 2	20,583.1	15,700.7	4,832.4	3,039.6	2,057.7	981.9	30.6
2 - 3	15,096.3	12.801.6	2,294.8	4,182.0	3,109.8	1,072.2	33.3
3 - 4	5,750.1	5,393.0	357.1	2,489.4	1,977.7	511.7	15.9
4 - 5	2,512.9	2,447.0	65.9	1,561.6	1,311.6	250.0	7.8
Under 5	49,775.2	39,432.5	10,342.7	11,524.8	8,536.5	2,988.3	93.0
5 - 10	1,463.2	1,463.2	--	1,626.5	1,478.8	147.7	4.7
10 - 25	608.1	608.1	--	2,464.1	2,405.6	58.5	1.8
25 - 50	149.5	149.5	--	2,144.2	2,130.9	13.3	.4
50 - 100	51.4	51.4	--	1,878.9	1,874.4	4.5	.1
100 - 250	10.3	10.3	--	980.0	979.2	.8	4/
250 - 500	1.3	1.3	--	321.8	321.7	.1	4/
500 - 1,000	.3	.3	--	177.7	177.7	3/	4/
1,000 and over	.1	.1	--	124.9	124.9	3/	4/
5 and over	2,284.1	2,284.1	--	9,718.1	9,493.1	225.0	7.0
Grand total	52,059.4	41,716.6	10,342.7	21,242.9	18,029.6	3,213.2	100.0

Treasury Department

January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Includes normal tax, surtax and alternative tax on net long-term capital gains.
3/ Less than $50 thousand.
4/ Less than .05 percent.

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

EXHIBIT 4

Estimated number of taxable income recipients and their total individual income tax under present law 1/ and under H.R. 4790, 2/ distributed by net income classes, in calendar year 1948

(Assuming personal income of $200 billion)

Net income class ($000)	Number of income recipients			Total tax 3/			
	Taxable under present law	Taxable under H.R. 4790	Made non-taxable under H.R. 4790	Under present law	Under H.R. 4790	Decrease under H.R. 4790: Amount	Decrease under H.R. 4790: Percentage distribution
	(Number of income recipients in thousands; money amounts in millions)						
Under 1	5,832.7	3,936.0	1,896.7	$ 252.1	$ 103.2	$ 148.9	2.4%
1 - 2	20,583.1	17,660.7	2,922.4	3,039.6	1,770.2	1,269.4	20.3
2 - 3	15,096.3	13,762.9	1,333.4	4,182.0	2,738.4	1,443.6	23.1
3 - 4	5,750.1	5,635.6	114.5	2,489.4	1,667.8	821.6	13.2
4 - 5	2,512.9	2,495.9	17.0	1,561.6	1,103.0	458.6	7.3
Under 5	49,775.2	43,491.2	6,284.1	11,524.8	7,382.8	4,142.0	66.3
5 - 10	1,463.2	1,463.2	—	1,626.5	1,133.0	493.5	7.9
10 - 25	608.1	608.1	—	2,464.1	1,825.4	638.7	10.2
25 - 50	149.5	149.5	—	2,144.2	1,697.8	446.4	7.1
50 - 100	51.4	51.4	—	1,878.9	1,554.2	324.7	5.2
100 - 250	10.3	10.3	—	980.0	844.3	135.7	2.2
250 - 500	1.3	1.3	—	321.8	286.6	35.2	.6
500 - 1,000	.3	.3	—	177.7	160.3	17.4	.3
1,000 and over	.1	.1	—	124.9	113.6	11.3	.2
5 and over	2,284.1	2,284.1	—	9,718.1	7,615.2	2,102.9	33.7
Grand total	52,059.4	45,775.3	6,284.1	21,242.9	14,998.0	6,244.9	100.0

Treasury Department January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.
3/ Includes normal tax, surtax and alternative tax on net long-term capital gains.

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

EXHIBIT 5

Estimated revenue loss from each individual income tax provision of H.R. 4790, 1/ distributed by net income classes, in calendar year 1948

(Assuming personal income of $200 billion)

Net income class ($000)	Total decrease in tax under H.R. 4790	Tax decrease from each individual income tax provision of H.R. 4790 2/									
		Increase the per capita exemption to $600	Additional exemption for persons over 65	Special provision for the blind	Allow married couples to split their incomes	Increase the standard deduction	Reductions of tentative normal tax and surtax				
							Total from all reductions	33.5%	$67	24%	$201.60 plus 14.5% of excess over $840
	(In millions of dollars)										
Under 1	$ 148.9	$ 96.5	$ 8.1	3/	--	--	$ 44.3	$44.3	--	--	--
1 - 2	1,269.4	522.1	70.7	.1	--	--	676.5	349.2	$327.1	$ .2	--
2 - 3	1,443.6	553.9	73.0	.1	$ .5	--	816.1	289.6	39.6	486.9	--
3 - 4	821.6	264.3	68.4	.1	5.3	--	483.5	118.7	71.5	293.3	--
4 - 5	458.6	131.2	18.0	3/	14.5	$ 2.1	292.8	32.2	35.2	183.3	$ 42.1
Under 5	4,142.0	1,567.9	238.2	.3	20.3	2.1	2,313.2	834.0	473.4	963.7	42.1
5 - 10	493.5	87.9	19.2	3/	69.6	68.1	248.7	2.4	4.0	117.5	124.8
10 - 25	638.7	58.3	7.4	3/	296.1	20.9	256.0	--	--	2.9	253.1
25 - 50	446.4	20.1	2.2	3/	224.4	2.3	197.4	--	--	--	197.4
50 - 100	324.7	8.4	.9	3/	142.2	.4	172.8	--	--	--	172.8
100 - 250	135.7	1.8	.3	3/	44.3	3/	89.3	--	--	--	89.3
250 - 500	35.2	.2	3/	3/	5.6	3/	29.4	--	--	--	29.4
500 - 1,000	17.4	.1	3/	--	.9	3/	16.4	--	--	--	16.4
1,000 and over	11.3	3/	3/	--	.1	--	11.2	--	--	--	11.2
5 and over	2,102.9	176.8	30.0	3/	783.2	91.7	1,021.2	2.4	4.0	120.4	894.4
Grand total	6,244.9	1,744.7	268.2	.3	803.5	93.8	3,334.4	836.4	477.4	1,084.1	936.5

Treasury Department. January 16, 1948

1/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.
2/ The provisions are estimated consecutively, each individual loss depending on the cumulative effect of the proceeding provisions.
3/ Less than $50 thousand.
Note: Figures are rounded and will not necessarily add to totals.

EXHIBIT 6

Comparison of combined normal tax and surtax rates under present law 1/ and under H.R. 4790 2/

Surtax net income		Combined normal tax and surtax rates			Percentage-point decrease (-) or increase (+) in rates compared with present law
		Present law		H.R. 4790	
Exceeding	Not exceeding	Tentative rates	Rates after 5% reduction	Rates after reductions	
$ 0	$ 1,000	)		13.300%	-5.700%
1,000 3/	1,400 3/	) 20%	19.00%	20.000	+1.000
1,400	2,000	)		15.200	-3.800
2,000	4,000	22	20.90	16.720	-4.180
4,000	6,000	26	24.70	22.230	-2.470
6,000	8,000	30	28.50	25.650	-2.850
8,000	10,000	34	32.30	29.070	-3.230
10,000	12,000	38	36.10	32.490	-3.610
12,000	14,000	43	40.85	36.765	-4.085
14,000	16,000	47	44.65	40.185	-4.465
16,000	18,000	50	47.50	42.750	-4.750
18,000	20,000	53	50.35	45.315	-5.035
20,000	22,000	56	53.20	47.880	-5.320
22,000	26,000	59	56.05	50.445	-5.605
26,000	32,000	62	58.90	53.010	-5.890
32,000	38,000	65	61.75	55.575	-6.175

Continued on next page

Footnotes on next page.

EXHIBIT 6

Comparison of combined normal tax and surtax rates under present law 1/ and under H.R. 4790 2/

Surtax net income: Exceeding	Surtax net income: Not exceeding	Combined normal tax and surtax rates: Present law: Tentative rates	Combined normal tax and surtax rates: Present law: Rates after 5% reduction	Combined normal tax and surtax rates: H.R. 4790: Rates after reductions	Percentage-point decrease (-) or increase (+) in rates compared with present law
$ 38,000	$ 44,000	69%	65.55%	58.995%	-6.555%
44,000	50,000	72	68.40	61.560	-6.840
50,000	60,000	75	71.25	64.125	-7.125
60,000	70,000	78	74.10	66.690	-7.410
70,000	80,000	81	76.95	69.255	-7.695
80,000	90,000	84	79.80	71.820	-7.980
90,000	100,000	87	82.65	74.385	-8.265
100,000	150,000	89	84.55	76.095	-8.455
150,000	200,000	90	85.50	76.950	-8,550
200,000 and over 4/		91	86.45	77.805	-8.645

Treasury Department

January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ A bill introduced in the House of Representatives, 80th Congress, 1st Sess., on December 18, 1947.
3/ Designates notch area under H.R. 4790. The exact upper limit of the notch area is $1,395.83.
4/ Tax is subject to the following maximum effective rate limitations: under present law, 85.5 percent; under H.R. 4790, 77 percent.

EXHIBIT 7

Estimated number of taxable income recipients distributed by the various percentage reductions provided under H. R. 4790, 1/ in calendar year 1948

(Assuming personal income of $200 billion)

Surtax net income	Tentative normal tax and surtax	Reductions of tentative normal tax and surtax	Reductions of actual present law 2/ tax	Number of taxable income recipients (millions)
0 - $1,000	0 - $200	33.5%	30%	23.7
$1,000 - 1,395.83	$200 - 279.17	$67	30% to 20%	7.9
1,395.83 - 4,000	279.17 - 840	24%	20%	12.5
4,000 and over	840 and over	$201.60 plus 14.5% of excess over $840	$159.60 plus 10% of excess over $798	1.7
		Total		45.8

Treasury Department

January 16, 1948

1/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.
2/ Internal Revenue Code, as amended by the Revenue Act of 1945.

EXHIBIT 8

Table 1

Comparison of amounts and effective rates of individual income tax under present law, 1/ H.R. 4790,2/ and the proposed cost-of-living tax adjustment credit of $40 per capita, for selected amounts of net income under $5,000

Single person - No dependents

Net income before personal exemption	Amounts of tax			Effective rates			Decrease in amounts of tax compared with present law		Decrease in effective rates compared with present law		Tax decrease as a percentage of present tax liability		Tax decrease as a percentage of net income after present tax liability	
	Present law	H.R. 4790 4/	$40 per capita tax credit	Present law	H.R. 4790 4/	$40 per capita tax credit	H.R. 4790	$40 per capita tax credit	H.R. 4790	$40 per capita tax credit	H.R. 4790	$40 per capita tax credit	H.R. 4790	$40 per capita tax credit
$ 600	$ 19	0	0	3.2%	0	0	$ 19	$ 19	3.2%	3.2%	100.0%	100.0%	3.3%	3.3%
700	38	$ 13	0	5.4	1.9%	0	25	38	3.5	5.4	65.0	100.0	3.7	5.7
800	57	27	$ 17	7.1	3.3	2.1%	30	40	3.8	5.0	53.3	70.2	4.1	5.4
900	76	40	36	8.4	4.4	4.0	36	40	4.0	4.4	47.5	52.3	4.4	4.9
968 3/	89	49	49	9.2	5.1	5.1	40	40	4.1	4.1	45.0	47.5	4.5	4.6
1,000	95	53	55	9.5	5.3	5.5	42	40	4.2	4.0	44.0	42.1	4.6	4.4
1,200	133	80	93	11.1	6.7	7.8	53	40	4.4	3.3	40.0	30.1	5.0	3.7
1,500	190	120	150	12.7	8.0	10.0	70	40	4.7	2.7	37.0	21.1	5.4	3.1
2,000	285	213	245	14.3	10.6	12.3	72	40	3.6	2.0	25.3	14.0	4.2	2.3
2,500	380	289	340	15.2	11.6	13.6	91	40	3.6	1.6	24.0	10.5	4.3	1.9
3,000	485	371	445	16.2	12.4	14.8	114	40	3.8	1.3	23.5	8.3	4.5	1.6
3,500	589	454	549	16.8	13.0	15.7	135	40	3.8	1.1	22.8	6.8	4.6	1.4
4,000	694	538	654	17.3	13.5	16.3	155	40	3.9	1.0	22.4	5.8	4.7	1.2
4,500	798	622	758	17.7	13.8	16.8	176	40	3.9	.9	22.1	5.0	4.8	1.1
5,000	922	727	882	18.4	14.5	17.6	194	40	3.9	.8	21.1	4.3	4.8	1.0

Treasury Department

January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.

2/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.

3/ Point at which the tax under H.R. 4790 is the same as the tax under the $40 per capita tax credit.

4/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.

EXHIBIT 8

Table 2

Comparison of amounts and effective rates of individual income tax under present law, 1/ H.R. 4790, 2/ and the proposed cost-of-living tax adjustment credit of $40 per capita, for selected amounts of net income under $5,000

Married person 3/ - No dependents

Net income before personal exemption	Amounts of tax: Present law	Amounts of tax: H.R. 4790 4/	Amounts of tax: $40 per capita tax credit	Effective rates: Present law	Effective rates: H.R. 4790 4/	Effective rates: $40 per capita tax credit	Decrease in amounts of tax compared with present law: H.R. 4790	Decrease in amounts of tax compared with present law: $40 per capita tax credit	Decrease in effective rates compared with present law: H.R. 4790	Decrease in effective rates compared with present law: $40 per capita tax credit	Tax decrease as a percentage of present tax liability: H.R. 4790	Tax decrease as a percentage of present tax liability: $40 per capita tax credot	Tax decrease as a percentage of net income after present tax liability: H.R. 4790	Tax decrease as a percentage of net income after present tax liability: $40 per capita tax credit
$ 1,200	$ 38	0	0	3.2%	0	0	$ 38	$ 38	3.2%	3.2%	100.0%	100.0%	3.3%	3.3%
1,500	95	$ 40	$ 15	6.3	2.7%	1.0%	55	80	3.7	5.3	58.0	84.2	3.9	5.7
1,600	114	53	34	7.1	3.3	2.1	61	80	3.8	5.0	53.3	70.2	4.1	5.4
1,700	133	67	53	7.8	3.9	3.1	67	80	3.9	4.7	50.0	60.2	4.2	5.1
1,800	152	80	72	8.4	4.4	4.0	72	80	4.0	4.4	47.5	52.6	4.4	4.9
1,900	171	93	91	9.0	4.9	4.8	78	80	4.1	4.2	45.6	46.8	4.5	4.6
1,937 5/	178	98	98	9.2	5.1	5.1	80	80	4.1	4.1	44.9	44.9	4.6	4.5
2,000	190	106	110	9.5	5.3	5.5	84	80	4.2	4.0	44.0	42.1	4.6	4.4
2,500	285	173	205	11.4	6.9	8.2	112	80	4.5	3.2	39.3	28.1	5.1	3.6
3,000	380	239	300	12.7	8.0	10.0	141	80	4.7	2.7	37.0	21.1	5.4	3.1
3,500	485	326	405	13.8	9.3	11.6	159	80	4.5	2.3	32.7	16.5	5.3	2.7
4,000	589	426	509	14.7	10.6	12.7	163	80	4.1	2.0	27.7	13.6	4.8	2.3
4,500	694	502	614	15.4	11.1	13.6	192	80	4.3	1.8	27.7	11.5	5.0	2.1
5,000	798	578	718	16.0	11.6	14.4	220	80	4.4	1.6	27.6	10.0	5.2	1.9

Treasury Department

January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.
3/ Assumes only one spouse has income.
4/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.
5/ Point at which the tax under H.R. 4790 is the same as the tax under the $40 per capita tax credit.

EXHIBIT 8

Table 3

Comparison of amounts and effective rates of individual income tax under present law, 1/ H.R. 4790, 2/ and the proposed cost-of-living tax adjustment credit of $40 per capita, for selected amounts of net income under $5,000

Married person 3/ - Two dependents

Net income before personal exemption	Amounts of tax			Effective rates			Decrease in amounts of tax compared with present law		Decrease in effective rates compared with present law		Tax decrease as a percentage of present tax liability		Tax decrease as a percentage of net income after present tax liability	
	Present law	H.R. 4790 4/	$40 per capita tax credit	Present law	H.R. 4790 4/	$40 per capita tax credit	H.R. 4790	$40 per capita tax credit	H.R. 4790	$40 per capita tax credit	H.R. 4790	$40 per capita tax credit	H.R. 4790	$40 per capita tax credit
$ 2,400	$ 76	0	0	3.2%	0	0	$ 76	$ 76	3.2%	3.2%	100.0%	100.0%	3.3%	3.3%
2,800	152	$ 53	0	5.4	1.9%	0	99	152	3.5	5.4	65.0	100.0	3.7	5.7
3,000	190	80	$ 30	6.3	2.7	1.0%	110	160	3.7	5.3	58.0	84.2	3.9	5.7
3,500	285	146	125	8.1	4.2	3.6	139	160	4.0	4.6	48.7	56.1	4.3	5.0
3,600	304	160	144	8.4	4.4	4.0	144	160	4.0	4.4	47.5	52.6	4.4	4.9
3,700	323	173	163	8.7	4.7	4.4	150	160	4.1	4.3	46.5	49.5	4.4	4.7
3,800	342	186	182	9.0	4.9	4.8	156	160	4.1	4.2	45.6	46.8	4.5	4.6
3,874 5/	356	196	196	9.2	5.1	5.1	160	160	4.1	4.1	44.9	44.9	4.5	4.5
3,900	361	200	201	9.3	5.1	5.2	162	160	4.1	4.1	44.7	44.3	4.6	4.5
4,000	380	213	220	9.5	5.3	5.5	167	160	4.2	4.0	44.0	42.1	4.6	4.4
4,500	485	286	325	10.8	6.4	7.2	199	160	4.4	3.6	41.0	33.0	4.9	4.0
5,000	589	386	429	11.8	7.7	8.6	203	160	4.1	3.2	34.5	27.2	4.6	3.6

Treasury Department

January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.
3/ Assumes only one spouse has income.
4/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.
5/ Point at which the tax under H.R. 4790 is the same as the tax under the $40 per capita tax credit.

EXHIBIT 9

Table 1

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the proposed cost-of-living tax adjustment credit of $40 per capita

Single person - No dependents

Net income before personal exemption	Amounts of tax: Present law	Amounts of tax: $40 per capita tax credit	Effective rates: Present law	Effective rates: $40 per capita tax credit	Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
$ 700	$ 38	$ 0	5.4%	0	$ 38	5.4%	100.0%	5.7%
800	57	17	7.1	2.1%	40	5.0	70.2	5.4
1,000	95	55	9.5	5.5	40	4.0	42.1	4.4
1,200	133	95	11.1	7.8	40	3.3	30.1	3.7
1,500	190	150	12.7	10.0	40	2.7	21.1	3.1
2,000	285	245	14.3	12.3	40	2.0	14.0	2.3
2,500	380	340	15.2	13.6	40	1.6	10.5	1.9
3,000	485	445	16.2	14.8	40	1.3	8.3	1.6
4,000	694	654	17.3	16.3	40	1.0	5.8	1.2
5,000	922	882	18.4	17.6	40	.8	4.3	1.0
6,000	1,169	1,129	19.5	18.8	40	.7	3.4	.8
8,000	1,720	1,680	21.5	21.0	40	.5	2.3	.6
10,000	2,347	2,307	23.5	23.1	40	.4	1.7	.5
15,000	4,270	4,230	28.5	28.2	40	.3	.9	.4
20,000	6,645	6,605	33.2	33.0	40	.2	.6	.3
25,000	9,362	9,322	37.4	37.3	40	.2	.4	.3
50,000	25,137	25,097	50.3	50.2	40	.1	.2	.2
75,000	43,477	43,437	58.0	57.9	40	.1	.1	.1
100,000	63,541	63,501	63.5	63.5	40	*	.1	.1
250,000	191,772	191,732	76.7	76.7	40	*	*	.1

Continued on next page

Footnotes on next page.

EXHIBIT 9

Table 1 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the proposed cost-of-living tax adjustment credit of $40 per capita

Single person - No dependents

Net income before personal exemption	Amounts of tax: Present law	Amounts of tax: $40 per capita tax credit	Effective rates: Present law	Effective rates: $40 per capita tax credit	Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
$ 350,000	$ 278,222	$ 278,182	79.5%	79.5%	$ 40	*	*	.1
500,000	407,897	407,857	81.6	81.6	40	*	*	*
750,000	624,022	623,982	83.2	83.2	40	*	*	*
1,000,000	840,147	840,107	84.0	84.0	40	*	*	*

Treasury Department January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.

* Less than .05 percent.

EXHIBIT 9
Table 2

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the proposed cost-of-living tax adjustment credit of $40 per capita

Married person 2/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 1,400	$ 76	0	5.4%	0	$76	5.4%	100.0%	5.7%
1,500	95	$ 15	6.3	1.0%	80	5.3	84.2	5.7
2,000	190	110	9.5	5.5	80	4.0	42.1	4.4
2,500	285	205	11.4	8.2	80	3.2	28.1	3.6
3,000	380	300	12.7	10.0	80	2.7	21.1	3.1
4,000	589	509	14.7	12.7	80	2.0	13.6	2.3
5,000	798	718	16.0	14.4	80	1.6	10.0	1.9
6,000	1,045	965	17.4	16.1	80	1.3	7.7	1.6
8,000	1,577	1,497	19.7	18.7	80	1.0	5.1	1.2
10,000	2,185	2,105	21.9	21.1	80	.8	3.7	1.0
15,000	4,047	3,967	27.0	26.4	80	.6	2.0	.7
20,000	6,394	6,314	32.0	31.6	80	.4	1.3	.6
25,000	9,082	9,002	36.3	36.0	80	.3	.9	.5
50,000	24,795	24,715	49.6	49.4	80	.2	.3	.3
75,000	43,092	43,012	57.5	57.3	80	.1	.2	.3
100,000	63,128	63,048	63.1	63.0	80	.1	.1	.2

Continued on next page

Footnotes on next page.

EXHIBIT 9

Table 2 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the proposed cost-of-living tax adjustment credit of $40 per capita

Married person 2/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 250,000	$ 191,340	$ 191,260	76.5%	76.5%	$80	*	*	.1%
350,000	277,790	277,710	79.4	79.3	80	*	*	.1
500,000	407,465	407,385	81.5	81.5	80	*	*	.1
750,000	623,590	623,510	83.1	83.1	80	*	*	.1
1,000,000	839,715	839,635	84.0	84.0	80	*	*	*

Treasury Department January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Assumes only one spouse has income.

* Less than .05 percent.

EXHIBIT 9

Table 3

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the proposed cost-of-living tax adjustment credit of $40 per capita

Married person 2/ - Two dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 2,500	$ 95	0	3.8%	0	$ 95	3.8%	100.0%	4.0%
2,800	152	0	5.4	0	152	5.4	100.0	5.7
3,000	190	$ 30	6.3	1.0%	160	5.3	84.2	5.7
4,000	380	220	9.5	5.5	160	4.0	42.1	4.4
5,000	589	429	11.8	8.6	160	3.0	27.2	3.6
6,000	798	638	13.3	10.6	160	2.7	20.1	3.1
8,000	1,292	1,132	16.2	14.2	160	2.0	12.4	2.4
10,000	1,862	1,702	18.6	17.0	160	1.6	8.6	2.0
15,000	3,639	3,479	24.3	23.2	160	1.1	4.4	1.4
20,000	5,890	5,730	29.5	28.7	160	.8	2.7	1.1
25,000	8,522	8,362	34.1	33.4	160	.6	1.9	1.0
50,000	24,111	23,951	48.2	47.9	160	.3	.7	.6
75,000	42,323	42,163	56.4	56.2	160	.2	.4	.5
100,000	62,301	62,141	62.3	62.1	160	.2	.3	.4
250,000	190,475	190,315	76.2	76.1	160	.1	.1	.3
350,000	276,925	276,765	79.1	79.1	160	*	.1	.2

Continued on next page

Footnotes on next page.

EXHIBIT 9

Table 3 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the proposed cost-of-living tax adjustment credit of $40 per capita

Married person 2/ - Two dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 500,000	$ 406,600	$ 406,440	81.3%	81.3%	$ 160	*	*	.2%
750,000	622,725	622,565	83.0	83.0	160	*	*	.1
1,000,000	838,850	838,690	83.9	83.9	160	*	*	.1

Treasury Department

January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Assumes only one spouse has income.

* Less than .05 percent.

EXHIBIT 10

Table 1

Comparison of amounts and effective rates of individual income tax under present law 1/ and under H.R. 4790 2/

Single person 3/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	H.R. 4790 4/	Present law	H.R. 4790 4/				
$ 600	$ 19	0	3.2%	0	$ 19	3.2%	100.0%	3.3%
800	57	$ 27	7.1	3.3%	30	3.8	52.6	4.1
1,000	95	53	9.5	5.3	42	4.2	44.0	4.6
1,200	133	80	11.1	6.7	53	4.4	39.8	5.0
1,500	190	120	12.7	8.0	70	4.7	37.0	5.4
2,000	285	213	14.3	10.6	72	3.7	25.3	4.2
2,500	380	289	15.2	11.6	91	3.6	24.0	4.3
3,000	485	371	16.2	12.4	114	3.8	23.5	4.5
4,000	694	538	17.3	13.5	155	3.8	22.4	4.7
5,000	922	727	18.4	14.5	194	3.9	21.1	4.8
6,000	1,169	950	19.5	15.8	219	3.7	18.7	4.5
8,000	1,720	1,442	21.5	18.0	277	3.5	16.1	4.4
10,000	2,347	2,003	23.5	20.0	344	3.5	14.7	4.5
15,000	4,270	3,723	28.5	24.8	547	3.7	12.8	5.1
20,000	6,645	5,856	33.2	29.3	790	3.9	11.9	5.9
25,000	9,362	8,296	37.4	33.2	1,066	4.2	11.4	6.8

Continued on next page

Footnotes on next page.

EXHIBIT 10

Table 1 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under H.R. 4790 2/

Single person 3/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	H.R. 4790 4/	Present law	H.R. 4790 4/				
$ 50,000	$ 25,137	$ 22,482	50.3%	45.0%	$ 2,655	5.3%	10.6%	10.7%
75,000	43,477	38,980	58.0	52.0	4,497	6.0	10.3	14.3
100,000	63,541	57,032	63.5	57.0	6,508	6.5	10.2	17.9
250,000	191,772	172,437	76.7	69.0	19,335	7.7	10.1	33.2
350,000	278,222	250,242	79.5	71.5	27,980	8.0	10.1	39.0
500,000	407,897	366,949	81.6	73.4	40,947	8.2	10.0	44.5
750,000	624,022	561,462	83.2	74.9	62,560	8.3	10.0	49.7
1,000,000	840,147	755,974	84.0	75.6	84,172	8.4	10.0	52.7

Treasury Department

January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.
3/ Single persons obtain no benefit under the income-splitting provision of H.R. 4790.
4/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.

EXHIBIT 10

Table 2

Comparison of amounts and effective rates of individual income tax under present law 1/ and under H.R. 4790 2/

Married person 3/ - No dependents

Net income before personal exemption	Amounts of tax: Present law	Amounts of tax: H.R. 4790 4/	Effective rates: Present law	Effective rates: H.R. 4790 4/	Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
1,200	$ 38	0	3.2%	0	$ 38	3.2%	100.0%	3.3%
1,500	95	$ 40	6.3	2.7%	55	3.6	58.0	3.9
2,000	190	106	9.5	5.3	84	4.2	44.0	4.6
2,500	285	173	11.4	6.9	112	4.5	39.3	5.1
3,000	380	239	12.7	8.0	141	4.7	37.0	5.4
4,000	589	426	14.7	10.6	163	4.1	27.7	4.8
5,000	798	578	16.0	11.6	220	4.4	27.6	5.2
6,000	1,045	742	17.4	12.4	303	5.0	29.0	6.1
8,000	1,577	1,076	19.7	13.5	501	6.2	31.8	7.8
10,000	2,185	1,455	21.9	14.5	730	7.4	33.4	9.3
15,000	4,047	2,628	27.0	17.5	1,419	9.5	35.1	13.0
20,000	6,394	4,006	32.0	20.0	2,388	12.0	37.3	17.5
25,000	9,082	5,589	36.3	22.4	3,493	13.9	38.5	21.9
50,000	24,795	16,592	49.6	33.2	8,203	16.4	33.1	32.5
75,000	43,092	30,013	57.5	40.0	13,079	17.5	30.4	41.0
100,000	63,128	44,964	63.1	45.0	18,164	18.1	28.8	49.3

Continued on next page

Footnotes on next page.

EXHIBIT 10

Table 2 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under H.R. 4790 2/

Married person 3/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	H.R. 4790 4/	Present law	H.R. 4790 4/				
$ 250,000	$ 191,340	$ 152,092	76.5%	60.8%	$ 39,248	15.7%	20.5%	66.9%
350,000	277,790	228,604	79.4	65.3	49,185	14.1	17.7	68.1
500,000	407,465	344,874	81.5	69.0	62,591	12.5	15.4	67.6
750,000	623,590	539,386	83.1	71.9	84,203	11.2	13.5	66.6
1,000,000	839,715	733,899	84.0	73.4	105,816	10.6	12.6	66.0

Treasury Department

January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.
3/ Assumes only one spouse has income.
4/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.

EXHIBIT 10

Table 3

Comparison of amounts and effective rates of individual income tax under present law 1/ and under H.R. 4790 2/

Married person 3/ - Two dependents

Net income before personal exemption	Amounts of tax: Present law	Amounts of tax: H.R. 4790 4/	Effective rates: Present law	Effective rates: H.R. 4790 4/	Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
$ 2,400	$ 76	0	3.2%	0	$ 76	3.2%	100.0%	3.3 %
3,000	190	$ 80	6.3	2.7%	110	3.6	57.9	3.9
4,000	380	213	9.5	5.3	167	4.2	44.0	4.6
5,000	589	386	11.8	7.7	203	4.1	34.5	4.6
6,000	798	547	13.3	9.1	251	4.2	31.4	4.8
8,000	1,292	876	16.2	10.9	416	5.3	32.2	6.2
10,000	1,862	1,210	18.6	12.1	652	6.5	35.0	8.0
15,000	3,639	2,320	24.3	15.5	1,319	8.8	36.2	11.6
20,000	5,890	3,657	29.5	18.3	2,233	11.2	37.9	15.8
25,000	8,522	5,200	34.1	20.8	3,322	13.3	39.0	20.2
50,000	24,111	15,986	48.2	32.0	8,125	16.2	33.7	31.4
75,000	42,323	29,346	56.4	39.1	12,976	17.3	30.7	39.7
100,000	62,301	44,225	62.3	44.2	18,076	18.1	29.0	47.9
250,000	190,475	151,179	76.2	60.5	39,296	15.7	20.6	66.0
350,000	276,925	227,681	79.1	65.1	49,244	14.0	17.8	67.4
500,000	406,600	343,940	81.3	68.8	62,660	12.5	15.4	67.1
750,000	622,725	538,453	83.0	71.8	84,272	11.2	13.5	66.2
1,000,000	838,850	732,965	83.9	73.3	105,885	10.6	12.6	65.7

Treasury Department

January 16, 1948

Footnotes on next page.

EXHIBIT 10

Table 3.- concluded.

Comparison of amounts and effective rates of individual income tax under present law 1/ and under H.R. 4790 2/

Footnotes:

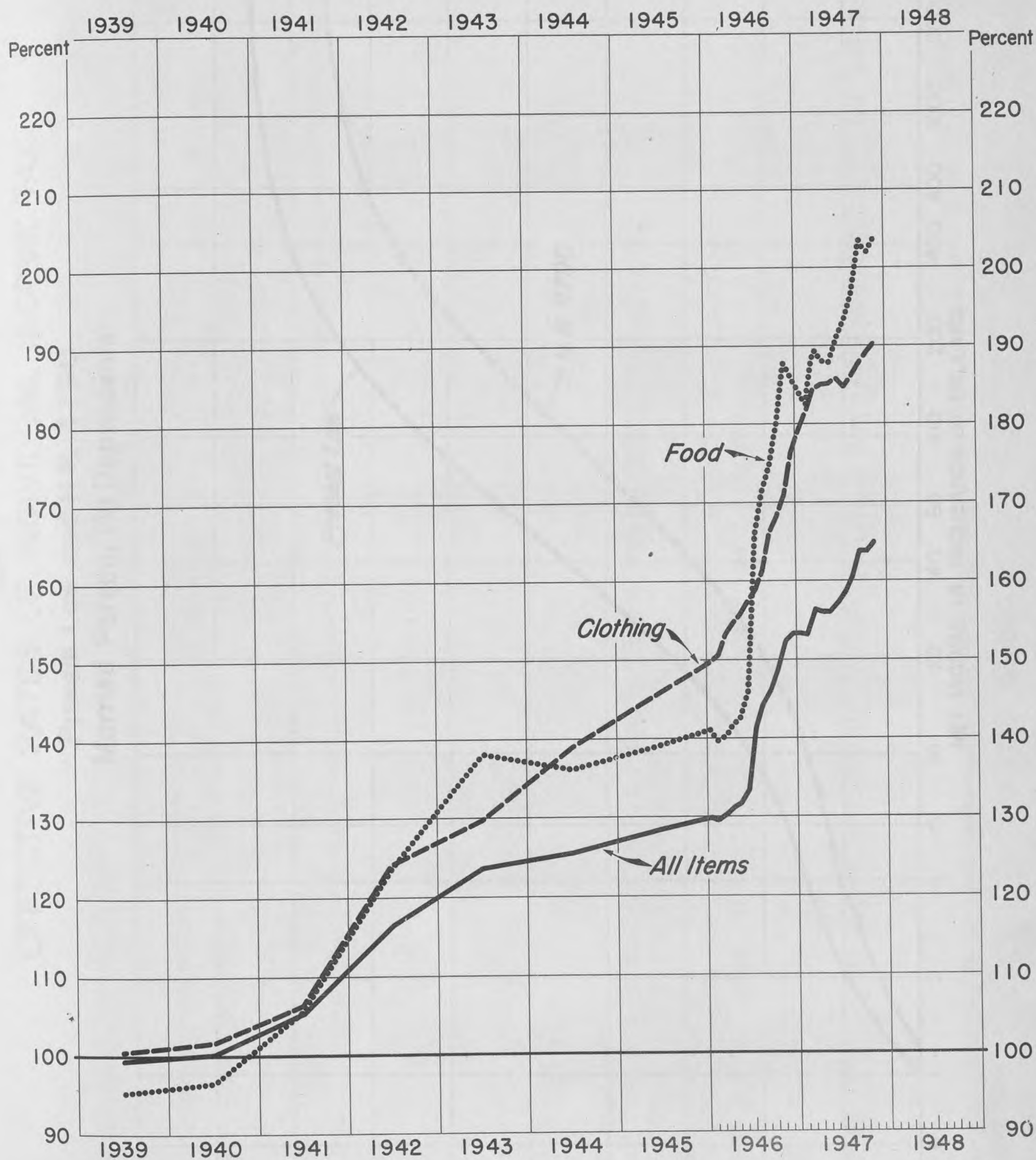
1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ A bill introduced in the House of Representatives, 80th Cong., 1st Sess., on December 18, 1947.
3/ Assumes only one spouse has income.
4/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.

Chart I

CONSUMERS' PRICE INDEX 1939 TO DATE

All Items, Food and Clothing

1935-'39=100

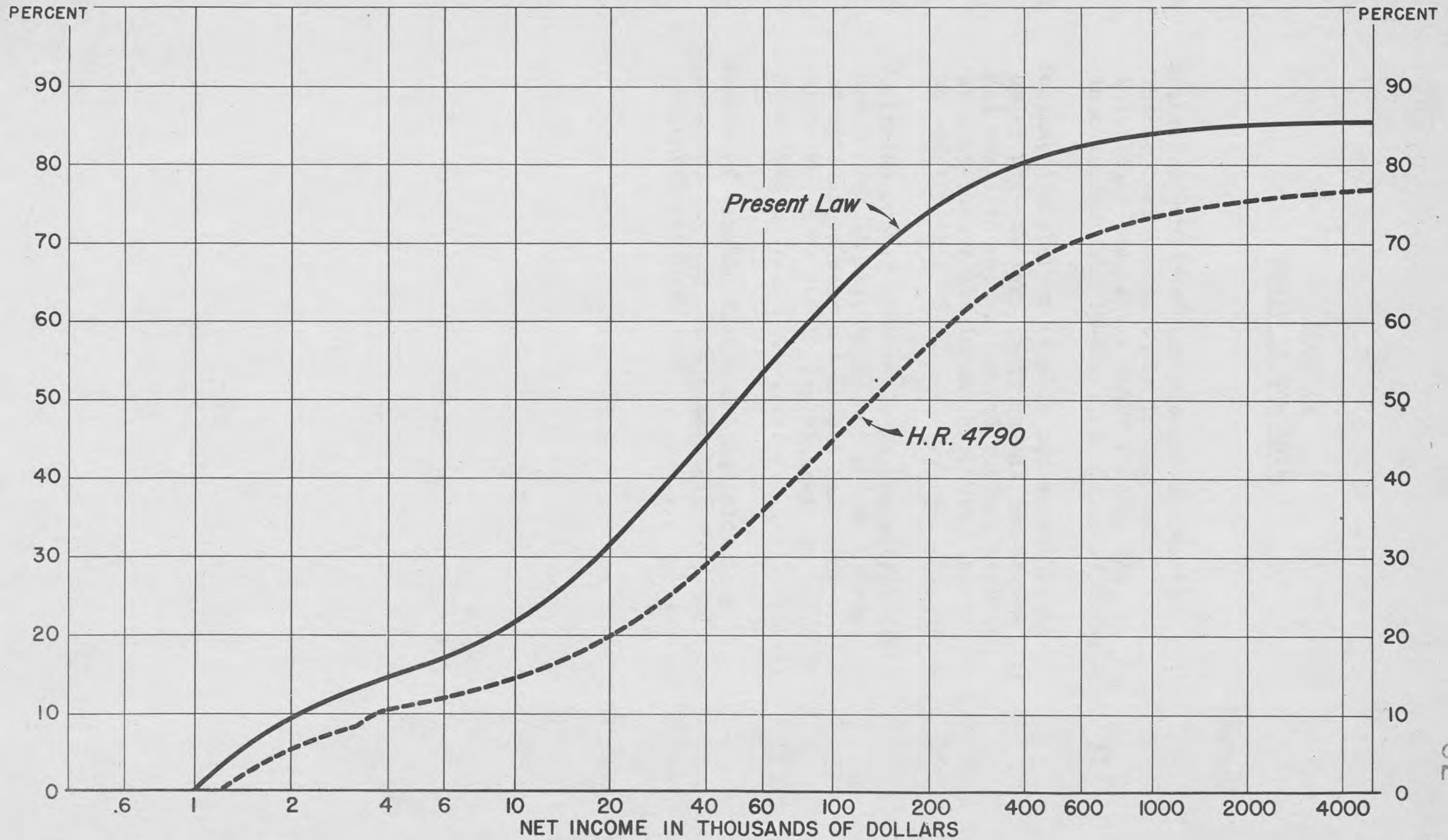


Source: Bureau of Labor Statistics consumers' price index for moderate-income families in large cities.

Chart 2

EFFECTIVE RATES OF INDIVIDUAL INCOME TAX

Present Law and H.R. 4790
Married Person, No Dependents



Office of the Secretary of the Treasury

B-833

APPENDIX

Table of Contents

		Page No.
Table A	Estimated number of taxable and nontaxable income recipients, their income and individual income tax under present law, in calendar year 1948........................	37
Table B	Estimated number of taxable income recipients under present law, their surtax net income and combined normal tax and surtax, distributed by surtax net income brackets, in calendar year 1948.........................	38
Table C	Estimated number of taxable income recipients under present law, their net income before exemptions, surtax net income and total tax, distributed by net income classes, in calendar year 1948.................................	39
Table D	Number of taxable individual and fiduciary returns, tax and net income, 1913-1946 and estimated for 1947-1948......................	40

Table A

Estimated number of taxable and nontaxable income recipients, their income and individual income tax under present law, 1/ in calendar year 1948

(Assuming personal income of $200 billion)

	Number of income recipients (thousands)	Amount of income (millions of dollars)	Total tax (millions of dollars)
Total, all income recipients	71,578	$147,932 2/	$21,243
Nontaxable income recipients	19,519	15,020 2/	---
Taxable income recipients	52,059	132,912 2/	21,243
Subject to surtax	52,059	86,108 4/	18,603
Subject to normal tax	52,059 3/	86,085 5/	2,453
Subject to alternative tax	23	373 6/	187

Treasury Department — January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Net income before exemptions.
3/ The number of persons paying normal tax is estimated to be less than 500 smaller than the number paying surtax.
4/ Surtax net income.
5/ Normal tax net income.
6/ Net long-term capital gains subject to alternative tax.

Table B

Estimated number of taxable income recipients under present law, 1/ their surtax net income and combined normal tax and surtax, distributed by surtax net income brackets, in calendar year 1948

(Assuming personal income of $200 billion)

Surtax net income brackets ($000)	Taxable income recipients cumulated from highest bracket		Surtax net income in bracket		Combined normal tax and surtax in bracket 2/	
	Number	Percent	Amount	Percent	Amount	Percent
(Number of income recipients in thousands; money amounts in millions)						
Under 2	52,059.4	100.00	58,449.4	67.88	11,105.1	52.72
2 - 4	11,190.6	21.50	10,499.6	12.19	2,194.3	10.42
4 - 6	2,352.3	4.52	3,175.1	3.69	784.2	3.72
6 - 8	1,259.3	2.42	2,046.5	2.38	583.2	2.77
8 - 10	926.9	1.78	1,592.1	1.85	514.2	2.44
10 - 12	725.6	1.39	1,224.2	1.42	441.9	2.10
12 - 14	569.4	1.09	994.9	1.16	406.4	1.93
14 - 16	462.5	.89	822.2	.95	367.1	1.74
16 - 18	385.5	.74	690.8	.80	328.1	1.56
18 - 20	322.5	.62	583.5	.68	293.8	1.40
20 - 22	276.3	.53	502.2	.58	267.1	1.27
22 - 26	237.8	.46	825.9	.96	462.9	2.20
26 - 32	176.4	.34	940.4	1.09	553.9	2.63
32 - 38	120.1	.23	665.0	.77	410.6	1.95
38 - 44	92.0	.18	502.8	.58	329.6	1.57
44 - 50	73.8	.14	394.4	.46	269.7	1.28
50 - 60	60.5	.12	474.4	.55	338.0	1.61
60 - 70	40.2	.08	326.4	.38	241.8	1.15
70 - 80	27.7	.05	227.2	.26	174.8	.83
80 - 90	19.8	.04	165.8	.19	132.3	.63
90 - 100	14.3	.03	118.9	.14	98.3	.47
100 - 150	10.7	.02	342.7	.40	289.7	1.38
150 - 200	4.2	.01	142.8	.17	122.1	.58
Over 200	2.2	*	401.4	.47	347.0	1.65
Grand total			86,108.4 3/	100.00	21,056.2	100.00

Treasury Department — January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Normal tax and surtax were obtained separately by applying the appropriate rates to normal tax and surtax net income. Since normal tax net income is somewhat less than surtax net income, these amounts will differ slightly from the result obtained by applying the combined rates to surtax net income.
3/ Excludes amounts subject to the alternative tax.
* Less than .005 percent.

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

Table C

Estimated number of taxable income recipients under present law, 1/ their net income before exemptions, surtax net income and total tax, distributed by net income classes, in calendar year 1948

(Assuming personal income of $200 billion)

Net income classes ($000)	Taxable income recipients		Net income before exemptions 2/		Surtax net income		Total tax 3/	
	Number	Percentage distribution	Amount	Percentage distribution	Amount	Percentage distribution	Amount	Percentage distribution
	(Number of income recipients in thousands; money amounts in millions)							
Under 1	5,832.7	11.2%	$ 4,228.1	3.2%	$ 1,327.2	1.5%	$ 252.1	1.2%
1 - 2	20,583.1	39.6	31,050.8	23.4	15,998.3	18.6	3,039.6	14.3
2 - 3	15,096.3	29.0	3[illegible],503.0	28.1	21,947.2	25.5	4,182.0	19.7
3 - 4	5,750.1	11.0	19,758.2	14.9	12,849.5	14.9	2,489.4	11.7
4 - 5	2,512.9	4.8	11,102.9	8.4	7,908.0	9.2	1,561.6	7.4
Under 5	49,775.2	95.6	103,643.1	78.0	60,030.2	69.7	11,524.8	54.3
5 - 10	1,463.2	2.8	9,457.3	7.1	7,609.0	8.8	1,626.5	7.7
10 - 25	608.1	1.2	9,035.6	6.8	8,290.8	9.7	2,464.1	11.6
25 - 50	149.5	.3	5,081.8	3.8	4,830.2	5.6	2,144.2	10.1
50 - 100	51.4	.1	3,422.5	2.6	3,286.0	3.8	1,878.9	8.8
100 - 250	10.3	4/	1,458.5	1.1	1,350.9	1.6	980.0	4.6
250 - 500	1.3	4/	428.6	.3	380.5	.4	321.8	1.5
500 - 1,000	.3	4/	226.3	.2	199.5	.2	177.7	.8
1,000 and over	.1	4/	158.0	.1	131.2	.2	124.9	.6
Over 5	2,284.1	4.4	29,268.6	22.0	26,078.2	30.3	9,718.1	45.7
Grand total	52,059.4	100.0	132,911.7	100.0	86,108.4	100.0	21,242.9	100.0

Treasury Department | January 16, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Includes amounts subject to the alternative tax.
3/ Includes normal tax, surtax, and alternative tax on net long-term capital gains.
4/ Less than .05 percent.

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

Table D

Number of taxable individual and fiduciary returns, tax and net income, 1913-1946 and estimated for 1947-1948

Year	Number of returns	Tax	Net income
		(In thousands of dollars)	
1913	1/	$ 28,254 2/	3/
1914	1/	41,046 2/	3/
1915	1/	67,944 2/	3/
1916	362,970	173,387	$ 6,037,233
1917	2,707,234	795,381 4/	10,592,987 5/
1918	3,392,863	1,127,722	13,892,776
1919	4,231,181	1,269,630	17,691,620
1920	5,518,310	1,075,054	20,228,959
1921	3,589,985	719,387	13,409,685
1922	3,681,249	861,057	15,043,514
1923	4,270,121	661,666 6/	17,497,383
1924	4,489,698	704,265	19,468,724
1925	2,501,166	734,555	17,471,219
1926	2,470,990	732,475	17,422,633
1927	2,440,941	830,639	18,090,065
1928	2,523,063	1,164,254	21,031,634
1929	2,458,049	1,001,938	20,493,491
1930	2,037,645	476,715	13,692,584
1931	1,525,546	246,127	9,297,018
1932	1,936,095	329,962	7,919,588
1933	1,747,740	374,120	7,372,660
1934	1,795,920	511,400	8,343,558
1935	2,110,890	657,439	10,034,106
1936	2,861,108	1,214,017	14,218,854
1937	3,371,443	1,141,569	15,264,162
1938	3,048,545	765,833	12,671,537
1939	3,959,297	928,694	15,803,945
1940	7,504,649	1,496,403	23,558,030
1941	17,587,471	3,907,951	45,902,884
1942	27,718,534	8,926,712	67,060,862
1943	40,337,293	14,590,018 7/	98,150,189
1944	42,446,837	16,347,479	3/
1945 prel.	42,764,062	17,225,983	3/
1946	38,800,000 8/	17,400,000 9/	3/
1947 9/	44,000,000	20,600,000	3/
1948 9/	46,000,000	21,242,870	132,911,677

Treasury Department January 16, 1948

Footnotes on next page.

Table D - concluded

Number of taxable individual and fiduciary returns, tax and net income, 1913-1946 and estimated for 1947-1948

Footnotes:

1/ Not available. The total number of taxable and nontaxable returns filed were as follows: 1913, 357,598; 1914, 357,515; and 1915, 336,652.
2/ Receipts (including fines, penalties, additional assessments, etc.) for the fiscal year ended June 30 immediately following, as shown in annual reports of the Commissioner of Internal Revenue.
3/ Not available.
4/ Includes war excess-profits taxes of $101,249,781 on individuals and $103,887,984 on partnerships.
5/ Tax base for taxable returns with net incomes of $2,000 and over. There were 1,591,518 taxable returns with net incomes of $2,000 and over, for which the tax amounted to $675,249,450.
6/ Amount after the 25-percent reduction provided by Section 1200(a), Revenue Act of 1924.
7/ Excludes additions to liability under the Current Tax Payment Act of 1943 amounting to $2,555,894,000.
8/ Obtained from Collectors' Monthly Report to Commissioner of Returns Filed in period January 1, 1947 through November 30, 1947.
9/ Estimated.

Source: Data for 1916-45 from "Statistics of Income."

United States Savings Bonds Issued and Redeemed Through December 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	$ 247	$ 8	96.86%
Series B-1936 (matured)....	463	442	21	95.46
Series C-1937 (matured)....	590	497	92	84.24
Series C-1938	669	159	510	23.77
Series D-1939	1,036	219	817	21.14
Series D-1940	1,219	236	983	19.36
Series D-1941	524	92	432	17.56
Total Series A-D	4,755	1,892	2,864	39.79
Series E:				
Series E-1941	1,477	346	1,130	23.43
Series E-1942	6,672	2,405	4,267	36.05
Series E-1943	10,919	4,653	6,266	42.61
Series E-1944	12,754	5,547	7,207	43.49
Series E-1945	9,938	4,117	5,821	41.43
Series E-1946	4,362	1,252	3,110	28.70
Series E-1947	3,716	450	3,266	12.11
Total Series E	49,838	18,770	31,068	37.66
Total Series A-E	54,593	20,662	33,931	37.85
Series F and G:				
Series F and G-1941	1,533	206	1,326	13.44
Series F and G-1942	3,190	496	2,694	15.55
Series F and G-1943	3,364	532	2,832	15.81
Series F and G-1944	3,693	446	3,247	12.08
Series F and G-1945	3,146	271	2,875	8.61
Series F and G-1946	2,994	147	2,847	4.91
Series F and G-1947	2,473	23	2,450	.93
Total Series F and G	20,394	2,121	18,273	10.40
Unclassified sales and redemptions	121	151	-30	
Total All Series 3/......	75,108	22,934	52,174	30.53

1/ Includes accrued discount.
2/ Current redemption values.
3/ Includes Series A-C (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,
Saturday, January 17, 1948.

Press Service
S-603

The Secretary of the Treasury announced last evening that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated January 22 and to mature April 22, 1948, which were offered January 13, 1948, were opened at the Federal Reserve Banks on January 16.

The details of this issue are as follows:

Total applied for - $1,539,292,000
Total accepted - 1,002,890,000 (includes $40,840,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.752 Eqiv. rate of discount approx. 0.981% per annum

Range of accepted competitive bids:

High - 99.775 Equiv. rate of discount approx. 0.890% per annum
Low - 99.751 " " " " " 0.985% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 15,815,000	$ 9,815,000
New York	1,384,242,000	892,512,000
Philadelphia	13,365,000	3,365,000
Cleveland	8,025,000	8,025,000
Richmond	4,930,000	4,930,000
Atlanta	2,115,000	1,915,000
Chicago	36,455,000	12,285,000
St. Louis	2,983,000	2,977,000
Minneapolis	4,000,000	4,000,000
Kansas City	15,033,000	14,913,000
Dallas	12,305,000	10,269,000
San Francisco	40,024,000	37,884,000
TOTAL	$1,539,292,000	$1,002,890,000

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 20, 1948.

Press Service
S-604

Secretary of the Treasury Snyder today announced the offering, through the Federal Reserve Banks, of 1-1/8 percent Treasury Certificates of Indebtedness of Series B-1949, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series B-1948, in the amount of $3,946,660,000, which will mature on February 1, 1948. Cash subscriptions will not be received.

The certificates now offered will be dated February 1, 1948, and will bear interest from that date at the rate of one and one-eighth percent per annum, payable with the principal at maturity on February 1, 1949. 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 Thursday, January 22.

Subscriptions addressed to a Federal Reserve Bank or Branch or to the Treasury Department, and placed in the mail before midnight January 22, 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

1-1/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES B-1949

Dated and bearing interest from February 1, 1948 Due February 1, 1949

1948
Department Circular No. 822

TREASURY DEPARTMENT
Office of the Secretary,
Washington, January 20, 1948.

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 1-1/8 percent Treasury Certificates of Indebtedness of Series B-1949, in exchange for Treasury Certificates of Indebtedness of Series B-1948, maturing February 1, 1948.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated February 1, 1948, and will bear interest from that date at the rate of 1-1/8 percent per annum, payable with the principal at maturity on February 1, 1949. 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 February 2, 1948, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series B-1948, maturing February 1, 1948, which will be accepted at par, and should accompany the subscription. The full year's interest on the certificates surrendered will be paid to the subscriber following acceptance of the certificates.

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

(Statement by Secretary Snyder, on the European Recovery Program, before the House Committee on Foreign Affairs)

January 21, 1948

The President, in his message to the Congress recommended that $6.8 billion be appropriated to finance the European Recovery Program for the 15-month period ending June 30, 1949. The National Advisory Council on International Monetary and Financial Problems has carefully considered all the financial aspects of the Program. The following statement, which was approved by the Council for submission to the Committees of the Congress, summarizes the conclusions reached by the Council on the principal financial aspects of the program.

First, as to the overall figure recommended by the President to be appropriated for the first 15 months, the Council has carefully reviewed the procedures which have been used by the inter-departmental committees of experts in arriving at this figure. These procedures involved a critical examination of European needs and of availabilities in the United States and in other major supplying areas, and careful estimates of European dollar income and resources. The National Advisory Council believes that this approach is sound and has concluded that the recommended amount is needed to achieve the objectives of the Program.

The first matter of detail which I wish to take up is the question of the form in which aid should be extended to Europe. This assistance should be provided as a combination of grants-in-aid and loans. The criterion for selecting one or the other form should be the capacity of the participating countries to earn, in the years to come, the dollars which would be needed to pay interest and principal. We must keep in mind that these countries have already incurred an obligation for large annual payments of interest and amortization arising from the dollar loans extended to them over a period of years by the U. S. Government or the United States private capital market. We should take care not to insist that these countries contract additional dollar debts which will absorb so much of their dollar earnings as to operate to the disadvantage of future trade and private investment. If the entire aid for European countries were to be on a loan basis, it would be practically impossible for them to meet the additional annual charges from their earnings of dollars, even after trade and investment return to normal. The proportion of total aid which

can prudently be provided on a loan basis must depend on the estimate of the borrowing country's capacity to repay in dollars and also on the degree of flexibility which can be introduced into the terms of repayment.

The International Bank may be expected to finance part of the capital requirements of the European countries, particularly where they require the financing of permanent additions to their equipment. It does not seem likely, however, that the Bank will be able to carry the whole, or even the major, part of the Program which properly ought to be put on a loan basis. We propose, therefore, that when the Administrator for Economic Cooperation decides, after consulting the National Advisory Council, that it is desirable to extend aid on a credit basis, he will allocate the funds to the Export-Import Bank of Washington, which will then make the loan as directed and on terms specified by the Administrator in consultation with the National Advisory Council. This procedure will enable the Administrator to draw upon the broad experience of the Export-Import Bank in the making of foreign loans. Incidentally, this is one example of the manner in which the National Advisory Council would perform its customary role of coordination of U.S. foreign financial policy. I shall be glad to describe this role in greater detail if the members of the Committee wish me to do so.

It is also important that the American business enterprises be given opportunity to participate in the Recovery Program by making new investments abroad, or by expanding existing facilities where the Program calls for additional capital equipment. In this way they will contribute to the restoration of Europe, while at the same time they will be carrying out their own programs for expansion abroad. But we must recognize that new investments would be made at a time of great uncertainty and that investors may anticipate encountering difficulty in converting their earnings or their original principal into dollars. To facilitate private investment, therefore, it will probably be necessary for the Government to guarantee the convertibility into dollars of local currency earned by the investment or available for the repatriation of the original investment. While we may expect that the participating countries will try to make dollars available, it is possible that they will not have adequate dollars to permit conversion. The Economic Cooperation Administration should not be expected to guarantee American companies making these investments against normal risks, but merely to give them a transfer guaranty. We propose that not more than 5 percent of the funds appropriated by Congress for the Program should be obligated for these guaranties, and that the guaranties themselves should not exceed the amount of the original investment and should not be extended more than 10 years from the termination of the four-year program.

Some people have argued that the participating countries should pay for part of the Program by using up their gold and dollar assets in the United States, and by liquidating the American investments of their own citizens. I need not labor the point that the European countries must have some gold and dollar reserves to finance their international trade if they are to return to normal operations after 1952. It should be kept in mind that the Economic Recovery Program is not intended to cover the entire import requirements of these countries. It would be folly on our part to force the European countries to use up their gold and dollar balances to a point where they would not have adequate funds to operate smoothly through ordinary commercial and financial channels. By insisting that the participating countries exhaust their gold and dollar balances, we would merely add further instability to their monetary systems. As a matter of fact, all of the participating countries except Switzerland, Turkey, and Portugal have already reduced their dollar balances to or below the amount which would normally be regarded as safe.

When we turn to the possibility of liquidating European investments in the United States, we must also look at the problem in terms of its long-run consequences. These investments annually earn a dollar income, which will be used to cover part of the cost of the Program, and which will be used in the future to meet part of the cost of imports after the Program ends. Without these investments, the balance-of-payments situation of the participating countries will be worse in the future. I doubt very much that it would be wise policy for the United States to require European countries as a general rule to liquidate the property owned in the United States by their nationals as a condition for receiving aid from this Government.

Even if these countries could liquidate all of the property owned by their citizens in the United States, they could not pay for more than a small part of the Program. We estimate that as of last June 30 the long-term dollar assets held by persons in the participating countries amounted to about $4.9 billion. Of this amount $1.5 billion consisted of direct investments, and a considerable part of the remainder also consists of holdings which would be difficult to liquidate. Some of these assets are already pledged for loans, while for many of the countries involved the amounts held here are negligible.

Some of the governments, however, will decide to liquidate some or all of their holdings so as to pay for imports. In practice this may be an alternative to borrowing from the United States. We certainly will not object to the governments using these funds. The question of policy for us to decide is the extent to which we can help these countries in obtaining control of these assets. In the case of unblocked assets, the only way the European governments can get control of them under present

circumstances is through the compliance of their citizens with local laws. In fact, a considerable portion of the assets formerly blocked in the United States has been unfrozen as a result of such action. While we do not have exact data on unblocked assets, we believe the amount is comparatively small.

A large part of the blocked assets are still blocked because their owners have not obtained from their own governments the certification that there is no enemy interest in their assets, which is required by the United States Treasury before the assets are unblocked. The National Advisory Council and the executive departments concerned with this matter are giving very careful study to this problem. We hope to reach a final view as to the most satisfactory solution of this problem very shortly.

It will not be possible to obtain all the goods needed for the Recovery Program in the United States, nor would it be desirable to attempt to do so. Some commodities are in short supply here, and purchasing abroad would leave more available for our own population and would in many instances reduce the net cost of the Program. The needed amounts of food cannot be obtained in the United States. A large percentage of the requirements of grain, fats and oils, meat and other agricultural products can be procured only in other countries of the Western Hemisphere. In this manner we can make it possible for countries in the Western Hemisphere to supply larger amounts of foods and materials to Europe and at the same time maintain essential imports from the United States.

It is the opinion, therefore, of the National Advisory Council that the Economic Cooperation Administrator should be authorized to expend funds for the procurement of supplies for the Recovery Program outside of the United States. This would relieve pressure upon goods and services in short supply in the United States, and would in some instances have the further effect of assisting third countries in maintaining needed imports from the United States. We definitely would not permit the use of dollars to buy goods abroad where the supplies available in the United States at reasonable prices are adequate for our needs as well as for the requirements of foreign countries. In any case, all purchases would be made according to an agreed program, and the administering agency would control the use of the funds appropriated by Congress. In addition to purchases in the Western Hemisphere, there are special instances where it may be in our interest to procure certain essential products in one participating country for delivery to another, making payment in dollars. For example, we might buy steel or coal in one participating country for delivery to another. The dollars which are received would then be used by the supplying country to pay for imports from the United States, thus reducing the need for direct expenditures by the United States for aid to the supplying country.

If the Recovery Program is to be successful, adequate measures for monetary stabilization must be taken promptly and with vigor by the European countries. At the Paris meeting the 16 participating countries undertook "to apply any necessary measures leading to the rapid achievement of internal financial, monetary and economic stability while maintaining in each country a high level of employment." They have recognized that recovery is not possible as long as inflation continues, and unless production is increased. The measures which should be taken must vary somewhat from country to country, but the general outline is clear. Budgets should be brought into balance rapidly, so that the necessary expenses of government can be met without increasing the public debt and without increasing direct inflationary pressures. In most countries modifications in tax structures and control of expenditures will be needed. As determined steps are taken, the trend toward budgetary balances, increased production, and steadying prices will all interact upon one another to facilitate stabilization.

The Administration proposes that each country receiving aid from the United States shall enter into a separate agreement with this Government, which will cover the terms on which aid will be given. The European signatories will undertake to adopt the financial and monetary measures which are necessary to stabilize their currencies and to maintain and establish proper rates of exchange. These agreements will also cover such matters as cooperation with other countries, the proper use of the goods supplied, and the establishment of a separate account for the local currency equivalent to the aid supplied in the form of grants. Moreover, each country would agree to supply the United States Government with full information about any pertinent aspect of the Recovery Program and to give a report on the Program to its own people. On the basis of the information which the cooperating countries will give us, and also from the reports of our own missions in these countries, we can be informed about the situation and so be in a position to discuss with the country the measures which it has taken, or ought to take, to contribute to the recovery of Europe and its own stability.

We have a direct interest in assuring that the aid we provide to Europe makes a maximum contribution to the reduction of inflationary pressures and the restoration of stability. To this end we propose that each participating country will deposit in a special account the local currency equivalent at an agreed rate of exchange to the dollar cost to this Government of the goods supplied through grants-in-aid. These accounts should be drawn upon only for constructive, stabilizing purposes. In many instances it will probably be best either to let the accounts remain idle or to authorize the use of this local currency to effect a net reduction in the government's debt. These accounts, of course, will be available to finance some of our administrative expenses in connection with this program. There may be instances in which it might also be used for reconstruction or development, or other purposes which would contribute to

the increase of production in the country. In the view of the National Advisory Council, such expenditures should be undertaken only in agreement with this Government.

I wish to make it clear that the National Advisory Council, in considering the financial measures which the European countries should take, had very much in mind the necessity of preserving the spirit of free and friendly cooperation between this Government and the European governments. I am sure this country does not wish to dictate to these friendly countries either the particular measures they should take, or the exact manner in which they should be taken.

The adjustment of some exchange rates may be expected in the course of European recovery. Inflation in Europe in certain instances has given rise to exchange rates which result in an over-valuation of the currencies in relation to the dollar. This state of affairs has tended to hinder the exports of such countries and, at the same time, to make imports relatively cheap in terms of local currency. In some cases countries have resorted to export subsidies, by means of special exchange rates, or have used other measures in conflict with our own long-range international economic program.

The determination of an appropriate exchange rate is a very complex matter, involving the widest range considerations relating to prices, costs, and balances of payments. The difficulties in setting exchange rates under present conditions are such that, although the rates of some of the participating countries will certainly have to be adjusted, the timing of these adjustments will vary from country to country. Accordingly it would not be good policy for us to insist upon an across-the-board modification of exchange rates before we extend aid. The revision of rates of individual countries should instead be considered as a part of a developing program of internal and external stabilization in conjunction with United States assistance. To ensure that these revisions will be undertaken where necessary, the recipient countries will be asked to agree that when, in the opinion of the United States Government, their exchange rates are imposing an unjustifiable burden on their balances of payments, they will consult with the International Monetary Fund about revision. Countries which are not members of the Fund would be expected to consult directly with the United States Government. The National Advisory Council is making continual studies of the exchange rate problem and is the agency directed by Congress to coordinate policy in this matter.

After progress has been made toward internal stabilization in the European countries by balancing budgets, increasing production, and expanding trade, the time will arrive when it may be appropriate to make stabilization loans which would give

greater assurance to the people of the participating countries that the stabilization will be permanent. There is greater confidence in the stability of money if there is gold or dollars in the hands of the central bank. At the appropriate point in the Program it would be well worth while to give countries this additional assurance by extending a loan to provide monetary reserves. If the loan is given prematurely, the reserves might be dissipated through balance-of-payments deficits. A stabilization loan to be effective should come when there is reasonable assurance that the internal situation of the country concerned is satisfactory, and that it will be able to maintain its exchange rate at a stable level for a considerable period of time. It is not likely that this situation will be reached immediately, but it is possible that in the course of 1948, and probably in 1949, some countries will be in a position to use stabilization loans effectively. At the appropriate time Congress may then be requested to appropriate additional funds to be used by the U.S. Stabilization Fund to make these loans.

Finally, I should like to make a brief comment concerning the financing of the Program. It would serve no good purpose to ask the European countries to put their own houses in order if we, ourselves, adopted methods which might accentuate inflation in the United States or upset our own economic stability. It is my firm opinion that we should finance the European Recovery Program within a balanced budget. I am confident that, so long as we pursue a sound fiscal policy, we shall be able to cover the cost of the European Recovery Program out of current revenues.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS, Friday, January 23, 1948.

Press Service No. S-606

The Secretary of the Treasury, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing January 29, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated January 29, 1948, and will mature April 29, 1948, 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, January 26, 1948. 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 January 29, 1948, in cash or other immediately available

funds or in a like face amount of Treasury bills maturing January 29, 1948. 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.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, January 27, 1948.

Press Service
No. S-607

The Secretary of the Treasury announced last evening that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated January 29 and to mature April 29, 1948, which were offered January 23, 1948, were opened at the Federal Reserve Banks on January 26.

The details of this issue are as follows:

Total applied for - $1,546,942,000
Total accepted - 1,001,464,000 (includes $56,438,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.750 Equivalent rate of discount approx. 0.990% per annum

Range of accepted competitive bids: (excepting two tenders totaling $150,000)

High - 99.765 Equiv. rate of discount approx. 0.930% per annum
Low - 99.748 " " " " " 0.997% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 11,495,000	$ 11,495,000
New York	1,354,299,000	877,464,000
Philadelphia	5,570,000	3,570,000
Cleveland	6,240,000	6,240,000
Richmond	12,090,000	12,090,000
Atlanta	7,485,000	5,485,000
Chicago	49,658,000	24,098,000
St. Louis	5,802,000	5,802,000
Minneapolis	6,185,000	6,185,000
Kansas City	15,778,000	15,778,000
Dallas	9,670,000	9,670,000
San Francisco	62,670,000	23,587,000
TOTAL	$1,546,942,000	$1,001,464,000

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE MORNING NEWSPAPERS
Wednesday, January 28, 1948

Press Service
No. S-608

Nellie Tayloe Ross, Director of the Mint, announced today that arrangements had been made for the Mint Bureau's 156th annual "trial of the coins", with the Philadelphia Mint as the scene and February 11 as the date. The personnel of the "court" before which the trial is to be held will be the members of the Annual Assay Commission. Twelve members of the 1948 commission have just been appointed by President Truman. Three others are designated by statute.

Such a commission meets each February in Philadelphia to determine whether coins produced by the various Mints during the calendar year recently ended were of proper weight and fineness. The trial is conducted in accordance with provisions of law first laid down in 1792 at the suggestion of Alexander Hamilton, first Secretary of the Treasury. The Director of the Mint is required to be present.

Mrs. Ross will convene the commission the morning of February 11 for a two-day session. Named by the President as members are Howard M. Abbott, Hardesty Chemical Co., Inc., New York; Capt. O.H. Dodson, Bureau of Naval Personnel, Washington; E.M. Kaufman, 3914 Revere Drive, Toledo, Ohio; August C. Stenger, 3308 Hillen Road, Baltimore; Charles J. McGrath, 46 Columbia Road, Dorchester, Mass.; Mrs. Margaret M. Cobb, 36 Huron Street, Oakland Beach, R.I.; Thomas Dannaher, Manchester, Conn.; Mrs. Reeve Schley, Far Hills, N.J.; C.A. Young, Greenwood, S.C.; Richard J. Finnegan, Chicago Sun-Times, Chicago; Dr. Wilmer Souder, National Bureau of Standards, Washington; Mrs. Irvin Reid, 121 34th Street, Newport News, Va. The statutory members are Judge William H. Kirkpatrick of the U.S. District Court for Eastern Pennsylvania, Philadelphia; Preston Delano, Comptroller of the Currency, Washington; Joseph Buford, Assayer of the U.S. Assay Office, New York City.

Committees on counting, weighing and assaying will be named from the commission's members, and these will supervise the trial's procedures.

The first step in the trial is to open the pyx box, in which specimen coins are stored, and determine that the count of its contents is correct. Into the pyx box throughout the calendar year goes one specimen coin from each lot of 10,000 silver coins minted.

After the count is verified, sample coins are removed and weighed. Other coins are turned over to the committee on assaying for chemical tests to verify their silver content. Finally, a number of coins from each of the three Mints — Philadelphia, Denver and San Francisco — will be melted together and the silver mass assayed.

Upon completion of its work the commission will prepare a formal report. The commission members receive no pay for their services, but their expenses are defrayed. Each member receives a bronze medal commemorating the trial.

The 1947 silver coin production of the Mints totaled 254,916,051 pieces with a total value of $35,323,425.50.

-- 0 --

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Thursday, January 29, 1948.

Press Service
No. S-609

Secretary Snyder today characterized the use of United States Savings bonds to secure investments in private companies or other enterprises as contrary to the purpose and spirit of the savings bond program.

"The plan is definitely misleading and the Treasury strongly disapproves of the device as opposed to sound fiscal policy as well as to the interests of the general public," the Secretary said.

As brought to the attention of the Treasury, the plan becomes operative when a company invites investors, and guarantees to each the full amount of his investment in ten years even though the venture is not successful. The supposed guarantee is carried out, for example, by the participant putting up $5,000 of which $3,750 is invested in Series E Savings Bonds and the remaining $1,250 goes to the company. The latter amount is represented by stock or some other form of participation issued by the company. When the savings bond matures in ten years the investor receives the face amount from the Government.

The guarantee by the company of the return of the invested principal at the end of ten years is misleading, the Secretary said, since actually the only principal invested in the company is $1,250 and the investor could lose that amount. That the bonds purchased with the $3,750 are worth $5,000 at the end of ten years is not due to any inherent worth of the company, but to the fact that the United States Government pays interest at the rate of 2.9% compounded semi-annually on Series E Savings Bonds if held to maturity.

Savings bonds are the best and safest investment obtainable, the Secretary pointed out, and the Treasury has made it possible for any person to purchase them directly in his own name and at any time at the approximately 25,000 issuing agencies throughout the country.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, January 30, 1948.

Press Service
No. S-610

The Secretary of the Treasury, by this public notice, invites tenders for $900,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing February 5, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated February 5, 1948, and will mature May 6, 1948, 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, February 2, 1948. 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 February 5, 1948, in cash or other immediately available funds or in a like face amount

of Treasury bills maturing February 5, 1948. 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.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Thursday, January 29, 1948.

Press Service
No. S-611

The Secretary of the Treasury today announced the subscription and allotment figures with respect to the current offering of 1-1/8 percent Treasury Certificates of Indebtedness of Series B-1949, to be dated February 1, 1948.

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

Federal Reserve District	Total Subscriptions Received & Allotted
Boston	$ 118,301,000
New York	1,006,089,000
Philadelphia	47,689,000
Cleveland	92,986,000
Richmond	33,244,000
Atlanta	71,410,000
Chicago	262,545,000
St. Louis	82,661,000
Minneapolis	61,578,000
Kansas City	111,875,000
Dallas	60,739,000
San Francisco	237,460,000
Treasury	2,713,000
TOTAL	$2,189,290,000

By arrangements made between the Treasury and the Federal Reserve System, holdings of the System of maturing certificates amounting to $1,614,072,000 will be presented for cash redemption on February 2.

oOo

C A U T I O N: H O L D F O R R E L E A S E

(The following correspondence is for release at 12 O'clock, NOON, MONDAY, FEBRUARY 2, 1948.)

. . . .

My dear Senator:

You will recall that when I appeared before the Senate Foreign Relations Committee to discuss the financial aspects of the European Recovery Program I indicated that I would soon be ready to report the results of the National Advisory Council's consideration of the extent to which this Government should assist countries likely to receive financial assistance under the European Recovery Program in locating the assets of their nationals concealed in the United States.

On that occasion I discussed the extent to which the dollar and gold holdings of the participating countries could be integrated with the European Recovery Program. In that connection I stated:

"Some people have argued that the participating countries should pay for part of the program by using up their gold and dollar assets in the United States, and by liquidating the American investments of their own citizens. I need not labor the point that the European countries must have some gold and dollar reserves to finance their international trade if they are to return to normal operations after 1952. It should be kept in mind that the European Recovery Program is not intended to cover the entire import requirements of these countries. It would be folly on our part to force the European countries to use up their gold and dollar balances to a point where they would not have adequate funds to operate through ordinary commercial and financial channels. By insisting that the participating countries exhaust their gold and dollar balances, we would merely add further instability to their monetary systems. As a matter of fact, all of the participating countries except Switzerland, Turkey, and Portugal have already reduced their dollar balances to or below the amount which would normally be regarded as safe.

"When we turn to the possibility of liquidating European investments in the United States, we must also look at the problem in terms of its long-run consequences. These investments annually earn a dollar income, which will be used to cover part of the cost of the Program, and which will be used in the future to meet part of the cost of imports after the Program ends. Without these investments, the balance-of-payments situation of the participating countries will be worse in the future. I doubt very much that it would be wise policy for the United States to force European countries as a general

rule to liquidate the property owned in the United States by their nationals as a condition for receiving aid from this Government.

. . . .

"Some of the governments, however, will decide to liquidate some or all of their holdings so as to pay for imports. In practice this may be an alternative to borrowing from the United States . . . ."

I emphasize again that, in the judgment of the National Advisory Council, it would not be wise to force countries likely to receive financial aid from the United States (referred to hereafter as "recipient countries") to liquidate the private holdings of their nationals as a condition to receiving such aid. But the problem of assisting these countries in locating the private assets of their nationals is separate and distinct. It is this problem which the National Advisory Council and the Executive Departments concerned have been studying for some time.

The problem stems from the fact that nationals of some recipient countries have for many years followed the practice of concealing their assets in the United States. Some hold property directly in their own names; others hold indirectly through intermediaries in third countries, notably Switzerland. These assets are concealed in this country despite the fact that the foreign exchange laws of the recipient countries typically require that foreign exchange assets be declared; some also require the turning over of liquid dollar holdings in exchange for local currency; practically all require that licenses be obtained for the expenditure of foreign exchange assets.

It is important to distinguish between two categories of assets: blocked assets and free assets. By blocked assets we mean those which are frozen in the United States under the Foreign Funds Control of the Treasury Department. It will be recalled that as a wartime measure the President, pursuant to Section 5(b) of the Trading with the enemy Act, blocked, under control of the Treasury, the private and public holdings in the United States of all of the European countries except the United Kingdom, Eire, and Turkey. Beginning in October 1945, machinery has been put in effect which provides for the unblocking of assets of persons in most of the formerly enemy-occupied and neutral countries if the government of the country where the beneficial owner of funds resides certifies to the private American custodian holding the assets that there is no enemy interest in such assets. The primary purpose of this procedure is to find concealed enemy property. The procedure is now applicable to all the recipient

countries whose assets were blocked. However, not all the nationals of these countries have availed themselves of this procedure, which has the incidental effect of disclosing to their respective governments the ownership of assets in the United States. As a result the Treasury through Foreign Funds Control is still controlling a fairly substantial amount of blocked assets.

Free assets include all the dollar assets owned by nationals of Britain, Turkey, and Eire, for these assets, to repeat, were never blocked. In addition, free assets have accrued in the United States on behalf of residents of the other recipient countries since December 1945 when controls were lifted from all current transactions between the United States and nationals of these countries.

It is obviously impossible to ascertain accurately the amount of private dollar assets owned by resident citizens of recipient countries which are unknown to their governments despite the reporting requirements of such governments. Moreover, we have no controls which require complete and continuous reporting of foreign-owned assets. However, we have made certain estimates based on an analysis of the best facts and figures available to this Government.

As far as the free assets are concerned, we have concluded, as a result of investigations and consultation with the various governments, that they are for the most part known to the governments of the recipient countries. We have estimated that as of June 30, 1947, private persons, including non-citizens, residing in the recipient countries, had free assets in the United States approximating $4.3 billion. Of this amount $2.3 billion represents holdings of nationals of the United Kingdom, which has adequate information respecting these assets. In addition, from Foreign Funds Control operations we know that about $1.3 billion represents assets of residents of recipient countries which have been certified for unblocking and hence are known to those governments. The balance includes proceeds from the liquidation of securities which has taken place in the United States with the knowledge of the appropriate governments; accruals from current transactions which are subject to control by the governments of the recipient countries; and assets of non-citizens resident in these countries. Some free assets may have accumulated here unknown to the respective governments, but we consider that the amounts are probably insignificant.

We come now to the question of the blocked assets held directly in the names of citizens of recipient countries and indirectly for their benefit through Swiss intermediaries. These assets are for the most part unknown to the respective governments; otherwise the appropriate unblocking certifications would have by now been obtained and the identity of the respective owners disclosed. Precise figures on the amount of these blocked assets are not available. Under the

existing certification procedure, as has already been indicated, the certification is made directly by the foreign government to the private American custodian holding the assets and no report is made to the Treasury other than general summaries which have been obtained from the countries concerned. To have maintained current records on changes in blocked accounts would have subjected American financial institutions and the Government to unjustifiable costs and difficulties.

According to our best estimates resident citizens of recipient countries hold in the United States approximately $700 million of blocked assets which are in a form readily available for meeting the balance-of-payment problems of the recipient countries. Of this amount, about $400 million are held here directly in the names of the resident citizens; the balance of about $300 million is held indirectly through Switzerland. In addition, resident citizens of recipient countries hold blocked investments in controlled enterprises, in estates and trusts, etc., which cannot readily be liquidated, although most of them are valuable sources of current dollar income. We estimate that they hold directly in this non-liquid form of investment about $400 million and an additional small but unascertainable amount indirectly through Switzerland.

It appears that so far as the recipient countries are concerned the resident citizens of France have in the United States the largest amount of concealed private blocked assets in a form which could be used in meeting balance-of-payment problems or to supplement official reserves. We estimate that the amount of the directly-held assets in this form of investment would run between $100 million to $150 million. The French Ministry of Finance has estimated that these assets amount to about $150 million. In addition, French resident citizens hold indirectly through Switzerland liquid assets of probably between $200 and $250 million.

The policy we should adopt with respect to assisting the recipient countries in obtaining control of the private dollar assets which are hidden in this country by their citizens has been a subject of much discussion in recent months. Representatives of financial institutions have urged that it is fundamental to our free private enterprise system and, in particular to our capital market, to respect private property whether or not it is held by foreign nationals. Some felt that the United States Government should not adopt the policy of co-operating with foreign countries in the enforcement of their exchange control laws. Finally, it was argued that to adopt measures having the effect of forcing the disclosure to foreign governments of private property held by their citizens in the United States would put this Government in the position of supporting partial confiscation of private property. This last point relates to those cases where foreign countries require the surrender of dollar assets, against reimbursement in local currency at unrealistic rates of exchange.

The National Advisory Council gave serious consideration to these views. The Council doubted that under ordinary conditions this Government should assist foreign governments in enforcing their foreign exchange laws. However, these are not ordinary times. Some European countries are in dire need of dollars to permit their survival as free nations. American taxpayers are being called upon to make substantial contributions to European recovery. Moreover, most of the foreign governments have repeatedly asked our assistance in obtaining control of the holdings of their citizens, who have concealed them contrary to the laws and national interest of their countries. It is these circumstances, I am sure, which have inspired marked public interest in the problem and have produced various legislative proposals for action, such as the Kunkel Bill (H.R. 4576) and the Norblad Resolution (H.J. Res. 268).

The Council studied in detail many alternative proposals for dealing with this problem in an effort to arrive at a solution which would assist recipient countries to obtain the use of concealed private assets in the United States without doing violence to the traditional status of private property. None of these alternatives promised at the same time actually to protect the private interests of foreign nationals, to assist the recipient countries to mobilize the concealed dollar assets of their resident citizens, and to prevent the escape of concealed enemy assets.

The Council concluded that no action should be taken regarding free assets because the amounts which are unknown to the governments of recipient countries are probably insignificant, and in any event serious practical difficulties would be involved. Effectively to search out and take control of these free assets would require exchange controls and other measures which would do maximum violence to our position as a world financial center and to our policy of keeping the dollar substantially free of restrictions.

The Council also concluded, however, that this Government should assist the recipient countries to obtain control of the blocked assets in the United States of their resident citizens. Accordingly, it was agreed that the program described below, which has been developed by the Justice and Treasury Departments, should be put into operation promptly. In the opinion of the Council this program is the most effective way to accomplish the above objective and to prevent the escape of enemy assets.

The program provides that public notice will shortly be given that at the end of three months assets remaining blocked, including assets not certified by the appropriate foreign government as free

of enemy taint, will be transferred to the jurisdiction of the Office of Alien Property in the Department of Justice. To permit this Government and the foreign governments concerned to concentrate on the areas where important results are likely to be obtained, accounts containing small amounts of property, say up to $5,000, will be unblocked in the near future without requiring certification or other formalities except where a known German, Japanese, Hungarian, Rumanian or Bulgarian interest exists. The Office of Alien Property will take a new census of the assets which remain blocked as of the deadline date. In order effectively to help the recipient countries obtain control of the blocked assets of their resident citizens, the Office of Alien Property will then promptly carry out the following policies:

(a) To deal with the directly-held assets by making available to governments of recipient countries the information from the new census of blocked assets of their citizens, including juridical persons, residing in their territories which remain uncertified as of the public deadline date referred to above. Each country receiving such information will be required to investigate the beneficial ownership of property held in the names of its citizens for the purpose of discovering any enemy interest. Pending a reasonable period for such investigations, such property will not be vested but will remain blocked under the jurisdiction of the Office of Alien Property. If these investigations show that the assets are owned by residents of the country receiving the information the assets will be released.

(b) To deal with indirectly-held assets by a vesting program with respect to accounts which remain uncertified after the deadline rate. Processing of uncertified assets in Swiss and Liechtenstein accounts for vesting under applicable law as enemy property will be started immediately after the receipt of the census information by the Office of Alien Property. The vesting program will also be applied to uncertified assets held indirectly through recipient countries where the program described in (a) above does not result in disclosure to the beneficial owner's government (e.g., French assets held through the Netherlands). In the absence of definite evidence of non-enemy ownership, full weight will be given to the presumption of enemy ownership arising from the failure to obtain certification. Evidence of non-enemy ownership or interest offered either before or after vesting will be checked in accordance with the usual investigative procedures of the Office of Alien Property. These procedures involve disclosure to the governments of the countries of which persons claiming legal or beneficial interests are residents. Of course, any vested assets which are proved to be non-enemy may be returned under existing law applicable to the return of vested property.

The Attorney General has informed the Council that there is adequate authority under the Trading with the enemy Act, as amended, to carry out all aspects of the above program.

The vesting aspect of this program appears under the circumstances to be the most effective means of rendering help to countries with regard to indirectly-held assets. There is no satisfactory alternative to a procedure which will compel foreign nationals either to disclose their concealed dollar assets to their respective governments or to forfeit them to the United States. To date the certification procedure, which applies to Swiss and Liechtenstein accounts, as well as to accounts of recipient country nationals, has not been utilized by many citizens of recipient countries to obtain the unblocking of accounts in the United States. This is so with regard to assets held through Switzerland for resident citizens of recipient countries because the owners of these assets know that Switzerland cannot, under the existing procedure, certify their assets without securing a cross-certification from the government of the country where they reside thus disclosing their identity to their government. Actually, however, there is no effective way to ascertain whether property held in Swiss accounts is Swiss-owned, enemy-owned, or owned by resident citizens of recipient countries, except to rely on the Swiss and other interested governments.

It must be recognized that resident citizens of recipient countries who hold their assets through third countries and who have not revealed such assets to their own government may choose not to declare their assets to their own governments for certification, notwithstanding the announced program to vest these assets and even notwithstanding any amnesty which countries may offer. These persons would, in effect, choose to forfeit their indirectly-held assets to the United States rather than to disclose them to their governments. If this proves to be the case, consideration could be given at a later date to the allocation by appropriate Congressional action of the vested assets among the recipient countries.

In conclusion, I want to call your attention to the fact that this program also provides for the orderly termination of Treasury's blocking operations. This follows from the fact that, in addition to specifying the treatment to be accorded the uncertified assets in recipient country accounts and Swiss and Liechtenstein accounts, the program calls for the transfer to the jurisdiction of the Office of Alien Property of all other assets remaining blocked as of the public deadline date. Thus German and Japanese assets will be transferred and vested. Hungarian, Rumanian and Bulgarian assets will be transferred and will remain blocked until a settlement of war claims with these countries is made. Finnish, Polish, and Czechoslovakian blocked assets, which do not exceed $5 million, will be transferred and remain

blocked for the time being. Yugoslavian, Estonian, Latvian, and Lithuanian blocked assets will also be transferred to the Office of Alien Property and remain blocked until various current problems have been resolved. Spanish and Portuguese assets are still blocked pending the completion of the current negotiations with Spain and Portugal covering looted gold and German assets. If these negotiations are successfully completed before the public deadline date, arrangements can promptly be made for the unblocking of these assets; on the other hand, if the negotiations are not completed by that date, these assets would likewise be covered in the transfer to the Office of Alien Property and would remain blocked pending the conclusion of the negotiations.

It is the intention of the Treasury and Justice Departments to proceed promptly to carry out the above program.

Sincerely yours,

/s/ JOHN W. SNYDER
Chairman
National Advisory Council on
International Monetary and Financial Problems

Honorable Arthur H. Vandenberg
Chairman, Senate Foreign Relations Committee
United States Senate
Washington, D. C.

February 2, 1948

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, February 3, 1948.

Press Service
No. S-612

The Secretary of the Treasury announced last evening that the tenders for $900,000,000, or thereabouts, of 91-day Treasury bills to be dated February 5 and to mature May 6, 1948, which were offered January 30, 1948, were opened at the Federal Reserve Banks on February 2.

The details of this issue are as follows:

Total applied for - $1,769,487,000
Total accepted - 903,224,000 (includes $51,210,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.750 Equivalent of discount approx. 0.990% per annum

Range of accepted competitive bids:

High - 99.765 Equiv. rate of discount approx. 0.930% per annum
Low - 99.748 " " " " " 0.997% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 37,696,000	$ 31,296,000
New York	1,444,614,000	629,854,000
Philadelphia	22,235,000	22,235,000
Cleveland	28,890,000	23,890,000
Richmond	5,470,000	5,270,000
Atlanta	11,232,000	11,232,000
Chicago	127,830,000	99,390,000
St. Louis	8,594,000	8,594,000
Minneapolis	2,300,000	2,186,000
Kansas City	11,461,000	10,932,000
Dallas	7,715,000	7,715,000
San Francisco	61,450,000	50,630,000
TOTAL	$1,769,487,000	$903,224,000

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Wednesday, February 4, 1948.

Press Service
No. S-613

In response to numerous inquiries as to the policy of the Bureau of Internal Revenue regarding subversive organizations, George J. Schoeneman, Commissioner of Internal Revenue, today issued the following statement:

The tax laws do not contemplate and it has never been our policy to grant tax exemption or other tax privileges to subversive organizations. Whenever we discover an organization that obtained exemption by misrepresenting its purposes and activities, we revoke these privileges immediately.

We have, for instance, noticed public comment regarding the fact that the Attorney General has declared subversive certain organizations which had at various times in the past obtained exempt status under the guise of charitable, educational, fraternal or similar bona fide organizations.

The exemption of one of these organizations, the International Workers Order, was revoked on February 27, 1947, and the exemption of the Joint Anti-Fascist Refugee Committee was revoked on January 22, 1948. Revocation of the exemptions of six other organizations on the Attorney General's list has now been made. These organizations are the National Council of American-Soviet Friendship, Hollywood Writers' Mobilization, Ohio School of Social Science, Samuel Adams School, School of Jewish Studies (New York City), and Philadelphia School of Social Science and Art.

Revocation of the exemption of the above-named organizations will preclude any allowance of deductions in tax returns for contributions made to them.

It is the policy of the Bureau to take steps promptly to deny exemption to any organization where evidence demonstrates it to be subversive.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Wednesday, February 4, 1948

Press Service
No. S-614

Secretary of the Treasury Snyder today announced that arrangements have been made with the Federal Reserve Banks, effective March 1, 1948, for the telegraphic transfer of Treasury bonds in coupon form, in addition to existing facilities for the telegraphic transfer of Treasury notes, certificates of indebtedness, and Treasury bills. These arrangements have been made for the purpose of facilitating a broader market for Government securities. Transfers will be made as at present only against bona fide sales.

In order to cover the expense of handling such telegraphic transfers, fees will be charged for the transfer of securities which will not mature within one year of the date of transfer, or in the case of callable Treasury bonds which will not mature within one year of the date of transfer and on which the call privilege has not been exercised. A fee of $5 will be charged for each such transaction involving securities in a face amount of $50,000 or less, and a fee of $10 will be charged for each such transaction involving securities in a face amount in excess of $50,000. No fee will be charged for transfers of such securities which will mature within one year of the date of transfer, or which have been called for redemption within the year.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 6, 1948.

Press Service
No. S-615

The Secretary of the Treasury, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 90-day Treasury bills, for cash and in exchange for Treasury bills maturing February 13, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated February 13, 1948, and will mature May 13, 1948, 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, February 9, 1948. 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 February 13, 1948, in cash or other immediately available

funds or in a like face amount of Treasury bills maturing February 13, 1948. 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.

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE NEWSPAPERS
Sunday, February 8, 1948

Press Service
No. S-616

Substantially larger seizures by Customs agents at ports and borders brought an increase in total captures of contraband narcotics during 1947, Secretary Snyder was informed today by the two Treasury agencies concerned with the suppression of traffic in dope.

Edson J. Shamhart, Deputy Commissioner of Customs, and Harry J. Anslinger, Commissioner of Narcotics, reported total seizures of 7,388 ounces of opium and its derivatives during the year, compared with 5,464 ounces during 1946.

The Bureau of Narcotics reported arrests totalling, for both opiates and marihuana violations, 2,827 in 1947, compared with 2,911 in 1946. This represents an increase in the number of arrests per officer, as a few less narcotics agents were employed in 1947.

Total marihuana seizures increased during 1947 to 26,300 ounces, from 22,400 in 1946.

Most significant development during the year from the standpoint of narcotics enforcement was the reappearance in some areas of heroin and cocaine, which had been extremely scarce during the war years. Customs made some very large seizures of heroin, the source for which apparently was France.

Commissioner Anslinger reported that prices for narcotic drugs in the illicit traffic declined slightly from wartime highs. Principal source continued to be Mexico, but frequent seizures were identified as being of Turkish, Indian, or Iranian origin.

There continues to be a large number of robberies, burglaries and thefts of narcotic drugs from pharmacies and other registered establishments.

One of the most important opium seizures during the year was made jointly by Customs and Narcotics officers incident to a pitched gun battle with smugglers at the Woodbine Check, near Calexico, California, in June. Fifty-two pounds of contraband were seized. One of the principal smugglers, Jesus Maria Reyna-Celaya was convicted at San Diego on October 8, and sentenced to 10 years in prison. This incident had a profound effect in deterring activities of narcotic traffickers in Lower California.

The largest opium seizure, more than 55 pounds, was made by Customs at Boston and New York in a three day search of a British steamship arrived from Indian ports by way of the Mediterranean. Part of the contraband was found sewed into a life preserver. Several Chinese crew members were arrested.

An interesting Mexican border seizure involved 3½ pounds of raw opium packaged in corn shucks to resemble tamales.

Bureau of Narcotics agents were responsible for the arrest and conviction at Brooklyn, New York, of Lawrence Peden, considered one of the most important distributors of heroin in Washington, D. C. Peden was arrested in September, at LaGuardia airport, in possession of three ounces of heroin for which he had paid $1,500, and which he was reselling in highly adulterated form in Washington. He is awaiting sentence in the New York case, and is under bond in two other Washington cases involving narcotic law violations.

An extensive investigation in cooperation with New York police resulted in arrest of Frank Tornello, alleged to be an important supplier of heroin there. Agents conducted surveillance of Tornello's activities in California and New York to obtain evidence upon which he was apprehended in November. Other arrests in the case are expected.

Participating with local authorities in the Baltimore enforcement district, which includes Maryland, Virginia, West Virginia, North Carolina, and the District of Columbia, the Narcotics Bureau reported apprehension of 23 persons for narcotics burglaries and holdups.

Also illustrative of this type of depredation was a case with ramifications extending from Wisconsin to Texas. In January 1947, four armed men staged a holdup of a wholesale drug company at Madison, Wisconsin. After binding the manager with adhesive tape, the robbers escaped with a large quantity of narcotic drugs. Narcotics agents found the operation of a pattern with those of a notorious north Texas gang, and subsequent joint efforts of the Bureau and Wisconsin enforcement officers resulted in arrest and return to Madison of Walter Mack Burns, Glen Lee Alvey and Robert Morgan Massingill. They are being held for trial in state court at Madison.

An offshoot to this case involved Tommy Bryant, oldtime bank robber, thief and narcotic peddler. Bryant, who was listed as a witness for the defendants in the Madison case, was found to be smuggling narcotics to an inmate in Texas State Penitentiary. A search warrant was obtained, and a quantity of narcotics found in his room at Mesquite, Texas. Bryant, who was in Madison at the time, was arrested and returned to Texas, and his parole in a robbery case was revoked, leaving him to serve forty years, the unexpired portion of a fifty year sentence.

Both Customs and Narcotics officers reported a number of substantial cases involving marihuana of Mexican origin. Narcotics officers in October arrested Jose Arias in New York City, seizing 35 pounds of the weed. In December, four persons were arrested at El Paso in connection with the capture of 17 pounds contained in a suitcase which two of the defendants were transporting to New York.

The Chicago underworld was the destination of considerable traffic in Mexican marihuana, with several large seizures and arrests being made at both ends of the line.

Alejo Ineges Agredano was fatally wounded by a narcotics agent on the night of November 4, 1947 when Agredano, in resisting arrest, drew a

pistol and attempted to shoot the agent. The Treasury officer, who had been working undercover, was attacked when he identified himself and sought to arrest Agredano who had just delivered a quantity of marihuana to him.

A coroner's jury returned a verdict of justifiable homicide and commended the agent for his courage. Agredano had a long criminal record.

- 0 -

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Monday, February 9, 1948

Press Service
No. S-617

Swelled by capture of more than $2,100,000 in counterfeit United States currency in France and $87,000 in other counterfeits of foreign origin which reached this country, seizures of bogus money by the Secret Service totalled $2,854,000 in 1947, the largest since comprehensive records have been kept.

James J. Maloney, Chief of the Service, today reported to Secretary Snyder that counterfeiting activities also increased sharply within the United States during the past year, with seizures of domestic origin totalling $621,000, the largest since the middle '30's.

However, of the total of almost $3,000,000 in bogus money captured, only $85,000 worth actually got into circulation, and thus represents loss to the public. The remainder was confiscated before it could be passed, as investigative techniques of the Treasury enforcement agency continued to finger most counterfeiting enterprises before they could get effectively underway.

Losses to the public from bogus money during the previous calendar year were $47,000.

The Secret Service during 1947 arrested 124 persons for making, holding, or passing counterfeit bills and coins. Of 66 individuals who were tried during the year, 61 were convicted.

Other crimes within the jurisdiction of the Service also increased, with some 45,000 forged Government checks and bonds received for investigation.

Nearly 2,000 persons were convicted in such forgeries on evidence obtained by the Secret Service.

The capture of more than $2,000,000 in bogus United States $10, $20, and $100 notes near Marseille, France, in September of 1947 was effected by United States Secret Service agents and cooperating French police. A raid on an isolated farmhouse resulted in capture of the notes, together with elaborate manufacturing equipment, and the arrest of eleven persons. United States agents were sent to France when a trickle of bogus bills reaching this country appeared to have originated there, and with the assistance of French authorities, succeeded in tracking down the gang responsible within a few weeks.

In December a group of former counterfeiters of ration stamps was arrested by Secret Service agents in Chicago for the manufacture of more than half a million dollars face value of fake $5, $10, $20, and $50 bills. The gang, allegedly headed by Joseph Moschiano, printed about $600,000 before agents made the arrests. Several notes were passed successfully, a quantity was burned as unsatisfactory, and the agents captured the plant and more than $365,000 in counterfeits. The principals in the elaborate enterprise are awaiting trial.

Chicago agents also apiked a one-man counterfeit factory when they arrested Florencio P. Pinzon, a Filipino, on June 30, for making 7 plates for $20 bills. Other paraphernalia was seized. On October 29, Pinzon, an employee of a photographic studio, was sentenced to serve four years in a Federal penitentiary. No notes were printed from his plates.

New York City agents in November arrested Perry Bunero at Fort Lee, New Jersey, when he delivered $30,000 in counterfeit $20 bills to an undercover agent who had posed as a buyer. Chief Maloney said that Bunero previously had sold another $20,000 worth of bogus bills to Felton Bland of Metter, Georgia, who was arrested with Alfred D. Collins at Hallandale, Florida, October 26. Bland carried nearly $15,000 worth of counterfeits on his person.

Through leads developed from the investigation of Bland, agents and police arrested as alleged fellow conspirators, Joe E. Clark, Romie Spivey, Joseph T. Bridges, Jan R. Knight, G. Richard Van Dien, Jr., and Floyd C. Fallen.

Fallen, according to Chief Maloney, was caught in the act of delivering $7,500 in phony $20's to Alfred D. Collins, and is believed to have supplied the $50,000 worth which other members of the gang were attempting to distribute and pass.

Secret Service agents followed up the arrest of a note passer by police at Monterey, California, with an investigation that turned up two accomplices and led to the capture in November of the complete counterfeiting plant and $570 in finished notes in the home of Norman G. Riedel in Fontana, California. Only one of the fake $10 bills allegedly made by the trio was passed successfully before they were arrested. They had been more successful with counterfeit State of California employment checks, 125 of which had been passed in San Diego the previous month. Plates for the checks also were found by the Secret Service raiders.

At Richmond, Virginia, agents seized zinc plates and negatives, and $40,000 face value, of "play" money, some of which actually was passed upon unsuspecting persons as genuine. The commercial novelty was patterned after $1 and $10 bills, printed on cheap paper, and was used for advertising purposes. The heading on the notes read, "The Unique Skates of America." The designs, while crude, approximated those on genuine money and were held to be in violation of laws which prohibit photographs or other impressions in likeness to currency.

Agents found a new twist to the forgery racket with the arrest in New York City of three men who dressed in women's clothes, rouged and powdered their faces, and successfully negotiated stolen checks payable to women.

Samuel Thompson, the leader, was sentenced to two years in prison, and his accomplices to a year and a day each.

Investigation of one bond forgery case uncovered the probable murder of Lewis D. Edds of San Bernardino, California. Robert F. Mehaffey was arrested by Treasury agents and local police at Dallas, Texas, in August, and charged with fraudulent negotiation of 33 United States Savings bonds issued to Edds. Chief Maloney said Mehaffey has confessed to killing Edds while the two were on a desert prospecting trip and stealing the bonds. He is awaiting prosecution in California on both charges.

-oOo-

TREASURY DEPARTMENT
Washington

FOR RELEASE, AFTERNOON NEWSPAPERS
Tuesday, February 10, 1948

Press Service
No. S-618

Deputy Internal Revenue Commissioner Carroll E. Mealey, in his annual enforcement report to Secretary Snyder, today told how a "one-two" investigative punch supplied by the Alcohol Tax Unit and the Bureau of Narcotics put a notorious New York-Detroit hoodlum away for a four-year prison sentence.

The criminal, Nicholas Martello, known as "the Bulldog", was sentenced in Detroit for violation of the Federal Firearms Act, which the Alcohol Tax Unit enforces.

Martello, who has had previous convictions for grand larceny, assault, and narcotics law violations, apparently became panicky when narcotics agents pressed a new investigation of his activities in his usual territory in New York City; so alarmed in fact that he failed to claim a sub-machine gun he had shipped to himself in Detroit, to which city he had transferred his residence.

When the suitcase checked by Martello remained unclaimed, it was opened and the weapon discovered. The surveillance by the Treasury agents had been so thorough that they were able to connect Martello with the gun, and he pleaded guilty to the charges brought by the Alcohol Tax Unit.

During 1947 the Unit continued to press a nationwide campaign for registration of machine guns and other automatic weapons brought into the country as war souvenirs. Urgency of this program was demonstrated by continued evidence that a large number of such weapons were falling into the hands of criminals through illegal sale or theft, and were being used in robberies and slayings.

Nearly 100,000 investigations were conducted in this phase of the Unit's work, resulting in the registration with the Commissioner of Internal Revenue of more than 10,000 firearms.

With reports of hundreds of persons killed or wounded in the handling of war trophy explosives and weapons, the Alcohol Tax Unit broadened its program into a drive to make such souvenirs harmless.

The Secretaries of Treasury, War and Navy, and representatives of the National Rifle Association approved organization of an emergency committee for education of the public in the handling of dangerous war trophies. Facilities of the organizations, and of local police agencies throughout the country are made available to trophy owners who consent to the deactivation of explosive devices or weapons. Thousands of such items have been made harmless through this campaign.

Deputy Commissioner Mealey reported that a smaller force of agents employed in 1947 captured 6,026 illicit liquor distilleries compared with 6,461 in 1946; and made 7,333 arrests, against 8,229 in the previous year. Nearly 97 percent of the stills seized were in fourteen southern states.

Mr. Mealey said that there is evidence of an upturn in attempts at illicit liquor distribution since the termination of sugar rationing on July 28, 1947, not only in the traditional trouble spots in the south, but in some metropolitan areas.

Increased availability of materials necessary for distilling, difficult to obtain during the war years, is reflected in larger and more elaborate equipment seized in some cases, and the appearance of some sizeable, well-financed operating rings.

A typical enterprise of this type was a large illicit distillery captured in Chicago, a copper column type capable of producing 690 proof gallons of alcohol a day. Treasury agents seized 255 gallons of alcohol, 21,000 pounds of sugar, and 200 pounds of yeast, and pumps, motors and other extensive equipment. It was estimated that, had the distillery operated at capacity for 90 days, the Government would have been defrauded of more than half a million dollars in revenue. James Bruno and two associates were sentenced to prison terms totalling six years in this case.

Another successful prosecution case closed during the year brought the conviction of members of a well organized syndicate operating in New York and New Jersey areas. The group at various times during a three year period operated six different distilleries and maintained thirteen places, consisting of garages, warehouses and stores as "drops" for assembling raw materials and storing and distributing non-tax-paid spirits.

Five members of another ring, headed by Berry Lee Doolin, were convicted of conspiracy to violate internal revenue liquor laws in the operation of two large distilleries in Virginia and North Carolina. They produced nearly 1,400 gallons of high proof whiskey, resulting in a tax fraud in excess of $12,000.

Robert Grogan and two associates were convicted for operation in the same area, of five large, unregistered distilleries, producing more than 2,000 gallons of whiskey on which $19,000 in taxes was evaded.

Principals of two large syndicates operating in Georgia also were convicted, with prison sentences ranging up to two years being imposed. In one case the revenue fraud was placed at $450,000, and in the other $146,000.

Nearly a million and a half dollars worth of cars, trucks, tax-paid liquors and other property was confiscated during the year in connection with violations of the internal revenue laws.

Evidence gathered by the Alcohol Tax Unit in cooperation with other Government agencies enforcing sugar and price control legislation resulted in numerous further convictions of violators brought to trial during the year. Six persons were convicted in one New York City sugar black market case in which millions of pounds of the commodity were traded at prices as high as $25 a hundred pounds, through employment of bogus and overdraft sugar ration currency.

-oOo-

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, February 12, 1948

Press Service
No. S-619

With commercial shipping volume mounting sharply during 1947, Customs officers were called upon to exercise increasing vigilance to protect the revenues, Frank Dow, Acting Commissioner of Customs today reported to Secretary Snyder.

While the progress of world trade into something like normal, peacetime patterns was accompanied by little evidence of any large-scale, organized attempts to smuggle goods into this country, there were numerous investigations of violations involving false or fraudulent declarations on regular importations of merchandise of high value.

A dozen larger cases of this type involved merchandise having a total forfeiture value in excess of $3,000,000; and there were many investigations involving individual shipments valued at several thousands of dollars. A half million dollar penalty was imposed in one case involving shipments of a single commodity.

Commissioner Dow said the volume of shipping from Far Eastern, Near Eastern and European ports increased steadily, and commercial traffic with Latin America continued heavy. International air traffic likewise called for increasing attention on the part of Customs.

Intensive searches of incoming vessels were made regularly, with excellent results from an enforcement angle. Baggage scrutiny of incoming travellers provided the usual run of amateur smuggling attempts, chiefly of small but costly items such as jewelry, gems, and perfume.

There were some fairly substantial seizures of liquor, alcohol, meat and sugar on the Mexican border.

Customs officers continued to render assistance to the Office of International Trade in enforcing export controls, and with the Foreign Funds Control of the Treasury in policing movement of certain blacklisted securities.

At the request of, and in cooperation with the Department of State, Customs agents at Miami, Tampa, New Orleans, Baltimore, Chicago, San Francisco, and Los Angeles made extensive investigations into a conspiracy on the part of Dominican, Cuban, and American nationals to foment a revolution in Santo Domingo. The plot involved exportation from this country of war materials in violation of the President's Proclamation forbidding such shipments.

The investigations were responsible for large scale arrests in Cuba and seizure in Cuba and in the United States of a number of airplanes and implements of war. A number of persons are under indictment at Miami in connection with the conspiracy.

Two diamonds found by Customs officers at San Francisco in the watch pocket of a United States army colonel returning from Japan led to the discovery of 528 additional gems valued at $200,000 in a safe deposit box, which had been brought into the country illegally. The officer was turned over to military authorities for prosecution, and further investigation by the army resulted in discovery of a large number of diamonds in Japan.

Another army officer was turned over to military authorities for prosecution after Baltimore Customs agents seized several thousand dollars worth of silks, tapestries, jewelry, and precious stones he had shipped into the country from Korea.

Unset diamonds worth $20,000 were seized at Elizabeth, New Jersey, from two seamen who had obtained them in Belgium and intended to dispose of them in this country.

-oOo-

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Friday, February 6, 1948.

Press Service
No. S-620

The Bureau of Customs announced today that the tariff-rate quota for the calendar year 1948 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, determined in accordance with the proviso to item 717(b) of Part 1, Schedule XX of the General Agreement on Tariffs and Trade is 24,930,188 pounds.

oOo

STATUTORY DEBT LIMITATION AS OF JANUARY 31, 1948

February 10, 1948

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			
Obligations issued under Second Liberty Bond Act, as amended:			
Interest-bearing:			
Treasury bills..............	$ 14,838,224,000		
Certificates of indebtedness	20,677,424,000		
Treasury notes..............	16,777,152,750	$ 52,292,800,750	
Bonds-			
Treasury..................	117,862,835,750		
Savings (current redemp. value)	52,479,468,227		
Depositary................	321,391,000		
Armed Forces Leave........	719,810,050		
Investment Series.........	969,960,000	172,353,465,027	
Special Funds-			
Certificates of indebtedness	14,793,500,000		
Treasury notes............	14,354,208,000	29,147,708,000	
Total interest-bearing....................		253,793,973,777	
Matured, interest-ceased........................		335,692,242	
Bearing no interest:			
War savings stamps..........	62,193,775		
Excess profits tax refund bonds	11,488,868		
Special notes of the United States:			
Internat'l Bank for Reconst. and Development series...	215,785,000		
Internat'l Monetary Fund Series	1,306,000,000	1,595,467,643	
Total....................................		255,725,133,662	
Guaranteed obligations (not held by Treasury)			
Interest-bearing			
Debentures: F.H.A.	27,909,536		
Demand obligations: C.C.C. .	43,607,603	71,517,138	
Matured, interest-ceased.....................		5,431,200	
		76,948,338	
Grand total outstanding..			255,802,082,000
Balance face amount of obligations issuable under above authority...			19,197,918,000

Reconcilement with Statement of the Public Debt - January 31, 1948
(Daily Statement of the United States Treasury, February 2, 1948)

Outstanding-	
Total gross public debt..	256,573,665,698
Guaranteed obligations not owned by the Treasury...............	76,948,338
Total gross public debt and guaranteed obligations.............	256,650,614,036
Deduct - other outstanding public debt obligations not subject to debt limitation..................................	848,532,036
	255,802,082,000

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, February 10, 1948.

Press Service
No. S-622

The Secretary of the Treasury announced last evening that the tenders for $1,000,000,000, or thereabouts, of 90-day Treasury bills to be dated February 13 and to mature May 13, 1948, which were offered February 6, 1948, were opened at the Federal Reserve Banks on February 9.

The details of this issue are as follows:

Total applied for - $1,524,512,000
Total accepted - 1,000,348,000 (includes $47,945,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.751 Equivalent rate of discount 0.994% per annum

Range of accepted competitive bids:

High - 99.765 Equiv. rate of discount 0.940% per annum
Low - 99.750 " " " " 1.000% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 11,180,000	$ 11,113,000
New York	1,339,153,000	844,534,000
Philadelphia	2,745,000	2,176,000
Cleveland	5,610,000	4,270,000
Richmond	6,405,000	6,070,000
Atlanta	2,870,000	2,870,000
Chicago	81,121,000	63,090,000
St. Louis	5,250,000	5,250,000
Minneapolis	4,890,000	4,389,000
Kansas City	15,573,000	12,239,000
Dallas	8,855,000	8,855,000
San Francisco	40,860,000	35,492,000
TOTAL	$1,524,512,000	$1,000,348,000

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, February 12, 1948.

Press Service
No. S-623

Secretary Snyder today announced Treasury plans for a Security Loan drive starting April 15 and continuing through June 30. Its purpose is to promote savings and fight inflation. The United States Savings Bonds Division of the Treasury will be in charge.

A great volunteer army of Savings Bond salesmen and saleswomen is being recruited for the drive, in the same manner that the wartime bond-selling campaigns were organized. Definite area quotas are in process of determination and probably will be made public at a national conference to be held in Washington March 18-20.

President Truman sounded a call for intensified Government efforts to sell Savings Bonds when he sent a special message to Congress last November 17. He pointed out that increased savings by the public provide one of the effective weapons against inflation. Secretary Snyder quoted the President's words in announcing the Security Loan.

The drive will emphasize sales of Series E Savings Bonds -- "the people's bond." These will be termed "Security Bonds" during the campaign. Every American will be urged to contribute to his own future security and the security of the national economy by buying them.

Secretary Snyder said:

"The Treasury has two specific purposes in conducting the Security Loan. One is to encourage Americans to build greater security for themselves through greater savings. The other is to relieve inflationary pressures. These purposes are interlocking; one serves the other, and both serve the welfare of the nation.

"There is general recognition of the fact that buying Savings Bonds is one of the best investments an American can make. Millions who bought these bonds during the war continue to buy them. Many are able to buy more -- by saving more -- and will do so if they are asked. We are about to do the asking.

"The relief of inflationary pressures will be accomplished through the Security Loan in two ways. The money received from the public will be withdrawn from the consumer markets, and it

will be used by the Treasury to pay off bank-held or other potentially inflationary portions of the public debt now outstanding. This shifting of ownership of the debt is sound debt management.

"During the Security Loan, efforts will be made to reach every family. This task will require the assistance of a great many patriotic, volunteer workers. But the Savings Bond program always has been a people's program. Its success has been due to the volunteer spirit and volunteer activity. I am sure that there will be another resounding response to the Government's appeal."

The three-day conference March 18-20 in Washington to decide sales goals and other final problems of the drive will be attended by public-spirited leaders of groups expected to head up the volunteer selling organization. Included will be representatives of industry, labor, retailers, newspapers, radio, magazines, banking and business.

Already, according to Secretary Snyder, President Truman's call of last November has brought widespread assurances of volunteer help for the campaign, along with comment from many sources that such a bond-selling effort is vitally needed to ease the present dangerous price situation.

oOo

Publicity Division
DEMOCRATIC NATIONAL COMMITTEE
Ring Building
Washington, D. C.

R - 152 (2/19/48)

ADDRESS BY THE HONORABLE JOHN W. SNYDER, SECRETARY OF THE TREASURY, AT THE ESSEX HOUSE, NEWARK, NEW JERSEY, BEFORE THE JEFFERSON-JACKSON DINNER.

FOR RELEASE IN MORNING NEWSPAPERS, FRIDAY, FEBRUARY 20, 1948. FOR RADIO RELEASE, UPON DELIVERY (EXPECTED TO BE ABOUT 10:30 P.M., THURSDAY, FEBRUARY 19, 1948.)

Tonight the National Democratic Party is redeclaring its firm purpose to protect and preserve for every citizen of this country the great social and economic gains made during fifteen years of Democratic leadership.

In gatherings, such as this throughout the Nation, we are reasserting the fundamental principles of our Party, and we are rededicating those principles to the continued progress and prosperity of this Nation.

I believe it particularly appropriate that at this same time we pay joint honor to Thomas Jefferson and Andrew Jackson, as well as to those other statesmen who molded our Party doctrines and purpose, and who contributed so immeasurably to the spiritual and material growth of the United States.

Thomas Jefferson's sane philosophies and truths are deeply imbedded in our system of Government. He endeavored continually to convince Americans how vital it was, even as it is today, to defend staunchly their basic liberties and standards of free endeavor.

Jackson, too, was an outstanding advocate of human rights, and his ideals and work ably complemented the achievements of Jefferson. He brought to the leadership of the Nation and Party vigor and resoluteness of purpose.

It is well to remember that in the annals of our Party history, the accomplishments of these men, and their notable contributions to our system of Government, were the results of unceasing and steadfast devotion to country.

Thomas Jefferson said that "the whole art of government consists in the art of being honest," and upon this truth, the Democratic Party has consistently and conscientiously based its pattern of service and its policy measures.

The history of Democratic **leadership** amply supports our assertion of accomplishment.

We are entitled to particular satisfaction with the social and economic progress of this country during the past fifteen years of Democratic Administration.

The fifteen years that have passed since our Party assumed the responsibilities of Government cannot dim the recollection of the economic disorder that prevailed at that time. Nor do they allow us to forget that our present social and economic achievements have, in a large part, been accomplished only through hard and continuous fighting by the Democratic Administration against bitter oppositon.

Fifteen years ago we were in the depths of a depression for which the then-incumbent Administration had not the slightest remedy. Twelve million workers were vainly seeking jobs, while factories were closing their doors. Businesses were failing at the rate of over 30,000 a year. Most great industries were operating at fractional capacity.

In this extremity, the speedy and courageous action of a Democratic Administration brought to a halt the worst depression of modern times. It took dynamic leadership, with great vision, to appraise properly the weaknesses of the old system and to compel their elimination.

In 1933, we had two huge tasks to accomplish: first, to halt the deflationary trend which had been under way since 1929; and second, to develop a balanced and expanding economy, based upon the maintenance of a high volume of production and of purchasing power. To gain these ends, the entire level of employment and incomes had to be greatly increased, along with the overall business activity, and at the same time a repetition of the speculative unbalance which had developed in 1929 had to be prevented.

Shortly after the new Democratic Administration took office and began a constructive expansion program, the national income started rising. By the end of the year, income payments were 20 percent higher than in March, 1933. With the rise in purchasing power, retail trade immediately began to increase and a general business improvement spread over the country. The industrial production rate started to climb, employment began to increase, people began to spend more money, and the improvement became cumulative.

Inspired Democratic leadership gave a discouraged people a new hope and a new sense of responsibility for the social and economic welfare of their fellow men. Through aggressive action, the Administration achieved lasting benefits for unemployment and old-age security, for the protection of individuals against unjust practices, for the safeguarding of our banking system, for the expansion of credit facilities which were not available to banks, railroads, and other private industries, for the improvement of our agricultural resources, and for the healthy and strong development of our entire national economy.

The wage earner's position had been strengthened by national recognition of the rights of workmen to bargain collectively with their employers.

Laws enacted for the regulation of security offerings, requiring sellers to reveal the facts about new security issues, have done much to protect people against misrepresentation in this field.

Agriculture has been placed in a stronger position by legislation for the conservation of the soil and for the encouragement of better farming practices. The strengthening of our agricultural industry brought welcome dividends during the war, when our farms yielded one-third more food than before the war despite shortages of equipment and man-power.

The insurance of bank deposits under the Federal Deposit Insurance Corperation has provided protection against a repetition of the bank failure tragedy of 1933.

These and other measures inaugurated during the Democratic Administration have given a new sense of economic security to our people, and, have enormously contributed to our record peacetime level of business activity and to our present high standard of living.

We must not forget, either, the far-sighted steps taken to provide for the military preparedness of our Nation -- steps taken against stubborn opposition -- which nevertheless proved our salvation.

During World War II, we came nearer than ever before to learning our true strength and our national capabilities. These factors of strength supplied the men and materials for the greatest all-out war effort in history. When called upon to give vital assistance in protecting the very core of modern civilization, the United States not only out-produced the rest of the world, but at the same time maintained its own national standards of living.

Our wartime strength could not have developed without an essentially strong foundation. Under the recovery measures taken by the Democratic Administration, the health of our economic structure has been steadily improving since early 1933. The steel industry, as an important example, turned out only one million tons of ingots in March, 1933, but it raised its output to over four million tons per month at the outbreak of war in August, 1939, and to seven million tons per month when we entered the war in December, 1941. And now, in time of peace, it has reached the total of 7,460,000 tons per month.

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

The problems of peace and postwar transition fell on the shoulders of President Truman. He has borne his heavy responsibilities, the heaviest in the world, with outstanding courage and skill.

Of foremost concern, certainly foremost in the minds of their families, was the return to civilian life of more than twelve 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 be proud.

The industrial changeover from war to peacetime production was completed more rapidly than anyone dared predict. War contracts were quickly settled and war plants were speedily cleared for a volume of civilian output never before equalled.

At present, with our economy again soundly established on a peacetime basis, we find that the total personal incomes are now running at an annual rate of over $200 billion, as compared with $49 billion in 1932.

Workers in manufacturing industries now average $1.27 an hour, or $51.00 in weekly earnings. In March, 1933, their average earnings were $15.00 a week and 41 cents an hour. And they felt lucky to even get that.

Corporate earnings have likewise shown an enormous improvement since the dark days of fifteen years ago. In 1932, corporations showed a deficit of over $3 billion, but by 1934, they had moved into the black and profits rose sharply in succeeding years until in 1947, they are estimated at $17 billion, after taxes.

These comparisons in dollar terms are in part due to the present high price levels. But comparisons on a purely physical basis tell the same story. Perhaps the best measure of economic welfare is the number of people employed. This figure in recent months reached the unprecedented total of 60 million. In 1933, the average number of employed was only 39 million persons.

The output of our manufacturing and mining industries has been at the highest levels in our peacetime history, and far above the prewar level. The index of industrial production reached 191 in December, 1947, as compared with the depression low of 54 reached in March, 1933.

This present business activity 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 this Administration under the leadership of President Harry S. Truman.

Our fiscal policies have been closely related to those in the economic field. Our purpose is to practice economy in Government, and to maintain the revenues at a level sufficient to secure a balanced budget and provide for debt reduction.

As Secretary of the Treasury, I feel that the financial integrity of our Government must always be a first consideration. Particularly so, with a Government debt, largely war-created, of $255 billion. Under such circumstances, it is not only the financial integrity of the Government which is at stake, but the soundness of the whole economy. This Government's fiscal policies are irrevocably wrapped up in the entire financial structure of our country.

It has been estimated that in the current fiscal year which ends on next June 30, the surplus of Federal receipts over expenditures will amount to $7.5 billion. However, the Senate Foreign Affairs Committee has recommended that $3 billion of this amount should be earmarked for application on the European Recovery Program. If this is done, the amount of surplus remaining to be applied on the debt would be reduced to $4.5 billion.

We have been using this surplus, as it accumulates, for debt retirement in the manner in which it would be most effective, and we shall continue to do so.

The President's budget estimates for the fiscal year 1949 show receipts of $44.5 billion, and a surplus of $4.8 billion in that fiscal year to apply toward further reductions in the debt.

On the expenditures side, the President has pared the budget to the minimum which he considers consistent with the Country's domestic and international responsibilities.

Expenditures are estimated at $39.7 billion in the fiscal year 1949. Seventy-nine percent of the estimated expenditures for fiscal 1949 are war related -- they either reflect the direct costs of war, the aftermath of war, or our efforts to prevent a future war.

In this category, we have expenditures for national defense which amount to $11 billion, or 28 percent of the total budget. It would be possible, of course, to cut this amount, but I do not believe that the Congress will want to take this step at the expense of our national security.

Expenditures for international aid programs also come in this category, and total $7 billion, or 18 percent of the total budget. This is the amount which has been determined as the necessary requirement for the period ending with the fiscal year on June 30, 1949. Any adjustments made in timing by the Congress would not materially change the end result for the fiscal year.

Veterans' benefits amount to $6 billion, or 15 percent of the budget. They represent an obligation which we owe to those persons who made great personal sacrifices for the Nation during the war. It is an obligation for which a Democratic Congress has already provided by legislation, and certainly none of us want to propose that any of this legislation be repealed.

The other two items which enter into the "war cost" category are $5 billion for interest on the public debt and $2 billion for tax refunds. These are financial obligations of the Government which it must meet.

In analyzing the Government's peacetime operations, we find that 16%, or $6.2 billion, of the budget covers expenditures to finance the Government's programs in many broad areas, such as social welfare, agriculture, natural resources, and transportation and communication. These programs include expenditures for public assistance, for flood control, for soil conservation, for reclamation, for state aid to highways, for development of rivers and harbors, and for atomic energy.

These programs include activities which the Government must perform in order to conserve our natural resources. More importantly, however, they finance functions which the Government is obligated to perform in conserving our human resources -- for programs which contribute to the health and well-being of the American people and which have long been a part of the Democratic platform.

Any reduction in these programs would be false economy.

The remainder of the budget, that which is left for the operational costs of the Government, is not relatively large, amounting as it does to only 5%, or $2.1 billion. This amount covers the Congress, and the Executive Office. It includes Treasury activities in collecting taxes, administering the public debt, and keeping the Government's books, and the expenditures of various other agencies. To cut large sums out of this group would be a difficult undertaking.

As a matter of fact, any cuts in this budget will be difficult if we are not to jeopardize our national defense, ignore our national welfare, or threaten our efforts to attain world peace.

Finally, let me call your attention to the policies of President Truman and your Administration in the field of foreign affairs. As Democrats and as citizens of these United States, we can be thankful for the leadership that has brought about an unprecedented unanimity of opinion in this country in our dealings with other nations.

Our international policy is essentially an American policy and it represents the views and the wishes of the Nation.

Looking toward the future, the task of Democratic leadership is clear. Under the continued guidance of President Harry S. Truman, we will direct our policies toward developing a balanced and expanding economy. We must maintain a high volume of purchasing power to provide a broad market for the products of industry and agriculture. We must insure that business profits remain at adequate levels to provide a steadily expanding industrial capacity, and that the capital markets function smoothly in financing our business expansion.

We must provide for the development of our human and material resources, to the end that we may continue as a Nation of high living standards and high productivity.

The aims and purposes of the Democratic Party can be eloquently summed up in the words of President Truman: "We seek a peaceful world, a prosperous world, a free world, a world of good neighbors, living on terms of equality and mutual respect."

-oOo-

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 13, 1948.

Press Service
No. S-624

The Secretary of the Treasury, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing February 19, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated February 19, 1948, and will mature May 20, 1948, 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, February 16, 1948. 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 February 19, 1948, in cash or other immediately available

funds or in a like face amount of Treasury bills maturing February 19, 1948. 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.

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Sunday, February 15, 1948.

Press Service
No. S-625

Treasury enforcement activities incident to the collection of taxes due the Federal Government continued to set new records in number of investigations, persons indicted and convicted, and additional revenue assessments during 1947, George Schoeneman, Commissioner of Internal Revenue, today reported to Secretary Snyder.

The Intelligence Unit of the Bureau, headed by W. H. Woolf, working with revenue agents and deputy collectors, investigated more than 4,000 cases involving possible evasion of taxes, obtaining evidence leading to indictment of 373 individuals during the year. Cases going to trial totalled 209, involving 267 individuals, of whom 252 were convicted, approximately 95 percent.

Nearly a million dollars in fines were assessed in addition to prison sentences ranging up to five years. Additional taxes and penalties imposed as a result of these investigations by the Intelligence Unit, with its personnel of about 1,000 special agents, aggregated nearly a quarter of a billion dollars; and enforcement activities of the Bureau as a whole swelled the total of such additional potential revenue for the year to $1,982,167,000, against approximately $1,500,000,000 in the 1946 calendar year.

Typical of the seriousness with which the crime of tax evasion is regarded in many federal court jurisdictions was the case involving Norton Samuel Locke of Dallas, Texas, operator of several corporations engaged in Government construction work. Locke was sentenced by Judge T. W Davidson to serve five years in prison and pay a fine of $25,000 for defrauding the Government by filing false and fraudulent income tax returns for himself, his wife, and solely owned corporations.

In sentencing Locke, Judge Davidson stated:

"The law of our country provides that all people who receive and accumulate or earn a certain amount of income must make a report. That is the way our Government is being maintained to a very great degree. It is a burden that must be shouldered by all men, and whenever one shirks his duty, it leaves that much more on the next one to carry. If all men broke the law and concealed their income, if all men were enabled to withhold their taxes, the Government could not function. If the Government could not function, what would a man's gain, property, be worth if the Government could not afford its protection?"

Additional taxes and peanlties recommended in the Locke case totalled more than half a million dollars.

A federal court in Los Angeles dealt with equal severity with the treasurer of a wool jobbing firm and the accountant who supervised the corporation records. Elias Berger, the accountant, and

Isador Kaplan, treasurer of Morris Kaplan and Sons, Inc., each were given a year and a day in prison and two other officers of the firm were given sentences of six months each, and heavy fines.

The scheme to evade taxes involved systematic diversion of sales receipts to a secret bank account, and ultimately to individual bank accounts of the taxpayers. Total taxes and penalties recommended were in excess of $800,000.

Agents started investigation of the accounts of the owner of a popular Tacoma, Washington, restaurant when they learned he had a fondness for $1,000 bills. The taxpayer ultimately drew a 10-months' prison term.

Taxpayers convicted of evasion covered a wide range of businesses and the professions. A New York City furrier has a year and a half to repent bookkeeping practices designed to evade federal excise taxes.

An optometrist, two dentists and a physician were among those given heavy fines or sentenced to prison for income tax evasion.

Additional taxes and penalties in excess of half a million dollars were imposed upon a Detroit luggage manufacturer, who was sentenced to two years' imprisonment and fined $10,000.

The Bureau continued effective investigation of accounts of wartime black marketeers, among those sentenced in 1947 being a Georgia dealer in cotton sheeting, a Massachusetts lumber dealer, and partners in a Los Angeles meat business.

A Seattle gambler drew 10 months in prison, and a New York night club operator two years, the latter for evasion of cabaret taxes.

One of the largest evasion cases involved a distributor of agricultural products. Additional taxes and penalties in excess of $800,000 were recommended against Elmer Hartner, head of the Hartner Products Company of Denver, and he was sentenced to 15 months' imprisonment.

An extensive investigation of tax accounts of Massachusetts fishermen culminated in two criminal case convictions, in one of which a fishing boat captain was sentenced to a year and a day in prison.

oOo

TREASURY DEPARTMENT

Washington

(The following address by Secretary Snyder, before the Chicago World Trade Conference at the Hotel Sherman, Chicago, Illinois, is scheduled for delivery at 1:15 P.M., C.S.T., Monday, February 16, 1948, and is for release at that time.)

"World Trade - A Necessary Component of our Economy."

Economic growth and economic stability are the twin safeguards of Private Enterprise. We must first understand the financial and moral forces active today in our national and international life if our economic growth is to be paralleled by our progress toward economic stability.

The postwar situation has financial and economic aspects entirely new to world history, which insure that we will never return to prewar conditions. This is a fact we have recognized, and must continue to recognize in dealing with all questions of postwar national and international policy, and in determining the type and adequacy of measures which must be taken to achieve our basic objectives.

The United States is contributing substantially to the advancement of a sensible and orderly international working economy. Our leadership in this program is by no means entirely unselfish. For we know that world economic equilibrium is absolutely necessary as a stabilizing influence and an incentive to the growth of the United States.

We are convinced that nothing less than an enduring basis of international cooperation will provide the incentives necessary to produce and exchange goods and to create the environment in which private enterprise can profitably function.

There is a strong tendency throughout the world to adopt a series of piece-meal and unilateral actions designed to meet day-to-day problems even though they multiply and aggravate the problems of tomorrow. But it is tomorrow's business that must be carefully planned today. Otherwise, we might well waste our resources and energies in programs doomed to failure.

Good business relations do not permit restrictive trade practices such as stem from cartels and monopolies which limit production, allocate markets, fix prices, and otherwise interfere with the production, distribution, and consumption of goods. Trade relations cannot be mutually profitable in the face of high tariff barriers, preferences, penalizations, and discriminations. These practices cause injury and breed

retaliation. There can be one result only of such procedure; a spiral of reprisals in which everybody gets hurt.

This is precisely what happened after World War I. Economic self-preservation became a thinly disguised formula for economic aggression. It strangled world commerce and played a major role in the greatest depression of all times. It bred and multiplied world friction and was a major cause of World War II.

The whole international economic policy of the United States today is predicated on the proposition that these mistakes shall not be repeated.

The proposed Charter of the International Trade Organization already has the distinction of being the product of the longest period of continuous and intensive collaboration in diplomatic history. Both the millions of words written during that period and the thousand or more conferences held can be summed up in a single philosophy: "fair play".

As President Truman said, the whole purpose of these conferences is to set forth a code of simple principles of fair dealing for world commercial relationships. Instead of permitting unlimited freedom to commit acts of economic aggression, we, and other nations must frame a code of economic conduct and agree to live by its rules. Instead of adopting, without warning and without consultation, measures that might be harmful to our neighbors, we shall all agree to sit down beforehand and talk things over. In economics, as well as in international politics, this is the way to peace. We can also be sure that it is the only way to world prosperity.

The factors which have generated our present powerful economy are vast natural resources, industrial and agricultural capacities, and, most important, the creative abilities and the characteristic diligence of the American people. Our job is to use the elements of our strength boldly and wisely in that manner which will result in the greatest possible return to the American people.

The Nation entered this year with business activity at the highest level of the postwar period, an activity in which the Chicago area shared fully.

Personal incomes are running at the rate of over 200 billion dollars a year. Combined iron and steel production is almost double prewar average; coal and petroleum, 64 percent above; manufactured foods, 58 percent higher; while agricultural products showed a 35 percent increase within the past year.

Electric power output, now running at an all-time high, continues steadily to expand, with last year's figures exceeding the prewar average by 126 percent.

The steadily increasing volume of freight carried by the railroads is further testimony to our expanding enterprise. As the railroad center of the United States, Chicago played the leading role last year in the greatest peacetime traffic in railroad history.

And perhaps the best business activity index of all -- employment -- continues at record levels.

In spite of record-breaking performance, however, the current high levels of production are still not sufficient to meet the demand in many lines. A number of industries have been limited by insufficient industrial capacity, basic materials, and to some extent a shortage of labor. From the standpoint of domestic needs, the most important deficiencies are in steel, automobiles, petroleum facilities, construction, freight cars, and electric power.

The needs for industrial replacement and expansion, our road building programs, our municipal construction, and the urgent requirements for housing, are a measure of the pent-up demand, and add to this demand an appraisal of the rehabilitation needs of war-devastated countries, and the needs of the many countries that look to the United States for a substantial part of their imports.

In view of this huge deficit of both consumer and capital goods, it is difficult to foresee any important decline in American business for some time ahead.

The United States is keenly aware of one important economic factor which I should like to emphasize and that is that the under-developed countries of the world will play an important part in the international trade of tomorrow. All possible assistance should be extended them in promoting their economic development.

A certain portion of our products is now being and will continue to be sent abroad to restore the economies of other countries.

But, in return for the things we send, we are receiving many products from overseas, and our imports should expand as productivity in other nations is revived. These imports will supply us with materials required to feed our industrial plants and at the same time will provide other countries with dollars to pay for American goods.

This two-way traffic will receive additional stimulus as our own productivity climbs to even higher levels. We must expand our export markets to maintain high production, full employment, and rising standards of living. We must, however, be prepared to open our markets to foreign goods and services to an increasing extent so that dollars can be earned by other nations to pay for our products.

Then we can be assured of maximum benefit from the interchange of goods and services.

In this period, public funds are necessary and desirable to meet temporary short-term emergency requirements. But public funds lack the flexibility needed in long range development since such funds are fixed by legislation as to amount, timing, and purpose. Clearly, this is a job for private capital, which is available on a much more flexible basis.

Capital is a commodity, and will be exported only to the most attractive markets. What is required, then, to stimulate the flow of private capital is a code of fair investment practices that will enable capital to flow abroad under mutually profitable conditions and with adequate safeguards. Otherwise, private capital will stay at home where it can find a more prudent balance between profit and safety.

The American dollar is playing an increasingly important role as the standard of exchange in international trade.

High among our obligations, then, is the duty of safeguarding this international currency -- of keeping the American dollar sound. And the soundness of the American dollar rests upon the solidity of the American economy and the financial integrity of the American Government.

We fully realize the great responsibilities of the United States Government in pursuing a sound fiscal policy to assure our national economic welfare.

The fiscal foundation of the Government must rest upon a revenue system that will provide the cost of maintaining government and financing its necessary functions, with adequate provision for funds to manage, service and reduce the national debt.

There is only one approach that I can make to our tax problems, and that is through a realistic appraisal of the hard facts of the present situation. It is not a question of what we would like to have at the moment, but what in the long run is in the national interest. Nor is it a matter of what would be desirable and proper under different circumstances, but rather, what is the proper action to take under the conditions which now prevail.

The cold facts are that present economic conditions, budgetary considerations, inflationary pressures, and debt management problems are such that we cannot deliberately allow revenues to drop below present levels at this time.

The President's budget for the fiscal year ending June 30, 1949, was presented to the Congress on January 12. Current estimates of budget receipts for fiscal year 1949 are $44.5 billion. We estimate that peak production and employment, together with substantial price inflation, will combine to keep receipts at these high levels.

During the fiscal year 1947, the Federal Government showed a surplus of approximately $753 million. The estimated surplus for 1948 is $7.5 billion, and this would be reduced in 1949 to $4.8 billion, if the conditions set forth in the Budget Message prevail.

Budget expenditures for fiscal 1949, estimated at $39.7 billion, have been pared to the minimum consistent with our responsibilities. Let us look objectively at the framework of the budget for possible areas of curtailment.

Seventy-nine percent of the proposed budget is war related. The largest single item is $11.0 billion for national defense, accounting for 28% of the entire budget. I do not believe that the Congress, in view of the dangerously unsettled conditions which prevail throughout the world today, will make a reduction in the estimated expenditures for this division. As a matter of fact, the Congress may increase this amount.

An inflexible item of the 1949 expenditure is the $5.3 billion allowance for interest on the public debt, making up 13% of the total.

$2.0 billion for refund of overpaid taxes and duties, or 5%, represents a deduction from revenues rather than a true expenditure.

Veterans' services and benefits account for 15% of the total, with a current estimate of $6.1 billion for the program.

Our proposed international commitments, the grave importance of which are self-evident, total $7.0 billion, or 18% of the budget.

So together, the programs thus far mentioned make up 79% of the budget, or nearly four-fifths of the 1949 expenditure estimate. They are all, as I have said, largely war created obligations.

As we analyze the Government's peacetime operations, we find that 12%, or $5.0 billions of the Budget, covers such items as flood control, reclamation and other public works items, agricultural programs and state aid, that is, public assistance and highways. These are hardly items that will be materially cut this year.

This leaves, then, 9%, or $3.3 billion, in the Budget to cover all the running expenses of the Government: the Executive Office, the Congress, the State, Treasury, Justice, Post Office, Interior, Agriculture, Commerce, Labor, Atomic Energy Commission and the various agencies. To cut large sums out of this group will be difficult.

We are in the midst of the transitional period between a war and a peace economy. The high cost of Government today results from our war and postwar commitments. In view of existing world-wide conditions, we must not reduce our revenues to a point which would make it impossible for us to meet the financial, economic and moral obligations of the people of this country.

I cannot conceive of any considerations under existing conditions that would justify a tax policy or program that would fail to balance the budget in the fiscal year 1949 and also make provision for adequate retirement of the public debt.

It will take the cooperation and the forbearance of all our people and all elements of our national life to meet the challenge of maintaining our obligations while striving always to reduce as rapidly as is prudent the total cost of operating our Government.

In the light of the position of the United States in world trade and economic recovery, the Treasury Department has undertaken, among other studies, to reexamine the tax treatment of Americans doing business abroad.

Taxes affect the willingness of investors to send their capital abroad in pursuit of new ventures or the development of old ones.

The policy of the United States at this time is to make no special tax concessions to American citizens and corporations who go into foreign markets. There have been some departures from this policy when special circumstances required it. In general, however, the effect of our laws has been to make Americans engaging in business abroad stand on their own feet and to rely upon American industrial techniques and business acumen to meet competition.

One of the most persistent criticisms of this policy is that it places Americans at a disadvantage in competing with nationals of other countries.

There is no doubt that if we accorded special tax treatment to American income derived from a trade or business in foreign countries, the flow of private American investment funds into foreign markets would be encouraged. It would assist in the development of backward areas, in the economic rehabilitation of war-torn countries, and might reduce the volume of inter-governmental loans and assistance.

Consideration must be given, however, to the extent to which preferential tax treatment might weaken the structure and strength of our income taxes when our entire tax system is becoming increasingly reliant on the income tax as its principal component. Past experience indicates, too, that preferential tax treatment is an inefficient technique. Subsidies are generally more effective when they are direct and specific and not disguised in the form of tax exemption or tax reduction.

Though taxation of income derived from foreign sources is considered too harsh by some Americans, it has the virtue of preventing the charge being made against the United States Government that it subsidizes our citizens to compete with nationals of other countries in their own home markets. Particularly because of our leadership in world trade and the world economy, and the importance of our role in stimulating world rehabilitation, we must exercise extreme care not to give the false impression of striving for foreign economic penetration and domination.

As on every tax issue, the problem of taxing Americans doing business abroad involves the balancing of a number of considerations, and this is not a matter easy to resolve. But, let me repeat, we are making a special and careful study of this important problem. By analyzing the available facts and the relevant considerations, a creditable and satisfactory solution to the problem should be developed.

In closing, let me again emphasize that our domestic economic prosperity will be materially affected by the trade policies which we pursue at this time in shaping our future position in world trade relationships.

Our objectives are clear. If we are to reach these objectives, we must act within the knowledge of the economic, social and political forces inherent in our domestic and international problems today. We must broaden our horizon to encompass closer relations with other countries and other peoples throughout the earth in order to fully develop and utilize the world's productive resources.

oOo

TREASURY DEPARTMENT

Washington

Remarks of Secretary Snyder on
the Occasion of Receiving the
Citation of Merit from
the Poor Richard Club
Philadelphia, February 17, 1948

I am grateful, Mr. Hawkins and Poor Richard Club members, for this Citation of Merit.

I accept this Citation on behalf of Mrs. Nellie Tayloe Ross, Mr. John R. Sinnock, and all others in the Treasury Department and the Bureau of the Mint who played a part in the authorization, the design and the production of the new coin. I should like especially to mention the designer, Mr. Sinnock, engraver of the Mint, whose talent gave to our coinage and medals much of their outstanding artistry. I am sure you share my regret that Mr. Sinnock did not live to see the Franklin half dollar come from the coining press.

Surely there could be no more natural choice than to have the portrait of the First Citizen of Philadelphia on the obverse of the new half dollar teamed with a representation on the reverse of that First Institution of Philadelphia, the Liberty Bell.

I recall a discussion which we had in the Treasury Department. It concerned the question whether people were likely to call the new coin the Franklin half dollar or the Liberty Bell half dollar, assuming that not many would go to the trouble of combining the two names. You of the Poor Richard Club will raise no objection, I imagine, if people resolve the problem by just calling it the Philadelphia half dollar -- and that solution probably would strike Ben Franklin, too, as a happy one.

Whatever you call it, the new coin will be finding its way into millions of pockets within the next few weeks. It becomes, as you know, a coin of regular issue, supplanting an older half-dollar design of which almost half a billion have been minted since 1929.

I suspect that B. Franklin, printer, would favor attaching to each of the new coins a tag with some such inscription as "Spend Me Wisely." Actually, however, the coin probably will not need a tag to become a social force. I think the Franklin "Phiz" as he liked to call it, stirring remembrance

of pithy Franklin tributes to thrifty living, will serve the same purpose. And certainly the new half dollar, to the extent that it spreads a message of thrift, will contribute to the national well-being in these days when wise spending is a pressing national need.

Thus the day may come when this coin itself, much more than its authors, shall have well earned a Citation of Merit from this distinguished body.

(REMARKS ON COUNTERPRESENTATION)

And now, as a token of my esteem for the Poor Richard Club, and of my appreciation of the generous expression I have received from it today, I make available to it this portrait in bronze of Benjamin Franklin, whose name and fame are closely linked with the traditions of this Club.

This is an exact replica of the portrait which the new fifty cent piece will bear in recognition of the contribution of this illustrious patriot to his own and succeeding generations as scientist, statesman and philosopher.

oOo

TREASURY DEPARTMENT

Washington

(The following address by Secretary Snyder, on Federal Finances in Relation to the National Economy, before the Association of Stock Exchange Firms and the Atlanta Chamber of Commerce, at the Piedmont Driving Club, Atlanta, Georgia, is scheduled for delivery at 6:30 P.M., E.S.T., Friday, February 13, 1948, and is for release at that time.)

Our primary fiscal concern is the financial integrity of the United States Government. The only way in which such integrity can be sustained is by firm adherence to a sound national financial policy. This policy must rest upon a revenue system that will adequately meet the cost of government and its necessary functions, and provide funds to manage, service, and reduce the public debt.

In planning our fiscal program, it is not a question of what we should like to have at the moment, nor is it a matter of what might be desirable and proper under different circumstances. Our fiscal decisions must be made with a view to the long-term national interest.

What we seek is to stabilize our present high level of material welfare while, at the same time, encouraging an expanding economy.

As a foundation for this program, federal financial policies must be determined by a completely realistic appraisal of existing facts.

The positive factors in our economic outlook are definite and real, and are entirely encouraging for future consolidation and gain.

During 1947, we achieved a level of peacetime prosperity never before known in this country, or in any other country. The aggregate output of goods and services for civilian use was at record heights.

We had a peacetime industrial production of 187 percent of the 1935-39 average.

Employment reached the 60 million mark, a truly great employment record.

The national income was distributed broadly throughout the country and all sectors shared in the prosperous business activity. Wages and salaries, business profits, and farm income each reached new prosperity levels.

American railroads in 1947 handled the greatest peacetime traffic in history. Electric power output and oil production both set new records.

The standard of living of the American people, measured in terms of goods and services, was higher than ever before.

Today, the supplies of raw materials, machinery and equipment, and labor available for producing new goods are being used practically at capacity levels.

Such facts argue for expansion of economic activity and higher national income, with resultant benefits for all.

We have it well within our power to move forward to far greater business growth and individual well-being. Our production plant and equipment are being constantly expanded; our labor force is more than adequate to the task; our industrial and business management is aggressive; and our savings are equal to meeting increasing capital requirements.

These are the positive factors in our economic outlook. Because of these factors, we are in a position to generate far greater capacity if, in the face of certain obvious storm signals, we now consolidate our gains.

Economic retrogression can come only from failure to take affirmative action to reinforce the weaknesses and to counterbalance the distortions which are presently apparent.

The strongest undermining force and the most definite threat to our stability during the past months has been inflation.

The reality of this danger was pointed out in President Truman's recent warning to the Congress that "The first objective for 1948 must be to halt the inflationary trend."

An effective attack on inflationary trends could not be marshalled from a single source. It was not a question of Government controls versus voluntary restraint, but a coordinated, sustained, well-balanced effort involving both. Business, labor, agriculture, and Government, all had to unite in attacking the problem.

A most direct continuing attack on scarcities and rising price and wage levels can be made by a broad national savings effort with every individual keeping his or her expenditures to a minimum. Every dollar we can save makes a direct contribution toward controlling inflation by reducing the pressure on prices.

Although some correction in the upward spiral of the high cost of living has been made in the past week by a decline in commodity prices, these adjustments must be viewed carefully in terms of our whole economy. In a transitional period, in which prices are seeking a more stable relationship, such as we are now having, there is a delicate balance between inflation and deflation. Certainly, we do not want an excess of either.

We should recognize that while there is room for price adjustment in many fields, such adjustments can be made without creating a serious recession. It is merely necessary that we steer our way through the present situation with courage and energetic effort toward the objective of a better balanced economy.

We have been working earnestly toward the goal of arresting inflationary pressures. Whether the peak of these pressures has been reached remains to be seen. A careful balance between restraint and encouragement should be maintained.

This Administration believes that Government controls should be restricted to the minimum essential to the full operation of our free enterprise system. The job can best be done, and more quickly, if government, business, and the public together exercise commonsense restraints.

A government surplus of receipts over expenditures is our most effective weapon in controlling the aggregate volume of purchasing power. Government surplus represents money which is taken from the spending stream by taxes and is not returned to it by government expenditures.

A surplus of receipts over expenditures has been one of the strong anti-inflationary forces operating in the economy during the present year.

When the proceeds of a government surplus are used to retire debt held by the banking system, two objectives are accomplished. The current spending stream is cut down and the money supply curtailed. It has consequently been the Treasury policy to reduce as much as possible the amount of debt held by the commercial banks.

The problems of debt management, however, are much more intricate than merely using revenue surplus to pay off the debt. Differentiations of debt ownership, for instance, have a widespread effect upon our economy. Practical management is therefore essential in debt retirement, in the reissuing of debt maturities, and in distribution of debt holdings.

Ownership of the debt, broadly speaking, is divided three ways. About one-fourth is owned by individuals. About three-eighths is owned by other nonbank investors, including such groups as insurance companies, non-financial corporations and associations. The remaining three-eighths is owned by commercial banks and the Federal Reserve Banks.

The public debt reached a peak of $280 billion in February, 1946. Since then, it has been reduced by over $25 billion. Most of this reduction was effected by drawing down the Treasury cash balance from a wartime to a peacetime level. We have only just begun to make sizable reductions from the revenue surplus.

During the period since the peak of the debt, total holdings of government securities by commercial and Federal Reserve Banks have been reduced by $27 billion.

In order to reduce bank holdings of government securities by $27 billion during the period in which the total debt decrease was $25 billion, it was necessary to increase the government security holdings of nonbank investors. The sale of savings bonds has been an important factor in making this shift possible.

We expect to push the sale of savings bonds even harder in the period ahead. These, like other forms of savings, are a means of taking money from the spending stream, and so of cutting down inflationary pressures.

In the management of the debt, it is always an attractive temptation to postpone debt reduction. Tax reduction has a strong immediate appeal. But because of the far-reaching effect upon our national economy, I cannot conceive of any considerations under present conditions that could justify a tax policy or program failing to balance the budget in the fiscal year 1949 and making necessary provision for adequate retirement of the public debt.

We are in the midst of the transitional period between a war and a peace economy. The high cost of government today results in the main from our war and postwar commitments.

In view of present world distress, we, of all nations, should not and cannot reduce our revenues to a point which would make it impossible for us to meet the financial, economic and moral obligations of the people of this country.

The proposed Budget of the United States for the fiscal year ending June 30, 1949, calls for total expenditures of $39.7 billion. This is a tremendous outlay, but I doubt seriously, considering final net expenditures, that it will be reduced significantly at this time.

Of the total amount of the proposed budget, 79 percent is directly related to the costs of war, the effects of war and our efforts to prevent a future war.

The estimate for national defense alone is $11 billion. This one figure amounts to 28 percent of the 1949 budget. Provision for veteran services and benefits amounts to $6.1 billion, or 15 percent of the total.

$7 billion, or 18 percent of the budget, is estimated to be needed for international finance.

Interest on the public debt amounts to $5.3 billion. This fixed charge, totaling 13 percent, is an inflexible item.

Nearly $2 billion is provided to cover refunds of receipts, a figure which represents an estimate of the overpayment of taxes and duties which the government must repay.

So, the foregoing programs make up nearly four-fifths of the 1949 expenditure estimate.

In analyzing the government's peacetime operations, we find that 12 percent, or $5.0 billions of the budget covers such items as flood control, reclamation, and other public works items, agricultural programs and state aid, that is, public assistance and highways: It is doubtful that these items will be materially cut this year.

This leaves, then, 9 percent, or $3.3 billion in the budget to cover all the running expenses of the Government: the Executive Office, the Congress, the State, Treasury, Justice, Post Office, Interior, Agriculture, Commerce, Labor, Atomic Energy Commission and the various other agencies. To cut large sums out of this group would be a difficult undertaking.

I am firmly opposed to a hasty tax reduction which would lower our present revenue level before we have determined what our total outlay of expenditures is to be for the fiscal year 1949 and before a complete and proper survey of revision of our entire tax structure is undertaken.

For many years, taxes have been adjusted piecemeal to meet urgent requirements. The depression years, followed by preparations for defense, and later by the war itself, called for continually increased sources of revenue. Our first step in changing our tax structure should be to iron out these

The Treasury Department began to lay plans for the revision of the tax structure even before the conclusion of the war. It has already placed before Congressional committees fifteen tax studies.

I should like to mention here, some of those areas in which revision appears to be particularly desirable in the interest of basic economic goals.

The excise tax structure was rapidly expanded during the war, and some undesirable features crept into it. There is need to revise some of these excises, especially those which bear heavily on business costs or tend to fall with disproportionate weight on low income groups in the process of shifting through consumer prices.

The tendency of more and more states to adopt community-property laws for the purpose of giving tax benefits to their residents has high-lighted the need for uniform taxation of family incomes in all the states.

In the field of business taxation, the so-called double taxation of dividends requires attention. We should also explore fully the potentialities of the tax system to foster the growth of small business.

It would further seem desirable that more liberal provision should be made for the offset of business losses incurred in off years against the profits realized in prosperous years.

The role of Federal estate and gift taxes has to be strengthened. A better integration of the estate with the gift tax, and of both with the income tax, will contribute to this end.

Several phases of the tax structure involve problems of Federal-State tax coordination. Postwar tax revision can make an important contribution to inter-governmental fiscal integration.

There is need also for a large number of technical adjustments in the present law which would contribute to better relations between the taxpayer and the government, improve tax equity, promote simplicity of reporting for the taxpayer, and simplify tax administration.

It is most important that we create a well-balanced and fair tax system. However, we must keep in mind that most revisions necessary to put the tax structure on a sound and fair basis will involve loss of revenue. Therefore, wise judgment again counsels against hasty dissipation of our margin of surplus through general tax reduction. If we exhaust our revenue reserves prematurely, we may deny ourselves the opportunity to make tax revisions necessary to the economy.

Since our overall fiscal policies will essentially affect the expansion and competitive vitality of our free society, these policies definitely must be predicated on the permanent national interest and not on immediate advantages or individual wishes.

American free enterprise is the first consideration. But the horizons are far broader.

Today, the entire world looks to the United States to determine whether or not our free society is capable of resolving its fundamental problems by overcoming forces that endanger our economic structure.

Our success in these efforts should demonstrate that the most effective economic system to assure the welfare and happiness of man is found in a free, competitive economy.

oOo

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, February 11, 1948

Press Service
No. S-628

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, 1947, to January 31, 1948, 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, 1947, to Jan. 31, 1948	Imports Sept. 20, 1947, to Jan. 31, 1948	Imports Sept. 20, 1947 to Jan. 31, 1948
Egypt and the Anglo-Egyptian Sudan.............	783,816		43,574,472	
Peru...............	247,952	247,952	1,903,999	
British India.....	2,003,483	19,784		14,214,810
China.............	1,370,791	---		
Mexico............	8,883,259	8,883,259		
Brazil............	618,723	618,723		
Union of Soviet Socialist Republics..............	475,124	249,068	177,949	
Argentina.........	5,203			
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	-			
	14,516,882	10,018,786	45,656,420	14,214,810

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. 20,1947, to Jan.31,1948	Established 33-1/3% of Total Quota	Imports Sept. 20, 1947, to Jan. 31, 1948 1/
United Kingdom.....	4,323,457	19,703	1,441,152	19,703
Canada.............	239,690	70,818	-	
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		-	
Cuba...............	6,544		-	
Germany............	76,329		25,443	
Italy..............	21,263		7,088	
Totals	5,482,509	160,148	1,599,886	19,703

1/ Included in total imports, column 2.

-o0o-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, February 11, 1948

Press Service
No. S-629

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, 1948 to January 31, 1948, inclusive, as follows:

Products of Philippine Islands	Established Quota Quantity	Unit of Quantity	Imports as of January 31, 1948
Buttons	850,000	Gross	10,728
Cigars	200,000,000	Number	97,885
Coconut oil	448,000,000	Pound	9,733,193
Cordage	6,000,000	"	61,314
Rice	1,040,000	"	---
Sugars, refined)	1,904,000,000	"	---
unrefined)		"	29,177,173
Tobacco	6,500,000	"	---

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 20, 1948.

Press Service
No. S-630

Secretary Snyder today made public, in accordance with a provision of the Internal Revenue Code, a supplemental list of individuals receiving from corporations compensation for personal services in excess of $75,000 for the calendar year 1944 and fiscal years ending in 1945, and for the calendar year 1945, and fiscal years ended in 1946.

The Secretary of the Treasury is required by Section 148 (f) of the Code, as amended by Section 407 of the Revenue Act of 1939, to make public the names of such individuals as were reported by employing corporations in their income tax returns. The list compiled shows the amounts paid to officers and employees by reporting corporations in the form of salary, commissions, bonus or other compensation for personal services.

Section 148 (f) of the Internal Revenue Code, as amended by Section 407 of the Revenue Act of 1939, is as follows:

> "Compensation of Officers and Employees: - Under regulations prescribed by the Commissioner with the approval of the Secretary, every corporation subject to taxation under this chapter shall, in its return, submit a list of the names of all officers and employees of such corporation and the respective amounts paid to them during the taxable year of the corporation by the corporation as salary, commission, bonus, or other compensation for personal services rendered, if the aggregate amount so paid to the individual is in excess of $75,000.
>
> "The Secretary shall compile from the returns made a list containing the names of, and the amounts paid to, each such officer and employee and the name of the paying corporation and shall make such list available to the public. It shall be unlawful for any person to sell, offer for sale, or circulate, for any consideration whatsoever, any copy or reproduction of any list, or part thereof, authorized to be made public by this Act or by any prior Act, relating to the publication of information derived from income tax returns; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding $1,000 or by imprisonment not exceeding one year, or both, at the discretion of the court: Provided, that nothing in this sentence shall be construed to be applicable with respect to any newspaper, or other periodical publication entitled to admission to the mails as second-class matter."

The names of the corporations and of the officers and employees who received compensation in excess of $75,000, as reported to the Secretary by the Bureau of Internal Revenue, are as follows:

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
MINNESOTA						
NORTHERN ORDNANCE, INCORPORATED	6/30/45					
Hawley, John B., Jr.		60,000.00		190,000.00		250,000.00

NOTE: The above represents total compensation paid to Mr. Hawley since taxpayer's parent, Northern Pump Company, did not pay any compensation to him during the fiscal year.

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK						
DONAHUE & COE, INCORPORATED	12/31/44					
Churchill, Arthur B.						83,941.20
Churchill, E. J.						174,800.00
LOEW'S, INCORPORATED	8/31/45					
Arnold, Edward		102,083.37				102,083.37
Astaire, Fred		155,578.85				155,578.85
Ball, Lucille		79,250.00				79,250.00
Beery, Wallace		100,000.00				100,000.00
Berman, Pandro S.		182,000.00				182,000.00
Bernstein, David		93,600.00	106,142.86		10,600.00	210,342.86
Bolger, Ray		130,000.00				130,000.00
Brown, Clarence		212,000.00				212,000.00
Buzzell, Edward		92,750.00				92,750.00
Cohn, J. J.		132,500.00				132,500.00
Connell, Richard		83,291.67				83,291.67
Cugat, Xavier		115,341.62				115,341.62
Cukor, George		213,325.00				213,325.00
Cummings, John S.		132,500.00				132,500.00
Dietz, Howard		65,000.00			13,250.00	78,250.00
Durante, Jimmy		98,749.98				98,749.98
Fleming, Victor		225,250.00				225,250.00

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPENSATION	TOTAL
NEW YORK (Cont.)						
LOEW'S, INCORPORATED (Cont.)	8/31/45					
Franklin, Sidney		201,000.00				201,000.00
Freed, Arthur		106,000.00		53,000.00		159,000.00
Friedman, Leopold		93,600.00			10,400.00	104,000.00
Gable, Clark		229,687.50				229,687.50
Garnett, Tay		119,250.00				119,250.00
Garson, Greer		212,000.02				212,000.02
Gibbons, Cedric		92,750.00				92,750.00
Goetz, Ben		81,999.99				81,999.99
Gordon, Leon		68,333.33		31,416.67		99,750.00
Gumm, Frances (Judy Garland)		141,666.66				141,666.66
Hepburn, Katharine		198,667.27				198,667.27
Hornblow, Arthur, Jr.		185,500.00				185,500.00
Iturbi, Jose		103,000.00				103,000.00
Johnson, Laraine		51,538.53		36,922.96		88,461.49
Johnson, Van		34,500.00		60,000.00		94,500.00
Katz, Sam		159,000.00	43,571.43			202,571.43
Koster, Henry		145,750.00				145,750.00
Leonard, Robert Z.		212,000.00				212,000.00
Le Roy, Mervyn		182,000.00				182,000.00
Lichtman, Al.		159,000.00	43,571.43			202,571.43
Mandl, Hedwig K. (Hedy Lemarr)		130,416.67				130,416.67
Loew, Arthur M.			82,430.38			82,430.38
Mannix, E. J.		161,650.00	43,571.43			205,221.43
Mayer, J. G.		123,000.00				123,000.00
Mayer, Louis B.		159,000.00	343,571.43			502,571.43

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (Cont.)						
LOEW'S, INCORPORATED (Cont.)	8/31/45					
McGuinness, James		132,500.00				132,500.00
Melchoir, Lauritz		121,770.83				121,770.83
Minnelli, V. C.		78,000.00				78,000.00
Montgomery, Robert		226,333.34				226,333.34
Morgan, Frank		101,597.29				101,597.29
Moskowitz, C. C.		102,700.00			16,900.00	119,600.00
Murphy, George		119,250.00				119,250.00
Nathan, Robert		92,250.00				92,250.00
Pasternak, Joseph		158,250.00				158,250.00
Pidgeon, Walter		121,125.01		56,066.67		177,191.68
Powell, William		196,250.00				196,250.00
Raphaelson, Samson		96,250.00				96,250.00
Rathbone, Basil		87,666.66				87,666.66
Riskin, Everett		132,500.00				132,500.00
Roberts, Marguerite		60,116.67		32,633.33		92,750.00
Robinson, Casey		131,000.00				131,000.00
Robinson, Edward G.		110,000.00				110,000.00
Rogers, Ginger		175,000.00				175,000.00
Rogers, William F.		104,000.00			10,600.00	114,600.00
Rubin, J. Robert		88,400.00	111,357.14		15,900.00	215,657.14
Schenck, Nicholas M.		105,300.00	94,410.72		25,175.00	224,885.72
Sidney, George		22,900.00		57,441.67		80,341.67
Sidney, Louis K.		96,916.67				96,916.67
Siegel, Morris J.		106,000.00				106,000.00
Sothern, Ann		111,666.66				111,666.66
Thau, Benjamin		92,750.00	83,857.98			176,607.98
Thorpe, Richard		92,750.00				92,750.00
Taurog, Norman		159,000.00				159,000.00
Tracy, Spencer		146,890.97				146,890.97

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (Cont.)						
LOEW'S, INCORPORATED (Cont.)	8/31/45					
Trumbo, Dalton		84,500.00				84,500.00
Turner, Lana		176,000.00		50,000.00		226,000.00
Vogel, Joseph R.		93,600.00			10,400.00	104,000.00
Warren, Harry		117,361.06				117,361.06
Weingarten, L.		172,250.00	30,535.71			202,785.71
Whorf, Richard		75,624.99				75,624.99
Wilson, Carey		121,000.00				121,000.00
Young, Robert		122,500.00				122,500.00
Zimbalist, Sam		139,166.67				139,166.67
RUSSELL, BURDSALL & WARD BOLT & NUT CO.	6/30/45					
Ward, Evans		22,500.00		100,963.01		123,463.01
OHIO						
THE RIDGE TOOL COMPANY	12/31/44					
Ingwer, C. H.		75,240.00				75,240.00
CALIFORNIA						
ANDY RUSSELL, INCORPORATED	3/31/46					
Russell, Andy		78,491.01				78,491.01
CAGNEY PRODUCTIONS, INCORPORATED	7/31/46					
Cagney, James		112,500.00				112,500.00
NORTH AMERICAN AVIATION, INCORPORATED	9/30/46					
Kindelberger, J. H.		100,000.00			50.00	100,050.00

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
GEORGIA						
BIBB MANUFACTURING COMPANY	8/31/46					
Anderson, William D.		49,999.92		35,000.00		84,999.92
IOWA						
COLLINS RADIO COMPANY	7/31/46					
Barkley, William J.		99.999.84			50.00	100,049.84
Collins, Arthur A.		81,999.84			125.00	82,124.84
MASSACHUSETTS						
DRAPER & COMPANY, INCORPORATED	11/30/46					
Draper, Paul A.		75,000.00		28,900.00		103,900.00
WINSLOW BROTHERS & SMITH COMPANY	10/31/46					
Marriner, Kenneth W.		30,000.00		137,275.00	220.00	167.495.00
MICHIGAN						
BUNDY TUBING COMPANY	7/31/46					
Anderson, Wendell W.		90,000.00			175.00	90,175.00
GIBSON REFRIGERATOR COMPANY	7/31/46					
Gibson, Charles J.		100,000.00		15,000.00		115,000.00
Hamper, L. W.		60,000.00		18,000.00		78,000.00
NASH-KELVINATOR CORPORATION	9/30/46					
Mason, George W.		125,000.16-A				125,000.16

NOTE A - Does not include director's fees paid by Refrigeration Discount Corporation in the amount of $80.00.

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
MINNESOTA						
NORTHERN ORDNANCE, INCORPORATED	6/30/46					
Hawley, John B., Jr.		100,000.00				100,000.00
NEW JERSEY						
CAMPBELL SOUP COMPANY	7/31/46					
Dorrance, Arthur C.		94,625.00				94,625.00
EASTERN WOOD PRODUCTS COMPANY	11/30/46					
Tipton, H. R.		95,354.61				95,354.61
FORSTMANN WOOLEN COMPANY	11/30/46					
Forstmann, Curt E.		25,000.00		136,809.75	1,200.00	163,009.75
Forstmann, Julius G.		15,000.00		68,404.88	1,400.00	84,804.88
Wilson, Kenneth		15,000.00		68,404.87	1,000.00	84,404.87
NEW YORK						
DAVID CRYSTAL, INCORPORATED	11/30/46					
Crystal, Philip		15,883.28	91,462.63			107,345.91
Draddy, Vincent		19,641.64	91.462.63			111,104.27
JULIUS FORSTMANN CORPORATION	11/30/46					
Rosenberg, Bernard A.		36,000.00	59,846.43			95,846.43
JOE LOWE CORPORATION	11/30/46					
Nissman, Morris			95,629.69			95,629.69
OHRBACH'S, INCORPORATED	7/31/46					
Ohrbach, Nathan M.		100,000.00				100,000.00

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (Cont.)						
CHESTER H. ROTH COMPANY, INC.	11/30/46					
Roth, Chester H.		50,894.96		50,000.00		100,894.96
I. SCHNEIERSON & SONS, INC.	7/31/46					
Schneierson, S. S.		54,000.00		43,473.52		97,473.52
STEHLI AND COMPANY, INC.	9/30/46					
Dillmuch, William L.					101,365.53	101,365.53
STERLING DRUG, INCORPORATED	12/31/45					
Hill, James, Jr.		65,000.00		25,000.00	550.00	90,550.00
UNION SECURITIES CORPORATION	12/31/45					
King, Joseph H.		49,999.92		45,000.00	811.37	95,811.29
UNIVERSAL FILM EXCHANGES, INC.	10/31/46					
Scully, William A.		91,000.00				91,000.00
UNIVERSAL INTERNATIONAL FILMS, INC.	10/31/46					
Seidelman, Joseph H.		75,400.00				75,400.00
UNIVERSAL PICTURES COMPANY, INC.	10/31/46					
Abbott, Bud		143.889.16			30,653.86	174,543.02
Aumont, Maria Montez		78,375.00				78,375.00
Blumberg, N. J.		117,000.00			106,622.68	223,622.68
Brent, George		187,000.00				187,000.00
Costello, Lou		158,229.17			30,556.77	188,785.94

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (Cont.)						
UNIVERSAL PICTURES COMPANY, INC. (Cont.)	10/31/46					
Cowdin, J. Cheever		117,000.00			106,622.68	223,622.68
Donlevy, Brian		128,125.00				128,125.00
Durbin, Edna Mae		243.000.00			19,875.36	262,875.36
Duryea, Dan		100,000.00				100,000.00
Fessier, Michael		80,025.00				80,025.00
Fox, Matthew		26,250.00			52,899.28	79,149.28
Jackson, Felix		101,333.35				101,333.35
Oakie, Jack		150,000.00				150,000.00
Prutzman, Charles D.		75,400.00			52,899.28	128,299.28
Reisch, Walter		129,000.00				129,000.00
Seiter, William		245,000.00				245,000.00
Siodmak, Robert		136,200.00				136,200.00
Wanger, Walter		62,500.00			220,399.95	282,899.95
Work, Clifford		86,000.00			52,899.28	138,899.28
WALDBURGER GRANT & COMPANY, INC.	10/31/46					
Grant, Dana H.		17,500.00	74,032.02			91,532.02
Waldburger, Ernest R. J.		22,500.00	111,047.88			133,547.88
WARNER BROTHERS CIRCUIT MANAGEMENT CORP.	8/31/46					
Coston, James E.		48,300.00		29,227.52	5,200.00	82.727.52
Hoffman, I. J.		52,000.00		26,212.98		78,212.98
Kalmine, Harry		76,550.00		20,343.86	10,450.00	107,343.86

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPENSATION	TOTAL
NEW YORK (Cont.)						
WARNER BROTHERS PICTURES, INC.	8/31/46					
Bernhard, Joseph		102,000.00			4,800.00	106,800.00
Bernhardt, K.		116,466.67				116,466.67
Blanke, Henry		192,916.67				192,916.67
Bogart, Humphrey		123,291.66				123,291.66
Butler, David		150,000.00				150,000.00
Carson, Jack		123,250.01				123,250.01
Crawford, Joan		200,000.00				200,000.00
Curtiz, Michael		258,600.00				258,600.00
Daves, Delmar		89,725.00				89,725.00
Davis, Bette		221,000.00				221,000.00
Dunne, Irene		77,500.00				77,500.00
Einfeld, S. C.		81,000.00				81,000.00
Flynn, Errol		214,000.00				214,000.00
Forbstein, Leo		91,000.00				91,000.00
Garfield, Jules		84,000.00				84,000.00
Grant, Cary		89,583.33				89,583.33
Greenstreet, Sydney		128,000.00				128,000.00
Henreid, Paul		160,833.37				160,833.37
Lupino, Ida		128,000.00				128,000.00
Massey, Raymond		84,000.00				84,000.00
Morner, Stanley		261,000.00				261,000.00
Raines, Claude		85,000.00				85,000.00
Rapper, Irving		155,500.00				155,500.00
Reagan, Ronald		145,833.33				145,833.33
Schneider, Samuel		73,750.00	450.00		13,000.00	87,200.00
Sheridan, Ann		133,928.67				133,928.67
Sherman, Vincent		89,750.00				89,750.00
Stanwyck, Barbara		116,666.67				116,666.67
Starr, Herman		78,000.00				78,000.00

162

NAME OF CORPORATION AND OFFICERS OR EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPEN-SATION	TOTAL
NEW YORK (Cont.)						
WARNER BROTHERS PICTURES, INC. (Cont.)	8/31/46					
Trilling, Steve B.		78,000.00				78,000.00
Wald, Jerry		99,175.00				99,175.00
Walsh, Raoul		173,833.33				173,833.33
Warner, Albert		91,000.00	500.00		13,000.00	104,500.00
Warner, Harry M.		182,000.00	150.00			182,150.00
Warner, Jack L.		182,000.00	100.00			182,100.00
WARNER BROS. PICTURES DISTRIBUTING CORP.	8/31/46					
Kalmenson, Benj.		84,600.00			13,000.00	97,600.00
JULIUS N. WERK FABRICKS, INC	8/31/46					
Werk, Julius N.		15,000.00	83,737.45			98,737.45
OHIO						
THE ANDREW JERGENS COMPANY	11/30/46					
Jergens, Andrew		5,000.00	250,000.00			255,000.00
Nelson Joseph D.		5,000.00	250,000.00			255,000.00
DANA CORPORATION (formerly Spicer Mfg. Corporation)	8/31/46					
Carpenter, R. E.		36,000.00		63,250.00		99,250.00
Dana, C. A.		100,000.00				100,000.00
THE GENERAL TIRE & RUBBER COMPANY	11/30/46					
O'Neil, W.		10,000.00	87,000.00			97,000.00
THE WM. TAYLOR SON & COMPANY	1/31/46					
Scholl, D. H.		32,500.00		67,500.00		100,000.00

NAME OF CORPORATION AND OFFICERS OF EMPLOYEES	CALENDAR OR FISCAL YEAR ENDED	SALARY	COMMISSION	BONUS	OTHER COMPENSATION	TOTAL
PENNSYLVANIA						
AL PAUL LEFTON COMPANY INC.	10/31/46					
Lefton, Al Paul						75,314.04
FORT PITT BREWING COMPANY	10/31/46					
Berardino, M.		14,400.00		105,532.95		119,932.95
RHODE ISLAND						
BRADFORD DYEING ASSOCIATION (U.S.A)	11/30/46					
Sumersby, George		30,000.00		55,000.00		85,000.00
TEXAS						
ANDERSON, CLAYTON & CO.	7/31/46					
Anderson, W. L.		20,000.00	65,691.32			85,691.32
Cannafax, D. B.		35,000.00	101,316.32			136,316.32
Davis, T. A.		17,982.85	87,649.23			105,632.08
Fleming, Lamar Jr.		40,000.00	136,003.82			176,003.82
Johnson, J. M.		20,000.00	65,691.32			85,691.32
Koar, W. H.		20,000.00	84,441.32			104,441.32
McAshan, S. M. Jr.		20,000.00	65,691.32			85,691.32
Oden, Sydnor		25,000.00	84,441.31			109,441.31
Whittington, Harmon		40,000.00	136,003.82			176,003.82
VIRGINIA						
PLANTERS NUT AND CHOCOLATE COMPANY	9/30/46					
Obici, Amedeo		5,000.04	150,558.59		400.00	155,958.63

United States Savings Bonds Issued and Redeemed Through January 31, 1948

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

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	Percent Redeem of Amt. Issues
Series A-D:				
Series A-1935 (matured)....	$ 255	$ 248	$ 8	97.25%
Series A-1936 (matured)....	463	443	20	95.68
Series C-1937 (matured)....	590	522	68	88.47
Series C-1938..............	672	208	3/463	30.95
Series D-1939..............	1,040	221	819	21.25
Series D-1940..............	1,226	238	988	19.41
Series D-1941..............	526	93	433	17.68
Total Series A-D........	4,772	1,974	2,799	41.37
Series E:				
Series E-1941..............	1,478	351	1,127	23.75
Series E-1942..............	6,683	2,433	4,250	36.41
Series E-1943..............	10,930	4,703	6,228	43.03
Series E-1944..............	12,775	5,611	7,164	43.92
Series E-1945..............	9,946	4,172	5,774	41.95
Series E-1946..............	4,365	1,287	3,078	29.48
Series E-1947..............	3,999	524	3,475	13.10
Series E-1948..(1 mo.).....	159	*	159	-
Total Series E..........	50,337	19,081	31,255	37.91
Total Series A-E........	55,109	21,055	34,054	38.21
Series F and G.				
Series F and G-1941........	1,533	209	1,324	13.63
Series F and G-1942........	3,192	506	2,687	15.85
Series F and G-1943........	3,365	542	2,823	16.11
Series F and G-1944........	3,696	458	3,238	12.39
Series F and G-1945........	3,147	281	2,866	8.93
Series F and G-1946........	2,994	158	2,836	5.28
Series F and G-1947........	2,582	31	2,552	1.20
Series F and G-1948 (1 mo.)	147	-	147	-
Total Series F and G....	20,657	2,183	18,474	10.57
Unclassified sales and redemptions................	196	149	47	
Total All Series 4/	75,962	23,387	52,575	30.79

* 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 Series A-C (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 IMMEDIATE RELEASE
Wednesday, February 11, 1948

Press Service
No. S-631

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	Imports May 29, 1947 to January 31, 1948	Established Quota	Imports May 29, 1947 to January 31, 1948
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	500	3,815,000	1,247,338
China	-	-	24,000	5,600
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	80
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	500	4,000,000	1,253,018

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, February 11, 1948

Press Service
No. S-632

The Bureau of Customs announced today preliminary figures showing the imports for consumption of commodities within quota limitations provided for under the General Agreement on Tariffs and Trade, from the beginning of the quota periods to January 31, 1948, inclusive, as follows:

Commodity	Established Quota Period and Quantity		Unit of Quantity	Imports as of January 31, 1948
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	542
Cream, fresh or sour	Calendar year	1,500,000	Gallon	134
Butter	3 months from Jan. 1, 1948	30,000,000	Pound	9,269
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	24,930,188 (1)	Pound	3,518,292
White or Irish potatoes:				
Certified seed	12 months from Sept. 15, 1947	150,000,000	Pound	92,545,087
Other		60,000,000	Pound	40,262,924

(1) The proviso to Item 717(b) limits the imports for consumption at the quota rate to 6,232,547 pounds during the first 3 months of the calendar year.

Due to a provision of the President's proclamation No. 2769 of January 30, 1948 in which the entry of a specified quantity of Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco) and scrap tobacco affects the rate of duty on such tobacco from countries other than Cuba, a record is maintained of imports from Cuba. 2,434,346 pounds of such Cuban tobacco were imported for consumption during the period January 1 to January 31, 1948, inclusive.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Monday, February 16, 1948.

Press Service
No. S-633

During the month of January, 1948, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $200,000, Secretary Snyder announced today.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, February 17, 1948.

Press Service
No. S-634

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 February 26, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated February 26, 1948, and will mature May 27, 1948, 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, Friday, February 20, 1948. 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 February 26, 1948, in cash or other immediately available

funds or in a like face amount of Treasury bills maturing February 26, 1948. 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 (ohter than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, February 17, 1948.

Press Service
No. S-635

The Secretary of the Treasury announced last evening that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated February 19 and to mature May 20, 1948, which were offered February 13, 1948, were opened at the Federal Reserve Banks on February 16.

The details of this issue are as follows:

Total applied for - $1,460,777,000
Total accepted - 1,000,528,000 (includes $43,288,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.748 Equivalent rate of discount approx. 0.996% per annum

Range of accepted competitive bids:

High - 99.765 Equiv. rate of discount approx. 0.930% per annum
Low - 99.747 " " " " " 1.001% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 13,610,000	$ 12,380,000
New York	1,277,727,000	847,629,000
Philadelphia	3,150,000	3,150,000
Cleveland	8,465,000	8,465,000
Richmond	3,170,000	3,170,000
Atlanta	10,080,000	7,670,000
Chicago	61,862,000	43,605,000
St. Louis	4,190,000	3,883,000
Minneapolis	6,053,000	5,725,000
Kansas City	13,259,000	10,183,000
Dallas	5,645,000	5,645,000
San Francisco	53,566,000	49,023,000
TOTAL	$1,460,777,000	$1,000,528,000

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Wednesday, February 18, 1948.

Press Service
No. S-636

Secretary of the Treasury Snyder today announced the offering, through the Federal Reserve Banks, of 1-1/8 percent Treasury Certificates of Indebtedness of Series C-1949, open on an exchange basis, in authorized denominations, to holders of 7/8 percent Treasury Certificates of Indebtedness of Series C-1948, maturing March 1, 1948, in the amount of $2,141,731,000, 2 percent Treasury Bonds of 1948-50 (dated March 15, 1941), called for redemption on March 15, 1948, in the amount of $1,115,367,900, or 2-3/4 percent Treasury Bonds of 1948-51, called for redemption on March 15, 1948, in the amount of $1,223,495,850. Exchanges will be made par for par in the case of the maturing certificates, and at par with an adjustment of interest as of March 15, 1948, in the case of the called bonds.

The certificates now offered will be dated March 1, 1948, and will bear interest from that date at the rate of one and one-eighth percent per annum, payable with the principal at maturity on March 1, 1949. 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 securities to be exchanged and, where maturing bonds in coupon form are presented, by payment of accrued interest on the new certificates at the rate of $0.43151 per $1,000, since in these cases interest is to be adjusted as of March 15, 1948. 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 Friday, February 20.

Subscriptions addressed to a Federal Reserve Bank or Branch or to the Treasury Department, and placed in the mail before midnight February 20, 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

1-1/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES C-1949

Dated and bearing interest from March 1, 1948 Due March 1, 1949

1948
Department Circular No. 823

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, February 18,1948.

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 from the people of the United States for certificates of indebtedness of the United States, designated 1-1/8 percent Treasury Certificates of Indebtedness of Series C-1949, in exchange for 7/8 percent Treasury Certificates of Indebtedness of Series C-1948, maturing March 1, 1948, 2 percent Treasury Bonds of 1948-50, dated March 15, 1941, called for redemption on March 15, 1948, or 2-3/4 percent Treasury Bonds of 1948-51, called for redemption on March 15, 1948. Exchanges will be made par for par in the case of the maturing certificates, and at par with an adjustment of interest as of March 15, 1948, in the case of the called bonds.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated March 1, 1948, and will bear interest from that date at the rate of 1-1/8 percent per annum, payable with the principal at maturity on March 1, 1949. 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 for certificates allotted hereunder must be made on or before March 1, 1948, or on later allotment. Payment of the principal amount may be made only in Treasury Certificates of Indebtedness of Series C-1948, maturing March 1, 1948, in Treasury Bonds of 1948-50, called for redemption on March 15, 1948, or in Treasury Bonds of 1948-51, called for redemption on March 15, 1948, which will be accepted at par and should accompany the subscription. The full year's interest on the certificates surrendered will be paid to the subscriber following acceptance of the certificates. In the case of the called bonds in coupon form, payment of accrued interest on the new certificates from March 1, 1948 to March 15, 1948 ($0.43151 per $1,000) should be made when the subscription is tendered. In the case of maturing registered bonds, the accrued interest will be deducted from the amount of the check which will be issued in payment of final interest on the bonds surrendered. Final interest due March 15 on bonds surrendered will be paid, in the case of coupon bonds, by payment of March 15, 1948 coupons, which should be detached by holders before presentation of the bonds, and in the case of registered bonds, by checks drawn in accordance with the assignments on the bonds surrendered.

V. ASSIGNMENT OF REGISTERED BONDS

1. Treasury Bonds of 1948-50 and Treasury Bonds of 1948-51 in registered form tendered in payment for certificates offered hereunder should be assigned by the registered payees or assignees thereof to "The Secretary of the Treasury for exchange for Treasury Certificates of Indebtedness of Series C-1949 to be delivered to ____________", in accordance with the general regulations of the Treasury Department governing assignments for transfer or exchange, and thereafter should be presented and surrendered with the subscription to a Federal Reserve Bank or Branch or to the Treasury Department, Division of Loans and Currency, Washington, D. C. The bonds must be delivered at the expense and risk of the holders.

VI. 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 PAPERS,
Sunday, February 22, 1948

Press Service
No. S-637

Eight Americans distinguished in the fields of industry, education and government have been named as the Advisory Committee to the newly formed National Academy for Public Purchasing.

Interim Chairman Clifton E. Mack, Director of the Bureau of Federal Supply, said the members will advise on policy matters for the Academy. They are:

Phillip Young, Dean of the Business School, Columbia University.

Emery Olson, Dean, School of Public Administration, University of Southern California.

Walter Kirkman, Director, Department of Budget & Procurement, State of Maryland

Harry Erlicher, Vice President, General Electric Company.

John R. Steelman, Assistant to President Truman

William C. Foster, Under Secretary of Commerce

Albert Browning, Vice President, Ford Motor Company

W. Z. Betts, Director of Purchase & Contract, State of North Carolina.

Mr. Mack said the appointees, who will serve without pay, bring a "needed wealth of experience to one of the largest problems in the realm of government -- Federal, State and Municipal."

"It is estimated that the Federal Government alone spends over one billion dollars a year in the supply operation," he said. "Certainly its efficient conduct is therefore a matter of critical importance and any improvement in the procurement system, however small, results in sizeable savings.

"The National Academy for Public Purchasing will act as a focal point for the distribution of latest information on purchasing techniques used by industrial, as well as governmental purchasing officers."

The Academy, sponsored by the Treasury's Bureau of Federal Supply, will hold its initial seminar conference in Washington beginning April 5th, at which time purchasing officers from throughout the nation are expected to attend. Officials prominent

in the purchasing world, governmental and industrial, will act as lecturers. It is expected that the initial sessions will uncover "purchase techniques and practices now employed in localized areas which may well be fitted into a larger, national plan."

Interim Chairman Mack stressed the importance of industry's participation. "American industry produces the things government purchasing officers buy. Its operations have always been the hallmark of efficiency. In addition, its own purchasing systems work very well, and many of the purchase practices can become parts of the governmental procurement technique, despite the fact that the latter in many cases operates under limiting statutes and directives."

The original idea for the National Academy came from a suggestion lodged last year by W. Z. Betts, one of the new appointees, and also President of the National Institute of Governmental Purchasing.

President Truman publicly endorsed the plan with the statement that "Federal purchasing officials, as well as those who buy for state and local governments, should benefit from this mutual exchange of experience in buying techniques."

A purely non-profit undertaking, the National Academy will represent no increase in costs to the government, as existing facilities of the Bureau of Federal Supply will be utilized and members attending the seminars will defray their own expenses.

Mr. Mack said that invitations to attend sessions would go out shortly, and that purchasing men everywhere could contact the Bureau of Federal Supply in Washington for further information. The agenda for the initial sessions will be announced in March.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, February 21, 1948.

Press Service
No. S-638

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 February 26 and to mature May 27, 1948, which were offered February 17, 1948, were opened at the Federal Reserve Banks on February 20.

The details of this issue are as follows:

Total applied for - $1,537,578,000
Total accepted - 1,105,989,000 (includes $36,526,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.748 Equivalent rate of discount approx. 0.997% per annum

Range of accepted competitive bids:

High - 99.756 Equivalent rate of discount approx. 0.965% per annum
Low - 99.747 " " " " " 1.001% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 8,785,000	$ 8,625,000
New York	1,396,831,000	998,084,000
Philadelphia	11,835,000	1,835,000
Cleveland	3,427,000	3,427,000
Richmond	3,150,000	3,150,000
Atlanta	4,150,000	3,510,000
Chicago	43,671,000	26,513,000
St. Louis	2,785,000	2,785,000
Minneapolis	2,730,000	2,634,000
Kansas City	4,631,000	4,523,000
Dallas	7,090,000	6,954,000
San Francisco	48,493,000	43,949,000
TOTAL	$1,537,578,000	$1,105,989,000

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 27, 1948.

Press Service
No. S-639

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 March 4, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated March 4, 1948, and will mature June 3, 1948, 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, March 1, 1948. 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 March 4, 1948, in cash or other immediately available

funds or in a like face amount of Treasury bills maturing March 4, 1948. 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.

oOo

C
O
P
Y

UNDER SECRETARY OF THE TREASURY

February 26, 1948

My dear Mr. Chairman:

As you know, Secretary Snyder has urged in appearances before your Committee the desirability of undertaking at the earliest possible opportunity the steps necessary to eliminate from the tax structure its inequities and administrative and other defects. Under present conditions we cannot safely undertake this year some of the basic structural changes that will ultimately be desirable due to the large losses in revenues they might entail. I am confident, however, that we can adopt many revisions which would move in the direction of a much improved postwar tax system.

To assist in accomplishing this purpose, there is transmitted herewith, for consideration of your Committee, a list of some of the items which this Department believes desirable to have enacted into law during the present session of the Congress.

There is now in course of preparation a further list which I hope to submit to you as soon as it is completed. These lists by no means constitute a complete statement of desirable amendments to the tax law. They include items with respect to which our consideration and study have progressed sufficiently to enable the Department to make specific and definite recommendations. As to many of them, tentative legislative drafts have already been completed. In this connection it should be understood that the brief descriptive explanations of the items in the attachment are intended only to present the general outlines of the recommended revisions.

In the interest of expeditious legislative action, I am not now suggesting a number of controversial or complex matters which the Department believes need attention. These items will require our joint study and consideration before they could be made ready for legislative action. I am hopeful that by persistent cooperative work of the technical staffs of the Joint Committee on Internal Revenue Taxation and this Department many of these more controversial and complex items can be disposed of as soon as agreement can be reached on their solution.

Sincerely yours,

(Signed) A.L.M. Wiggins

Under Secretary of the Treasury

Honorable Harold Knutson
Chairman, Committee on Ways and Means
House of Representatives
Washington, D. C.

Enclosure

TECHNICAL TAX LEGISLATIVE REVISIONS RECOMMENDED FOR ENACTMENT IN 1948

1. Net Operating Loss Deduction. It is recommended that the present system of a two-year carryback and a two-year carryover of net operating losses be revised so as to provide for a one-year carryback and a five-year carryover of such losses. In connection with this revision, it is also recommended that the present rules with respect to the determination of the amount of the net operating loss and of the carryover and carryback be retained, that the rules for determining the applicable law in computing the amount of the loss to be carried over be clarified, and that certain technical errors in the present law be corrected.

2. Stock Options. It is recommended, where an employer grants to an employee an option to purchase stock, that if the option price is substantially less than the fair market value of the stock at the time the option is granted, the amount of the difference be included in the income of the employee as compensation in the year in which the option is granted. In the case of an exercise of the option to purchase stock, the excess of the fair market value at the time of the exercise over the option price (or the fair market value of the stock at the time the option was granted if that is substantially greater than the option price) would be treated as ordinary income to the employee in the year of exercise of the option, but the tax computed on such income would be payable only in the year of disposition (whether by sale, gift or bequest) of the stock by the employee. Moreover, in any case where the option had been held for a period of three years or longer, the tax would be determined by spreading the amount of the income over the period during which the option was held. The employer would be permitted in the year in which the option is exercised an expense deduction to the extent of the difference between the option price and the fair market value of the stock at such time, subject to the usual rules applicable to such deductions.

3. Tax on Small Corporations. It is recommended that there be explored the question of whether the tax rate structure with respect to corporations with incomes below $50,000 can be revised so as to substitute for the present notch rate of 53 percent on that portion of the corporate income between $25,000 and $50,000 a more desirable relationship between the lower rates on smaller incomes and the ordinary corporate rate of 38 percent.

4. Capital Gains.

   (a) It is recommended that the existing loopholes through which short term capital gains may be converted into long term capital gains, and through which fictitious losses are used to offset real gains, be closed by providing, in effect, for (1) non-recognition of any gain or loss attributable to

fluctuations in the market price of securities and commodities which occur during a period when the taxpayer holds both long and short positions in substantially similar commodities and securities, and (2) exclusion of such period from the "holding period". The statutory provisions should be made broad enough to apply to simultaneous long and short positions in different futures of the same commodity and different securities of the same corporation. Such a statute would eliminate most of the abuses arising under present law from the use of the short sale device. However, experience thereunder may indicate that even broader treatment is necessary to provide adequate protection for the revenue.

(b) It is recommended that the provisions of section 117 (f) of the Code, treating amounts received upon retirement of certain securities as capital gains, be made inapplicable to securities which do not meet the requirements of the section at the time of their issuance.

(c) It is recommended that in computing the holding period of a capital asset, there be disregarded the holding period of a non-capital asset which is exchanged for such capital asset.

5. Income of Estates and Trusts. It is recommended that the present treatment of the income of estates and trusts under section 162 of the Code be revised. The principal purpose of this revision would be to eliminate the so-called "65-day rule" and "12-month rule" now used in measuring the portion of any distribution by a trust or estate which is to be taxed in the year of distribution to the recipient. Under the proposed revision, distributions would, generally speaking, be taxed to the recipient to the extent of the current year's income of the estate or trust. It would also overrule certain Circuit Court decisions treating as income to a beneficiary certain distributions which do not constitute income to the estate or trust.

6. War Loss Recoveries. It is recommended that the present income tax treatment of war loss recoveries be revised and that there be substituted a rule under which the tax upon recovery of property for which a deduction was taken should be equal to the tax saving that resulted from the related deduction. In the interest of administrative simplicity, the recommended revision would also eliminate the present rule requiring all property recovered to be aggregated in determining the tax upon recovery and would provide that recovered property be taken in either at its former adjusted basis or the fair market value, at the election of the taxpayer.

7. Income from Annuities. It is recommended that the present rule, under which three percent of the cost to the taxpayer of an annuity is included in income each year until there has been a tax-free recovery of cost, be replaced by a system under which the taxpayer would be permitted an annual tax-free recovery of cost based upon a proration of the total cost over the expected period of the annuity.

8. Income from Proceeds of Life Insurance paid in Installments. It is recommended that where the proceeds of life insurance paid by reason of the death of the insured are paid in the form of an annuity (whether for a fixed period or for life), the interest element should be taxed annually upon the same basis as in the case of an annuity. Under existing law, the entire proceeds have been held by the courts to be exempt even though paid as an annuity.

9. Powers of Appointment. It is recommended that the present provisions with respect to the application of the estate and gift tax to powers of appointment be revised in accordance with the provisions of H. R. 3533 (80th Congress, 1st Session). To the extent possible, it would be desirable to re-examine the provisions of this bill with a view to simplifying its terms. Under this revision, the time for tax-free release of powers should be extended to July 1, 1949.

10. Income of Surviving Partners and Estates or Beneficiaries of Deceased Partners. It is recommended that in cases where, under the terms of a partnership agreement, the surviving partners for a period of time pay to the estate or beneficiary of a deceased partner a share in the partnership income, such payments shall not be included in the taxable income of the surviving partners and shall be included in the income of the estate or beneficiary, with a proper adjustment for the estate tax upon the value of the right to such payments in the estate of the deceased partner. This recommendation should be applied only to personal service partnerships. Under present law, the tax treatment of this type of case is not clear.

11. Income of Life Insurance Companies. It is recommended that the present method of computing the taxable income of life insurance companies under sections 201, 202 and 203 of the Code be revised so as to more clearly and equitably reflect the taxable income of such companies. A detailed proposal for carrying this recommendation into effect is now in course of preparation.

12. Treatment of Involuntary Conversions. It is recommended that the present provisions with respect to the tax treatment of involuntary conversions of property contained in section 112 (f) of the Code be amended to permit the same treatment to apply in the case of acquisitions of property made in anticipation of involuntary conversion or the receipt of proceeds from such conversion. At the present time, the provisions of section 112 (f) are, in general, confined to cases where the converted property or its proceeds can be traced into subsequently acquired property.

13. Certain Distributions of Corporate Assets. It is recommended that, in order to prevent inequity and tax avoidance upon distribution and sale of corporate assets, the appreciation in value of corporate assets distributed in kind to the stockholders of the corporation be taxed as a gain to the corporation.

14. Dividends Received Credit.

(a) It is recommended, with respect to dividends of certain foreign corporations, that the present dividends received credit be extended so as to apply to dividends received by domestic corporations from foreign corporations at least fifty percent of whose gross income is from sources within the United States; the credit would be limited to such portion of the dividends as the domestic income bears to the total corporate income.

(b) It is recommended that a technical error in section 15 (a) of the Code, resulting from an amendment to that section by the Revenue Act of 1945, be corrected. This error affects the computation of the dividends received credit where the receiving corporation has partially tax-exempt interest.

15. Pension Trusts.

(a) It is recommended that the period after the close of the taxable year, provided under section 23 (p) (1) (E) of the Code, in which a taxpayer on the accrual basis is deemed to have made a payment on the last day of the taxable year, be extended from 60 days to 75 days.

(b) It is recommended, in lieu of the present provision in section 165 (b) of the Code treating certain lump sum distributions of pension trusts as long-term capital gains, that such distributions be treated as ordinary income for the year of payment, and accorded treatment similar to that now provided for compensation earned over a period of time by section 107 of the Code. This treatment should also be extended to distributions from non-trusteed annuity plans.

(c) It is recommended that the personal liability of a trustee for the estate tax of a deceased beneficiary be made inapplicable in the case of trustees of pension trusts.

16. Foreign Tax Credit for Estate Tax Purposes. It is recommended that there be allowed against the estate tax a credit for foreign estate or inheritance taxes paid in respect of property included in the gross estate, which would be comparable to the foreign tax credit now allowed for income tax purposes.

17. Puerto Rican Estates. It is recommended that in the case of the estate tax imposed upon the estates of citizens of the United States who were residents of Puerto Rico at the time of their deaths, a credit be allowed for the amount of the Puerto Rican estate tax. It is also recommended that property located in the United States of citizens of Puerto Rico be made subject to the Federal estate tax in the same manner as property of non-resident aliens.

18. Installment Obligations. It is recommended that where a decedent has elected to report income from installment obligations upon the installment basis provided in section 44 of the Code, a proper allowance for estate tax imposed upon the value of such obligations be allowed to the estate or beneficiary of the decedent who elects to continue to report such income upon the installment basis.

19. Deductions by Related Taxpayers. It is recommended that section 24 (c) of the Code be amended to eliminate a technical error which results in certain cases in the loss of a corporate deduction for compensation or interest payable to the stockholders of the corporation, even though the recipient is required to include such amounts in his taxable income within the limited period specified in this section.

20. Deductions for Work Clothes. It is recommended that the long-established administrative practice of the Bureau of Internal Revenue, with respect to the allowance of deductions for the cost of work clothes, be confirmed by specific legislation disallowing such deductions except as to work clothes which are especially adapted to a particular occupation, and which do not substitute for, or relieve the taxpayer from providing himself with, ordinary working or wearing apparel.

21. Corporate Reorganizations. It is recommended that pending a complete study and review of the present law with respect to corporate reorganizations, and without prejudice to any recommendations that might result therefrom, the definition of reorganization under section 112 (g) be amended so as to include within such definition a transfer of substantially all the assets of one corporation to another corporation in exchange solely for voting stock of a corporation owning all of the voting stock of the acquiring corporation. This type of reorganization does not appear to differ substantially from the type of reorganization now included in the definition in which the assets of the transferor corporation are transferred in exchange for the stock of the acquiring corporation. The transaction also appears to be substantially similar to the case now within the reorganization definition where one corporation acquires all the stock of another corporation in exchange for part of its own stock.

22. Mortgage Foreclosures. It is recommended that the present rules with respect to the income tax treatment of mortgage foreclosures be revised to treat the foreclosure as a recovery of the amount of the indebtedness up to the fair market value of the property at the time of foreclosure, and to treat the final disposition of the property foreclosed as a completion of the transaction. This, among other things, would eliminate the holding of the Midland Life Insurance case under which the bid price at the foreclosure is used as the measure of taxability. Upon final disposition, if the property is sold for less than its fair market value at the time of foreclosure, there would be a further bad debt deduction. If sold for more, there would be a bad debt recovery, except that any amount received in excess of the indebtedness would be deemed a capital gain.

23. Surtax on Personal Holding Companies.

(a) It is recommended that the present provisions applicable to the liquidation of a personal holding company be amended so as to prevent the imposition of the personal holding company surtax in any case where all the assets of the personal holding company have been distributed in liquidation.

(b) It is recommended that the alternative capital gains tax be made inapplicable as an alternative to the personal holding company surtax.

(c) It is recommended that the deduction allowed for worthless stock of a subsidiary under section 23 (g) (4) (B) be extended to include a deduction for worthless stock of an operating subsidiary with investment income, even though ten percent or more of its income may be from royalties, rents, dividends, etc.

24. Foreign Tax Credit.

(a) It is recommended that the present provision of section 131 (f) (1) of the Code be amended so as to permit a foreign tax credit to a domestic corporation with respect to taxes paid by a foreign subsidiary, even though the domestic corporation owns less than a majority of the voting stock of the foreign corporation, provided that it owns at least twenty percent of the stock of such corporation and provided also that the business of the foreign subsidiary is a direct and integral part of the domestic corporation.

(b) It is recommended that a period of limitation of seven years (in lieu of the present shorter period) be allowed to a taxpayer claiming a foreign tax credit, in which to claim an increased credit by reason of an increase in the amount of the foreign tax.

25. Government Personnel in U. S. Possessions. It is recommended that the present exemption for earned income under section 251 of the Code by revised so that it will not apply to the salaries of civilian or military personnel of the United States Government stationed in the possessions.

26. Reciprocal Exemption for International Aircraft. It is recommended that the income of foreign airlines operating partly within the United States be extended income tax exemption similar to that applicable in the case of foreign shipping corporations under section 231 (d) of the Code. This exemption is provided on a reciprocal basis.

27. Extension of Business Bad Debt Deduction. It is recommended that a bad debt resulting from an obligation which arose in the course of a taxpayer's business be treated as a business bad debt even though the taxpayer has terminated the business at the time the debt becomes worthless.

28. Statute of Limitations. It is recommended that the following amendments be adopted with respect to the statute of limitations applicable in certain cases:

(a) Estate tax. The period of limitations under section 874 be extended to five years where more than 25 percent of the gross estate has been omitted from the return. The present period is three years.

(b) Gift tax. Section 1016 be amended to extend the period of limitations to five years where the donor has omitted more than 25 percent of the total gifts made in one year. The present period is three years.

(c) Waiver by a transferee or fiduciary. Section 322 be amended to extend the period of limitations for refunds where a waiver of the statute of limitations has been executed by a transferee or fiduciary.

(d) Extension for assessment of deficiencies. An amendment be made to give the Commissioner additional time in which to assess a deficiency where the taxpayer has filed a claim for refund.

(e) Transferee liability. The additional time for assessment in the case of a transferee for income tax purposes be limited to cases where the transfer has taken place prior to the expiration of the statute of limitations in the case of the transferor.

(f) Valuation of gifts. The gift tax provisions be amended to provide that the value of property in respect of which a taxable gift tax return has been filed may not be revised, for the purposes of computing the tax on subsequent gifts, after the expiration of the statute of limitations applicable to a prior gift.

29. Technical Errors in Repeal of Excess Profits Tax in 1945.

(a) It is recommended that for the purposes of the application of section 102 of the Code to fiscal years beginning in 1945 and ending in 1946, the credit under section 26 (e) be properly adjusted.

(b) It is recommended that the treatment of installment income from long-term contracts received after the repeal of the excess profits tax be amended to prevent the imposition of normal tax and surtax in addition to the excess profits tax.

30. Estate Tax Deduction for Support of Dependents. It is recommended that the deduction for estate tax purposes for payments made in support of dependents be repealed.

31. Withholding Taxes on Wages. It is recommended that a civil penalty be imposed upon employers for failure to make a timely payment of withholding taxes collected from employees.

32. Charitable Contributions. It is recommended that the provisions under the estate, gift and income taxes with respect to gifts made to charities be put upon a comparable basis.

33. Wages to Dependents. It is recommended that amounts paid by a taxpayer as wages to a dependent for whom he claims an exemption be made not deductible for income tax purposes. Because of the limitation upon allowance of credits for dependents, this recommendation would only affect cases where the wages and other income of the dependents are less than $500.

34. Dividends on Preferred Stock of Public Utilities. It is recommended that a technical omission in the Revenue Act of 1943 be supplied to provide that the dividends received credit shall not be reduced in cases where the dividends on the preferred stock did not give rise to the dividends paid credit, under section 26 (h) of the Code.

35. Exemption from Stamp Tax for Loans of Bonds. It is recommended that loans of corporate bonds be exempted from the transfer tax imposed by section 3481 of the Code in the same manner that loans of corporate stocks are exempted.

36. Standard Deduction. It is recommended that permission be granted to revoke the election with respect to the standard deduction at any time within the statute of limitations.

37. Statistical Reports. It is recommended that the provisions of the Code be amended to eliminate the requirement that the Bureau of Internal Revenue report to the Congress small refunds and the requirement that corporations report to the Bureau of Internal Revenue salaries in excess of $75,000.

38. 52-Week Year. It is recommended that permission be granted taxpayers in appropriate cases and subject to the Commissioner's regulations to compute their income on the basis of the so-called 52-week year.

39. Notarization of Returns. It is recommended that authority be given to the Commissioner, with the approval of the Secretary, to eliminate the requirement of the oath from all returns.

40. Withholding of Tax on Non-Resident Aliens. It is recommended that the date for the filing of returns under section 143 be adjusted to conform with the date for payment of the tax.

41. Delinquent Government Employees. It is recommended that the Federal Government be authorized to withhold compensation from its employees who are delinquent in income taxes.

42. Distraint on Salaries. It is recommended that a continuing distraint on salaries be permitted for the purposes of collecting delinquent taxes.

43. Fiduciary Returns. It is recommended that a fiduciary having custody of the property or the business of a corporation be required to include all income of such corporation in the return to be filed by him.

44. Compromises. It is recommended that the requirement of the Secretary's approval of compromises relating to cases where tax liability is less than $500 be eliminated, and authority be given to the Commissioner to delegate to his agents the right to compromise such cases.

45. Dobson Rule. It is recommended that the rule of the Dobson case, giving a greater degree of finality to decisions of the Tax Court than to decisions of the District Courts, be eliminated.

46. Administrative Procedure Act. It is recommended that the Tax Court be specifically excluded from the provisions of the Administrative Procedure Act.

47. Technical Amendments with Respect to Tax Court Procedures. It is recommended that certain minor technical amendments be made with respect to procedures governing the Tax Court of the United States.

48. U. S. Court for China. It is recommended that the provisions in the Code relating to the U. S. Court for China be eliminated in view of the fact that such Court no longer exists.

49. Travel Allowances for Field Agents. It is recommended that specific authority be included in the Internal Revenue Code for travel in the case of revenue agents, as in the case of deputy collectors, under section 3600.

TREASURY DEPARTMENT

Washington

FOR RELEASE AFTERNOON PAPERS,
Friday, February 27, 1948.

Press Service
No. S-640

A staff study entitled "Federal Excise Taxes on Tobacco" was made public by the Treasury Department today. The study, one of a series on the commodities and services subject to excise tax, presents information and analyses intended to assist in determining whether any of the taxes involved should be revised in connection with postwar tax changes. No policy recommendations are made.

The history of each tobacco tax is given, and the economic background of each branch of the industry is studied with reference to the character of supply, character of demand, and outlook for the future. Effects of the various taxes on profits, on competition and on consumers are analyzed. The administration of the taxes and the principal technical problems that arise in connection with them also are considered. The taxes imposed by the Federal Government in the United States are compared with tobacco taxes in Canada and the United Kingdom.

Tables presented with the study chart such data as sales records, changing prices of tobacco products, prices paid growers of tobacco, production records, profits, and tax rates and yields.

* * *

An excise tax on cigarettes has been levied since 1864. Rate increases made during each World War have been the only important changes in the tax since 1913. The rate on small cigarettes - the commonly used size - went from $1.25 per thousand to $2.05 in 1917 and to $3 in 1918. In 1940 the rate was increased to $3.25 and in 1942 to $3.50, where it has remained.

The cigarette tax is second only to the tax on distilled spirits as a single source producer of excise tax revenues. In the fiscal year 1947 the cigarette tax yielded $1,145,300,000, approximately two-thirds as much as the tax on distilled spirits.

Cigarettes have so displaced other forms of tobacco in general consumption that in 1946 cigarette manufacture took 70 percent of the total tobacco used in production of tobacco products. This compared with less than 10 percent in 1915. Per capita consumption of cigarettes grew from 180 in 1915 to more than 2,300 in 1946. The proportion of the population smoking cigarettes increased heavily

The demand for cigarettes is relatively insensitive to fluctuations in income and to changes in price. However, both of these factors appear to have substantially affected, from time to time, the proportion of cigarettes of different price classes which the public has consumed. Thus after 1930, with the introduction of

economy brands, the proportion of economy brands consumed in a year rose as high as 15 percent. This was in 1939.

The outlook for cigarette consumption as a whole seems favorable, according to the study. Increased tax-paid withdrawals indicate a rise in production in 1947.

While aggregate consumption might have been somewhat larger in the absence of the tax, continuous growth of consumption has tended to offset effects of the tax.

The study points out that cigarettes constitute an important element in consumer expenditures. It is estimated that the cigarette tax increases the Consumers' Price Index by nearly one per cent.

The excise tax on small cigarettes became a flat dollar amount per thousand in 1911, and the single rate specific tax has been continued to the present, though on several occasions the desirability of this form of tax has been questioned. A flat tax on physical volume represents a different percentage of manufacturers' selling prices for cigarettes in different classes. The flat tax is proportionately higher as the selling price of the cigarettes is lower.

It has now been suggested that the form be modified to provide different rates of tax for the two principal classes of cigarettes, economy brands and standard brands.

As to the effect of such a change on consumers, the study notes that a differential tax rate would enable lower income consumers to buy economy brands with a smaller total expenditure and with the amount of tax involved representing a lower proportion of their income.

As to the effect of such a change on the cigarette industry, production of cigarettes is so highly concentrated in the hands of a relatively few concerns that the decisions of leading makers might be controlling. In view of the outlook for continued growth in consumption of cigarettes, it is possible that sales of the standard brands would continue to expand under a differential rate.

* * *

The tax on cigars weighing more than three pounds per thousand - which includes most cigars sold - varies with the intended retail selling price.

An excise tax on cigars has been levied continuously since 1862. The rates were generally increased in 1918, lowered in 1926, and increased again in 1942. The 1942 scale, which remains in effect, took note of the once well-known "two-fors", or cigars retailing at $2\frac{1}{2}$ cents each. The minimum rate was $2.50 per thousand for cigars of the $2\frac{1}{2}$ cent price or less. The scale ranges up to $20 per thousand for 20-centers and higher.

Collections from the tax on cigars slightly exceed those from the taxes on manufactured tobacco, or smoking and chewing forms and snuff. But they were equal to only about 4 per cent of the revenue from cigarettes in the fiscal year 1947, when the cigar taxes yielded $48,400,000.

The number of cigar factories has declined almost steadily for 30 years. There were about 16,000 factories in 1915, and only about 2,400 in 1943. The decline was interrupted during World War II, but the interruption appears to have been but temporary. However, there are many more producers of cigars than there are producers of cigarettes and manufactured tobacco.

There has been a basic change in the industry, from a condition in which a substantial share of the business was done by small producers of hand-made cigars to a condition in which most cigars are made by machine in large factories.

Demand also has changed. Cigars have never been the most important form of tobacco consumption, and in terms of the quantity of raw tobacco used they are now less important than cigarettes and manufactured tobacco. The high point of cigar consumption was reached in 1920 when about 8,100,000,000 cigars were produced. From 1920, per capita consumption of cigars declined about 20 per cent by 1929. There was a further sharp drop during the depression. Consumption increased during the war years, but has remained substantially below the 1929 level.

Present taxes are lower in relation to retail prices in the case of cigars than in the case of cigarettes and most manufactured tobacco. The bracket tax system gives rise to inequities when price relationships change appreciably, and the study suggests that some revision in the present cigar tax brackets is necessary to bring them into better alignment with price relationships which have developed since 1942.

The Treasury study states that there may be some question whether the industry is able to pass the full amount of the tax on to consumers. However, to the extent that prices to consumers are increased by the tax, it appears that the tax borne by them is not very regressive.

* * *

The manufactured tobaccos -- chewing and smoking tobacco and snuff -- all are taxed at the same rate. They have been taxed since 1862, and the present tax of 18 cents per pound has been in effect since February 25, 1919.

The revenue from the 18-cents per pound levy is almost as much as that from the tax on cigars, but is less than 4 per cent of the yield of the cigarette taxes. Collections on manufactured tobacco were $43,600,000 in the fiscal year 1947.

For many years manufactured tobacco was the principal form of tobacco consumption, but its use has declined approximately 50 per cent from the peak reached in 1918. Most of the decline prior to World War II occurred in chewing tobacco.

During and subsequent to the recent war, smoking tobacco consumption declined sharply, suggesting that consumers shift to cigarettes when incomes improve.

Restrictions against smoking may have curtailed the use of smoking tobacco during the war, while raising the consumption of chewing tobacco and snuff. Since the end of the war chewing tobacco consumption has again turned downward.

With regard to the effect of the tax on profits, the study notes that the rate has not been changed for nearly 30 years and that during this time the industry has been faced with a long-term downward trend in demand for its products. This has necessitated a large cut in the output of chewing tobacco. By tending to narrow the market the tax may have added to the pressure for curtailment of production, but the fact that the rate of tax has been relatively much lower than the tax on cigarettes has not prevented a decline in manufactured tobacco consumption.

Expenditures on manufactured tobacco are relatively higher among low income families, and decline rapidly in relation to income as the size of family income increases. To the extent that it is passed on to consumers, this tax is apparently highly regressive.

FEDERAL EXCISE TAXES ON TOBACCO

Part I - Excise Tax on Cigarettes

Part II - Excise Tax on Cigars

Part III - Excise Tax on Manufactured Tobacco and Snuff

Part IV - Excise Tax on Cigarette Papers and Tubes

Part V - Comparison of Tobacco Taxes in the United States, Canada and United Kingdom

Division of Tax Research, Treasury Department
February 1948

Federal Excise Taxes on Tobacco

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, business costs, competition and 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 revising the taxes.

The study was prepared in the Excise Tax Section of the Division of Tax Research. In its preparation valuable assistance was received from other members of the Treasury tax staff, including the Office of Tax Legislative Counsel on legal matters and the Bureau of Internal Revenue on administrative matters.

Division of Tax Research
U. S. Treasury Department

February 1948

FEDERAL EXCISE TAXES ON TOBACCO

TABLE OF CONTENTS

PART I - Excise Tax on Cigarettes

	Page No.
I. Description of the tax	1
II. Changes in the tax since 1913	1
III. Revenue collections, 1936-1947	2
IV. Economic background of the industry	3
A. Character of supply	3
1. Concentration of supply	3
2. Competition and price policy	4
3. Costs and prices	9
B. Character of demand	11
C. Outlook for the industry	17
V. Effects of the tax	17
A. On profits	17
B. On competition	20
C. On consumers	21
VI. Administration and compliance	21
VII. Technical problems	22
A. Flat vs. differential tax	22
1. Economic and equity considerations affecting desirability of change in tax	24
a. Consumers	24
b. Manufacturers	25
c. Tobacco growers	28
d. Distributors	28
2. Revenue considerations	30
3. Administration and compliance problems	31
B. Floor stocks taxes and refunds	31
PART II - Excise Tax on Cigars	33
I. Description of the tax	33
II. Changes in tax since 1917	33
III. Revenue collections, 1936-1947	34

(Continued)

TABLE OF CONTENTS

Page No.

PART II - (Continued)

IV. Economic background of the industry 35
    A. Character of supply 35
    B. Character of demand 42
    C. Outlook for the industry 45

V. Effects of the tax 47
    A. On profits 47
    B. On competition 49
    C. On consumers 50

VI. Administration and compliance 50

VII. Technical problems 50
    A. Revision of tax structure 51
    B. Floor stocks taxes and refunds 52

PART III - Excise Tax on Manufactured Tobacco and Snuff .. 53

I. Description of the tax 53

II. Changes in the tax since 1917 53

III. Revenue collections, 1936-1947 53

IV. Economic background of the industry 54
    A. Character of supply 54
    B. Character of demand 56
    C. Outlook for the industry 61

V. Effects of the tax 61
    A. On profits 61
    B. On competition 62
    C. On consumers 63

VI. Administration and compliance 63

VII. Technical problems 64

PART IV - Excise Tax on Cigarette Papers and Tubes ... 65

I. Description of the tax 65

II. Changes in the tax since 1917 65

III. Revenue collections, 1936-1947 66

IV. Production and use of cigarette papers 66

V. Effects of the tax 67

VI. Administration and compliance 70

TABLE OF CONTENTS

- 3 -

Page No.

PART V - Comparison of Tobacco Taxes in the United States, Canada and United Kingdom 71

I. Limitation on comparisons 71

II. Types of taxes levied on tobacco 71
- A. Canada 71
- B. United Kingdom 73

III. Comparison of taxes for selected products 74

TABLE OF CONTENTS

TABLES

Page No.

PART I - Excise Tax on Cigarettes:

1 Unit sales of cigarettes by major brand groups, 1929-1946 5

2 Comparison of manufacturers' net prices after deducting discounts and Federal excise tax for standard and economy brand cigarettes, 1931-1947..... 7

3 Manufacturers' sales of economy brand cigarettes as a percent of total sales of cigarettes, by months, 1931-1935 8

4 Production and average price per pound received by farmers: flue-cured, burley, and Maryland tobaccos, 1919-1947 10

5 Frequency of change of manufacturers' list prices for economy and standard brand cigarettes, by five-year intervals, 1920-1947 12

6 Leaf tobacco used in manufacturing cigarettes, cigars and tobacco and snuff, 1915, 1920 and 1925-1946 13

7 Production of small cigarettes and per capita consumption, 1915-1946 14

8 Net profits and rate of return on net worth of cigarette manufacturers reporting to Securities and Exchange Commission, 1936-1946 18

9 Comparative prices paid to farmers for leaf tobacco used in standard and economy brand cigarettes, 1931-1941 27

10 Combined wholesale and retail margins per package for standard brand cigarettes, 1920-1921, 1926-1937 29

TABLE OF CONTENTS

- 5 -

TABLES (Concluded)

Page No.

PART II - Excise Tax on Cigars:

1 Number of cigar factories, production of large cigars, per capita consumption, and average retail price per inexpensive cigar, 1915-1946..... 36 - 37

2 Number of cigar factories by size of production and percentage distribution of production by size of production of factories, 1921, 1925, 1930, 1935, 1940-1946 39

3 Tax-paid withdrawals of cigars by price classes estimated from sale of tax stamps, 1918, 1920, 1925, 1929-1946 41

4 Production of and average price per pound received by farmers for cigar type tobaccos, 1920, 1925, 1930-1947 43

5 Net profits and rate of return on net worth of cigar manufacturers reporting to Securities and Exchange Commission, 1936-1946 48

PART III - Excise Tax on Manufactured Tobacco and Snuff:

1 Production of manufactured tobacco by types, 1916-1946 55

2 Average retail price of pipe tobacco and plug chewing tobacco and average wholesale price of snuff, 1920-1921, 1926-1946 57

3 Selected cost items and profit margin for chewing and smoking tobacco as a percent of net sales for selected manufacturers, 1936-1939, 1941 and 1943.. 58

PART IV - Excise Tax on Cigarette Papers and Tubes:

1 Tax-paid and tax-free withdrawals of cigarette papers and tubes, fiscal years 1929-1946 68

FEDERAL EXCISE TAXES ON TOBACCO

PART I - Excise Tax on Cigarettes

I. Description of the tax

The tax is imposed on cigarettes, which are defined as rolls of tobacco or any substitute therefor wrapped in paper or any substance other than tobacco. The tax differs according to the weight of the cigarettes. Those weighing not more than three pounds per thousand, commonly referred to as "small cigarettes," bear the lowest rate. 1/

The tax applies to cigarettes upon removal from the place of manufacture or upon release from customs custody, or upon sale if prior to such removal or release.

The tax is payable by the manufacturer or importer and is paid by purchasing tax stamps to be affixed to the packages prior to removal from the factory or upon release from customs custody.

Exemptions from tax are provided on withdrawals for:

1. Export.
2. Use as sea stores.
3. Use of the United States Government (but not for resale in the United States).
4. Personal consumption by employees of the manufacturer. 2/

II. Changes in the tax since 1913

Cigarettes have been subject to excise taxation since 1864. The only important changes made in the tax since 1913 were the rate increases made during each World War. The tax rates and effective dates of the changes since 1913 are shown below:

1/ The production of cigarettes weighing more than three pounds per thousand is insignificant.

2/ This exemption is 21 cigarettes per week, the same number as for cigars.

Changes in tax rates since 1913

(Per thousand cigarettes)

Revenue Act	Effective date	Rate	
		Small cigarettes a/	Large cigarettes b/
	In effect Dec. 31, 1913	$ 1.25	$ 3.60
1917	Nov. 2	2.05	4.80
1918	Feb. 25, 1919	3.00	7.20
1940	July 1	3.25	7.80
1942	Nov. 1	3.50	8.40

a/ Weighing not more than three pounds per thousand.
b/ Weighing more than three pounds per thousand. If more than 6-1/2 inches in length, each 2-3/4 inches or fraction thereof is counted as one cigarette and taxed at the rate applicable to small cigarettes. The limitation on length was first made applicable on May 11, 1934 by the Revenue Act of 1934.

III. Revenue collections, 1936-1947

The tax on cigarettes is the second largest single source of excise tax collections, and in the fiscal year 1947 produced approximately two-thirds as much as the tax on distilled spirits, the largest source of excise tax revenue.

Collections, fiscal years 1936-1947

(In millions)

Fiscal year	Collections	Fiscal year	Collections
1936	$ 425.5	1942	$ 705.0
1937	476.0	1943	835.3
1938	493.4	1944	904.0
1939	504.0	1945	836.8
1940	533.1	1946	1,073.0
1941	616.8	1947	1,145.3

IV. Economic background of the industry

There are three distinct price classes for small cigarettes. The predominant group is represented by the so-called standard brands and the next most important group is the so-called economy brands. 1/ The third group, which is relatively unimportant in the industry, consists of cigarettes featuring principally Turkish-type tobacco and selling above the price of standard brands. Some producers make cigarettes in all three of these price classes but for the most part each producer concentrates on one price class.

A. Character of supply

1. Concentration of supply

The total number of cigarette producers is small, and the industry has long been characterized by a high degree of concentration of business among a few firms. 2/ In 1910 one company produced about 84 percent of the total cigarette output in the United States. 3/ Subsequent to the dissolution of this company in 1911 by court decree, three of the successor companies continued to produce most of the cigarettes for many years. 4/ The proportion declined substantially during the 1930's when two additional companies began production of standard brand cigarettes and the production of economy brands expanded considerably.

1/ The term "standard brands" has come to be used to designate the brands sold at the "standard" price, or the price at which the bulk of cigarettes is sold. The term "economy brands" has come to be used to designate the cigarettes which normally sell for less than the "standard" price. Prior to the war, when economy brands were usually sold at 10 cents per package, they were often referred to as "10 cent brands".

2/ On January 1, 1946, there were only 62 cigarette factories in operation. (Annual Report of the Commissioner of Internal Revenue for the Fiscal Year Ended June 30, 1946, p. 131.) The total number of companies is smaller because the larger companies operate several factories. Nearly all of the production is concentrated in the important tobacco-growing States of North Carolina, Virginia and Kentucky.

3/ Federal Trade Commission, Agricultural Income Inquiry, Part I, 1938, p. 275.

4/ These companies are American Tobacco Company, R. J. Reynolds Tobacco Company and Liggett & Myers Tobacco Company. The production of these three companies reached its highest ratio to the total in 1931 when it amounted to approximately 91 percent. (American Tobacco Company et al. vs. United States of America, 328 U. S. 792-793. Considerable detailed information supporting the above brief description of the structure of the industry and its practices will be found in the proceedings on this case.)

Although the proportion represented by the three leading brands has increased in recent years, it is still below its previous peak. (Table 1) The two additional companies that entered the standard brand field have maintained a substantial volume of production, but the production of economy brands is now unimportant.

The concentration in this industry had its inception in the early history of cigarette production. Nevertheless, there are certain economic characteristics which tend to result in a high degree of concentration. The principal factors which appear to contribute to this tendency are: (1) the economies of machine production, (2) the heavy capital investment required in relation to sales, particularly in leaf tobacco inventory 1/ and (3) effective establishment of consumer preference by advertising.

The successor companies that operated in the cigarette field after the dissolution decree in 1911 were in a position to maintain leadership in the industry because they had the capital resources and established brand names. Large scale advertising, the value of which had been established by the predecessor company, was continued. The development of a satisfactory tobacco blend apparently has not been a basic factor in limiting competition. "The tobacco used for cigarettes in the United States includes the domestic light type (flue-cured, burley, and Southern Maryland) and Turkish type tobacco imported principally from eastern Mediterranean countries. Turkish tobacco is ... blended with domestic tobaccos to give the characteristic flavor of the popular brands of American cigarettes." 2/ Prior to 1920, each of the leading producers had developed a burley blend cigarette, which became the popular type of cigarette. 3/

2. Competition and price policy

Competition appears in the cigarette industry between the standard brands as a group and the economy brands as a group, and also within each of these major groups. For a considerable period prior to 1930 practically all production was of the standard brand type and the basis of competition among the producers of this cigarette had become well established. Each followed the policy of selling a similar product, yielding a substantial margin of profit, and supported by large advertising expenditures. This policy evolved in the early history of the cigarette industry after experience had indicated that profits could be seriously affected by small changes in costs where cigarettes were

---

1/ Inventory represents the principal physical asset of the cigarette companies and is approximately equal to annual sales. As of December 31, 1946, one of the largest companies reported an inventory of $335 million compared with total assets of $390 million.

2/ United States Tariff Commission, Trade Agreement Digests, Vol. VI, "Tobacco and Manufacturers," p. 9. "Imported Turkish tobacco accounted for about 10 percent of the leaf used in domestic cigarettes immediately before the war, but the proportion fell to less than 5 percent by the end of the war."

3/ 328 U. S. 792-793.

Table 1

Unit sales of cigarettes by major brand groups, 1929-1946 1/

(Billions of cigarettes)

Year	Number: Total 2/	Number: Three major brands	Number: Economy brands	Number: All other 3/ 4/	Percent distribution: Three major brands	Percent distribution: Economy brands	Percent distribution: All other 3/ 4/
1929	119.00	102.30	-	16.70	86.0 %	-	14.0 %
1930	119.60	104.92	0.09	14.59	87.7	.1 %	12.2
1931	113.40	100.51	0.39	12.50	88.6	.3	11.0
1932	103.60	81.50	10.70	11.40	78.7	10.3	11.0
1933	111.80	91.54	10.12	10.14	81.9	9.1	9.1
1934	125.60	97.29	13.76	14.55	77.5	11.0	11.6
1935	134.60	101.94	15.78	16.88	75.7	11.7	12.5
1936	153.20	113.82	16.75	22.63	74.3	10.9	14.8
1937	162.60	116.91	19.61	26.08	71.9	12.1	16.0
1938	163.70	113.84	23.36	26.50	69.5	14.3	16.2
1939	172.60	114.19	25.56	32.85	66.2	14.8	19.0
1940	189.34	120.34	22.60	46.40	63.6	11.9	24.5
1941	217.66	135.32	22.30	60.04	62.2	10.2	27.6
1942	257.38	161.25	16.20	79.93	62.7	6.3	31.1
1943	296.26	194.19	12.10	89.97	65.5	4.1	30.4
1944	321.86	215.34	5/	106.52	66.9	5/	33.1
1945	335.00	232.00	5/	103.00	69.3	5/	30.7
1946	352.00	272.00	5/	80.00	77.3	5/	22.7

Treasury Department, Division of Tax Research

Source: Standard and Poor's Industry Surveys, "Tobacco," February 21, 1947, Table 9. Data for 1929-1940 are from record of Sherman Anti-Trust Act case against American Tobacco Company, Liggett & Myers Tobacco Company and R. J. Reynolds Tobacco Company in the District Court of the United States for the Eastern District of Kentucky. For 1941-1946 data are estimates by Standard & Poor's Corporation.

1/ Total sales in years 1940-1946; tax-paid sales in prior years.
2/ Totals not exactly comparable to Bureau of Internal Revenue figures but the data serve to indicate relative importance of various brands.
3/ Data for one company are for fiscal year ending March 31.
4/ Includes all exports and cigarettes given away for advertising purposes in years 1940-1946.
5/ In these years the amount of economy brand sales was small and was not reported in the published estimate.

priced on a narrow margin. 1/ Each of the three leading companies has concentrated its business in a popular brand and, with few exceptions, manufacturers' list prices have been the same for all standard brands. Experience had indicated that a significant increase in price for one brand alone had an adverse effect on its sales. The maintenance of a common price for standard brands at the manufacturers' level also extends to wholesalers who have been influenced to sell the standard brands at a uniform price through various measures. 2/

Although there have been conflicting claims regarding the differences in physical characteristics of the several standard brands, the large dependence upon advertising to maintain consumer preference would seem to indicate that competition within the standard brand group is based to a substantial degree on name association. In the earlier history of the cigarette industry producers promoted sales through the use of premiums, prizes and other price-cutting devices. The present practice appears to be a more effective method of maintaining sales than price reductions involving comparable amounts. 3/

Competition in the industry between the standard and economy brands is based largely on a price differential. The economy brand competition developed after 1931 when lower tobacco prices made it possible to produce cigarettes to sell for 10 cents per package and lower levels of income provided a substantial market for the 10-cent cigarette. In June 1931 the manufacturers' list price on standard brands was raised from $6.40 to $6.85 per thousand and retail prices were adjusted upward. (Table 2) The sale of 10-cent brands expanded rapidly and by November 1932 reached an estimated 23 percent of the total cigarette sales. (Table 3) The larger producers did not engage extensively in the production of lower priced cigarettes, but in 1933 reduced the price of standard brands substantially. Following this price adjustment the sales of economy brand cigarettes were reduced to about 6 percent of the total. The profit margin on standard brands had been greatly reduced and the manufacturers' price for these cigarettes was subsequently increased in 1934 and again in 1937. Following the price increase the producers concentrated on sales efforts to meet the competition presented by the lower priced cigarettes. 4/ However, after the increase in price of standard brands the sales of economy brands again increased and continued to account for a substantial percentage until wartime developments affected their position.

1/ Prior to about 1915 the principal brands of cigarettes sold at 5 cents per package. Changes in tax rates, as well as changes in costs, made it difficult to maintain the 5-cent price. In 1910 when the tax rate was increased to $1.25 per M the package size was reduced to 15 cigarettes and after the increase in the tax rate to $2.05 in 1915 the 5-cent package was discontinued.

2/ The most common methods appear to be the possible withdrawal of advertising allowances or removal from the direct dealer list. However, cigarette producers have not undertaken to maintain prices at the retail level but have encouraged price reductions at this level. (147 F 2d 104-106)

3/ It has been estimated that advertising expenditures currently amount to about one-third of a cent per package on standard brands. This is substantially smaller than the price differential that appears to be necessary to stimulate the sale of an unadvertised brand.

4/ 328 U.S. 804-808.

Table 2

Comparison of manufacturers' net prices after deducting discounts and Federal excise tax for standard and economy brand cigarettes, 1931 - 1947

Date		Manufacturers' net prices per thousand		Spread between manufacturers' net prices	
From	To	Standard brands	Economy brands	Per thousand	Per pack (cents)
June 24, 1931	Jan. 2, 1933	$ 3.04	$ 1.19	$ 1.85	3.70
Jan. 3, 1933	Feb. 10, 1933	2.29	1.19	1.10	2.20
Feb. 11, 1933	Jan. 8, 1934	1.85	1.19	.66	1.32
Jan. 9, 1934	Jan. 19, 1937	2.38	1.19	1.19	2.38
Jan. 20, 1937	June 30, 1940	2.51	1.19	1.32	2.64
July 1, 1940	Jan. 8, 1942	2.51	1.20	1.31	2.62
Jan. 9, 1942	Sept. 4, 1943	2.51	1.29	1.22	2.44
Sept. 5, 1943	Apr. 24, 1946	2.51	1.66	.85	1.70
Apr. 25, 1946	Oct. 6, 1946	2.76	1.88	.88	1.76
Oct. 7, 1946 to date		3.01	2.13	.88	1.76

Treasury Department, Division of Tax Research

Source: Standard and Poor's Industry Surveys, "Tobacco," February 21, 1947, Section 2, p. T4-3 and Office of Price Administration, Price Schedule No. 62.

Table 3

Manufacturers' sales of economy brand cigarettes 1/ as a percent of total sales of cigarettes, by months, 1931 - 1935

Month	1931	1932	1933	1934	1935
January	.26 %	2.33 %	16.76 %	10.00 %	10.85 %
February	.27	3.30	11.60	9.96	11.71
March	.28	3.26	7.07	10.43	11.25
April	.27	6.13	8.55	11.11	11.70
May	.23	6.59	6.43	10.37	11.72
June	.28	9.12	7.03	10.01	11.36
July	.57	12.46	9.58	12.09	11.87
August	1.82	17.76	8.67	12.38	13.72
September	2.00	19.57	9.78	11.62	13.53
October	2.41	19.00	9.54	12.46	11.01
November	2.39	22.78	11.21	13.13	12.15
December	2.88	21.31	9.26	12.28	12.54

Treasury Department, Division of Tax Research

Source: Federal Trade Commission, Agricultural Income Inquiry, Washington, 1938, Part I, p. 462.

1/ Represents sales of eight economy brands, which accounted for substantially all of the production of economy brand cigarettes.

Sales of economy brand cigarettes declined after 1939, although there was no further change in manufacturers' net prices until January 1942. 1/ Under the price ceilings established during the war the spread between the prices of standard and economy brands decreased. 2/ As the demand for economy brands declined and costs increased, most of the producers of economy brands discontinued production or shifted to the standard price class. Since the close of the war the price differential has been lower than during most of the 1930's and there has been no indication that the demand for economy brand cigarettes will recover under the lower price differential at the present high levels of income.

3. Costs and prices

Tobacco leaf represents the largest part of cigarette manufacturing costs. 3/ Substantial fluctuations occur in tobacco prices but there is less variation in reported costs of cigarette producers because of their practice of accounting for tobacco on an average cost basis. 4/ Since 1919 the annual average price of flue cured tobacco, the principal type used by cigarette producers, has ranged from about 8 to 48 cents. After tobacco acreage was limited under the Agricultural Adjustment program beginning in 1933 the price of flue cured tobacco increased from a low of about 8 cents per pound in 1931 to over 20 cents, and it fell below this level in only two years. 5/ (Table 4) Prices rose further under the pressure of increased wartime demand, reaching a level more than twice the average for the 20 years preceding the war. The price of lower grades of tobacco, which had increased relatively more than the prices of higher grades from the low level of 1931, rose more than the prices of higher grades. The narrowing spread in the cost of different grades increased the cost of economy brand cigarettes in relation to standard brands.

1/ The manufacturers of economy brands have contended that a decline in their sales resulted from the tax increase of 25 cents per thousand effective July 1, 1940 which made it necessary to raise retail prices above the convenient 10-cent figure. (Revenue Revisions of 1942, Committee on Ways and Means, pp. 2014 and 2934.)

2/ Standard brand prices remained unchanged. Manufacturers' prices on economy brands were increased in January 1942 and again in September 1943; the retail ceiling price was raised to 13 cents per package.

3/ For 1939 the cost of tobacco amounted to 43 percent of the value of products of the cigarette industry, exclusive of revenue stamps. (Department of Commerce, Census of Manufactures, 1939, Vol. II, Part I.)

4/ Leaf tobacco is customarily aged from 18 to 36 months before being used in the manufacture of cigarettes.

5/ When acreage limitations were removed in 1939, the unusually large crop produced resulted in a substantial decline in price during 1939 and 1940.

Table 4

Production and average price per pound received by farmers: Flue-cured, burley, and Maryland tobaccos, 1919-1947
(Production in millions of pounds)

Year	Flue-cured		Burley		Maryland	
	Production	Price per pound (cents)	Production	Price per pound (cents)	Production	Price per pound (cents)
1919	477	44.4	300	33.2	20	25.9
1920	616	21.5	288	13.5	27	17.8
1921	359	21.9	176	21.5	19	16.9
1922	415	27.2	276	26.8	20	23.8
1923	581	20.8	340	20.0	21	27.7
1924	437	21.6	296	20.1	24	22.7
1925	575	20.0	278	18.0	25	23.7
1926	560	24.9	289	13.1	26	20.2
1927	719	20.5	176	25.9	26	23.4
1928	739	17.3	269	30.5	20	27.2
1929	750	18.0	337	21.8	25	27.7
1930	865	12.0	349	15.5	20	26.6
1931	670	8.4	425	8.7	28	15.0
1932	374	11.6	304	12.5	29	16.8
1933	733	15.3	378	10.5	22	17.8
1934	558	27.2	252	16.9	26	17.5
1935	811	20.0	222	19.1	29	20.0
1936	683	22.2	220	35.7	31	25.4
1937	866	23.0	402	20.1	23	17.2
1938	787	22.2	339	19.0	29	18.5
1939	1,171	14.9	395	17.3	33	21.1
1940	760	16.4	375	16.2	33	33.0
1941	650	28.1	337	29.2	31	30.1
1942	812	38.4	344	41.8	28	56.5
1943	790	40.2	391	45.6	21	45.3
1944	1,090	42.4	591	44.0	38	55.5
1945	1,173	43.6	577	39.4	18	57.0
1946	1,352	48.3	614	39.7	47	44.3 1/
1947 1/	1,331	41.0	519	48.5	38	2/

Treasury Department, Division of Tax Research

Sources: Department of Agriculture: First Annual Report on Tobacco Statistics, Washington, 1937; Annual Report on Tobacco Statistics, 1942, 1945, 1946; Crop Report as of May 1, 1946, "Tobacco-1945 Revised"; Crop Report as of May 1, 1947, "Tobacco-1946 Revised"; The Tobacco Situation, January 1948.

1/ Preliminary.
2/ Not available.

Changes in cigarette prices have shown no close correspondence to changes in leaf costs. Between 1920 and 1940 manufacturers' prices of standard brands were changed only 10 times, but no change occurred in the price of economy brands. (Table 5) As indicated above, changes in prices of standard brands during the 1930's were in part influenced by the competition of economy brands. However, after the increase in price of standard brands in January 1934, until the beginning of the war, manufacturers' net prices were increased only 1/4 cent per package although the price of tobacco leaf rose substantially. During the war manufacturers' net prices of economy brand cigarettes were increased nearly 2 cents per package while no adjustment was made on standard brands until 1946. Prices on both brands were increased by about 1 cent per package in 1946 but no further increase has occurred.

The present manufacturers' net prices on standard brands are higher than they have been since 1921 and consumption is almost entirely composed of this class of cigarettes as it was prior to 1931. There are now, however, several more established producers in the standard brand price class. Aggregate profits of the industry before income taxes have grown with increasing consumption. The rate of return on investment has recovered from the relatively low level reached during the depression period but appears to be somewhat below the levels reached prior to the advent of the economy brands. 1/

B. Character of demand

Cigarette smoking is one of several forms of tobacco consumption. Although one form may be substituted for another, the satisfaction derived is of such an intangible character that social attitudes, as well as price and income factors, play an important part in consumer choice. Cigarettes have rapidly displaced other forms of tobacco consumption and in 1946 accounted for 77 percent of the total tobacco used in production compared with less than 10 percent in 1915. (Table 6) The shift to cigarette smoking has resulted in a large increase in the consumption of tobacco. Per capita consumption of cigarettes has grown from 180 in 1915 to over 2,300 in 1946. (Table 7) During this period the composition of the population changed and the proportion smoking cigarettes increased to a great extent.

There is considerable evidence regarding the relationship between cigarette consumption and such factors as the growth of economy, fluctuations in income, and changes in the price of cigarettes. Consumption of cigarettes has expanded more rapidly than income and population. It has been estimated that in the period 1918 to 1941 there was an average annual increase in cigarette consumption of 6.4 billion due to factors

1/ For rate of return prior to 1938 see Temporary National Economic Committee, Investment, Profits, and Rates of Return for Selected Industries, pp. 17667-17672. For 1936 and subsequent years see Table 8.

Table 5

Frequency of change of manufacturers' list prices for economy and standard brand cigarettes, by five-year intervals, 1920-1947 1/

Period	Number of price changes	
	Standard brands	Economy brands
1920 - 1924	3	2/
1925 - 1929	2	2/
1930 - 1934	4	0
1935 - 1939	1	0
1940 - 1944	2 3/	4 4/
1945 - 1947	2	2

Treasury Department, Division of Tax Research

Source: Compiled from Standard and Poor's Industry Surveys, "Tobacco," February 21, 1947, Section 2, p. T4-3 and Office of Price Administration, Price Schedule No. 62.

1/ List prices include Federal excise taxes and tax changes, therefore, are reflected in the list prices.
2/ Very few sold prior to 1931.
3/ Both changes due entirely to increase in tax.
4/ One change due entirely to increase in tax and one partly due to increase in tax.

Table 6

Leaf tobacco used in manufacturing cigarettes, cigars and tobacco and snuff, 1915, 1920 and 1925 - 1946 1/

Year	Amount				Percent of total		
	Total	Cigarettes	Cigars 2/	Tobacco and snuff	Cigarettes	Cigars 2/	Tobacco and snuff
	(Millions of pounds)						
1915	565	57	138	371	10.0 %	24.4 %	65.6 %
1920	640	147	169	324	23.0	26.3	50.7
1925	718	244	149	325	34.0	20.7	45.3
1926	737	268	152	317	36.3	20.7	43.1
1927	744	290	153	301	39.0	20.5	40.5
1928	755	310	151	293	41.1	20.1	38.9
1929	797	347	152	298	43.5	19.1	37.4
1930	780	348	138	294	44.6	17.7	37.7
1931	752	330	128	295	43.9	17.0	39.2
1932	690	299	104	287	43.3	15.1	41.6
1933	711	326	105	280	45.9	14.7	39.4
1934	776	375	111	289	48.4	14.3	37.3
1935	776	399	114	263	51.5	14.7	33.9
1936	847	453	127	267	53.5	14.9	31.6
1937	873	480	129	264	55.0	14.7	30.3
1938	865	484	119	263	55.9	13.7	30.4
1939	885	509	123	253	57.5	13.9	28.6
1940	923	535	127	261	58.0	13.8	28.3
1941	1,009	627	136	246	62.1	13.5	24.4
1942	1,131	755	141	236	66.7	12.4	20.9
1943	1,229	860	132	236	70.0	10.7	19.2
1944	1,255	920	130	204	73.4	10.4	16.3
1945	1,291	944	128	218	73.1	9.9	16.9
1946	1,307	1,001	138	168	76.6	10.5	12.9

Treasury Department, Division of Tax Research

Source: Annual Reports of the Commissioner of Internal Revenue. Unpublished data for 1946.

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

1/ The quantities given are unstemmed equivalent of all kinds of tobacco used. Stemmed leaf and scraps, etc. used in the manufacture of cigars and cigarettes have been converted to unstemmed equivalent at the ratio of 3 pounds stemmed, etc. to 4 pounds unstemmed.

2/ Does not include tobacco used in bonded manufacturing warehouses.

Table 7

Production of small cigarettes and per capita consumption, 1915-1946

Year	Production	Per capita consumption 1/
	(In millions)	(Number)
1915	17,964.3	178
1916	25,290.3	247
1917	35,331.3	336
1918	46,656.9	362
1919	53,119.8	426
1920	47,430.1	418
1921	52,085.0	468
1922	55,763.0	486
1923	66,715.8	575
1924	72,709.0	622
1925	82,247.1	690
1926	92,097.0	761
1927	99,809.0	816
1928	108,705.5	879
1929	122,392.4	977
1930	123,802.2	972
1931	117,064.2	915
1932	106,632.4	830
1933	114,874.2	890
1934	129,976.3	994
1935	139,966.2	1,058
1936	158,894.0	1,196
1937	169,969.3	1,262
1938	171,686.4	1,261
1939	180,666.8	1,318
1940	189,371.3	1,386
1941	217,934.9	1,580
1942	257,520.9	1,895
1943	296,173.3	2,142
1944	323,583.9	2,286
1945	332,164.7	2,334
1946	350,038.1	2,324 2/

Treasury Department, Division of Tax Research

Sources: Production: Annual Reports of the Commissioner of Internal Revenue; Per capita consumption: Department of Agriculture, Annual Report on Tobacco Statistics, 1942, p. 82, 1947, p.88.

1/ Consumption for 1940-1946 includes consumption by forces overseas and is the sum of tax-paid and tax-free withdrawals less exports.

2/ Preliminary.

other than the increase in the level of disposable income. 1/ As cigarette consumption came to represent a higher proportion of total tobacco use, the rate of growth has declined. Nevertheless, the upward trend still appears to be substantially more than is accounted for by increases in income alone. Both world wars greatly stimulated cigarette consumption, the increase of each being roughly 100 percent. The present popular blend was developed just prior to World War I and the introduction of cigarettes in ration packages and gifts to the armed forces is generally credited with having stimulated consumption. The growth of smoking by women between the two world wars expanded the adult proportion of the smoking population. Since 1915, per capita consumption has decreased only in the years 1920, 1930 - 1932, 1938 and 1946.

Cigarette consumption is relatively insensitive to fluctuations in income and to changes in price. The evidence seems to indicate that total consumption is more responsive to changes in the level of income than to changes in cigarette prices. Nevertheless, during the period 1929 - 1943 changes in the physical volume of consumption were, on the average, less than half as large as the annual changes in the level of disposable income. 2/ Because of the apparent dominant effect of the income factor it is difficult to measure the effect attributable to price changes. However, it seems reasonably certain that price changes have had much smaller effects on total consumption than equal percentage changes in income. 3/ Unless very substantial changes occur in cigarette

---

1/ Department of Agriculture, The Tobacco Situation, April 1946, p. 20. On the basis of average consumption for the period this represented an annual average increase of 5.9 percent. However, as the level of consumption increases the rate of growth in relation to consumption decreases. In conjunction with the analysis indicated in 3/ below, the average annual increase was found to be about 4 percent. (Disposable income represents income payments less personal taxes. Unless otherwise noted, Department of Commerce data on income and expenditures in this study are those issued prior to the revisions published in "National Income", Supplement to Survey of Current Business, July 1947.)

2/ Computed from data in the Survey of Current Business, June, 1944.

3/ Data on the relationship between cigarette prices and consumption in the years 1929-1943, inclusive, indicate that a 10 percent change in retail price was associated on the average with a change of less than 1 percent in unit sales. This estimate, which is derived by statistical methods designed to allow for the effect of fluctuations in income and the rising trend in consumption, is subject to a margin of error. The chances are only 1 out of 100, however, that the change in sales associated with a 10 percent change in retail price was as much as 3 percent.

prices it appears that consumption is likely to be largely determined by other factors. 1/

Although total consumption of cigarettes seems to be only moderately affected by fluctuations in income and very unresponsive to price changes, both of these factors appear to have had a substantial effect on the proportion of cigarettes consumed in different price classes. After 1930 the proportion of total consumption in any one year represented by economy brand cigarettes rose as high as 15 percent in 1939. (Table 1) The experience during this period is not sufficient to reach definite conclusions on the quantitative importance of income and price in the demand for economy brand cigarettes. It may be stated generally that a substantial decline in the level of income appears to stimulate the demand for cheaper cigarettes. 2/ The extent of the shift from higher priced cigarettes, however, depends upon the size of the difference in price between standard and economy brands. In 1931, the differential was 3.7 cents per pack (at manufacturers' level), and with that differential sales of economy brand cigarettes reached a high in one month of 23 percent of the total. When the price of standard brands was twice reduced in 1933 and the differential was cut to 1.32 cents, economy brand sales dropped to as low as 6 to 7 percent of the total. (Table 3) The evidence of this period seems to indicate that a fairly substantial price differential is necessary to induce much of a shift to economy brands. There is some evidence that the shift becomes very definite when there is a difference of about 25 to 30 percent in price at the retail level. 3/ It is possible that continuation of such a differential over a longer period of time than existed prior to the war would, under similar conditions, result in a larger shift.

1/ It has been stated that the existence of the 10-cent cigarette and its influence in keeping down the price of the standard brands "result in cigarette consumption being at least 10 percent over what it would be if there were not 10-cent cigarettes ... " (Hearings before the Committee on Ways and Means, Revenue Revision, 1934, p. 774.) This estimate of price effect is much higher than the evidence appears to substantiate. On the basis of the 1929-43 experience it is doubtful whether consumption would have increased by 10 percent if all cigarettes had been reduced to the 10-cent price.

2/ The representatives of two of the largest economy brand manufacturers stated that they did not think consumers were sufficiently interested in saving a few cents to make a 10-cent brand successful in the 1920's. (Revenue Revision, 1934, p. 769.)

3/ The industry appears to have felt that the effect depended upon the absolute amount of the differential. This would mean that the effect would be the same whether the prices were 10 and 13 cents or 11 and 14 cents. It is doubtful, however, whether this would be true at all levels of prices.

C. Outlook for the industry

The outlook for cigarette consumption as a whole seems favorable. Production in 1946 reached about 350 billion cigarettes or nearly double the 1939 total and has been increasing in 1947. As in the case of World War I it appears that the increase experienced in this war will be sustained in the postwar period.

For a time during the latter part of the war when large shipments were being made overseas supplies were not adequate to meet domestic civilian demand. The subsequent decline in tax-free shipments abroad enabled producers to meet domestic requirements without a large increase in production. From 1944 to 1946 more than 60 percent of the increase in tax-paid withdrawals was accounted for by the decrease in tax-free withdrawals. Supplies of leaf tobacco have increased since the close of the war. The 1947 crop is nearly as large as the 1946 record crop and exports are expected to be smaller than for the 1946 crop. 1/ Inventories of manufacturers, however, are relatively low. Prices on the 1947 crop have been higher on burley but about 15 percent lower on flue-cured tobacco which is the principal type of tobacco used in cigarettes. 2/ The price on flue-cured tobacco cannot decline much more, however, because it is now near the support level. The course of tobacco prices as well as the policy followed with respect to cigarette prices will be important factors in determining future profits of the industry. The increase in tobacco leaf costs has appeared to have a more serious effect on the profits of the producers of economy brands than the producers of standard brands.

V. Effects of the tax

A. On profits

By 1942 the aggregate profits of the cigarette industry before taxes, had increased by more than 50 percent over the 1936-1939 average. (Table 8) During the latter part of the war, however, profits declined. The rate of return on stockholders' investment is higher than in the prewar years before allowance for income taxes but is substantially lower after income taxes.

1/ Department of Agriculture, Crop Report as of September 1, 1947, September 10, 1947.

2/ Department of Agriculture, The Tobacco Situation, January 1948, p. 4.

Table 8

Net profits and rate of return on net worth of cigarette manufacturers reporting to Securities and Exchange Commission, 1936-1946 1/

Year	Net profits		Net profits as a percent of net worth 2/	
	Before income taxes	After income taxes	Before income taxes	After income taxes
	(Millions)			
1936	$ 96.6	$ 80.1	17.0 %	14.1 %
1937	97.4	80.9	17.3	14.4
1938	98.4	80.2	17.4	14.2
1939	103.2	83.9	18.1	14.7
1940	116.7	86.5	19.8	14.7
1941	133.4	75.6	22.2	12.6
1942	152.9	69.9	24.7	11.3
1943	150.8	67.4	24.1	10.8
1944	128.5	62.9	19.6	9.6
1945	119.9	64.9	18.0	9.7
1946	140.3	85.5	19.4	11.8

Treasury Department, Division of Tax Research

Source: Securities and Exchange Commission, Survey of American Listed Corporations, "Data on Profits and Operations," Part I.

1/ Companies included for the whole period are: American Tobacco Company, Benson & Hedges, Liggett & Myers Tobacco Company, P. Lorillard Company, Philip Morris & Company, Ltd., and R. J. Reynolds Tobacco Company. The Axton-Fisher Tobacco Company, which was included from 1936 to 1942, was de-listed in 1943 and the company sold to Philip Morris & Company in June 1944. Fleming Hall Tobacco Company included only in 1945 and 1946.

2/ Net worth as of the beginning of year. Includes preferred and common stock and surplus.

The wartime changes in the Federal excise tax on cigarettes were relatively small, the combined increase in 1940 and 1942 amounting to $.50 per thousand small cigarettes or an increase of only 16-2/3 percent in the rate of tax. The increase in tax was reflected in increased prices of manufacturers. In view of the limitations on supplies and the existence of price controls total sales probably were not affected by the increase in the tax. Moreover, the effect of the tax increase of 1 cent per package on total cigarette sales under normal conditions is likely to be very small. 1/ The present tax amounts to nearly 50 percent of the retail price (exclusive of State and local taxes). 2/ While the evidence does not provide a basis for predicting what a change in price of this magnitude would have on consumption, the relative insensitiveness of demand to price changes suggests that complete removal of the tax would not result in a large increase in consumption. Moreover, the tax of 6 cents per package was in effect from 1918 to 1940 and it may be presumed that the industry had become substantially adjusted to this level of taxation. During most of this period the profits of the industry showed a relatively high rate of return on investment and some producers entered the business on a profitable basis. 3/

Consideration should also be given to the possible effects of the tax on other economic groups primarily dependent upon cigarette consumption, particularly tobacco growers and tobacco distributors. The profits of most leaf tobacco growers depend to a substantial extent on the demand for cigarettes. But since the demand for cigarettes does not seem to be greatly affected by the tax the raising of cigarette prices by the full amount of the tax probably has had a proportionately small effect on the demand for tobacco. It is probable that aggregate consumption of tobacco would have been somewhat larger in the absence of the tax, but the continuous growth in consumption has tended to offset any decrease resulting from the tax. It is doubtful whether farmers would have received significantly higher prices for tobacco in the absence of the tax. An increase in prices to farmers over what they have received would have tended to stimulate production and raise

---

1/ As noted on p. 9, supra, the increase in tax resulted in the raising of the price of economy brand cigarettes above the 10-cent figure and may have affected sales of this class of cigarettes relative to the total.

2/ The taxation of cigarettes by State and local governments has been increasing. For a review of developments in this field, see Treasury Department study, "Federal-State Tax Coordination," July 1947.

3/ Temporary National Economic Committee, Investments, Profits and Rates of Return for Selected Industries, pp. 17606-17612.

output to or above the higher level of demand. After the adjustments in production had taken place, prices for leaf tobacco probably would not have been substantially different from the prices received under the present tax.1/

An increase in consumption would tend to benefit distributors of cigarettes. Distributors' profits depend on large volume and quick turnover, but widespread competition tends to keep the margin low and it is doubtful whether the spread between manufacturers' and distributors' prices would be materially affected by a reduction in the tax rate.

It is believed that the elimination of the tax would not result in any substantial change in the prices of cigarettes received by manufacturers and distributors net of tax or in the prices received by the growers of leaf tobacco. Since the increase in volume of consumption of cigarettes and cigarette-type tobacco probably would be small, the total returns of these groups would not be increased materially.

B. On competition

Despite the fact that the tax on cigarettes has for some time been much higher in relation to price than the taxes on cigars and manufactured tobacco, the consumption of cigarettes has rapidly outstripped the other forms of tobacco consumption. It is possible that the shift to cigarettes would have been accelerated by a lower tax, but all forms of tobacco consumption seem to have been influenced so largely by social considerations that the high rate of tax probably has not been a very important factor in the competitive position of the cigarette industry.

The principal effect of the tax on competition appears to be within the cigarette industry. A flat tax on physical volume represents a different percentage of manufacturers' selling price for cigarettes in different classes. The producers of economy brand cigarettes apparently have felt that it is necessary to compete on a price basis since large advertising expenditures cannot be undertaken where the profit margin is small. However, the flat tax is proportionately higher the lower the selling price of the cigarettes. During the period January 1937 to July 1940, the $3 tax on cigarettes was equivalent to a rate of 252 percent of the manufacturer's net price on economy brands compared with 120 percent on standard brands. The manufacturer's net price on economy brands was 48 percent of the price for standard brands before addition of the tax. After the addition of the $3 tax and equivalent trade and cash discounts the ratio increased to 76 percent. The retail price of economy brands was only about 20 percent less than the price of standard brands. In order to set a retail price low enough to attract consumers the producers of economy brands had to operate on a very narrow margin of profit. Profits, therefore, were very sensitive to changes in costs and sales, and the competitive position of the producers of these cigarettes was weak. If the tax on economy brands had been the same ratio to price as the $3 tax was on standard brands, either manufacturers' net prices could have been increased or the retail price on

---

1/ This analysis does not consider the effects which the tobacco control program has had on prices or whether the program would have been different in the absence of the tax.

economy brands reduced by about 1.3 cents per pack. 1/

C. On consumers

Cigarettes constitute an important element in consumer expenditures. It is estimated that the tax increases the Consumers' Price Index by nearly 1 percent. 2/ The tax appears to be moderately progressive in the lower income groups, where there is the relatively heaviest consumption of smoking and chewing tobacco. A study of consumer expenditures for the year 1941 showed that cigarette expenditures were only about one-half as large in relation to income for the income group under $500 as for the income groups between $1,000 and $5,000. 3/ The proportion was about the same at the different income levels between $1,000 and $5,000. A subsequent study for the year 1944 covering urban areas only indicated a relative increase in cigarette expenditures in the lowest income group compared with 1941. 4/ Since the cigarette tax is a flat rate per thousand cigarettes, the tax represents a larger proportion of the retail price of economy brands than standard brands. If the economy brands are largely consumed by low income groups, the tax is a larger proportion of their income than is indicated by the overall figures on cigarette purchases.

Expenditures for cigarettes fluctuate much less than disposable income. 5/ The tax thus has the effect of withdrawing relatively more purchasing power from the income stream in periods of low business activity than in periods of high business activity. This effect is attributable in part to the fact that the tax is on a specific basis which prevents variations in prices being reflected in tax collections. When smokers shift to lower priced cigarettes they continue to pay as much tax per package although their expenditures are reduced.

VI. Administration and compliance

The tax on cigarettes does not raise difficult problems and the cost of administration is low in relation to the revenue collected. There were only 62 factories making small cigarettes as of January 1, 1946. The detailed records required of manufacturers provide close checks upon their tax liabilities but reports entail somewhat more work for manufacturers than the reports on most excise taxes.

1/ The question of a change in the form of the tax is considered in Section VII, below.

2/ This is substantially larger than the effect of any other excise tax on the Index. Alcoholic beverages do not enter into the Index.

3/ Bureau of Labor Statistics, Family Spending and Saving in Wartime, Bulletin No. 822, Washington 1945, p. 185; Department of Agriculture, unpublished data. It should be noted, however, that there may have been some under-reporting of tobacco expenditures in this study.

4/ Unpublished data of the Bureau of Labor Statistics.

5/ P. 15, *supra*.

VII. Technical problems

The principal technical problems which arise under this tax are:

1. Whether the tax should be levied on a flat basis or varied according to the price of the product.

2. Whether floor stocks taxes should be imposed or refunds made on floor stocks if the tax rate is changed.

A. Flat vs. differential tax

The excise tax on small cigarettes has been a flat dollar amount per thousand since the beginning of the fiscal year 1911. On several occasions the desirability of this form of tax on cigarettes has been questioned, and considerable attention has been given to the matter. 1/ Nevertheless, the single rate specific tax has been continued in effect until the present time. It has again been suggested that the form of the tax be modified to provide that different rates of tax apply to the two principal classes of cigarettes, economy brands and standard brands. 2/ The effect of the proposal would be to tax cigarettes under a bracket rate system, the type of tax which has been applicable to cigars since 1917. The cigar tax, however, has seven brackets and approaches more nearly an ad valorem or flat percentage tax than the two-bracket tax suggested for cigarettes. 3/

1/ In 1934 the manufacturers of economy brand cigarettes stated that a graduated rate is the fairest method of taxation from the point of view of both the manufacturer and consumer, (Revenue Revision, 1934) and the question was considered by a special subcommittee of the Ways and Means Committee and by the Senate Finance Committee (Hearings before a Subcommittee of the Committee on Ways and Means, Tobacco Taxes; Hearings before the Committee on Finance on Reduction of Tax on Cigarettes). The enactment of a differential rate tax was supported by the Secretary of the Treasury (Reduction of Tax on Cigarettes, p. 1) and by the Chief of the Tobacco Section of the Agricultural Adjustment Administration (Department of Agriculture, Press Release, 238-35). In 1937, the Federal Trade Commission recommended to Congress that the tax be graduated accordingly to the manufacturers' selling price, (Report on Agricultural Income Inquiry, Part I, p. 46) and in 1942 a differential tax was recommended by the Secretary of the Treasury, (Revenue Revision of 1942, p. 16).

2/ Hearings before the Committee on Ways and Means on Proposed Revisions of the Internal Revenue Code, 1947, pp. 576-580.

3/ The proposed revision in the cigarette tax in 1934 provided for three rates, one applicable to the economy brands; another applicable to the standard brands and the third, applicable to cigarettes sold at prices above the price of standard brands.

The basic reason for the suggestions that cigarettes be taxed at differential rates is that this would increase the difference between manufacturers' prices, tax included, for economy and standard brand cigarettes and thus improve the competitive position of the manufacturers of economy brands. At present the spread on manufacturers' net prices exclusive of tax is $.88 per thousand and because the tax is a flat amount per thousand the spread is the same on the basis of net prices including tax. If the difference in tax on the two classes of cigarettes were $1.75 per thousand, as has been suggested, the price spread including tax would be increased to $2.63. 1/ This is substantially higher than the spread in prices between the two classes of cigarettes which existed at any time after economy brand sales became important. 2/

The choice of the most desirable form of an excise tax involves a number of considerations. At present most Federal excise taxes are levied on an ad valorem basis under which the amount of the tax varies with the price as well as with the volume of the transaction subject to tax. 3/ Under this form of tax, prices for different products tend to be in the same ratio after tax as before tax. Under the present specific tax on cigarettes the price relationship before tax between the different classes of cigarettes is changed substantially

---

1/ The rates suggested by the manufacturers of economy brands were: $3.50 per M (the present rate) for cigarettes on which the manufacturers' net price after discounts and Federal excise tax is more than $2.25 per M, and $1.75 per M for cigarettes on which the manufacturers' net price after discounts and Federal excise tax is not more than $2.25 per M.

2/ It has been stated that the reduction in tax proposed on economy brands would permit their being retailed at a price of 10 cents exclusive of State and local taxes. (Proposed Revisions of the Internal Revenue Code, 1947, p. 577.)

3/ The principal products on which the tax is related only to the volume of business are: alcoholic beverages, cigarettes, manufactured tobacco, gasoline, lubricating oil, and tires and tubes.

by the tax. 1/ Since the present tax is relatively high, a change to an ad valorem form of tax or a differential rate tax might have important effects. The principal issues involved in the proposed changes are the economic and equity effects on the various groups concerned, the revenue effects and the possible administrative and compliance difficulties.

1. Economic and equity considerations affecting desirability of change in tax

There are four principal economic groups concerned with the effects of the tax on cigarettes: consumers, cigarette manufacturers, distributors of cigarettes and growers of leaf tobacco.

a. Consumers

The manufacture of low-priced products tends to expand the market for consumer goods since the availability of such products leaves consumers more to spend on other products. The present cigarette tax, however, results in consumers paying more tax in relation to their expenditures when they buy low-priced cigarettes than when they buy higher priced cigarettes. Low-income consumers tend to purchase the lowest-priced product available or forego consumption of the product. A differential tax rate would enable lower income consumers to purchase economy brand cigarettes with a smaller total expenditure and the amount

---

1/ The principal difference between the specific and ad valorem forms of tax is that under a specific tax the absolute amount of the spread between two differently priced products is the same with the tax included as with the tax excluded, while under an ad valorem tax the absolute amount of the spread between the prices of the two products is increased by the tax. Under a specific tax the amount of the tax varies as a percentage of the price of the product. For example, where two grades of products sell for $1 and $2, respectively, in the absence of a tax, the same volume of consumption of the different products results in a large difference in total expenditure. However, if these prices should be raised to $9 and $10, respectively, by a specific tax, the same volume of each could be purchased with relatively little difference in aggregate expenditure by the consumer. Consumers would tend to purchase slightly smaller quantities of the higher priced product instead of buying the lower priced product. On the other hand, a very high ad valorem rate of tax would tend to increase the absolute amount of the spread between the two products. In such a case consumers would tend to purchase the cheaper product because of the large saving involved in relation to the comparative prices including tax. Inasmuch as the volume of cigarettes smoked probably depends to a large extent on habits, a shift from one price cigarette to another would be expected to involve little, if any, change in volume of consumption but a change in aggregate expenditure for cigarettes.

of tax involved would represent a lower proportion of their income. The present flat tax tends to have a regressive effect because lower prices are not reflected in reduced tax payments. The pressure of declining income usually stimulates a shift to lower priced products. With a lower tax on the lower priced product, the shift to economy brands which occurred in the Thirties would have resulted in considerable tax saving to consumers.

b. Manufacturers

It appears that the effects of a change in the form of the cigarette tax would relate primarily to changes in the comparative volume of sales in the different price classes. The discussion in Sections IV and V above reached the conclusion that the level of the tax probably does not have a very significant effect on total sales. However, the experience of the 1930's indicates that sales in the different price classes are very sensitive to changes in the price spread between the classes.

In view of the high degree of concentration of production in the cigarette industry the decisions of leading manufacturers would play an important part in the effects which a change in the form of the tax would have on the industry. The effects would also depend to a large degree upon the extent and character of Government control over tobacco production. The manufacturers of standard brands have not generally met the competition of the lower-profit economy brands by offering a lower priced product themselves. As economy brand sales increased in the early Thirties the aggregate profits of the large producers of standard brands declined, although during this period the strong upward trend in consumption prevented an absolute decrease in the sales of standard brands. 1/ Between 1931 and 1939 the total output of the three largest companies increased from 106 billion cigarettes to 123 billion, although their proportion of the total declined from about 91 percent to 68 percent. 2/ In view of the outlook for continued growth in consumption, the sales of the standard brands might continue to expand under a differential rate. The sales and profit effects would vary with the size of the differential, and the extent to which the reduced tax would be reflected in lower prices to distributors

---

1/ From 1931 to 1933 earnings before Federal income taxes of the three largest companies declined from 25 percent of stockholders' investment to 11 percent. There was also a marked change in the profits of smaller companies producing economy brands. One of these had profits of $3.2 million after taxes in 1932 compared with losses in the years 1929-31. Profits after taxes of another increased from $.6 million in 1931 to $1.7 million in 1932. (Temporary National Economic Committee, op. cit., pp. 17670, 17707, 17709.)

2/ 328 U. S. 795. These data are not comparable with those in Table 1 since Table 1 covers only the leading brands of these companies.

and consumers. 1/ The effect would also depend upon whether the larger producers, under a tax differential, would generally engage in producing lower priced cigarettes. The effect on their profits might be minimized by such action, although it is possible that lower unit profits would be realized on the lower priced product.

Another factor upon which the effect of a change in the tax would depend is the future relationship in the prices for different grades of tobacco. If a tax differential were set to provide a given price margin for economy brands on the basis of present leaf costs, it might prove to be more effective under declining tobacco prices. The advent of the economy brands was made possible in part by the low tobacco prices which prevailed in the early Thirties. From June 1931 to January 1933 the manufacturers' net price on economy brands was 3.7 cents per package less than the net price on standard brands, compared with the present spread of 1.76 cents. (Table 2) Subsequently tobacco prices increased. 2/ However, there appears to have been a relatively larger increase in the price of tobacco used in economy brand cigarettes than in the price of tobacco used in standard brands. (Table 9) Although, as indicated in Section IV A above, there does not appear to be a close relationship between changes in tobacco prices and cigarette prices, a decline in tobacco prices might result in relatively lower prices on economy brands exclusive of tax and thus stimulate a shift in consumption to these brands.

The importance of the tax differential would also vary with fluctuations in the level of national income, since consumers are more conscious of price differentials during periods of low employment than high employment. Although a two-bracket differential tax would tend to produce some shifts under changing income conditions, the movements probably would not be as great as under an ad valorem tax. Under the latter the tax differential would change with relative changes in prices. 3/

1/ As shown in Table 3 above, when the difference between the prices of standard and economy brand cigarettes varied significantly there was a decided response in the proportion of economy brand sales. The present differential in manufacturers' net prices of about 1.8 cents per pack appears to be insufficient to produce significant sales of economy brands. It is not known how large the differential would have to be to stimulate sales under present high employment conditions, but it is likely that it would have to be larger than under less favorable conditions.

2/ Government controls were instituted in order to raise prices to farmers. According to the testimony in the 1934 Revenue Hearings, the tax differential requested by the producers of economy brands in 1934 was based on cost increases arising out of the National Industrial Recovery Act and the Agricultural Adjustment Act.

3/ For example, under an ad valorem tax if the price spread (before tax) increased from $1.00 to $1.50 per thousand the difference in tax under a tax rate of 100 percent would increase by 50 cents; i.e., by the amount of the increase in the price spread multiplied by the tax rate.

Table 9

Comparative prices paid to farmers for leaf tobacco used in standard and economy brand cigarettes, 1931-1941

(Cents per pound)

Year	Standard brand cigarette leaf tobacco grades			Economy brand cigarette leaf tobacco grades		
	Burley 1/	Eastern flue-cured 2/	Western flue-cured 3/	Burley 1/	Eastern flue-cured 2/	Western flue-cured 3/
1931	16.04	22.88	24.83	5.98	3.20	2.65
1932	4/	27.15	29.08	4/	6.70	5.89
1933	21.71	28.36	31.27	10.35	9.10	9.61
1934	26.78	37.92	42.37	15.23	14.88	13.37
1935	35.01	31.07	31.58	15.54	9.91	7.48
1936	61.71	35.11	41.50	38.00	8.71	9.08
1937	36.71	34.94	38.42	20.33	11.43	13.13
1938	27.00	31.44	33.33	16.62	15.58	16.60
1939	25.14	24.58	26.88	15.91	11.68	11.85
1940	28.71	28.11	32.25	17.21	14.31	14.13
1941	42.71	37.77	42.75	31.33	26.54	25.35

Treasury Department, Division of Tax Research

Source: Hearings Before the Committee on Ways and Means, Revenue Revision of 1942, 77th Congress, 2nd Session, p. 2010.

1/ Type 31.
2/ Types 12, 13, and 14.
3/ Types 11A and 11B.
4/ Government figures not given.

c. Tobacco growers

The effect of a change in the form of the tax on the growers of leaf tobacco involves considerations similar to those discussed with respect to manufacturers. The tobacco farmer, of course, is interested in the maximum return for his entire crop rather than the price of a particular grade. Since the total consumer demand for cigarettes has not generally shown a large degree of variation from year to year, changes in prices for cigarette type tobacco result principally from changes in the size and quality of the crop and export demand. The prewar and wartime experience indicates that the quality of tobacco used in cigarettes is flexible depending upon the total supply of tobacco. When supplies were excessive in the early 1930's, the larger producers of cigarettes did not purchase much low grade tobacco, but in the war years lower grades were needed in order to meet the expanded demand with the limited supplies.

The control over tobacco acreage exercised by the Government can serve to reduce fluctuations of this character. However, such factors as the weather and the use of fertilizer will produce variations in the size and quality of the crop. A more favorable tax rate on the lower priced cigarettes would stimulate demand for lower grade tobaccos and tend to prevent declines in the price of such grades relative to higher grades when crops were large. A large crop would, of course, tend to depress average prices. But since the total demand would probably not be greatly increased by a differential tax, the average price would tend to be about the same as under the present type of tax. Some improvement might result from additional manufacturers bidding for tobacco and the greater assurance of a market for the lower grades. However, there would be limits to the increase in use of tobacco in lower priced cigarettes, since the increase in this use would tend to raise prices for the lower grade tobaccos and reduce the spread between these grades and higher grades of tobacco.

d. Distributors

The effect of a change in the tax on the profits of cigarette distributors must also be considered. Distributors' margins on standard brand cigarettes appear to have decreased substantially during the 1920's. A comparison of manufacturers' net prices and reported retail prices shows that the difference decreased from 5.68 cents per pack in December 1920 to 2.52 cents in June 1929. (Table 10) Because of the decline in the level of cigarette prices during this period, however, the margin for distributors as a percentage of the retail price declined by only about one-third. The margin for distribution declined somewhat further from 1929 to 1933, which included the period just prior to and subsequent to the introduction of the economy brands. 1/ In the three years following, both retail prices and the margin for distribution approximated the levels that prevailed in June 1929. Subsequent comparisons are distorted

---

1/ During the first part of this period the price of standard brands was first increased and then drastically reduced.

Table 10

Combined wholesale and retail margins per package
for standard brand cigarettes, 1920-1921, 1926-1937

(As of December 15)

Year	Average retail price	Net manufacturer's price	Margin	Date of change in manufacturer's price
1920	19.8 ¢	14.12 ¢	5.68 ¢	-
1921	18.7	14.12	4.58	December 31
1926	14.6	11.28	3.32	-
1927	14.4	11.28	3.12	-
1928	13.7	10.58	3.12	April 21
1929	13.4	11.28	2.12	October 5
1930	13.3	11.28	2.02	-
1931	14.2	12.08	2.12	June 24
1932	14.2	12.08	2.12	-
1933	12.2	9.70	2.50 1/	Jan. 3; Feb. 11
1934	13.1 2/	10.76	2.34	January 9
1935	13.2 3/	10.76	2.44	-
1936	13.2 3/	10.76	2.44	-
1937	13.8	11.02	2.78	January 20

Treasury Department, Division of Tax Research

Sources: (1) Manufacturers' prices and date of change: Standard and Poor's Industry Surveys, "Tobacco," February 21, 1947, Section 2, p. T4-3; (2) Average retail price per package: Department of Labor, Retail Prices, May, 1936, p. 11; Monthly Labor Review, December, 1937, p. 1568; price for December 1937 is published by the Department of Agriculture in the Annual Report on Tobacco Statistics, 1940, p. 32.

Note: Data not available for years 1922-1925.

1/ The low for the whole period covered was reached in June of this year when the margin declined to 1.8 cents.

2/ Price for November. December price not published.

3/ Price for July which is more representative than the December price.

by the growth of State and local cigarette taxes. Except for the initial period of adjustment to economy brand competition, however, it does not appear that distributors' margins on standard brands were affected appreciably by the sale of lower priced cigarettes.

Prior to the war the dollar margin between manufacturers' and retail prices was generally lower on economy brands than on standard brands. 1/ Since handling costs probably differed little except for lower investment in inventory required on economy brands, it is likely that distributors found sales of standard brands more profitable. Economy brands usually retailed at 10 cents per package except where State or local taxes necessitated higher prices, and it is possible that the margin for distribution was affected by the practice of adhering to this convenient coin interval. The producers of economy brands appear to have been strongly interested in maintaining the 10-cent retail price and did not change their net prices prior to the war despite increases in costs. After the price of economy brands was increased to more than 10 cents, the margin for distribution on these cigarettes increased. Under a differential tax distributors' margins on economy brands would depend to some extent on the size of the tax differential and the price at which they could most conveniently be sold at retail.

2. Revenue considerations

The revenue effect of a differential tax favoring lower priced cigarettes would depend upon a number of factors. Revenue would be lost to the extent that cigarettes taxed at the lower rate replaced standard brands. This might be a substantial amount, but probably would vary greatly depending upon the level of income and the size of the tax differential. 2/ Substitution of economy brand cigarettes for smoking tobacco would add revenue because of the relatively lower rate of the present tax on smoking tobacco. 3/ Any increase in the use of cigarettes by present smokers or use by new smokers would

---

1/ There were exceptions during price wars, when standard brand cigarettes retailed at as low a price as the economy brands.

2/ The effect of price differentials and the level of income is discussed on page 16, supra. If the tax rate on economy brands were one-half the rate on standard brands, consumption of economy brands would have to increase by 2 percent of total consumption to offset each 1 percent loss in consumption of standard brands.

3/ The present rate of tax on smoking tobacco is 18 cents per pound. If instead of using one pound of smoking tobacco a consumer smoked 400 economy brand cigarettes, the revenue would be increased from 18 cents to 40 percent of the rate per thousand cigarettes on economy brands. Assuming a differential in tax of $1.75 per thousand and the present rate of tax on standard brands, the substitution of economy brand cigarettes for roughly 10 percent of the present smoking tobacco consumption would be required to offset a shift of 1 percent in the present consumption of standard brands to economy brands.

add revenue. As indicated above, however, a reduction in price would not be expected to produce a large increase in consumption.

3. Administration and compliance problems

Experience with the bracket system of taxing cigars suggests that it could be applied to cigarettes without much additional work for taxpayers or serious administrative problems. Manufacturers presumably maintain adequate records to provide the reports that would be required. The necessity of prescribing a particular form of record-keeping might involve some changes in the industry's practices. Some additional work would be imposed upon the Bureau in auditing records by price classes and, also, in handling stamps for different tax rates. It would be necessary to provide in the law the method of determining the price on the basis of which the tax was to be differentiated and to include provisions protecting the revenue in the case of sales not made at arm's length.

B. Floor stocks taxes and refunds

Increases in the rate of tax on cigarettes in 1919, 1940 and 1942 were accompanied by taxes on floor stocks. Cigarettes are not highly perishable and there might be substantial accumulation of tax-paid stocks by producers and dealers in the absence of a tax on floor stocks. Since the passage of tax legislation usually affords considerable notice of a possible tax increase, a tax on floor stocks is necessary to prevent loss of revenue which would result from advance purchases in excess of normal needs. In addition to the loss of revenue which would arise from failure to impose a tax on floor stocks, there would be large differences in the extent to which producers and distributors might benefit. Some could finance relatively large excess stocks while others must of necessity make their purchases from day to day.

There appear to be strong reasons for the imposition of a floor stocks tax when the rate of tax on cigarettes is increased. Since, however, there has been no experience with a tax reduction on cigarettes consideration has not previously been given to the factors that would be involved in the granting of refunds in connection with a reduction in the rate of tax.

A reduction in tax without provision for refunds on tax-paid floor stocks might disturb normal trade relationships and cause some losses to the industry. Although consumers are unlikely to reduce purchases in anticipation of a decrease in tax, producers and dealers would tend to reduce stocks. Businesses which reached the market first with cigarettes withdrawn at the lower rate of tax might gain an advantage in the form of increased sales at lower prices or a higher profit margin. On the basis of 1940 and 1942 floor stocks tax returns, it appears that tax-paid stocks in the hands of producers and distributors combined were equal to about five weeks' sales. Minimum business requirements limit the extent to which stocks might be reduced in anticipation of a

tax reduction not accompanied by a provision for refunds on tax-paid stocks. Retailers carry relatively much smaller stocks than producers and wholesalers and in most cases could not reduce them substantially and maintain normal sales. 1/ Producers and wholesalers could reduce stocks for a temporary period and under the uniform pricing policy that has been followed by the industry make a general revision in price after the stocks tax-paid at the former tax rate were cleared. It might not be feasible for producers to wait until wholesale stocks were cleared. In this case a loss would occur on the stocks held by wholesalers. In the past when the larger producers have made price reductions they have protected the stocks in the hands of direct customers against the decrease in price. 2/ However, they might not follow this policy with respect to a change in the tax. The amount involved would depend upon the size of the tax reduction and the extent to which dealers' tax-paid stocks could be reduced.

The administration of floor stocks taxes has involved considerable work. About 400,000 returns were filed under the floor stocks taxes on cigarettes in 1940 and 1942. 3/ Only a few of these represented manufacturers who filed returns for cigarette taxes. The problem of dealing with such large numbers of businesses not filing returns regularly would be greater in the case of refunds because of the necessity for verifying claims. Experience has indicated that the filing of fraudulent returns is more likely in the case of refunds than in the case of floor stocks taxes. The number of returns involved could be limited by providing that refunds would be granted only on stocks in excess of a certain minimum figure, but this would discriminate against smaller dealers. 4/ The work involved for the Government could be reduced somewhat by providing that all refunds be made through manufacturers and importers who, in turn, would be made responsible for verifying inventories of distributors. If this were done it would be administratively desirable to limit refunds to stocks held by producers, importers, and wholesalers. Little loss would be involved for retailers and they would be treated more equitably as a group than under a minimum limitation. Instead of using the floor stocks refund procedure, producers might withdraw dealers' stocks remaining on the effective date of the lower tax, recover the tax paid, and re-stamp such goods at the lower rate. It would be necessary to allow a reasonable period of time between the passage of the legislation and the effective date of the lower rate.

1/ In 1942 producers held about 40 percent of the tax-paid stocks.
2/ Agricultural Income Inquiry, Part I, p. 450.
3/ The 1940 floor stocks tax on cigarettes resulted in over 438,000 returns, the 1942 tax in 387,000 returns. The 1942 figure is lower because chains were permitted to file one return for all their outlets.
4/ The reduction in the cigar tax under the Revenue Act of 1926 was accompanied by a provision for refunds on tax-paid floor stocks where the amount was not less than $10.

PART II - Excise Tax on Cigars

I. Description of the tax

The tax is imposed on cigars, which are defined as rolls of tobacco or any substitute therefor wrapped with tobacco. The tax differs according to the weight of the cigars. Small cigars, those weighing not more than three pounds per thousand, are taxed at a flat rate. 1/ Large cigars, those weighing more than three pounds per thousand, are taxed at rates which vary with the intended retail selling price.

The tax applies to cigars upon removal from the place of manufacture or upon release from customs custody, or upon sale if prior to such removal or release.

The tax is payable by the manufacturer or importer and is paid by purchasing tax stamps to be affixed to the packages prior to removal from the factory or upon release from customs custody.

Exemptions from tax are provided on withdrawals for:

1. Export.

2. Use as sea stores.

3. Use of the United States Government (but not for resale in the United States).

4. Withdrawals for personal consumption by employees. 2/

II. Changes in tax since 1917

Cigars have been subject to excise taxation continuously since 1862. Beginning with 1917 the tax on large cigars has been varied according to the intended retail selling price. Prior to the increases in rates in 1917 large cigars had been taxed at a flat rate of $3.00 per thousand and the rate on small cigars was $.75 per thousand. Tax rates and dates of the changes since 1917 are shown below:

1/ The production of small cigars is insignificant.
2/ The exemption is 21 cigars per week.

Changes in tax rates since 1917

(Per thousand cigars)

Class of cigar		Revenue Acts and effective date			
		1917 (Nov. 3)	1918 (Feb. 25, 1919)	1926 (Mar. 29)	1942 (Nov. 1)
Small cigars		$ 1.00	$ 1.50	$ .75	$ .75
Large cigars					
Intended retail price per cigar					
Over	Not over				
0	2½ ¢	3.00 a/	4.00	2.00	2.50
2½ ¢	4	3.00 a/	4.00	2.00	3.00
4	5	4.00 b/	4.00	2.00	4.00
5	6	4.00 b/	6.00	3.00	4.00
6	7	4.00 b/	6.00	3.00	7.00
7	8	6.00	6.00	3.00	7.00
8	15	6.00	9.00	5.00	10.00
15	20	8.00	12.00	10.50	15.00
20		10.00	15.00	13.50	20.00

a/ Price class was "less than 4 cents".
b/ Limits of price class were "4 cents and not over 7 cents".

III. Revenue collections, 1936-1947

Collections from the tax on cigars are slightly larger than those from manufactured tobacco, but in the fiscal year 1947 they were equal to only about 4 percent of the revenue from cigarettes.

Collections, fiscal years 1936 - 1947
(In millions)

Fiscal year	Collections	Fiscal year	Collections
1936	$ 12.4	1942	$ 14.5
1937	13.4	1943	23.2
1938	12.9	1944	30.3
1939	12.9	1945	36.7
1940	13.0	1946	41.5
1941	13.5	1947	48.4

IV. Economic background of the industry

A. Character of supply

Just prior to the war more than 95 percent of the cigars consumed in the United States were produced by domestic manufacturers, but nearly one-half of the tobacco used in the domestic production of cigars was produced outside of the continental United States. 1/

Since World War I there have been marked changes in the character of the domestic cigar industry. The number of cigar factories has been declining almost steadily for about 30 years. (Table 1) From about 16,000 factories in 1915 the number had declined by 1943 to about 2,400, or by approximately 85 percent. The decline was interrupted during the war when shortages of low priced cigars provided a profitable market for small establishments, but it appears that this was temporary. Despite this decline, the number of cigar producers 2/ is large in comparison with the number of producers of cigarettes or smoking and chewing tobacco.

The decline in the number of cigar factories reflects a basic change in the industry from one in which a substantial proportion of the business was done by the small producers of hand-made cigars to one in which the

1/ United States Tariff Commission, Trade Agreement Digests, Vol. VI, "Tobacco and Manufacturers," 1946, pp. 5-6, 15. Most imported cigars came from the Philippines in prewar years, while during the war increased shipments from Cuba supplied most of the imports. Puerto Rican cigar filler, which is usually blended with domestic filler, accounted for about 23 percent of the tobacco used in domestic production of cigars in the years 1935-1939. Imports from Cuba and the Philippines accounted for about an additional 20 percent of the tobacco used. Cuban filler is used to a larger degree in the higher priced cigars. Substantial amounts of Sumatra leaf were imported for cigar wrappers before the war.

2/ The number of producers is somewhat smaller but not greatly different from the number of factories.

Table 1

Number of cigar factories, production of large cigars, per capita consumption, and average retail price per inexpensive cigar, 1915-1946

Calendar year	Number of factories at end of year	Production of large cigars	Per capita consumption of tobacco used in cigars 1/	Average retail price per inexpensive cigar 2/
		(Millions)	(Pounds)	(Cents)
1915	15,732	6,599	1.47	3/
1916	14,576	7,042	1.58	3/
1917	13,217	7,560	1.65	3/
1918	11,291	7,054	1.51	3/
1919	11,483	7,072	1.48	3/
1920	11,109	8,097	1.66	11.0 4/
1921	12,105	6,726	1.36	10.3
1922	11,576	6,722	1.48	3/
1923	10,628	6,950	1.51	3/
1924	9,877	6,598	1.42	3/
1925	8,533	6,463	1.37	3/
1926	8,427	6,499	1.39	8.4 4/
1927	7,974	6,519	1.35	8.2
1928	7,502	6,373	1.34	8.0
1929	6,780	6,519	1.31	7.7
1930	6,195	5,894	1.18	6.2
1931	5,982	5,348	1.08	5.4
1932	5,787	4,383	.89	4.8
1933	5,473	4,300	.89	4.6
1934	5,190	4,526	.95	5.0
1935	4,905	4,685	.96	4.7
1936	4,522	5,172	1.03	4.5
1937	4,157	5,303	1.04	4.6
1938	3,834	5,015	.97	4.6
1939	3,553	5,198	.99	4.6
1940	3,254	5,235	1.02	4.6
1941	2,939	5,610	1.09	4.6
1942	2,541	5,841	1.12	4.8
1943	2,414	5,363	.98	5.8
1944	2,973	5,199	.98	7.0
1945	2,799	5,275	.96	7.2
1946	-	5,618	-	7.9

Treasury Department, Divsision of Tax Research

Footnotes on next page.

(Footnotes - Table 1)

Source: (1) Number of factories and productions: Annual Reports of the Commissioner of Internal Revenue; (2) Per capita consumption: Department of Agriculture, Annual Report on Tobacco Statistics, 1942, p. 82, 1947, p. 88; Average retail price: Department of Labor. For 1920-1934 data are published in Retail Prices, May, 1936, p. 11; for 1935-June 1937 data are published in Monthly Labor Review, December 1937, p. 1568. Subsequent data are published by the Department of Agriculture in the Annual Report on Tobacco Statistics.

1/ Includes both large and small cigars. Represents unstemmed equivalent of the tobacco used in their manufacture. Consumption for 1940-1946 includes consumption by forces overseas and is the sum of tax-paid and tax-free withdrawals less exports.

2/ Arithmetic average for year computed from average for sample periods. In some years the prices were taken on only two dates, sometimes on three, and sometimes on four. The prices are for 32 large cities. Approximately four dealers in each city are asked to report the price of their largest selling brand. The average price in each city is weighted by the population of the metropolitan area in computing the over-all average for the sample periods.

3/ Not available.

4/ December price only.

5/ Preliminary.

bulk of cigars is now made by machine in large factories. 1/ Formerly most cigars were sold in local market areas. The development of machine production, however, was accompanied by the growth in sales of nationally advertised and nationally distributed brands by a few large firms. The mechanization of production resulted in large savings in costs. 2/ These changes made it difficult for the small, local, hand-operated establishment to continue on a profitable basis. In addition, competition became more intense as the industry experienced a decline in total consumption after 1920. It has been estimated that by 1936 machines were used in producing about 80 percent of the industry's total output. 3/ But only about 1 percent of the manufacturers used cigar-making machines and these producers had sufficient capacity to meet total demand. 4/

While the continued market for hand-made cigars has enabled a substantial number of small producers to remain in the business, the concentration of production has increased considerably. In 1921, the first year for which data are available, about 16 percent of the cigars were made in factories producing over 40 million per year. (Table 2) The number of factories of this size increased and their percentage of the total output rose to a prewar peak of 70 percent in 1941. By 1937 four companies accounted for nearly 40 percent of the total value of cigars produced. 5/ The degree of concentration, however, is lower than it has been for other tobacco products. 6/ The producers of cigars generally do not also produce other tobacco products, such as cigarettes, smoking tobacco and chewing tobacco.

1/ The cigar-making machine was successfully introduced in 1917.

2/ It has been estimated that machines displaced about one-fourth of the workers in the industry. (See W. D. Evans, "Effects of Mechanization in Cigar Manufacture," Department of Labor, Monthly Labor Review, May 1938.)

3/ Evans, loc. cit.

4/ Federal Trade Commission, Agricultural Income Inquiry, Part I, 1938, p. 470.

5/ Temporary National Economic Committee, The Structure of Industry, Monograph No. 27, p. 479.

6/ Evans, op. cit. The reason for this is attributed in part to the delay in the development of a successful cigar-making machine. Prior to its dissolution in 1911 the American Tobacco Company had obtained control of only about 15 percent of total production of large cigars. Although this Company had experimented with cigar-making machinery, apparently it was unable to develop production economies that had much advantage over small producers. When the first successful cigar-making machine was introduced in 1917 the cigar business was not dominated by a few entrenched companies.

Table 2

Number of cigar factories by size of production and percentage distribution of production by size of production of factories, 1921, 1925, 1930, 1935, 1940-1946

Production of cigars per factory (Thousands)	1921	1925	1930	1935	1940	1941	1942	1943	1944	1945	1946
					Number of factories						
Under 250	13,149	9,789	6,752	5,112	3,330	2,966	2,620	2,256	2,601	2,795	2,489
250 - 500			224	184	138	147	141	156	260	324	205
500 - 1,000	510	282	148	119	98	87	71	72	145	203	134
1,000 - 2,000	324	213	116	84	46	30	31	52	88	142	128
2,000 - 3,000	147	106	61	40	21	19	19	15	43	48	56
3,000 - 4,000	76	65	42	28	12	10	11	19	15	25	29
4,000 - 5,000	73	50	25	14	11	9	6	8	10	14	11
5,000 - 7,500	178	152	49	28	19	18	16	25	25	20	22
7,500 - 10,000			23	20	9	11	13	8	14	16	16
10,000 - 20,000	85	77	49	30	25	23	25	28	26	35	33
20,000 - 40,000	25	34	28	23	23	25	29	38	43	38	32
Over 40,000	11	18	35	27	30	32	33	30	30	30	39
Total	14,578	10,786	7,552	5,709	3,762	3,377	3,015	2,707	3,300	3,690	3,194
					Percentage distribution of production						
Under 250	13.7%	10.2%	3.9%	4.2%	2.7%	2.3%	2.0%	2.2%	3.1%	5.8%	2.3%
250 - 500			1.3	1.4	.9	.9	.8	1.0	1.8	2.2	1.3
500 - 1,000	5.3	3.1	1.7	1.8	1.3	1.1	.9	.9	2.0	2.7	1.7
1,000 - 2,000	6.8	4.7	2.8	2.5	1.3	.8	.8	1.4	2.3	1.2	3.2
2,000 - 3,000	5.3	4.0	2.5	2.1	1.0	.9	.8	.7	2.0	2.3	2.4
3,000 - 4,000	3.9	3.5	2.5	2.1	.8	.6	.7	1.2	1.0	1.6	1.9
4,000 - 5,000	4.9	3.4	1.9	1.4	.9	.7	.5	.7	.9	1.2	.9
5,000 - 7,500	18.4	17.0	5.0	3.7	2.2	2.0	1.7	2.9	2.9	2.3	2.3
7,500 - 10,000			3.4	3.6	1.5	1.7	2.0	1.4	2.3	2.7	2.5
10,000 - 20,000	16.0	16.5	11.4	9.1	7.0	6.2	6.4	7.7	6.9	9.9	8.8
20,000 - 40,000	10.0	15.7	13.7	13.0	12.1	12.7	14.2	20.2	23.2	20.6	16.1
Over 40,000	15.7	21.8	49.8	55.3	68.4	70.1	69.3	59.7	51.6	47.5	56.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Treasury Department, Division of Tax Research

Source: Annual Reports of Commissioner of Internal Revenue. Unpublished data for 1946.

Cigars are sold over a wide range of prices, and in most stores can be purchased at from 5 to 35 cents a piece. However, prior to World War II the business had become largely concentrated in the lower price classes. (Table 3) By 1939, the proportion of cigars produced to retail at 5 cents or less had increased to nearly 90 percent of the total. Most of the large manufacturers produce cigars in different price lines although not necessarily in all price lines. The smaller producers confine themselves to the hand-made products, some for special orders. Most of these are in the higher price classes although apparently some lower-priced cigars are hand-produced. 1/ The increasing concentration in the industry has probably reduced price competition to some extent and resulted in competition being more largely on a brand basis. The larger producers have placed increasing emphasis on advertising their largest selling brands. Nevertheless, consumers can still purchase different cigars at relatively small differences in price and thus shift their consumption to some extent on a price basis.

The manufacturers of cigars have made considerable effort to persuade distributors to maintain the list prices on their products. 2/ With the development of the Fair Trade Acts many of the important companies priced their products under these laws. The cigar manufacturers have not been able to make as large advertising expenditures as the cigarette companies and have had to depend upon the selling efforts of their distributors to a greater extent. With the declining market for cigars profit margins of wholesalers and retailers have been an important factor in securing sales. The wholesale distribution of cigars is assigned largely on an exclusive territory basis.

The advertised retail prices of cigars have generally been changed infrequently. The leading brands have been more stable in price than the largest selling brands of cigarettes. Prior to World War I most cigars sold for 5 cents or less. 3/ With the increase in costs, prices were raised generally and during the 1920's the most popular brands sold for 10 cents straight or 3 for 20. Two of the largest selling brands of cigars were reduced to a 5-cent price in 1931 and 1933 from their previous prices of 3 for 20 cents and 10 cents straight. They remained at this level until 1942 when they were raised to 6 cents. 4/ In 1945

1/ W. D. Evans, op. cit. p. 118.
2/ Federal Trade Commission, op. cit. pp. 508-519.
3/ Department of Agriculture, American Tobacco Types, Uses, and Markets, Circular No. 249, Washington 1942, p. 91.
4/ About one-third of the 1942 increase was occasioned by the tax increase. (Office of Price Administration, Press release of November 3, 1942.)

Table 3

Tax-paid withdrawals of cigars by price classes estimated from sale of tax stamps, 1918, 1920, 1925, 1929-1946

Year	Total	Intended retail price per cigar: Not over 5¢	5.1¢-8¢	8.1¢-15¢	15.1¢-20¢	Over 20¢	Percent of total in 5-cent and under class 1/
		(Millions of cigars)					
1918 2/	7,440	1,180 3/	4,425 4/	1,797 5/	17	22	15.9
1920	8,502	2,043	2,620	3,641	142	56	24.0
1929	6,850	3,859	582	2,236	145	27	56.3
1930	6,198	3,861	395	1,799	121	21	62.3
1931	5,626	3,986	173	1,368	86	13	70.8
1932	4,691	3,734	53	842	56	5	79.6
1933	4,592	3,932	34	574	46	5	85.6
1934	4,868	4,197	60	566	41	4	86.2
1935	5,031	4,434	68	487	39	5	88.1
1936	5,394	4,749	55	544	41	5	88.0
1937	5,534	4,867	57	563	42	5	87.9
1938	5,326	4,230	52	503	37	4	88.8
1939	5,510	4,943	43	484	36	5	89.7
1940	5,568	4,991	42	493	37	4	89.6
1941	5,960	5,326	45	541	42	5	89.4
1942	6,207	5,385 6/	57 7/	688	57	10	86.8
1943	5,228	3,944 6/	162 7/	992	115	15	75.4
1944	4,786	2,312 6/	432 7/	1,778	192	72	47.3
1945	5,014	1,424 6/	1,649 7/	1,594	189	158	28.4
1946	5,920	1,385 6/	1,789 7/	2,371	206	169	23.4

Treasury Department, Division of Tax Research

Source: Department of Agriculture, First Annual Report on Tobacco Statistics and succeeding Annual Reports. Tax-paid withdrawals include cigars of Puerto Rican and Philippine manufacturers, and are totals of the data from the preliminary monthly releases of the Bureau of Internal Revenue.

1/ Includes cigars intended to retail for not over 7 cents in 1918 and not over 6 cents in the last two months of 1942, and the years 1943-1946.

2/ Exclusive of June figures for Philippine imports.

3/ Cigars intended to retail for less than 4 cents.

4/ Cigars intended to retail for 4 cents and not over 7 cents.

5/ Cigars intended to retail for over 7 cents and not over 15 cents.

6/ For the last two months of 1942 and subsequent years represents cigars intended to retail at 6 cents or less as follows: (in millions)

	Not over 2.5¢	2.6¢ - 4¢	4.1¢ - 6¢
1942 (Nov. & Dec.)....	79	443	479
1943	341	738	2,865
1944	188	284	1,839
1945	47	428	949
1946	34	376	975

7/ For the last two months of 1942 and subsequent years represents cigars intended to retail between 6.1 and 8 cents.

they were raised to $7\frac{1}{2}$ cents and in 1946 to 9 cents. Thus, there was a period of over 9 years during which prices were unchanged and over 14 years during which they were changed only three times. There is, however, an indirect method of adjusting cigar prices to changes in demand through changes in size and quality. Cigars are made in a wide variety of sizes and shapes and it is possible to effect a change in price by introducing a new size or shape while maintaining the former price. The stability of prices may have been influenced in part by the practice of producing cigars to be retailed at convenient coin intervals, e.g., 2 for 5 cents, 5 cents, 2 for 15 cents, 10 cents. The changes in price involved in shifting from one accepted coin interval to another represent large percentage differences. 1/ However, wartime price adjustments resulted in odd prices such as six, nine and eleven cents and since the end of price control there has been no general effort to reprice brands on the basis of customary prewar price intervals. If odd-cent prices do not prove to be a sales deterrent, smaller percentage changes will be possible in the future and prices may be changed at more frequent intervals than in the past.

Hand-produced cigars involve a high proportion of labor cost. The development of machine production reduced these costs but for the industry as a whole factory wages in 1939 were 23 percent of net sales (after deducting excise taxes) as compared with only 5 percent for cigarettes and 9 percent for snuff and chewing and smoking tobacco. 2/ While smaller producers were being forced out of business by increased use of machine production and the declining consumption of cigars, the largest producers operated on a profitable basis during most of the time since 1920. 3/ Profits were substantially lower after the price reductions in the early 1930's. Although at the time of the price reductions the cost of cigar-type tobacco had declined, these costs subsequently recovered to approximately the level prevailing between 1920 and 1930. (Table 4) During the war both costs and prices increased substantially.

B. Character of demand

The large expansion in cigarette smoking apparently has affected other forms of tobacco usage to a considerable extent. Shifts in consumption have probably been based in part on taste and social considerations and in part on relative costs. Cigars have never been the most

---

1/ The problem is apparent in a number of other low priced products, such as candy, chewing gum, and soft drinks.
2/ Census of Manufactures: 1939, Vol. 2, Pt. 1.
3/ The rate of return, however, was substantially lower than in the cigarette industry, TNEC, Investments, Profits and Rates of Return for Selected Industries, pp. 17,669-70.

Table 4

Production of and average price per pound received by farmers for cigar type tobaccos, 1920, 1925, 1930-1947

Year	Production			Price per pound		
	Filler	Binder	Wrapper	Filler	Binder	Wrapper
	(Thousands of pounds)			(Cents)		
1920	102,542	108,944	11,941	13.5	24.6	75.0
1925	91.751	95,159	7,538	10.7	15.3	83.8
1930	74,128	95,192	11,486	8.3	15.4	68.7
1931	89,233	90,271	8,205	6.8	8.8	62.4
1932	70,060	72,980	6,984	4.5	6.9	50.7
1933	34,132	38,213	6,060	5.4	8.7	57.6
1934	39,920	27,898	7,280	9.1	12.1	75.1
1935	49,849	33,845	7,795	9.7	12.7	79.7
1936	53,220	41,776	9,418	11.0	14.7	82.6
1937	50,219	51,910	8,508	10.0	13.4	89.4
1938	51,530	53,722	9,029	12.4	9.6	64.9
1939	63,055	63,296	11,376	11.7	16.6	67.7
1940	66,543	67,943	9,499	11.9	14.5	77.6
1941	71.466	61,619	10,136	12.4	16.9	98.4
1942	53,620	55,711	9,242	13.2	20.3	132.1
1943	47,384	51,357	10,020	18.6	30.3	168.0
1944	59,283	57,049	11,290	19.5	30.9	196.0
1945	49,940	62,075	11,214	34.0	47.7	197.0
1946	64,376	70,856	12,501	32.8	51.8	227.0
1947	67,640	65,856	13,252	1/	1/	1/

Treasury Department, Division of Tax Research

Source: Department of Agriculture, First Annual Report on Tobacco Statistics; Annual Report on Tobacco Statistics, 1942, 1944, 1946; Crop Report as of May 1, 1947, "Tobacco-1946 Revised"; Crop Production as of December, 1947.

1/ Not available.

important form of tobacco consumption. In terms of the quantity of raw tobacco used they are now less important than the other general categories of cigarettes and manufactured tobacco. However, the demand for cigars has not declined as much as the demand for manufactured tobacco products.

The high point of cigar consumption was reached in 1920 when about 8.1 billion cigars were produced. (Table 1) The proportion of tobacco used in manufacturing cigars also reached a peak of about 26 percent in that year. 1/ With the increase in cigarette consumption the proportion of tobacco used for cigars has declined and in 1946 was only about 10 percent of the total. From the high point reached in 1920 the per capita consumption of tobacco in the form of cigars declined about 20 percent by 1929. (Table 1) A further sharp drop occurred during the depression when per capita consumption was only a little more than one-half the 1920 level. 2/ Per capita consumption increased somewhat in the years immediately preceding the war and during the war but has remained substantially below the 1929 level.

Changes in cigar consumption since the latter part of the 1920's appear to have been associated to a considerable extent with fluctuations in national income. The changes in consumption, however, have not been as great as the changes in income. For the period 1927 to 1943, after adjustment for the downward trend, tax-paid withdrawals of cigars fluctuated proportionately only half as much on the average as disposable income of consumers. 3/

It is more difficult to determine the effect which price changes may have had on the consumption of cigars. Cigar smoking is relatively the most expensive form of tobacco consumption. 4/ The decline in cigar consumption has occurred despite decreases in the price of cigars.

1/ Part I, Table 6.

2/ Because of changes in the proportion of different size cigars the comparisons are expressed in terms of tobacco used in producing cigars rather than the number of cigars.

3/ Disposable income based on Department of Commerce data prior to the revision of July 1947. Because of changes in prices, fluctuations in consumer expenditures for cigars were larger than fluctuations in the number of cigars consumed.

4/ Based on average prices for different forms of tobacco use. At present prices the cost of a "popular priced cigar" is about two-thirds as much as a package of standard brand cigarettes. A person smoking 5 cigars a day would thus spend about three time as much as one smoking a package of standard brand cigarettes. On the lowest price cigars the cost of 5 cigars would be about 50 percent more than the price of a package of standard brand cigarettes. Smoking tobacco is considerably cheaper than the equivalent in factory-made cigarettes.

It appears that retail cigar prices decreased by one-third during the 1920's. (Table 1) This was approximately the same as the decrease in the retail price of cigarettes during this period. The decline in cigar prices after 1929 was much larger than the decline in cigarette prices. However, cigar consumption failed to recover significantly while there was a large increase in cigarette consumption. It is possible that, because of the large difference in cost between the two forms of smoking, price adjustments on cigars have relatively little effect on consumer choice between cigarette and cigar smoking as a habitual form of tobacco consumption. However, price changes could still be an important factor in determining the number of cigars purchased by a cigar smoker and the price class in which he makes his purchases. Cigar prices were increased much more than cigarette and smoking tobacco prices during the war 1/ and since February 1947 there has been a significant decline in consumption. 2/ The present level of consumption is lower than would be expected on the basis of the prewar relationship between consumption and income after allowance for downward trend.

C. Outlook for the industry

Unless important changes occur in consumer attitudes, the outlook for increased consumption of cigars does not seem favorable. The increase in consumption during the war was no greater than would be expected from the increase in the level of income, but was probably limited to some extent by the availability of supplies. Although consumer incomes have continued to increase, cigar consumption in 1947 fell below the corresponding month of 1946, except in September. The anticipated expansion as the result of cigar consumption by members of the armed forces during the war apparently has not materialized. Recent increases in the cost of living may have affected the demand for cigars. Consumers must now pay 6 cents a piece for cigars which prior to the war sold at 2 for 5 cents, an increase of 140 percent. 3/

1/ According to the Bureal of Labor Statistics data on retail prices, the increase in cigar prices since 1939 has been about 80 percent compared with 30 percent for cigarettes and 15 percent for smoking tobacco.

2/ The industry has recently given attention to the advisability of adjusting prices more often to meet changes in consumer income and the price level generally. Cigar Manufacturers Association of America, Inc., Press release of July 8, 1947.

3/ The March 1942 stated price of 2 for 5 cents was increased to 5 cents straight, effective November 13, 1944. (Office of Price Administration, Maximum Price Regulation No. 260.) After the termination of price controls, the price was increased to the present 6-cent level.

Civilian demand was limited somewhat by available supplies during the latter part of the war and the supply did not become adequate until 1946. Since production is now lower than in 1941 the industry has certain problems of adjustment. The opportunity for expansion of hand-made cigar production which developed during the war appears to have been temporary. Competition with machine production had grown increasingly difficult prior to the war and the increase in wages since then may have placed hand production at a greater disadvantage. There was also a substantial increase during the war in the proportion of cigars selling in the higher price classes. For example, tax-paid withdrawals of the highest priced cigars, those selling for over 20 cents, increased from about 4 million in 1938 to 169 million in 1946. (Table 3) This increase may in part have resulted from a temporary shortage in medium price brands.

The industry has also experienced relatively large raw material and wage increases. Wages in this industry, which before the war were among the lowest in the manufacturing industries, have increased relatively more than in most manufacturing industries since 1939. 1/ The unit productivity of workers has increased but it appears to be substantially less than the increase in hourly wages. 2/ A more efficient cigar-making machine developed just prior to the war may offset increases in costs to some extent. Little hand production, however, remains to be displaced. The prices of the cigar type tobaccos, filler, binder and wrapper, have each increased by about 200 percent or more. (Table 4) The 1947 crop of cigar type tobaccos is expected to be about the same as in 1946 and with decreased consumption of cigars the prices for leaf tobacco appear to be declining. 3/

1/ The increase in average hourly earnings from 1939 to May 1947 was 104 percent for the cigar industry compared with 91 percent for all manufacturing; 89 percent for cigarettes and 57 percent for automobiles. The absolute amount of the increase was about the same as the average for all manufacturing. Data are from Department of Labor, Monthly Labor Review, August 1947.

2/ Although output per man-hour increased by 33 percent between 1939 and 1945, the increase was more than offset by higher wages and unit labor costs increased by 33 percent. (Department of Labor, Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1939-1945.)

3/ Department of Agriculture, The Tobacco Situation, October 1947, p. 17. Another factor leading to a decrease in the demand for cigar-type tobaccos is the decline in chewing tobacco consumption.

V. Effects of the tax

A. On profits

The present tax approximates 10 percent of the retail price of cigars including tax, compared with roughly 5 percent prior to the increase under the Revenue Act of 1942. 1/ The industry was granted an increase in ceiling prices to cover cost changes and to reflect the change in tax in 1942. 2/ The increase in tax in 1942 probably did not affect profits appreciably because of the ceilings imposed on cigar prices and the fact that for a considerable part of the war period supply was insufficient to meet civilian demand. As demand increased some producers shifted output to higher price classes and the aggregate profits of leading companies increased substantially. 3/ (Table 5)

Present taxes are lower in relation to retail prices in the case of cigars than in the case of cigarettes and most manufactured tobacco. Although there is no evidence that the consumption of cigars is very responsive to price changes, it is doubtful whether price has relatively as little effect as it appears to have on cigarette consumption. When the tax on cigars was reduced by the Revenue Act of 1926 the volume of cigar consumption did not seem to be affected appreciably. However, since the change in tax amounted to a fraction of a cent on most cigars, it was difficult to reflect the change in prices to consumers except through adjustment in the size and quality of the products. The tax increase of 1942 was made under abnormal conditions which prevented indication of its possible effect. Since the tax was increased the price of cigars (tax included) has risen substantially. For example, cigars selling at 5 cents prior to 1942 now sell for 9 cents. Only .8 cent or about 20 percent of the increase represents higher tax. 4/ Consequently, any reduction in consumption since the tax was increased would be largely attributable to changes in prices due to higher costs and other factors affecting consumption.

1/ On cigars retailing for less than 20 cents the tax in each bracket is about the same percentage for prices at the mid-points of the brackets, but is a higher percentage of prices nearer the lower limits of the brackets and a lower percentage of prices nearer the upper limits of the brackets.

2/ Maximum Price Regulation No. 260, effective November 1, 1942.

3/ Beginning in the first quarter of 1945 the Office of Price Administration required individual producers to maintain the same proportion of output in each price class as they had produced in the period January 1 - June 30, 1943, after adjustment for the higher ceiling permitted in 1945. (Maximum Price Regulation No. 260, Amendment 10.)

4/ Part of the higher tax is the result of the shift in the cigar to a higher price class bearing a higher rate of tax.

Table 5

Net profits and rate of return on net worth of cigar manufacturers reporting to Securities and Exchange Commission, 1936 - 1946 1/

Year	Net profits: Before income taxes	Net profits: After income taxes	Net profits as a percent of net worth 2/: Before income taxes	Net profits as a percent of net worth 2/: After income taxes
	(Millions)			
1936	$ 5.2	$ 4.3	8.1 %	6.8 %
1937	4.9	4.1	7.8	6.4
1938	4.5	3.7	7.2	5.9
1939	5.0	4.0	7.9	6.5
1940	7.0	5.4	11.5	8.8
1941	7.9	5.5	12.5	8.6
1942	8.5	4.8	13.1	7.3
1943	12.8	5.6	19.3	8.4
1944	13.0	5.0	20.5	7.9
1945	11.2	4.8	17.3	7.4
1946	13.7	8.2	21.8	13.1

Treasury Department, Division of Tax Research

Source: Securities and Exchange Commission, Survey of American Listed Corporations, "Data on Profits and Operations," Part 2.

1/ Companies included are: Alles and Fisher, Bayuk Cigars, Consolidated Cigar Corporation, DWG Cigar Corporation, General Cigar Company, D. Emil Klein Company, Waitt and Bond, Webster Tobacco Company.

2/ Net worth as of the beginning of the year. Includes preferred and common stock and surplus.

B. On competition

After the Revenue Act of 1917 cigars were taxed under five price brackets until the Revenue Act of 1942 when the number was increased to seven. The bracket system can be used to levy a tax on the basis of physical units and yet approximate an ad valorem or percentage tax. Unless the bracket intervals are very small, however, the relative importance of the tax will vary at different points within the bracket to a degree which may have important effects on the competitive position of products selling at different prices. 1/ The competitive effect was an important consideration in the revision of the brackets in 1942, 2/ and the industry has indicated that a further increase in the number of brackets would be desirable. 3/

Although the bracket system tends to reduce the competitive inequities of a flat specific tax applicable to all cigars, it is difficult to devise a bracket system which would substantially avoid such inequities under changing price conditions. From 1917 to 1942 the first bracket covered cigars selling for not more than 5 cents at retail. 4/ During this period, however, the sale of cigars retailing at 2 for 5 cents and 3 for 10 cents became important. The tax was a much higher percentage of the selling price for these cigars than for the 5-cent cigar. The first bracket was replaced by three brackets in the Revenue Act of 1942. When the manufacturers of cigars, selling for 7.5 cents wanted to raise prices in 1946 they found that an increase in price over 8 cents involved a shift in tax bracket. 5/ A price increase to 3 for 25 cents would have yielded a net increase in return to the manufacturers of only $1.40 per thousand compared with a price increase to buyers of $8.33 per thousand. Under these conditions the manufacturers increased prices to 9 cents, which resulted in the same increase in tax but a higher return to the seller.

1/ For example, the $10 tax rate in the cigar tax bracket 8 to 15 cents is equivalent to an ad valorem rate of 21.7 percent of manufacturers' net price for 3 for 25-cent cigars and 11.3 percent for 15-cent cigars.

2/ The bill as passed by the House of Representatives contained nine brackets.

3/ Proposed Revisions of the Internal Revenue Code, 1947, pp. 592-601.

4/ Although the introduction of the bracket rate system may have tended to stimulate a shift to production of lower priced cigars, it should be noted that the mechanization of production which developed after the adoption of the bracket rate system enabled the industry to reduce costs and the downward trend in the demand for cigars exerted pressure on producers to reduce prices.

5/ Proposed Revisions of the Internal Revenue Code, 1947, pp. 592-601.

C. On consumers

There may be some question whether the industry is able to pass the full amount of the tax on to consumers. However, to the extent that prices to consumers are increased by the tax, it appears that the tax borne by them is not very regressive. Studies of consumer expenditures in 1941 and 1944 indicate that cigar expenditures represented about the same proportion of income for all income groups under $5,000. 1/

Cigar expenditures are not relatively large but are represented in the Bureau of Labor Statistics' Index of Consumer Prices. On the basis of the relationship of the tax to retail price of inexpensive cigars, the tax increases the Index by about .05 percent.

VI. Administration and compliance

The number of manufacturers filing returns is about 3,000 and most of them are relatively small. Some enforcement problems arise because of the turnover among smaller producers. However, through long established procedures the problems involved both for taxpayers and the Bureau of Internal Revenue have been minimized. The detailed records required of manufacturers provide a close check upon their tax liabilities. In order to maintain these special records, however, taxpayers must do more work than is necessary to make tax reports on most excise taxes.

VII. Technical problems

The principal technical questions which arise under the tax on cigars are:

1. The possibility of revising the tax to create a more uniform rate of tax between different price classes.

2. Whether floor stocks taxes should be imposed or refunds made on tax-paid floor stocks if the tax is changed.

1/ 1941 data from: Bureau of Labor Statistics, Family Spending and Saving in Wartime, Bulletin No. 822, Washington 1945, p. 185; Department of Agriculture, unpublished data. 1944 data are unpublished material from the Bureau of Labor Statistics. It should be noted, however, that there may have been some under-reporting of tobacco expenditures in these studies.

A. Revision of tax structure

As a result of industry developments since 1942 some revision in the present tax brackets is necessary in order to bring them into better alignment with present price relationships of cigars. However, as noted in section V above, the bracket system would continue to give rise to inequities whenever price relationships changed appreciably unless the rate schedule was revised to reflect such changes. Moreover, inequities would continue to exist within price brackets, if the brackets had very large intervals. These problems could be largely avoided by adopting an ad valorem tax for cigars. 1/ While such a change would generally result in more equitable taxation of cigars, it would increase the tax on cigars selling above 20 cents relative to the tax on lower priced cigars unless some limitation, such as the one in the present law, were placed on the amount of tax on higher-priced cigars. The principal difficulty that might be encountered in the adoption of an ad valorem tax would be the possible additional work required of manufacturers and the Bureau of Internal Revenue.

Under the present tax cigar manufacturers are required to keep records showing the number of cigars withdrawn according to the retail price classes specified in the law. If an ad valorem tax were adopted, it would be necessary to continue requiring records on the physical volume of withdrawals as a part of the general controls over the use of leaf tobacco and the disposition of the products made therefrom. 2/ At present manufacturers also are required to purchase and affix stamps on every package, the stamps indicating the tax bracket for which the tax was paid together with the intended retail price. In addition to the tie-in with production controls which the stamp system provides the Bureau of Internal Revenue, the stamps permit distributors and consumers to check whether the retail price conforms to the class of cigars on which the tax was paid. Continued use of stamps for collection of the cigar tax is considered administratively desirable. It probably would be feasible to maintain a system of stamp control in conjunction with an ad valorem tax. For purposes of the ad valorem tax manufacturers and importers would have to file, in addition to present reports, a monthly return showing dollar sales figures and maintain detailed records to enable the Bureau to check the accuracy of the returns. If the use of the stamps were continued together with the reports necessary for an ad valorem tax, some additional compliance burdens would be imposed on taxpayers and additional work would be required of the Bureau in verifying returns.

1/ In 1946 the Canadian tax on cigars, which previously had been levied on a bracket system, was changed to a low rate specific tax of $1 per 1,000, plus an ad valorem tax of 25 percent. The change was made because of the competitive inequities created by the bracket system under the high rate specific tax. (Canada, House of Commons Debates, Vol. LXXXV, No. 69, p. 3009.) Representatives of the United States cigar industry have indicated that the ad valorem form of tax would be preferable but did not recommend it "because of the administrative burdens on the Treasury Department" (Proposed Revisions of the Internal Revenue Code, 1947, pp. 592-595).

2/ Regulations, No. 8.

B. Floor stocks taxes and refunds

Floor stocks taxes were imposed when the tax on cigars was increased in 1919 and in 1942. 1/ The reduction in tax under the Revenue Act of 1926 was accompanied by a provision for refunds on tax-paid floor stocks where the amount was not less than $10.

A tax increase made without provision for taxing floor stocks would permit producers and distributors to accumulate stocks in excess of normal requirements. In addition to the loss in revenue involved, some producers and distributors would benefit more than others by their superior financial position. Although cigars cannot be held for long periods without affecting their saleability, the possibility of accumulating stocks probably would be important enough to make the imposition of a floor stocks tax appear desirable if a substantial increase were made in the tax on cigars.

With respect to the refunds on floor stocks some question may be raised concerning the policy followed when the tax on cigars was reduced under the 1926 Act. A tax reduction made without provision for refunds on stocks tax-paid at the higher rate would tend to disrupt the normal flow of business and result in losses for those holding tax-paid stocks. The possibility of loss would be less for retailers than for others and the payment of refunds might result in windfalls for most retailers. That is, unless the tax reduction on cigars represented a large proportion of the present tax, it would amount to such a small fraction of a cent on most cigars that it would not be feasible for retailers to adjust prices by the amount of the refund. Because their sales are in larger quantities producers and wholesalers could adjust prices by the amount of the tax change and it would be difficult for them to avoid losses because their stocks tax-paid at the higher rate probably would have to be reduced in price to meet the competition of new supplies tax-paid at the lower rate. On the basis of floor stocks returns filed under the 1942 Act, most of the tax-paid stocks normally appear to be in the hands of wholesalers and retailers. The total stocks amounted to about seven and one-half weeks' sales.

The handling of floor stocks returns involves considerable work for the Bureau of Internal Revenue. 2/ Refunding of tax on floor stocks raises more possibility of fraud than the collection of a floor stocks tax and requires closer examination of returns. The minimum amount of refund specified in the 1926 Act reduced the number of floor stocks returns, but this type of provision discriminates against small dealers. 3/ The number of returns and difficulties involved could be limited more effectively and with greater equity by providing for refunds only to producers and wholesalers. Instead of providing for refunds it might be desirable to have producers take back from distributors stocks tax-paid at the higher rate and re-stamp such goods at the new rate of tax.

1/ The increase in tax in 1917 was not accompanied by a floor stocks tax, but provision was made for an additional tax, equal to 50 percent of the increase in tax, on withdrawals during the period between the date of the passage of the Act and its effective date.

2/ In 1942 about 400,000 returns were filed covering cigarettes and cigars.

3/ Only about 25,000 refunds were paid on cigars under the 1926 Act.

PART III - Excise Tax on Manufactured Tobacco and Snuff

I. Description of the tax

The term "manufactured tobacco" is commonly used to describe tobacco products other than cigars and cigarettes. Although the tax on snuff is imposed by a separate subsection of the law, chewing tobacco, smoking tobacco and snuff are all taxed at the same rate.

The tax applies to manufactured tobacco upon removal from the place of manufacture or upon release from customs custody, or upon sale if prior to such removal or release.

The tax is payable by the manufacturer or importer and is paid by purchasing tax stamps to be affixed to the packages prior to removal from the factory or upon release from customs custody.

Exemptions from the tax are provided on withdrawals for:

1. Export.
2. Use as sea stores.
3. Use of the United States Government (but not for resale in the United States).

II. Changes in the tax since 1917

A tax has been imposed on manufactured tobacco since 1862. The present tax of 18 cents per pound was imposed by the Revenue Act of 1918 and has been in effect since February 25, 1919. The Revenue Acts of 1917 and 1918 each increased the tax by 5 cents per pound. The rate imposed by the 1918 Act was higher than the tax had been for approximately 40 years.

III. Revenue collections, 1936-1947

The tax on manufactured tobacco yields approximately the same amount of revenue as is derived from cigars, but less than 4 percent as much as is obtained from cigarettes.

Collections, fiscal years 1936-1947
(In millions)

Fiscal year	Collections	Fiscal year	Collections
1936	$ 63.0	1942	$ 59.6
1937	61.7	1943	55.4
1938	60.7	1944	53.0
1939	61.7	1945	57.3
1940	61.2	1946	49.3
1941	61.8	1947	43.6

IV. Economic background of the industry

A. Character of supply

Manufactured tobacco products differ to a considerable extent with respect to the types of tobacco used in their production, the methods of production and the trends in consumer use. Nevertheless, with the exception of snuff, most of the major companies produce the various types of products. There is more specialization among smaller producers.

Prior to World War I, there were about 2,500 factories engaged in the production of manufactured tobacco, but the number has declined more or less steadily until at the end of 1945 there were only 394. 1/ During this period there was a large decline in total production. (Table 1) Despite the reduction in the number of factories producing manufactured tobacco, there has been no substantial change in the concentration of production since 1910. 2/ About three-fourths of the chewing and smoking tobacco is produced by the four largest producers. Snuff is produced almost exclusively by three companies. The concentration is higher for some individual types than others. It is highest in the case of snuff and plug chewing tobacco. The large cigarette producers occupy a dominant position in smoking tobacco and plug chewing tobacco. Smaller companies produce the larger proportion of scrap, twist and fine-cut chewing tobacco, but the latter two products represent only a small proportion of total manufactured tobacco. The largest number of producers is engaged in the production of smoking tobacco. In 1945 only 38 factories produced more than 500,000 pounds of manufactured tobacco. 1/

The leading manufacturers of chewing and smoking tobacco market their output under a large number of different brand names and in different price classes. The products may be purchased at retail over a substantial price range and in different package sizes. In most price classes there are several competing products. Most of the business is in the low and medium price lines and the advertising of manufacturers is generally limited to one or two brands in which sales

---

1/ Annual Report of the Commissioner of Internal Revenue. Published data are classified on a factory basis; some of the larger firms, of course, own more than one factory.

2/ Federal Trade Commission, Agricultural Income Inquiry, **Part I**, p. 275. In 1910 the American Tobacco Company produced 76 percent of the total smoking tobacco and 84 percent of the total chewing tobacco. In 1934 four successor companies produced 74 and 70 percent of the respective totals. The three snuff companies established in 1911 after the dissolution of the American Tobacco Company produced 97 percent of the total snuff in 1935. (Ibid., pp. 472-73).

Table 1

Production of manufactured tobacco by types, 1916-1946

(In millions of pounds)

Calendar year	Total	Smoking 1/	Chewing: Total 1/	Chewing: Plug	Chewing: Scrap 1/	Chewing: Twist	Chewing: Fine-cut	Snuff
1916	466.2	239.7		165.6		16.0	10.8	34.0
1917	483.0	243.6		179.4		15.2	11.3	33.5
1918	497.1	257.9		174.7		17.5	9.8	37.2
1919	424.1	228.6		141.0		11.3	8.2	35.0
1920	412.6	218.3		138.6		11.8	8.7	34.3
1921	387.0	222.7		113.4		7.3	6.9	34.7
1922	419.5	243.4		120.2		10.9	6.9	38.1
1923	412.8	234.9		120.8		10.7	7.1	39.2
1924	414.2	247.0		111.5		9.9	6.8	39.0
1925	413.9	247.7		111.4		9.7	7.2	37.8
1926	410.6	246.4		109.8		9.2	7.0	38.2
1927	396.3	237.9		103.9		8.0	6.3	40.2
1928	386.3	231.1		100.6		8.9	5.2	40.5
1929	381.2	229.6		96.7		8.2	5.6	41.1
1930	371.8	232.0		86.3		7.6	5.1	40.8
1931	371.2	182.9	148.5	76.7	61.2	6.4	4.2	39.9
1932	347.3	191.0	120.3	61.9	50.1	4.9	3.4	36.0
1933	342.1	191.8	114.2	61.4	44.7	5.0	3.1	36.1
1934	345.6	193.1	115.7	62.8	44.8	5.1	3.0	36.9
1935	342.7	191.8	114.9	60.6	44.0	5.6	4.7	36.1
1936	348.0	194.0	116.0	59.2	45.3	6.4	5.1	38.0
1937	340.6	187.8	115.7	58.3	45.6	6.8	5.0	37.1
1938	345.4	200.7	107.6	54.5	42.8	5.7	4.6	37.2
1939	343.3	202.3	103.1	51.3	41.4	5.7	4.7	38.0
1940	344.4	205.1	101.5	48.8	42.9	5.6	4.2	37.9
1941	342.4	197.7	105.1	50.2	44.2	5.6	5.1	39.6
1942	330.4	175.7	113.7	54.3	48.3	6.0	5.1	41.0
1943	327.1	162.8	121.1	58.9	51.4	6.3	4.5	43.2
1944	306.9	139.9	125.2	61.7	52.9	6.5	4.1	42.0
1945	330.5	168.5	118.1	59.7	47.7	6.7	4.0	43.8
1946	253.2	106.4	107.5	51.8	46.1	5.8	3.8	39.4

Treasury Department, Division of Tax Research

Source: Annual Reports of the Commissioner of Internal Revenue.

1/ Prior to 1931 production of scrap chewing tobacco was included with figures for smoking tobacco.

are presumably concentrated. 1/ Within the principal price classes most of the manufacturers sell their products at substantially the same price and published information indicates that these prices are not changed frequently. In general, the large producers of chewing and smoking tobacco have not sought to price their products under Fair Trade Acts 2/ and in some instances have taken steps to induce retailers to lower their prices, particularly in the case of smoking tobacco. 3/ The producers of snuff have long-established brand names and in certain market areas one company often has most of the business. There has been little evidence of price competition in the industry, but efforts have been made to promote sales by the distribution of samples. 4/

On the basis of the information available it appears that prices of manufactured tobacco have followed the general pattern of changes in cigar and cigarette prices. Retail prices of chewing and smoking tobacco declined by about 10 and 20 percent, respectively, during the 1920's and by approximately 10 percent more during the 1930's. (Table 2) Present prices are from 20 to 30 percent above the 1939 level. The price of tobacco leaf which represents the largest element in the cost of manufactured tobacco has fluctuated much more than the prices of finished products. From 1936 to 1943 the cost of this raw material rose from 22.3 percent to 38.5 percent of the net sales price (exclusive of Federal excise tax) for certain producers of manufactured tobacco. (Table 3) Operating profits of these companies, which were relatively stable from 1936-1941, had declined substantially by 1943.

B. Character of demand

As a group, the products classed as manufactured tobacco constitute the second largest form of tobacco consumption. However, neither smoking

---

1/ It has been stated that in 1939 the smoking tobacco sold by the four leading cigarette producers under their six most popular brand names amounted to 45 percent of all the smoking tobacco produced in that year. (Data compiled by Elmo L. Jackson, for doctoral thesis for Harvard University from stenographic transcript United States of America et al vs. American Tobacco Company in the District Court, Lexington, Kentucky, 1939.)

2/ Federal Trade Commission, Report on Resale Price Maintenance, 1945, p. 454. Snuff also is rarely "fair-traded."

3/ Federal Trade Commission, Agricultural Income Inquiry, Part I, pp. 506-508. See also respondent's brief in American Tobacco Company et al vs. United States of America. Docket Nos. 9137-9139, Sixth Circuit Court of Appeals.

4/ Ibid., pp. 473-475.

Table 2

Average retail price of pipe tobacco and plug chewing tobacco and average wholesale price of snuff, 1920-1921, 1926-1946

(In cents per ounce)

Year	Average retail price 1/		Average wholesale price of snuff 2/ (per oz.)
	Pipe tobacco	Plug chewing tobacco	
1920 3/	8.9	7.8	4/
1921	8.7	7.5	4/
1926	7.2 3/	7.3 3/	4.9
1927	7.2	7.2	4.9
1928	7.2	7.2	4.9
1929	7.1	7.1	4.9
1930	6.9	6.9	4.9
1931	6.6	6.8	4.9
1932	6.9	6.6	4.9
1933	6.8	6.4	4.9
1934	6.7	6.6	4.9
1935	6.5	6.4	4.9
1936	6.5	6.3	4.9
1937	6.5	6.3	4.5
1938	6.7	6.1	4.2
1939	6.5	4/	4.2
1940	6.5	4/	4.2
1941	6.5	4/	4.2
1942	6.5	4/	4.4
1943	6.5	4/	4.4
1944	6.5	4/	4.4
1945	6.7	4/	4.4
1946	7.3	7.6	4.6

Treasury Department, Division of Tax Research

Source: Department of Labor, Bureau of Labor Statistics. Retail prices for 1920-1934 are published in Retail Prices, May 1936, p. 11; for 1935 - June 1937 in Monthly Labor Review, December 1937, p. 1568; subsequent prices are published by the Department of Agriculture in the Annual Reports on Tobacco Statistics. Wholesale prices are published by the Department of Agriculture in the Annual Reports on Tobacco Statistics.

Note: Products not priced, 1922-1925.

1/ Simple average of prices for sample periods during the year. In some years the prices were taken only on two dates, sometimes on three, and sometimes on four. The prices are for 32 large cities. Approximately four dealers in each city are asked to report the price of their largest selling brand. The average price in each city is weighted by the population of the metropolitan area in computing the overall average for each sample date.

2/ Simple average of weekly prices. Delivered list price based on one-half gross of 1-1/2 ounce cans of dry, sweet snuff.

3/ Priced only in December.

4/ Not priced.

Table 3

Selected cost items and profit margin for chewing and smoking tobacco as a percent of net sales for selected manufacturers, 1936-1939, 1941 and 1943

Item	Percentage of net sales					
	1936	1937	1938	1939	1941	1943
Net sales (exclusive of Federal excise tax)	100.0	100.0	100.0	100.0	100.0	100.0
Leaf	22.3	22.8	29.0	27.3	29.0	38.5
Casing	6.1	6.1	5.3	5.2	5.3	5.9
Labor	9.8	10.3	9.3	8.7	8.6	11.4
Wrapping material	14.0	14.1	13.1	12.6	12.5	10.3
Other costs	21.5	22.1	20.5	21.4	21.8	20.3
Profit 1/	26.3	24.6	22.8	24.8	22.8	13.6

Treasury Department, Division of Tax Research

Source: Department of Agriculture, Marketing and Manufacturing Margins for Tobacco, Technical Bulletin No. 913, March 1946. Based on data assembled by the Office of Price Administration.

Note: Comparison with the Census of Manufactures: 1937 and 1939 indicates that the manufacturers included in the sample sold about 28 percent of the total value of chewing and smoking tobacco.

1/ Operating profits before deduction of income tax and interest.

nor chewing tobacco, the largest items in the group, is now as important as cigars in terms of leaf tobacco used. For many years manufactured tobacco was the most common form of tobacco consumption, but apparently changes in social attitudes have affected consumption substantially. The convenience and social acceptance of other forms of tobacco consumption have tended to make the demand for manufactured tobacco more largely dependent upon the income status of the consumer and the traditional use of tobacco in a particular form. There is a certain amount of competition among the various manufactured tobacco products but smoking tobacco probably is the only one of these which is substituted to a significant degree for cigars and cigarettes.

Aggregate consumption of manufactured tobacco has declined from the peak reached in 1918 by approximately 50 percent. (Table 1) There was a sharp decline shortly after the close of World War I, followed by a gradual decline during the next 20 years and a further drop since the close of World War II. Most of the decline prior to 1941 appears to have occurred in chewing tobacco, while the more recent decline is largely attributable to the drop in smoking tobacco. 1/ Consumption of snuff has remained substantially unchanged for about 30 years. On the basis of per capita figures all forms of manufactured tobacco have been declining for a considerable period of time. 2/ The differences in the long-term trends of consumption of the three types of manufactured tobacco indicate some variations in responsiveness to social changes. The stability of the demand for snuff has been associated with its traditional consumption by certain low income groups and persons of certain national origins. These groups have exhibited a strong habit tendency, but have become relatively less important with the growth in population and increase in the level of income. The striking change in the consumption of chewing tobacco coincides more or less with the development of popular priced cigarette blends. At the same time important changes occurred in standards of public health and personal appearance.

1/ Prior to 1931 the production of scrap chewing tobacco was reported with smoking tobacco. Although the total had not declined significantly since 1918, it is possible that there was a decline in scrap chewing and an increase in smoking tobacco. Because tax-paid withdrawals are not given in detail consumption of different types is based on production figures.

2/ It has been estimated that per capita consumption reached its peak around 1909. (Department of Agriculture, Annual Report on Tobacco Statistics, 1942, Washington, 1942, p. 82.)

220

Total consumption of manufactured tobacco has not fluctuated much in response to changes in income, but there has been more fluctuation in some forms than in others. With the decline in incomes during the depression the drop in chewing tobacco was accelerated slightly. Analysis of data for the years 1927-1943, however, indicates that most of the change corresponded to the long-term downward trend. 1/ It is generally believed that during periods of low income smoking tobacco is substituted for factory-made cigarettes, particularly through its use in making roll-your-own cigarettes. 2/ However, the data in Table 1 indicate that any shift of consumers from factory-produced cigarettes to roll-your-own was not a large enough factor to increase the total consumption of smoking tobacco substantially during the depression, although it may have prevented a decline in the total use of smoking tobacco.

The changes which occurred during World War II may in part have been associated with the rise in incomes. Smoking tobacco declined in importance while the volume of chewing tobacco and snuff increased. It is likely, however, that at least some part of the change is attributable to the fact that production for war purposes, under strict security regulations, included restrictions on the smoking but not on the chewing of tobacco. Since the end of hostilities chewing tobacco consumption has turned downward again although income has risen above wartime levels. Shortages of cigarettes and cigars may have sustained demand for smoking tobacco during the latter part of the war. The recent large decline in the consumption of smoking tobacco suggests that consumers do shift to higher priced forms of tobacco when incomes improve.

The effect of the price changes upon the demand for the different types of manufactured tobacco is even more difficult to ascertain than the effect of income changes. Except for the increases during the past four years quoted prices have changed little for a number of years. (Table 2) Manufactured tobacco provides the cheapest form of tobacco use and the average cost is considerably below the cost of cigarettes which is the next cheapest form of tobacco use. 3/ In view of the large

---

1/ On the basis of income data reported by the Department of Commerce prior to the revisions published in the Survey of Current Business, July 1947.

2/ It has been estimated that roll-your-own cigarette consumption increased from 12 billion in the fiscal year 1929 to 50 billion in fiscal 1933. (Hearings before a Subcommittee of the Committee on Ways and Means, Tobacco Taxes, 73rd Congress, 2nd Session, p. 109, Committee Print-Unrevised.) The increase in withdrawal of cigarette papers during the early 1930's has been taken as evidence of this. However, it is difficult to determine the significance of the changes in these figures.

3/ On the basis of consumption of one ounce of smoking or chewing tobacco per day, which would constitute "heavy use," the medium priced products would cost less than one-half the price of a package of standard brand cigarettes.

difference in cost, it is doubtful whether a change in the price of manufactured tobacco relative to other forms of tobacco would induce very significant shifts in consumer choice unless the change in price were large. Moreover, because of the low cost and the importance of habit and social considerations, a price change alone is not likely to have a relatively large effect on the decisions of new consumers to start its use or of existing consumers to increase or curtail their consumption.

C. Outlook for the industry

Wartime conditions appear to have interrupted the downward trend in the use of chewing tobacco and given some stimulus to the use of snuff, but since the close of the war consumption of these items has tended to conform to the prewar pattern. The use of smoking tobacco which was reduced during the war has declined further and now is only about half the prewar level. For the first 10 months of 1947 production was slightly higher than in the corresponding period of 1946. Unless fundamental changes occur in consumer habits, the outlook is for a long-term decline in chewing tobacco and a fairly stable level for snuff. The future trend of smoking tobacco is less clearly indicated but it is probable that its use will fluctuate in response to consumer needs for a lower priced form of tobacco.

In addition to the decline in consumption, the industry together with the producers of other tobacco products has experienced large increases in costs over the prewar level. In the purchase of tobacco leaf, the most important element in costs, the industry must compete to some extent with cigarette and cigar producers. Tobacco prices for the 1947 crop are somewhat higher than for 1946 and the present loan rate is much higher than the prewar price. 1/ Moreover, in addition to large increases in wage rates, output per man-hour declined during the war. 2/ The industry apparently has not raised prices to the extent of the higher wage and tobacco leaf costs.

V. Effects of the tax

A. On profits

The tax rate of 18 cents per pound represents different percentages of price for different types and grades of tobacco and sizes of container. At present prices, the tax amounts to about 15 percent of the retail price

---

1/ The Tobacco Situation, January 1948.

2/ For 1945 it was 13 percent below the 1939 level. This may have resulted from conditions peculiar to the war, but later data are not available. (Department of Labor, Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1939-1945.)

(tax included) of the common brands of smoking tobacco and a slightly lower percentage on chewing tobacco. 1/ The tax rate has not been changed for nearly 30 years. During this time the industry has been faced with a long-term downward trend in the consumption of its products, which prior to the war resulted in a substantial reduction in the production of chewing tobacco. The tax may have added to the pressure for curtailment of production, but the fact that the rate of tax on manufactured tobacco has been relatively much lower than the tax on cigarettes has not prevented a decline in the consumption of manufactured tobacco. A reduction in the tax and in prices to consumers (tax included) probably would not change consumption appreciably. A reduction in tax not reflected in lower prices to consumers would afford some relief to the industry. This relief would tend to be temporary because in most phases of the industry further reductions in capacity must be made as the consumption of these products decline. A tax reduction might postpone but could not prevent the need for ultimate withdrawal of investment which appears to confront the industry.

As noted in Section IV, above, a substantial part of production is accounted for by the large producers of cigarettes. Because of the expansion in cigarette consumption, the decline in manufactured tobacco is of relatively small importance to such producers. Any adverse effects of the tax are a more serious consideration with respect to the position of the smaller specialized producers.

B. On competition

The tax does not appear to discriminate against this form of tobacco consumption. If the present amount of revenue from all tobacco products were to be raised from a flat tax per pound of leaf tobacco used, the tax on manufactured tobacco would be much higher than at present. In the calendar year 1946 the industry used about 13 percent of the leaf tobacco consumed by domestic producers while the Federal revenue from its products was only 3.7 percent of the total for tobacco.

The flat tax per pound is probably less equitable than an ad valorem tax would be but several factors tend to prevent the flat tax from having an adverse effect on particular producers. The bulk of chewing tobacco and snuff sells at about the same price. While there are substantial differences in the prices of smoking tobacco, the larger producers usually have brands in different price classes. Where there is specialization in one product by smaller producers it is frequently in the higher priced product which would be adversely affected by an ad valorem tax.

1/ Computed from Table 2.

C. On consumers

Expenditures on manufactured tobacco are relatively higher among low income families and rapidly decline in importance as the size of family income rises. A study of consumer expenditures for 1941 indicates that the proportion of income spent on smoking and other manufactured tobacco was five times as large for families with incomes of less than $500 compared with families having incomes of $1,000 to $1,500 and twenty times as high as for families with incomes over $2,000. 1/ A subsequent study for 1944 covering only urban areas showed a similar pattern of expenditures. 2/ To the extent that this tax is passed on to consumers it is apparently highly regressive.

Because of the apparent small effect of fluctuations in income on total consumer expenditures for manufactured tobacco the tax withdraws relatively much more purchasing power from the income stream in periods of low business activity than in periods of high business activity. In the case of smoking tobacco there is some indication that the tax may absorb a larger absolute amount of purchasing power in periods of low business activity than in periods of high business activity.

Aggregate consumer expenditures on manufactured tobacco have only a small weight in the Bureau of Labor Statistics' Index of Consumer Prices and it is estimated that the tax increases the Index by less than .05 of 1 percent.

VI. Administration and compliance

The taxes on manufactured tobacco and snuff do not often give rise to difficult administrative problems. No important changes in the tax have occurred for many years and procedures have become well established. There are only about 400 taxpayers involved. The detailed records required of manufacturers provide a close check upon their tax liabilities but involve more work than is necessary to make tax reports on most excise taxes.

1/ Bureau of Labor Statistics, Family Spending and Saving in Wartime, Bulletin No. 822, Washington, 1945, p. 185; Department of Agriculture, unpublished data.
2/ Unpublished data of the Bureau of Labor Statistics.

VII. Technical problems

Few technical questions arise in connection with the tax on manufactured tobacco, but it may be necessary to give consideration to the treatment to be accorded floor stocks in the case of a change in tax rate.

No tax was levied on floor stocks when the rate of tax on manufactured tobacco was increased in 1917 and 1919. 1/ A tax increase without provision for taxing floor stocks would encourage wholesalers and retailers to add to their inventories in order to avoid the higher rate. A floor stocks tax probably would be justified in the case of a substantial increase in the rate in order to prevent undue losses to the Government.

The desirability of providing refunds in the case of tax reduction is less clear. It would depend to a large extent on the size of the reduction. A decrease of only a few cents a pound would not be large enough to be reflected in the retail price of most pocket size containers. A large tax decrease, however, would tend to be reflected in retail prices. While there has been no recent floor stocks tax which would give an indication of the magnitude of inventories of manufactured tobacco, it is believed that the situation is comparable to that revealed for cigars in 1942 where it was found that the inventories were larger relative to sales than in the case of cigarettes and most of the tax-paid inventories were in the hands of wholesalers and retailers. In the absence of a refund, retailers probably could reduce normal inventories somewhat, if they were able to secure deliveries from wholesalers on a reasonably prompt basis.

The administration of floor stocks returns would be difficult because of the large number of returns involved. 2/ The handling of refunds requires careful work in checking the accuracy of the claims. A substantial reduction in the number of returns to be processed could be achieved by restricting refunds to those in excess of a minimum dollar amount, but this would be discriminatory against small dealers. Administrative problems would be reduced by limiting refunds to producers and wholesalers. Instead of providing for refunds it might be desirable to have producers take back from distributors stocks tax-paid at the higher rate and re-stamp such goods at the new rate of tax.

1/ The increase in tax in 1917 was not accompanied by a floor stocks tax, but provision was made for an additional tax, equal to 50 percent of the increase in tax, on withdrawals during the period between the date of the passage of the Act and its effective date.

2/ Nearly 400,000 returns were received for the floor stocks taxes on cigars and cigarettes in 1942. It is believed that practically all of these dealers handled manufactured tobacco.

PART IV - Excise Tax on Cigarette Papers and Tubes

I. Description of the tax

The tax is imposed on cigarette paper made up into packages, books, sets, or tubes.

The tax applies to the sale by the manufacturer or importer. On imported cigarette papers and tubes the tax is collected at the time of removal from customs custody. The tax on cigarette tubes produced by domestic manufacturers is paid by purchasing tax stamps to be affixed to packages prior to removal from the place of manufacture, while the tax on cigarette paper made up into books is paid on the basis of a monthly return. 1/

The following are exempt from tax:

1. Sales to a manufacturer of cigarettes for use in the manufacture of cigarettes.
2. Export sales.
3. Packages, books or sets of papers containing not more than 25 papers.
4. Closed-end tubes sold to others than manufacturers of cigarettes. 1/

II. Changes in the tax since 1917

The tax on cigarette papers and tubes was imposed by the Revenue Act of October 3, 1917. The Revenue Act of 1918 modified the unit of taxation slightly, but no changes have been made since then.

The present rates are as follows:

(a) On papers made up into books, etc:

26-50 sheets .... 1/2 cent
51-100 sheets .... 1 cent
Each additional 50 sheets or fraction thereof .... 1/2 cent

(b) On tubes:

Each 50 tubes or fraction thereof.. 1 cent

1/ Regulations No. 8.

III. Revenue collections, 1936 - 1947

The tax on cigarette papers and tubes produces a very small proportion of the total collections from tobacco taxes. In the fiscal year 1947 the collections from this tax were only about 1 percent as much as the collections from manufactured tobacco, the next smallest source of tobacco revenue.

Collections, fiscal years 1936 - 1947

(In thousands)

Fiscal year	Total	Papers	Tubes	Fiscal year	Total	Papers	Tubes
1936	$ 1,282	$ 1,269	$ 13	1942	$ 1,961	$ 1,942	$ 19
1937	1,116	1,103	13	1943	1,473	1,465	8
1938	1,183	1,171	12	1944	1,164	1,159	5
1939	1,494	1,478	16	1945	1,390	1,370	20
1940	1,279	1,252	27	1946	1,758	1,757	1
1941	1,431	1,408	23	1947	539	538	1

IV. Production and use of cigarette papers

Prior to the war most of the cigarette paper used by cigarette manufacturers or prepared in books or packages for use by consumers was imported, but it is now largely produced in this country. 1/ Some of the paper was imported in the form of packages or books. On the basis of reports to the Bureau of Internal Revenue, there are only three important domestic producers of cigarette papers in package form and two domestic producers of cigarette tubes. There are three importers of cigarette papers packaged abroad. Tax-free packages of cigarette papers distributed by tobacco manufacturers are generally purchased from independent producers of cigarette papers.

1/ Tariff Commission, Cigarette Paper, War Changes in Industry Series, Report No. 11, 1945, p. 1.

Consumers who make their own cigarettes must purchase cigarette papers unless they are provided in connection with the tobacco used for this purpose. The papers purchased are generally those subject to tax. Tax-free papers are usually distributed in connection with smoking tobacco customarily used for making cigarettes. The number of cigarette papers tax-paid has never been large compared with the total number of factory-produced cigarettes. 1/ Since 1929 the number of tax-free books or packages has exceeded the number tax-paid. (Table 1) However, a tax-free package may not contain more than 25 papers while in recent years it appears that the tax-paid packages have on the average contained about five times this number. On the basis of this ratio, it appears that the number of tax-paid papers was larger than the number withdrawn tax-free in the years 1929-1931, but has been smaller for subsequent years. 2/ The number of tax-free packages increased greatly after 1931 and continued at a high level prior to the war. Tax-paid packages declined for several years after 1932 and have exceeded the 1932 level in only two subsequent years. The number of tubes used has never been large in relation to the number of papers in package form. The exemption of packages containing not more than 25 papers does not apply to cigarette tubes.

V. Effects of the tax

The present tax amounts to from 20 to 30 percent of the retail price, tax included, of the common brands of tax-paid cigarette papers sold. 3/ This may be sufficient to induce some consumers not to purchase papers. Tax-free papers are included with most brands of tobacco used for roll-your-own cigarettes. Some consumers prefer to purchase papers because

---

1/ The maximum number of packages of cigarette papers tax-paid since 1917 was 137 million in the fiscal year 1942. Assuming that the average package contained 150 papers, or slightly more than is indicated by the average tax, only about 20 billion cigarettes could have been made if no papers were wasted. Thus, on the basis of the maximum possible use, this would not represent more than 9 percent of the factory-produced cigarettes tax-paid in that year.

2/ Complete information is not available prior to 1929. It is generally assumed that the number of papers in tax-free packages does not average more than 15 to 20. On this basis the number of papers in each class has been approximately the same in recent years.

3/ Depending upon whether the package contains 100 or 150 papers. Since about 1932 the larger proportion of the books tax-paid apparently has contained 150 papers.

Table 1

Tax-paid and tax-free withdrawals of cigarette papers and tubes, fiscal years 1929 - 1947

(In millions)

Fiscal year	Papers			Tubes		
	Total	Tax-paid	Tax-free	Total	Tax-paid	Tax-free 2/
	(Number of packages, books, or sets 1/)			(Number)		
1929	423.7	107.7	316.0	51.8	15.9	35.9
1930	254.6	118.6	136.0	45.8	16.0	29.8
1931	335.9	124.4	211.5	58.4	19.0	39.4
1932	1,388.9	127.7	1,261.3	290.4	276.6	13.9
1933	1,983.3	67.7	1,915.6	218.5	197.6	20.9
1934	2,538.6	68.9	2,469.8	100.5	77.3	23.3
1935	2,758.6	71.1	2,687.4	87.6	61.4	26.2
1936	2,953.0	91.4	2,861.6	83.8	64.7	19.2
1937	2,791.7	79.4	2,712.4	85.9	65.5	20.4
1938	2,036.9	83.7	1,953.2	76.9	58.4	18.6
1939	2,267.5	106.0	2,161.4	95.9	76.4	19.5
1940	2,365.2	87.9	2,277.2	145.8	137.5	8.3
1941	1,734.3	101.3	1,632.9	137.3	119.2	18.0
1942	1,745.4	136.7	1,608.7	108.9	90.6	18.3
1943	1,043.7	102.8	940.9	58.9	43.6	15.3
1944	959.0	81.2	877.7	32.0	24.2	7.9
1945	1,018.9	103.1	915.8	98.6	92.5	6.1
1946	788.2	130.7	657.6	25.1	15.3	9.9
1947	622.2	39.8	582.4	15.9	9.4	6.5

Treasury Department, Division of Tax Research

Source: Annual Report of the Commissioner of Internal Revenue for the Fiscal Year Ended June 30, 1938, 1940, and 1946.

1/ The number of papers in a package is not uniform. Tax-free sets of papers may not contain more than 25 papers, but there is no limitation on the number that may be contained in tax-paid packages.

2/ Open-end tubes withdrawn for use by cigarette manufacturers or for export, and closed-end tubes withdrawn for use by others than registered manufacturers of cigarettes.

of a difference in quality or convenience of the package. Where tax-free papers are not included with smoking tobacco, the tax on purchased papers may induce some consumers to shift to brands that provide papers. However, it probably does not materially affect the total number of papers used or the amount of manufactured tobacco purchased for making cigarettes. 1/ The tobacco used represents the bulk of the cost of cigarettes in this form even when tax-paid cigarette papers are purchased by the user. Substantial savings are possible to the consumer in making his own cigarettes compared with the purchase of factory-produced cigarettes. 2/ The difference in cost arises principally from the lower taxes on manufactured tobacco. 3/

The tax may have some discriminatory effects on producers. Tobacco manufacturers limit the number of papers in the packages included with their product to the permissible number for a tax-free package. Those who desire to provide more than 25 papers with a unit of tobacco have followed the practice of including two packages of 25 papers, or less, in order to avoid the tax. It is not practicable for producers selling papers separately to distribute them in such small packages and as a result the common brands of cigarette papers sold are taxable. Domestic producers are engaged in producing both tax-free and tax-paid papers but the packages imported are largely taxable. Since no exemption is provided on cigarette tubes sold to consumers the present tax may adversely affect the sales of tubes relative to papers. The specific rate of tax on tubes is also higher than it is on taxable papers, but the tax may be no higher in relation to the retail selling price.

While there is no direct evidence on consumer expenditures for cigarette papers by income groups, it is probable that the distribution is similar to expenditures for manufactured tobacco which appears to be very regressive. 4/ The tax also places those consumers using manufactured tobacco for pipe smoking in a more advantageous position than those who "roll their own."

1/ The exemption may result in some waste of cigarette papers.

2/ The amount of the tobacco contained in a standard package of cigarettes when purchased in a package of cigarette tobacco of the leading brands costs less than one-half the price of a package of cigarettes. After allowance for substantial wastage the cost probably would not greatly exceed one-half.

3/ State taxes as well as the Federal tax are lower on smoking tobacco than cigarettes. As of July 1, 1947 only 9 States taxed smoking tobacco, compared with 38 taxing cigarettes (Treasury tax study, "Federal-State Tax Coordination," July 1947).

4/ Part III, p. 63.

In the early stages of the depression the number of tax-paid withdrawals of cigarette papers increased, but with the rapid expansion in the supply of tax-free papers made available the number tax-paid declined by nearly 50 percent. The number increased subsequently, but there has been no clearly defined relationship between tax-paid, tax-free, or total withdrawals of cigarette papers and changes in the level of income.

VI. Administration and compliance

There is only a small number of producers and importers from which this tax is collected, and no serious problems have arisen either for taxpayers or the Bureau of Internal Revenue.

The cost of collecting a floor stocks tax or making a refund in case of a change in the tax, however, would be large in relation to the amount of tax involved, unless the rate of tax was increased substantially over the present level. Most tobacco dealers probably carry some stocks of tax-paid cigarette papers, but the amount of tax involved generally would be small in comparison with the amount of tax represented in stocks of other tobacco products.

PART V - Comparison of Tobacco Taxes in the United States, Canada and United Kingdom

I. Limitation on comparisons

International comparisons of excise taxes present numerous difficulties. The form in which the taxes are imposed may not be the same for each country, the products taxed may not be strictly comparable, while differences in internal prices and consumption patterns prevent an accurate indication of the relative burden of the taxes compared. Although the Canadian taxes on tobacco are somewhat similar in form to those of the United States, in the case of the United Kingdom it has been necessary to derive taxes for the finished products from those imposed on the raw material in order to place the taxes on a comparable basis.

With these limitations the comparisons presented below can be used as an approximation of the range of taxes imposed on tobacco products by the central governments in the three countries. Customs duties in the United States and Canada have not been considered because they are imposed in addition to the internal taxes. It is necessary to refer to British customs duties, however, because tobacco is largely imported. The comparisons presented do not take into account State excises and sales taxes in the United States, Provincial sales and excise taxes in Canada, the Canadian Dominion manufacturers' sales tax of 8 percent, and the British Purchase Tax. Conversion of foreign taxes to United States dollars has been made on the basis of official rates of exchange. 1/

II. Types of taxes levied on tobacco

A. Canada

As in the United States, tobacco taxes are imposed by the Dominion Government in Canada at different rates on different types of tobacco products. With the exception of cigarette papers and tubes both an excise duty and an excise tax are imposed on each type of product. The "excise duty" is an internal tax and is to be distinguished from the "customs duty." The present rates are as follows:

1/ The official rate on the British pound is $4.03, but for convenience conversion is made on basis of an even $4.00. Since the official rate of exchange on the Canadian dollar is at par no conversion is necessary in this case.

Item	Excise duty	Excise tax
Cigarettes		
Weighing not more than $2\frac{1}{2}$ pounds per M	$ 6 per M	2¢ for each 5 cigarettes or fraction
Weighing more than $2\frac{1}{2}$ pounds per M	$11 per M	2¢ for each 5 cigarettes or fraction
Cigars	$ 1 per M	25% of mfrs. price a/
Manufactured tobacco and snuff	35¢ per lb.	2¢ per oz. or fraction b/
Cigarette papers	-	8¢ per package of 100 or fraction
Cigarette tubes	-	14¢ per package of 100 or fraction

Source: Statutes of 1934, Chap. 52; Statutes of 1946, Chap. 48; and Excise Tax Act, 1947, Secs. 77A and 80, Schedules I and II.

a/ In determining the value for excise tax purposes, the excise duty of $1 per M cigars is included in the manufacturers' selling price. On imported cigars the excise tax is based on the duty-paid value.

b/ The tax is based on the amount of tobacco in the retail package, fractional parts of an ounce being taxed as a full ounce.

The cigarettes most comparable to those commonly smoked in the United States are those weighing not more than $2\frac{1}{2}$ pounds per thousand. On these cigarettes the combined excise duty and excise tax amounts to $10 per thousand for cigarettes packaged in even multiples of 5 cigarettes. If a package does not contain an even multiple of 5 cigarettes, the tax is higher.

The United States tax on cigars most comparable to the Canadian tax is that on large cigars. Although the taxes in both countries depend on selling price, the comparative taxes will vary for different priced cigars. The tax portion of the Canadian excises is based on the manufacturers' price while the United States tax is based on intended retail price. Moreover, the former is a percentage tax while the latter is a specific tax with bracket rates.

The combined excise duty and excise tax on manufactured tobacco and snuff in Canada amounts to 67 cents per pound where the tobacco is retailed in packages containing even multiples of an ounce. Where the packages contain fractional ounces the tax would be higher. In the case of one-half ounce packages the combined excise duty and tax would equal 99 cents per pound.

B. United Kingdom

Although excise duties are imposed on tobacco in the United Kingdom, because of the virtual absence of domestic tobacco production most of the tobacco revenue is obtained from customs duties. 1/ The duties vary according to the weight and moisture content of the tobacco. Since the duty on cigars and cigarettes is much higher than the duty on unmanufactured tobacco imports of manufactured products are unimportant. 2/ Customs duties on unmanufactured tobacco are as follows: 3/

Description of tobacco	Duty per pound a/ Full rates	Preferential rates
Containing 10% or more of moisture		
Unstripped	$ 10.97	$ 10.66
Stripped	10.98	10.66 b/
Containing less than 10% of moisture		
Unstripped	11.17	10.83
Stripped	11.18	10.83 b/

Source: Finance Act, 1947, Sec. 3, and First Schedule, Part I.

a/ British sterling converted to dollars on the basis of $4 to the pound.
b/ The rate on stripped leaf is 3/8d higher than on unstripped leaf, but due to rounding this difference is not evident after conversion.

1/ G. Findlay Shirras and L. Rostas, The Burden of British Taxation, Cambridge, 1943, p. 127.
2/ Ibid.
3/ No tax is imposed on cigarette papers or tubes.

The rate of duty which is generally applicable in deriving the tax for cigarettes is that on non-Empire leaf containing 10 percent or more of moisture. 1/ The number of cigarettes obtained from a pound of tobacco varies with the size of the cigarette. On the basis of data for 1941-42 it was estimated that there were 520 small British cigarettes or 420 middle-sized cigarettes per pound. On this basis the duty is equivalent to about $21 per thousand on small cigarettes and $26 per thousand on middle-sized cigarettes, or 42 and 52 cents per package of 20 cigarettes, respectively. On the basis of consumption of about equal proportions of the different sizes in 1941-1942 the average would be 47 cents per package. 2/

Information is not available on the extent to which Empire and non-Empire leaf is used in the manufacture of cigars in the United Kingdom nor on the average weight of cigars. In the United States, the amount of tobacco used per thousand cigars is about 24 pounds. Because of the high rate of duty it is possible that the average weight of cigars is lower in the United Kingdom. Assuming the United States ratio, the duty equivalent per 1,000 cigars would be $256 on cigars made from Empire leaf and $260 on cigars made from non-Empire leaf.

It appears that chewing and smoking tobacco are manufactured principally from Empire leaf. 3/ The duty represented in the manufactured product would vary according to the amount of moistening and flavoring agents mixed with the tobacco leaf. Information on this point is not available for British tobacco, but in the United States in recent years only about two-thirds of the weight of smoking and chewing tobacco products has consisted of tobacco. On this basis the duty in the United Kingdom would be $7.10 per pound of manufactured tobacco where all Empire leaf is used and slightly higher where non-Empire leaf is used.

III. Comparison of taxes for selected products

The comparisons below are presented as far as possible on what appears to be the common unit of consumption in each of the three countries.

In the case of cigarettes the amount of tax shown probably approximates the average figure for all consumption. The British figure, however, is based on 1941-1942 consumption which may not be typical at the present time.

1/ Shirras and Rostas, op. cit., p. 127.
2/ Ibid., p. 132.
3/ Ibid., p. 127. Smoking tobacco was reported as averaging roughly 80 percent Empire leaf.

For cigars the typical size or price is not known for the three countries. Consequently the comparative taxes are shown for cigars retailing at different prices in the United States. Because of the higher taxes in Canada and the United Kingdom the retail price of comparable cigars in those countries would be higher. Most cigars in the United States retail at less than 15 cents. The weight of cigars in the United Kingdom is assumed to be uniform and the rate is based on the use of all-Empire leaf. The rate would be lower for lighter weight cigars and slightly higher for cigars made from non-Empire leaf. Since the principal part of the Canadian excise on cigars is imposed on an ad valorem basis it has been necessary to compute the amount of the tax from assumed manufacturers' prices. These were obtained from the relationship between manufacturers' and retail prices for cigars in the United States, which existed prior to the termination of price controls. 1/ Manufacturers' prices now are probably somewhat higher in the United States and may differ from prices in Canada.

The amount of tax on manufactured tobacco is affected by the size of the package only in Canada. In both the United States and Canada the tax is imposed on the basis of the weight of the product sold while in the United Kingdom it is based on the amount of tobacco used in the product. In the absence of information the amount of other materials contained in manufactured tobacco in the United Kingdom is assumed to be the same proportion as in the United States.

The comparative taxes for each of the types of taxes levied by the three countries are as follows:

	Amount of tax		
	United States	Canada	United Kingdom
Cigarettes: (Package of 20)			
Weighing not over 3 pounds per M...	7¢		
Weighing not over $2\frac{1}{2}$ pounds per M...		20¢	
Average of small and middle-sized...			47¢

1/ Maximum Price Regulation No. 260, Amendment No. 10, effective November 13, 1944.

	Amount of tax		
	United States	Canada	United Kingdom
Cigars: (Thousand cigars)			
Retail price in U. S.			
5¢	$ 4	$ 9	$ 256
2 for 15¢	7	12	256
10¢	10	15	256
15¢	10	22	256
20¢	15	31	256
25¢	20	38	256
45¢	20	71	256
Manufactured tobacco: (Pound)			
In even-ounce packages	18¢	67¢	$ 7.10
Packages of ½ ounce	18	99	7.10
Cigarette papers and tubes: (Package of 100)			
Papers	1¢	8¢	--
Tubes	2	14	--

In interpreting the British taxes on tobacco it should be recognized that the tax was greatly increased in 1947 in an effort to conserve dollar exchange. The Chancellor of the Exchequer, in his April 1947 Budget Statement, pointed out that the value of tobacco products consumed in Great Britain was approximately equal to the whole of the total British exports to the United States. He went on to say "It is quite clear that we are smoking much more, as a nation, than we can afford . . . . . . I now therefore propose . . . . . . to make a very steep increase in the tobacco duty . . . . . ." The increase amounted to about 50 percent.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Thursday, February 26, 1948.

Press Service
No. S-641

The Bureau of Customs announced today that preliminary data on the tariff-rate quota on potatoes, other than certified seed for the quota year beginning September 15, 1947, show such quota to be approximately 75 percent filled on February 21.

Collectors of customs have been instructed to collect estimated duties on the entries for consumption of such potatoes at the rate of 75 cents per cwt on and after March 1 pending determination of the actual date on which the quota of 60,000,000 pounds is filled.

The tariff-rate quota on certified seed potatoes for the quota year beginning September 15, 1947, was approximately 68 percent filled on February 21.

oOo

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Friday, February 27, 1948.

Press Service
No. S-642

The Secretary of the Treasury today announced the subscription and allotment figures with respect to the current offering of 1-1/8 percent Treasury Certificates of Indebtedness of Series C-1949, to be dated March 1, 1948, open to the holders of Treasury Certificates of Indebtedness of Series C-1948, maturing March 1, 1948, 2 percent Treasury Bonds of 1948-50 (dated March 15, 1941), called for redemption on March 15, 1948, and 2-3/4 percent Treasury Bonds of 1948-51, called for redemption on March 15, 1948.

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

Federal Reserve District	Certificates Exchanged	2% Bonds Exchanged	2-3/4% Bonds Exchanged	Total Exchanges
Boston	$ 60,832,000	$ 40,193,000	$ 36,820,000	$ 137,845,000
New York	769,600,000	578,552,900	636,126,100	1,984,279,000
Philadelphia	44,974,000	19,832,500	16,663,500	81,470,000
Cleveland	63,186,000	51,306,000	43,174,000	157,666,000
Richmond	19,693,000	14,088,500	8,543,500	42,325,000
Atlanta	81,635,000	3,172,000	9,393,000	94,200,000
Chicago	236,484,000	65,709,000	84,776,000	386,969,000
St. Louis	75,931,000	9,491,000	11,535,000	96,957,000
Minneapolis	51,617,000	17,666,300	16,112,700	85,396,000
Kansas City	83,936,000	21,502,500	10,200,500	115,639,000
Dallas	48,688,000	3,533,500	2,667,500	54,889,000
San Francisco	148,534,000	71,064,000	84,443,000	304,041,000
Treasury	2,444,000	1,661,000	1,192,000	5,297,000
TOTAL	$1,687,554,000	$897,772,200	$961,646,800	$3,546,973,000

By arrangements made between the Treasury and the Federal Reserve System, holdings of the System of maturing and called securities amounting to $455,258,000 will be presented for cash redemption on March 1 and March 15.

oOo

TREASURY DEPARTMENT

Washington

Statement of Secretary Snyder submitted to the Senate Committee on Finance

March 1, 1948

I am glad to have an opportunity to present to this Committee my views on the House Bill, H.R. 4790. I shall confine my remarks to the more important issues raised by the bill.

The Committee fully appreciates, I am sure, the compelling considerations which require me, as Secretary of the Treasury, to place the protection of the financial integrity of our Government above all other objectives. A sound financial structure is the essential cornerstone of the Nation's economy. Wise management of the Government's fiscal affairs will insure a continued contribution to lasting prosperity, to further industrial growth and expansion, and to higher standards of living. This requires that in considering tax reduction and tax revision we never lose sight of the paramount importance of preserving the strength of the revenue system at a level adequate to finance necessary Government services and to provide funds for servicing and reducing the national debt.

I want to stress the importance of gearing any tax bill to the needs of the Government's basic financial policy. The Federal tax system must produce large amounts of revenue if essential domestic governmental services are to be maintained, the public debt reduced, our foreign commitments fulfilled. Premature weakening of our revenue system will involve serious consequences both for our domestic prosperity and for the peace of the world.

I recognize that postponement of tax reduction requires an unusual measure of self-denial. Each of us would welcome relief from the high taxes necessitated by the cost of the war. However, the financial consequences of the war are still with us. In addition to the normal expenses of running the Government there are heavy demands on the budget for national defense, the care of veterans, the servicing of the war debt, and the rehabilitation of war-torn countries.

The Budgetary Situation

The present tax system, in combination with high levels of employment and national income, resulted in a surplus of $754 million during the fiscal year ended June 30, 1947. In the current fiscal year the surplus will for the first time reach substantial proportions. This affords an opportunity to make a significant reduction in our large public debt. In his Budget Message, the President estimated that in fiscal year 1948 it will be possible to apply $7-1/2 billion to debt reduction. During the past 4 months--which included, of course, some of our best tax collection periods--we have used more than $4 billion of the surplus to apply to debt reduction. This debt reduction would have been impossible had the tax reduction proposed in H.R. 1 become effective last year.

For the fiscal year 1949, the anticipated decline in nontax receipts, coupled with the increased expenditures projected in the President's Budget will reduce the surplus available for debt reduction in that year to $4.8 billion. (Exhibit 1, page 17). I believe that this amount of debt reduction is desirable under present conditions of full employment and general prosperity. We must ever bear in mind the fact that the public debt of this country is in excess of $250 billion. If we continue to make the very best use of our opportunities, it will still take many years to make an appreciable dent in the size of the public debt. We must make sizeable payments on the debt in good years for we know that there may be years in the future when no payments can be made.

A Cost-of-Living Tax Adjustment

Under current economic conditions it is essential to maintain the present level of Government receipts. This, however, does not preclude some readjustment in the distribution of the tax load. On the contrary, the persistence of high prices makes some readjustment imperative. During the second half of 1947 wholesale prices rose at an annual rate of 21 percent and consumers' prices, 13 percent. By the first of this year, wholesale prices were 45 percent and consumers' prices 25 percent higher than in June 1946. (Exhibit 2, page 18; Chart 1).

Although the Nation is operating at peak levels and the country is enjoying higher standards of living than ever before, some groups in the population are suffering real hardship. These include not only families with relatively small fixed incomes, but also others whose incomes have not kept pace with the increase in the cost of living. The problem, of course, is most serious for those in the lower income groups who have no appreciable savings to fall back on as a cushion against high prices.

Estimates of what people spend in relation to their incomes graphically illustrate the hardship suffered by low-income groups. It has been estimated that in 1946 about a third of the families with incomes below $3,000 spent more than their income. (Exhibit 3, page 19). They financed consumption by dissipating accumulated savings and by going into debt. Under present conditions, the taxes paid by the lowest income groups reduce the already inadequate incomes available for minimum living standards. Tax reduction alone cannot provide adequate relief to this group. But the right kind of tax adjustment can make some contribution to the relief of the plight of low-income people. Since fiscal and economic considerations preclude any reduction in the overall strength of our tax system, relief to this group should be provided by appropriate increases in other taxes.

The President recognized that inflation has brought real hardship to millions of families with low incomes and recommended a cost-of-living adjustment in the form of a tax credit of $40 per capita. He recommended also that the revenue loss resulting from this adjustment should be made up by increasing the tax on corporate profits. As I indicated in my statement before the Ways and Means Committee:

> "Under existing conditions, the fairest way of levying a tax on corporate profits which the President recommended would be to reenact the excess-profits tax, with a few modifications. The small corporations should be exempted by providing a specific exemption of $50,000 of excess profits for all corporations. The rate should be reduced from the 85.5 percent in effect for 1945 to 75 percent and the standards for normal profits (both the average earnings and invested capital credits) should be raised by 35 percent. With these modifications the tax would still yield the $3.2 billion needed to offset the revenue loss resulting from the individual income tax cost-of-living adjustment. The tax would apply only to 22,000 corporations with the largest excess profits, out of a total of 360,000 taxable corporations. The imposition of a corporate excess-profits tax to compensate in revenue for the cost-of-living tax adjustment is the most equitable way of maintaining the Federal revenues at their present strength and with the least adverse effect on our economy."

We cannot escape the obligation to find a source of replacement revenue to compensate for that lost by providing tax relief to low-income groups. The President's program accomplishes this through the excess-profits tax. In view of the record earnings of some corporations, this appears to be a sound solution both on equity and economic grounds. I do not know of any other source of replacement revenue that measures up to the required tests.

Comment on H.R. 4790

I now turn to an examination of the principal provisions of H.R. 4790. These provisions can be briefly stated.

The bill would increase personal exemptions from $500 to $600; would permit husbands and wives to divide their incomes equally for tax purposes; and would reduce tax rates by percentages ranging from 30 percent for taxpayers with small incomes to 10 percent for those with large incomes. In addition, the bill would grant a special $600 exemption to all persons over 65 years of age; would replace the present $500 deduction for the blind by a special $600 exemption; and would increase the standard deduction for single persons and married couples filing joint returns with adjusted gross incomes of over $5,000. The bill also would reduce estate and gift taxes. For residents of community-property States the reduction would be achieved by restoring the law in effect prior to 1942. For residents of common-law States, comparable reductions are achieved by permitting deductions for transfers of property between husbands and wives.

To assist the members of the Committee in their consideration of the bill, I have appended to my statement some statistical materials bearing on its provisions. (Pages 15-50).

H.R. 4790 results in excessive reductions and a deficit for fiscal year 1949

The bill would reduce individual income tax liabilities by an estimated $6.2 billion in a full year of operation, or by almost 30 percent of the $21.2 billion total individual income tax liability under present law. (Exhibits 11 and 12 pages 40-41). In addition, estate and gift tax liabilities would be reduced by $250 million, which is also about 30 percent of the estimated $820 million estate and gift tax liabilities under present law.

If H.R. 4790 were enacted, the surplus of $7.5 billion estimated in the President's Budget for the fiscal year 1948 would be reduced by $1.1 billion. In the fiscal year 1949, receipts would be decreased by $6.6 billion and refunds increased by $400 million. This would convert the estimated surplus of $4.8 billion in fiscal year 1949 into a deficit of $2.2 billion, necessitating an increase in the public debt. (Exhibit 1, page 17).

None of the developments which have occurred since the transmission of the President's Budget Message -- either those in the field of domestic prices or those in the field of international affairs, or otherwise -- warrant changing the President's estimates of either receipts or expenditures to show a more favorable budget picture. No one can say with certainty what

any future level of income will be. With relatively full employment and with our present production facilities running at virtual capacity, it would not seem prudent to predicate estimates of receipts on a level of personal income higher than the $200 billion level of personal income utilized in preparing the estimates contained in the President's Budget Message. The level of personal income in calendar year 1947 was $197 billion.

Members of this Committee will undoubtedly agree that there can be no justification for a tax program which would prevent adequate provision for a substantial retirement of the public debt in fiscal year 1949. This alone is sufficient reason for rejecting H.R. 4790.

H.R. 4790 would not increase current production

The proponents of H.R. 4790 claim that it would, by providing substantial individual income tax reduction, overcome capital shortages and improve business incentives. I would be the first to recommend tax incentives if there were a present need to accelerate capital expansion. The fact is, however, that capital formation is at a high level and the number of businesses is increasing. In 1947, gross private domestic investment accounted for $27.8 billion or 12.1 percent of the gross national product. This rate of investment compares with an average of 11.5 percent for the inter-war period from 1919 to 1941. Outlays for producers' durable equipment accounted for almost 8 percent of the gross national product in 1947 -- a record rate, even including the 1920's. (Exhibits 4 and 5, pages 20-21). Moreover, the number of businesses has continued to increase since the low point reached during the war. By the end of 1947 they totalled almost 3,900,000 compared with the prewar peak of 3,400,000 and the wartime low of 2,800,000. (Exhibit 6 page 23). These figures suggest that under current conditions there is no lack of business incentives.

There are times when tax incentives can play an important role in stimulating production. This fact should be recognized in the revision of the tax system for peacetime needs. Its potentialities should not be dissipated by poor timing. Today tax reduction is almost certain to raise prices by increasing consumer and investor competition for the limited supplies; it holds little promise of increasing production above the 1948 goals set in the President's Economic Report.

H.R. 4790 gives inadequate tax relief for the lowest income taxpayers; the relief is inequitably distributed

Another argument advanced in support of H.R. 4790 is that it gives adequate and correctly distributed relief. Under this bill, personal exemptions are increased by $100 to compensate for a calculated $100 decline in the purchasing power of the average income after taxes during the past two years.

These calculations do not provide an adequate measure of the need for tax relief in the lower income groups. Under the stress of war needs, personal exemptions were reduced to emergency levels. It was then recognized that the $500 per capita exemption system would endanger the health and living standards of large segments of the population if retained for many years. Fiscal and economic considerations do not yet permit exemptions to be raised to a level compatible with long-term living standards, just as they preclude general tax reduction at this time. The national interest nonetheless requires sufficient immediate relief for those in greatest need to help tide them over this difficult period. In this respect H.R. 4790 stands in sharp contrast with the President's cost-of-living adjustment plan. (Exhibits 7, 8 and 9, pages 24-38).

H.R. 4790 would exempt 6.3 million from income taxation in comparison with the 10.3 million exempted under the President's program. Moreover, 13 million additional taxpayers with the lowest incomes would receive more tax reduction under the President's program than under H.R. 4790. These are the groups most urgently in need of relief from the high cost of living.

Under the President's program, 93 percent of the income tax reduction would go to individuals with net incomes under $5,000. This compares with 66.3 percent under H.R. 4790. (Exhibits 10, 11, and 12, pages 39-41).

The pending bill would reduce the taxes of those with net incomes in excess of $5,000 by $2.1 billion as against $225 million under the President's plan. It is my belief that we cannot go beyond a cost-of-living adjustment at this time. The $2.1 billion tax reduction provided high-income taxpayers under H.R. 4790 goes far beyond this requirement.

The pending bill would also provide additional relief to the aged and the blind in the form of special exemptions. These and other low-income groups and disabled persons are hard-pressed by high prices. The cost-of-living adjustment recommended by the President is the most equitable way of providing tax relief to all these groups.

<u>H.R. 4790 equalizes income taxes in community-property and common-law States at the cost of substantial revenue but does not equalize estate and gift taxes</u>

The bill under consideration contains proposals designed to equalize income, estate and gift tax liabilities among taxpayers in community-property and common-law States.

With reference to the personal income tax, the bill contains a provision which would permit married couples filing joint returns to divide their combined incomes equally in computing their income taxes. This is designed to eliminate a long-standing tax discrimination against married couples residing in non-community-property States.

This provision is addressed to a problem which has acquired importance in recent years. Several common-law States have adopted community-property laws designed primarily to give their residents tax advantages previously enjoyed only in the original community-property States. As you know, I believe that this subject should be given a high priority among the structural changes in the Federal tax system. In the current situation, however, it would be unwise to make this or other major structural changes which would result in substantial revenue losses. Splitting the incomes of husbands and wives would result in a loss of $803.5 million, 97.5 percent of which would go to individuals with net incomes in excess of $5,000. (Exhibit 12, page 41).

With reference to the estate and gift taxes, the bill would repeal the 1942 estate and gift tax community-property amendments. This would decrease the liabilities of married residents of those States by a relatively substantial amount. However, it is also proposed to provide similar relief for residents of common-law States, by amendments which it is hoped will produce relatively equal treatment with community-property States.

Prior to 1942, residents of community-property States paid relatively less estate and gift taxes than residents of other States. The 1942 Act, in recognition of fundamental similarities in the family ownership of property in all the States, sought to correct this discriminating situation by equalizing the effects of the law under the different concepts of property ownership. It increased the transfer tax liabilities of community-property residents to approximately the level paid by residents of other States and generally succeeded in equalizing transfer tax liabilities among residents of all States.

This bill would replace the plan adopted in 1942 with a system which is apparently intended to establish equality by reducing the transfer tax liabilities of all persons to the level paid by community-property residents before 1942. It is my view that there is no valid basis for this change. While some differences in the impact of transfer taxes on residents of different States remain, these do not appear to be of major significance. However, they could be further narrowed by relatively simple amendments within the framework of the present structure. The proposal, on the other hand, would create new areas of inequality and administrative problems that outweigh those remaining under present law.

The estate and gift tax provision, it has been said, is related to the split-income plan considered for purposes of income taxation. Any such relationship, if it exists at all, is superficial. The problems are not analogous or comparable.

In the income tax field, residents of community-property and common-law States are not treated equally. The income-splitting plan is designed to remedy this situation by providing a single system of taxation applicable to all married residents of every State without exception. Moreover, it is also intended to go beyond removing the discrimination between community-property and common-law States by equalizing the now unequal tax treatment of family income from earnings and investments in all States.

An entirely different situation prevails in the estate and gift tax field. Present law already achieves substantial equality of treatment between common-law and community-property States.

This bill would reduce the revenue yield of the estate and gift taxes by as much as $250 million. Economic and fiscal requirements compel us to postpone urgently needed reductions in many sectors of our tax system. It is also necessary to require a large segment of the population to bear tax burdens which impinge upon their living standards. Under these conditions the transfer tax provisions of H.R. 4790 conflict with fairness and sound fiscal policy. Any structural revision in the system to remove inequities should be accomplished in a way calculated not to weaken or further complicate the transfer taxes.

In view of the technical complexity of the estate and gift tax provision of H.R. 4790, I am submitting for the use of the Committee a memorandum discussing the problems involved in greater detail. (Pages 10-14).

H.R. 4790 would prejudice much needed tax revision

It is clear that many of the tax revisions required to modernize the American tax system will result in a reduction of revenue. If the revenue system is prematurely weakened our opportunities to improve it would be dissipated.

In his State of the Union Message, the President said:

> "When the present danger of inflation has passed we should consider tax reduction based upon a revision of our entire tax structure."

On several occasions I have outlined the basic principles of taxation as follows:

> "I believe that a sound tax system should meet the following essential tests. The tax system should produce adequate revenue. It should be equitable in its treatment of different groups. It should interfere as little as possible with incentives to work and to invest. It should help maintain the broad consumer markets that are essential for high-level

production and employment. Taxes should be as simple to administer and as easy to comply with as possible. While the tax system should be flexible and change with changing economic conditions, it should be possible to achieve this flexibility without frequent revisions of the basic tax structure. A stable tax structure, with necessary flexibility confined largely to changes in tax rates and exemptions, will make it easier for business and Government to plan for the future."

While we cannot safely undertake this year the basic structural changes that will ultimately be desirable due to the large losses in revenue that are entailed, we can adopt many technical revisions which would move in the direction of an improved tax system. I urge upon the Committee the desirability of undertaking the steps necessary to make such administrative and technical revisions as will clarify present tax laws and correct some of the existing inequities without any substantial loss of revenue. This can and should be done at an early date. Specific proposals along these lines have already been submitted by the Treasury Department to the House Committee on Ways and Means.

Conclusion

I am confident that sound tax policy can contribute in an important measure to the continued prosperity of this country. I am also confident that your Committee will give full consideration to the financial requirements and obligations of this Government. These considerations counsel against the adoption of H.R. 4790.

ANALYSIS OF THE ESTATE AND GIFT TAX PROVISIONS OF H. R. 4790

Enactment of the estate and gift tax provisions of H. R. 4790 would be undersirable. Apart from causing unjustified revenue losses (involving a large portion of the total revenues from these taxes), these provisions would not establish the equality of transfer tax treatment of community property and non-community property which is said to justify the revenue loss; they would open the door to tax avoidance; they would create new administrative problems and complexities; and they would lead to disruption and distortion of well-established methods of property disposition in common-law states. Moreover, these amendments are not required as the counterpart of the proposed income splitting provisions for husbands and wives under the income tax. The following discussion will amplify these objections.

Discrimination

It is the principal purpose of the estate and gift tax amendments in the bill to restore the pre-1942 treatment of community property under which each spouse is recognized as owning one-half of the community property regardless of its source. Since mere repeal of the 1942 admentments governing the estate and gift tax treatment of community property would revive the former discrimination existing in favor of such property and against non-community property, the highly complicated provisions of sections 361 and 372 of the bill have been added in an attempt to provide equality of treatment for both types of property; i.e., it is intended to permit husbands and wives in common law states to divide their property equally with equivalent estate and gift tax results. To accomplish this, section 361 provides, in general, that there may be deducted from the gross estate of a deceased spouse the value of certain interests in property passing to the surviving spouse, but not to exceed one-half of the gross estate reduced by claims and similar deductions. Where, however, the estate of a spouse includes only his one-half interest in community property, no marital deduction would be allowed. Section 372 of the bill provides what is intended to be comparable gift tax treatment.

An analysis of these sections of the bill reveals that they not only fail to bring about equality of treatment, but in fact produce inequalities not present under existing law. Thus, where in a common-law state the estates of husband and wife are substantially equal and one dies leaving his property to the survivor, an estate tax would, by reason of the marital deduction, be payable on only one-quarter of the family wealth, i.e., on one-half of the decedent's half. However, in the corresponding situation in which the family wealth consists of community property earned by both spouses, an estate tax would be payable on the death of the first spouse to die with respect to one-half of the family wealth. Under these circumstances, a similar discrimination would result as to gifts made by one spouse to the other by reason of the gift tax marital deduction. This discrimination under both the estate and gift taxes is inherent in the approach to equalization set forth in the bill.

To take another example, a husband in New York who has earned all the family wealth may give half to his wife by gift, and, under the bill, pay gift tax on one-quarter. At death, he may leave his remaining half to the wife and pay estate tax on one-quarter. A husband in the same situation in Texas would pay no gift tax but would pay an estate tax on one-half at death. The sum of the gift tax on one-quarter and the estate tax on one-quarter in the case of the New York husband would be less than the estate tax on one-half in the Texas case, because of the lower brackets, lower gift tax rates and two sets of exemptions. Thus, in this type of situation, community property would be discriminated against; there would continue to be inequality of treatment. On the other hand, where the New York husband gives one-half the family property to his wife during life, and the remaining half to his children at death, he would pay a gift tax on one-quarter and an estate tax on one-half of the property. The total taxes paid by the New York husband would exceed the estate tax payable by the Texas husband who left his half of the community property to his children and who was not required to pay gift tax on the half acquired by his wife by operation of law. In this case, the discrimination would run in the opposite direction, i.e., against common-law property.

Discrimination may also occur where the wife dies first. If the wife in Texas leaves to her surviving husband her half interest in community property earned solely by the husband, she would pay an estate tax on such half and the husband, at his death, would pay estate tax on the entire property. The New York wife would pay no tax at her death, an estate tax on the whole estate being payable upon the husband's subsequent death. In this situation, the total taxes paid by the spouses in Texas would be greater than the total taxes imposed with respect to the New York spouses' property. Conversely, the Texas family would have the advantage if the wife left her half of the community property to the children. In that case, the total taxes payable by the spouses owning community property would be an estate tax on the wife's half plus an estate tax on the husband's half, as compared with a tax, computed at higher progressive rates and with but a single exemption, on all the property of the New York husband.

These examples serve to demonstrate that the estate and gift tax amendments in the bill will not produce equality in the transfer tax treatment of community and non-community property. Furthermore, a comparison of the tax consequences under the bill with those of the present law shows that the bill will produce inequalities where they do not exist under the present law.

Effect on Estate Planning

The method by which equalization is sought is inherently defective because the amount of the proposed marital deduction would depend on the amount of property going from the New York decedent or donor to his spouse. Thus, if only one-third of his property goes to his spouse, the amount of the deduction would be equal to the value of such one-third. In the case of community property, however, each spouse acquires title to one-half by operation of law. Equality, therefore, would be obtained under the system of taxation proposed in the bill only in the event the deceased or donor

gives his spouse one-half of his property. Since it is a frequent practice in common-law states for a wealthy husband to give his wife a life interest in his estate with remainders to his children or other beneficiaries, equality of treatment would be achieved only by interfering to a large extent with this long-established pattern of family dispositions. No such criticism may properly be directed against the 1942 amendments.

Estate and Gift Tax Provisions Not Necessary to Income Splitting

The estate and gift tax treatment of community and non-community property provided in H.R. 4790 is not, as has been suggested, a proper adjunct of the income-splitting provisions of the bill. The proposed system for income-splitting by husbands and wives constitutes a single, nation-wide plan for taxing income from all sources, whether derived from earnings or investments, or from separate or community property. Such a plan is not concerned with local rules of ownership of income. Instead, it overrides such rules and sets forth a uniform concept for determining the tax on family income. The estate and gift tax provisions of the bill, however, do not create a single, overall plan for taxing transfers of family wealth. On the contrary, the bill provides one method for taxing transfers of community property, based on the local rules of property ownership peculiar to such property, and another method for taxing non-community property, based on the local rules of property ownership peculiar to the latter property. The bill disregards the fact that by according full recognition to the formal distinctions between the two systems of property ownership, disparities of tax treatment necessarily arise. It then attempts, as a means of obtaining equality in the taxation of transfers of both types of property, to conform transfers of non-community property to the pattern of transfers peculiar to the community-property system, through the use of a marital deduction. Equality of taxation cannot be successfully achieved through a hybrid tax system, such as that created by H.R. 4790, which implements rather than disregards the formalities and technicalities of local rules of property ownership.

Terminable Interests

The hybrid plan for taxing transfers contained in the bill is fundamentally defective in another important respect. Sections 361 and 372 disallow a marital deduction with respect to certain terminable interests in property passing to a surviving spouse, or transferred by gift. Typical examples of terminable interests which are not deductible are life estates or annuities given to a spouse, where remainder interests pass to other beneficiaries. Thus, where a decedent leaves property in trust, providing for the payment of the income from the trust to his wife for life with remainder to his children, no marital deduction may be taken. The apparent purpose of this rule is to insure that all the property of the family is included in either the estate of the husband or of the wife.

The difficulty is that the husband may easily avoid this rule by use of other types of terminable interests which are deductible under the bill. The bill permits the deduction of terminable interest purchased by the donor or decedent or by the executor at the direction of the decedent. This creates a wide avenue for avoidance of tax upon either spouse. Thus, a person who wishes to provide a life income for his spouse with remainder to his children without losing the benefit of the marital deduction need only purchase, or direct his executor to purchase, a life annuity for his spouse with part of his estate and to hold the balance in trusts for the children. The value of such annuity would be a marital deduction from the decedent's gross estate, and would not thereafter be includible in his spouse's gross estate. The value of the annuity would thus completely escape taxation. Tax could similarly be avoided in the case of other purchased terminable interests, such as leases and insurance proceeds payable in installments.

On the other hand, if the marital deduction were not allowed as to any terminable interest, so that there would be deductible only such property transferred to a spouse as would be subject to transfer tax in her estate, a further large area of inequality of treatment as between common-law and community-property states would be created, in view of the fact that terminable interests may be held as community property. This dilemma appears to be inherent in the "equalization" plan of the bill. The 1942 amendments present no such problem.

Tracing of Property

One of the chief arguments advanced by proponents of the repeal of the 1942 amendments governing community property is the supposed difficulty in some instances in tracing such property to its source. While the existing problem does not in fact appear to be serious, this bill itself substitutes some new tracing requirements.

Sections 361 and 372 of the bill properly provide that no marital deduction may be taken as to separate property which was at any time acquired in exchange for or through partition of community property. It is apparent that under these provisions it will frequently be necessary to trace separate property passing between spouses back to its original source. Accordingly, to the extent that the criticisms of the 1942 amendments based on tracing difficulties may be valid, H. R. 4790 is open to the same type of criticism.

Basis

In addition to the difficulties in the estate and gift tax treatment of spouses, the plan incorporated in the bill also gives rise to income tax problems involving basis for gain or loss. Under existing law the basis of property acquired by a surviving wife by bequest, devise, or inheritance from her deceased husband would be its value at time of his death. The bill makes no change in this rule, even though the marital deduction taken by the husband results in exclusion of the property,

from his taxable estate. In the case of community property, however, the surviving wife's basis for her half of the community property would be its cost to the community, since such half was not acquired by bequest, devise or inheritance. Where the property has appreciated in value this operates disadvantageously to community property.

In determining the appropriate policy respecting basis, consideration must be given to the relationship between non-community property qualifying for a marital deduction and the surviving spouse's interest in community property. The plan of estate taxation embodied in H.R. 4790 treats property passing to a surviving spouse and qualifying for a marital deduction as the equivalent of a surviving spouse's interest in community property. Accordingly, it may be presumed that similar basis treatment should be given to both types of property. Similar treatment, however, cannot be achieved if the estate tax plan of H.R. 4790 is not accompanied by a change in the present provisions of law governing basis. The bill fails to deal with this question.

If, in spite of their fundamental and serious defects, the estate and gift tax provisions of this bill should be enacted, it would appear that a satisfactory basis for determining gain or loss could only be established by eliminating entirely the provisions of existing law which permit the basis of inherited property to be determined by reference to the value of the property at the time of death. This type of treatment would provide equality for income tax purposes of both community and non-community property.

Other Technical Defects

The bill in its present form does not deal with a number of troublesome technical problems which must be resolved and presumably will be by amendment. These involve matters relating to proper allowance of credit for gift tax in the case of property subject to the marital deduction, cases of disclaimers of legacies and other matters. However, even assuming that these problems are satisfactorily disposed of, it must be recognized that their solution will unquestionably lengthen and further complicate the estate and gift tax provisions of the bill, which already are far more lengthy and complex than can be justified by the tax results they achieve.

EXHIBITS

Table of Contents

		Page No.
Exhibit 1	Estimated effect of House bill (H.R. 4790) on budget receipts, expenditures and surplus, fiscal years 1948 and 1949....................	17
Exhibit 2	Wholesale, retail and consumers' price indexes, 1939 to date..................................	18
Exhibit 3	Percentage distribution of positive and negative savers, by income groups of family units, 1946	19
Exhibit 4	Gross national product and gross private domestic investment, 1929-47............................	20
Exhibit 5	Gross private domestic investment, total and major components as percentages of gross national product, 1919-1947..................	21
Exhibit 6	Number of operating business firms, 1939-47.....	23
Exhibit 7	Comparison of amounts and effective rates of individual income tax under present law, the House bill (H.R. 4790), and the $40 per capita tax credit, for selected amounts of net income under $5,000................................	24-26
Table 1	Single person - No dependents..................	24
Table 2	Married person - No dependents.................	25
Table 3	Married person - Two dependents................	26
Exhibit 8	Comparison of amounts and effective rates of individual income tax under present law and under the $40 per capita tax credit...........	27-32
Table 1	Single person - No dependents..................	27
Table 2	Married person - No dependents.................	29
Table 3	Married person - Two dependents................	31
Exhibit 9	Comparison of amounts and effective rates of individual income tax under present law and under the House bill (H.R. 4790)..............	33-38
Table 1	Single person - No dependents..................	33
Table 2	Married person - No dependents.................	35
Table 3	Married person - Two dependents................	37

EXHIBITS

Table of Contents

- 2 -

		Page No.
Exhibit 10	Estimated number of taxable income recipients and their total individual income tax under present law and under the $40 per capita tax credit, distributed by net income classes, in calendar year 1948........................	39
Exhibit 11	Estimated number of taxable income recipients and their total individual income tax under present law and under the House bill (H.R. 4790), distributed by net income classes, in calendar year 1948...............	40
Exhibit 12	Estimated revenue loss from each individual income tax provision of the House bill (H.R. 4790), distributed by net income classes, in calendar year 1948........................	41
Exhibit 13	Comparison of combined normal tax and surtax rates under present law and under the House bill (H.R. 4790)............................	42
Exhibit 14	Estimated number of taxable income recipients distributed by the various percentage reductions provided under the House bill (H.R. 4790), in calendar year 1948...........	44
Chart 1	Consumers' Price Index, 1939 to Date, All Items, Food and Clothing, 1935-'39=100...........follows page 44	
Chart 2	Effective Rates of Individual Income Tax, Present Law and House Bill (H.R. 4790), Married Person, No Dependents.............follows page 44	
Appendix	Tables A - D................................	45-50

EXHIBIT 1

Estimated effect of House bill (H. R. 4790) on budget receipts, expenditures and surplus, fiscal years 1948 and 1949

(In billions of dollars)

	Receipts	Expenditures	Surplus or deficit (-)
Fiscal year 1948			
Present law 1/	$45.2	$37.7	$7.5
House bill (H. R. 4790)	44.1	37.7	6.4
Decrease under House bill (H. R. 4790)	$ 1.1	--	$1.1
Fiscal year 1949			
Present law 1/	$44.5	$39.7	$4.8
House bill (H. R. 4790)	37.9	40.1	- 2.2
Decrease under House bill (H. R. 4790)	$ 6.6	$ 0.4*	$7.0

Treasury Department March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.

*Represents increase resulting from larger individual income tax refunds under H. R. 4790.

Source: Estimates under present law are from The Budget of the United States Government for the fiscal year ending June 30, 1949.

EXHIBIT 2

Wholesale, retail and consumers' price indexes, 1939 to date

Year or month	Wholesale prices (1926=100)	Retail prices (1935-39=100)	Consumers' prices 1/ (1935-39=100)		
			All items	Food	Clothing
Monthly average:					
1939	77.1	99.0	99.4	95.2	100.5
1940	78.6	100.6	100.2	96.6	101.7
1941	87.3	108.3	105.2	105.5	106.3
1942	98.8	124.9	116.5	123.9	124.2
1943	103.1	134.0	123.6	138.0	129.7
1944	104.0	137.6	125.5	136.1	138.8
1945	105.8	141.4	128.4	139.1	145.9
1946	121.1	155.0	139.3	159.6	160.2
1947	151.7	2/	159.2	193.8	185.8
1946 - January	107.1	143.1	129.9	141.0	149.7
February	107.7	142.9	129.6	139.6	150.5
March	108.9	143.7	130.2	140.1	153.1
April	110.2	144.8	131.1	141.7	154.5
May	111.0	145.7	131.7	142.6	155.7
June	112.9	147.7	133.3	145.6	157.2
July	124.7	156.3	141.2	165.7	158.7
August	129.1	159.8	144.1	171.2	161.2
September	124.0	164.3	145.9	174.1	165.9
October	134.1	167.2	148.6	180.0	168.1
November	139.7	171.5	152.2	187.7	171.0
December	140.9	172.7	153.3	185.9	176.5
1947 - January	141.5	172.7	153.3	183.8	179.0
February	144.5	172.7	153.2	182.3	181.5
March	149.5	177.2	156.3	189.5	184.3
April	147.7	177.2	156.2	188.0	184.9
May	147.1	177.1	156.0	187.6	185.0
June	147.6	178.7	157.1	190.5	185.7
July	150.6	179.7	158.4	193.1	184.7
August	153.6	181.4	160.3	196.5	185.9
September	157.4	184.9	163.8	203.5	187.6
October	158.5	184.9	163.8	201.6	189.0
November	159.7	185.9	164.9	202.7	190.2
December	163.2	2/	167.0	206.9	191.2
1948 - January	165.6	2/	168.8	209.7	192.1

Treasury Department

March 1, 1948

1/ For moderate-income families in large cities.
2/ Not available.

Source: Wholesale and consumers' prices: U. S. Department of Labor; retail prices: U. S. Department of Commerce.

EXHIBIT 3

Percentage distribution of positive and negative savers, by income groups of family units, 1946

Income groups 1/	All family units	Positive savers 2/	Zero savers	Negative savers 3/
All family units 4/	100%	66%	7%	27%
Under $1,000	100	39	28	33
$1,000 - $1,999	100	57	10	33
2,000 - 2,999	100	65	3	32
3,000 - 3,999	100	75	2	23
4,000 - 4,999	100	78	5/	22
5,000 - 7,499	100	81	1	18
7,500 and above	100	88	5/	12

Treasury Department

March 1, 1948

1/ Based on 1946 money income before taxes.
2/ Family units with money incomes in excess of expenditures.
3/ Family units with expenditures in excess of money incomes.
4/ Includes families of one or more persons.
5/ Less than one-half of 1 percent.

Source: "Survey of Consumer Finances, Part III, Consumer Savings in 1946 and Ownership of Selected Nonliquid Assets," Federal Reserve Bulletin, August 1947, Table 13, p. 12.

EXHIBIT 4

Gross national product and gross private domestic investment, 1929-1947

(In billions of dollars)

Year or quarter	Gross national product	Gross private domestic investment			
		Total	New construction	Producers' durable equipment	Changes in business inventories
1929	103.8	15.8	7.8	6.4	1.6
1930	90.9	10.2	5.6	4.9	-.3
1931	75.9	5.4	3.6	3.2	-1.4
1932	58.3	.9	1.7	1.8	-2.6
1933	55.8	1.3	1.1	1.8	-1.6
1934	64.9	2.8	1.4	2.5	-1.1
1935	72.2	6.1	1.9	3.4	.9
1936	82.5	8.3	2.8	4.5	1.0
1937	90.2	11.4	3.7	5.4	2.3
1938	84.7	6.3	3.3	4.0	-1.0
1939	90.4	9.0	4.0	4.6	.4
1940	100.5	13.0	4.6	6.1	2.3
1941	125.3	17.2	5.7	7.7	3.9
1942	159.6	9.3	3.2	4.7	1.4
1943	192.6	4.6	2.0	3.8	-1.2
1944	210.6	5.7	2.3	5.3	-2.0
1945	213.1	9.1	3.1	7.1	-1.2
1946	203.7	24.6	8.5	12.4	3.7
1947	229.6	27.8	10.7	17.9	-.7
		Seasonally adjusted annual rates			
1946:					
I	191.7	18.6	7.2	9.1	2.3
II	197.0	22.3	8.7	11.5	2.0
III	207.5	27.0	8.9	13.2	4.9
IV	218.6	30.4	9.3	15.7	5.4
1947:					
I	221.0	28.2	10.3	16.4	1.6
II	226.9	26.1	9.6	17.9	-1.4
III	229.4	27.0	10.4	18.4	-1.7
IV	240.9	29.9	12.4	18.8	-1.3

Treasury Department

March 1, 1948

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

Source: U.S. Department of Commerce.

EXHIBIT 5

Gross private domestic investment, total and major components as percentages of gross national product, 1919-1947

Year or quarter	Gross national product	Gross private domestic investment			
		Total	New construction	Producers' durable equipment	Change in business inventories
1919	100.0%	15.3%	4.8%	6.4%	4.1%
1920	100.0	18.2	5.6	6.1	6.5
1921	100.0	10.6	6.0	4.6	—
1922	100.0	12.9	7.8	4.4	.7
1923	100.0	16.9	8.4	5.4	3.1
1924	100.0	13.1	9.3	5.1	-1.3
1925	100.0	16.5	9.6	5.2	1.7
1926	100.0	16.7	9.7	5.5	1.5
1927	100.0	15.0	9.6	5.1	.3
1928	100.0	13.7	8.7	5.4	-.4
1929	100.0	15.1	7.5	6.1	1.5
1930	100.0	11.2	6.1	5.4	-.3
1931	100.0	7.0	4.7	4.2	-1.9
1932	100.0	1.5	2.9	3.1	-4.5
1933	100.0	2.3	2.0	3.2	-2.9
1934	100.0	4.3	2.2	3.8	-1.7
1935	100.0	8.6	2.6	4.7	1.3
1936	100.0	10.1	3.4	5.5	1.2
1937	100.0	12.6	4.1	6.0	2.5
1938	100.0	7.4	3.9	4.7	-1.2
1939	100.0	9.9	4.4	5.1	.4
1940	100.0	13.0	4.6	6.1	2.3
1941	100.0	13.7	4.5	6.1	3.1
1942	100.0	5.8	2.0	2.9	.9
1943	100.0	2.4	1.0	2.0	-.6
1944	100.0	2.7	1.1	2.5	-.9
1945	100.0	4.3	1.5	3.4	-.6
1946	100.0	12.1	4.2	6.1	1.8
1947	100.0	12.1	4.7	7.8	-.3
Annual average 1919-1941	100.0	11.5	5.8	5.1	.7

Continued

EXHIBIT 5 - Concluded

Gross private domestic investment, total and major components
as percentages of gross national product, 1919-1947

Year or quarter	Gross national product	Gross private domestic investment			
		Total	New construction	Producers' durable equipment	Change in business inventories
		Seasonally adjusted annual rates			
1946:					
I	100.0%	9.7%	3.8%	4.7%	1.2%
II	100.0	11.3	4.4	5.8	1.0
III	100.0	13.0	4.3	6.4	2.4
IV	100.0	13.9	4.3	7.2	2.5
1947:					
I	100.0	12.8	4.7	7.4	.7
II	100.0	11.5	4.2	7.9	-.6
III	100.0	11.8	4.5	8.0	-.7
IV	100.0	12.4	5.1	7.8	-.5

Treasury Department   March 1, 1948

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

Source: U.S. Department of Commerce.

EXHIBIT 6

Number of operating business firms, 1939-47

Year or quarter 1/	Number of operating firms
1939	3,316,700
1940	3,298,200
1941	3,398,000
1942	3,155,700
1943	
III	2,860,600
IV	2,835,600
1944	
I	2,848,700
II	2,879,900
III	2,923,500
IV	2,964,800
1945	
I	3,012,900
II	3,065,600
III	3,134,100
IV	3,224,100
1946	
I	3,369,100
II	3,494,700
III	3,595,300
IV	3,657,800
1947	
I	3,731,400
II 2/	3,783,600
III	3/
IV 4/	3,871,400

Treasury Department

March 1, 1948

1/ Annual figures are as of September 30 of the indicated year; quarterly figures are as of the end of the quarter.
2/ Preliminary.
3/ Not available.
4/ Estimated.

Source: U. S. Department of Commerce

EXHIBIT 7
Table 1

Comparison of amounts and effective rates of individual income tax under present law, 1/ the House bill (H.R. 4790), and the $40 per capita tax credit, for selected amounts of net income under $5,000

Single person 2/ - No dependents

Net income before personal exemption	Amounts of tax			Effective rates			Decrease in amounts of tax compared with present law		Decrease in effective rates compared with present law		Tax decrease as a percentage of present tax liability		Tax decrease as a percentage of net income after present tax liability	
	Present law	House bill (H.R. 4790) 3/	$40 per capita tax credit	Present law	House bill (H.R. 4790) 3/	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit
$ 600	$ 19	0	0	3.2%	0	0	$ 19	$ 19	3.2%	3.2%	100.0%	100.0%	3.3%	3.3%
700	38	$ 13	0	5.4	1.9%	0	25	38	3.5	5.4	65.0	100.0	3.7	5.7
800	57	27	$ 17	7.1	3.3	2.1%	30	40	3.8	5.0	53.3	70.2	4.1	5.4
900	76	40	36	8.4	4.4	4.0	36	40	4.0	4.4	47.5	52.3	4.4	4.9
968 4/	89	49	49	9.2	5.1	5.1	40	40	4.1	4.1	45.0	47.5	4.5	4.6
1,000	95	53	55	9.5	5.3	5.5	42	40	4.2	4.0	44.0	42.1	4.6	4.4
1,200	133	80	93	11.1	6.7	7.8	53	40	4.4	3.3	40.0	30.1	5.0	3.7
1,500	190	120	150	12.7	8.0	10.0	70	40	4.7	2.7	37.0	21.1	5.4	3.1
2,000	285	213	245	14.3	10.6	12.3	72	40	3.6	2.0	25.3	14.0	4.2	2.3
2,500	380	289	340	15.2	11.6	13.6	91	40	3.6	1.6	24.0	10.5	4.3	1.9
3,000	485	371	445	16.2	12.4	14.8	114	40	3.8	1.3	23.5	8.3	4.5	1.6
3,500	589	454	549	16.8	13.0	15.7	135	40	3.8	1.1	22.8	6.8	4.6	1.4
4,000	694	538	654	17.3	13.5	16.3	155	40	3.9	1.0	22.4	5.8	4.7	1.2
4,500	798	622	758	17.7	13.8	16.8	176	40	3.9	.9	22.1	5.0	4.8	1.1
5,000	922	727	882	18.4	14.5	17.6	194	40	3.9	.8	21.1	4.3	4.8	1.0

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Single persons obtain no benefit under the income-splitting provision of H.R. 4790.
3/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.
4/ Point at which the tax under H.R. 4790 is the same as the tax under the $40 per capita tax credit.

EXHIBIT 7
Table 2

Comparison of amounts and effective rates of individual income tax under present law, 1/ the House bill (H.R. 4790), and the $40 per capita tax credit, for selected amounts of net income under $5,000

Married person 2/ - No dependents

Net income before personal exemption	Amounts of tax			Effective rates			Decrease in amounts of tax compared with present law		Decrease in effective rates compared with present law		Tax decrease as a percentage of present tax liability		Tax decrease as a percentage of net income after present tax liability	
	Present law	House bill (H.R. 4790) 3/	$40 per capita tax credit	Present law	House bill (H.R. 4790) 3/	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit
$ 1,200	$ 38	-	0	3.2%	0	0	$ 38	$ 38	3.2%	3.2%	100.0%	100.0%	3.3%	3.3%
1,500	95	$ 40	$ 15	6.3	2.7%	1.0%	55	80	3.7	5.3	58.0	84.2	3.9	5.7
1,600	114	53	34	7.1	3.3	2.1	61	80	3.8	5.0	53.3	70.2	4.1	5.4
1,700	133	67	53	7.8	3.9	3.1	67	80	3.9	4.7	50.0	60.2	4.2	5.1
1,800	152	80	72	8.4	4.4	4.0	72	80	4.0	4.4	47.5	52.6	4.4	4.9
1,900	171	93	91	9.0	4.9	4.8	78	80	4.1	4.2	45.6	46.8	4.5	4.6
1,937 4/	178	98	98	9.2	5.1	5.1	80	80	4.1	4.1	44.9	44.9	4.6	4.5
2,000	190	106	110	9.5	5.3	5.5	84	80	4.2	4.0	44.0	42.1	4.6	4.4
2,500	285	173	205	11.4	6.9	8.2	112	80	4.5	3.2	39.3	28.1	5.1	3.6
3,000	380	239	300	12.7	8.0	10.0	141	80	4.7	2.7	37.0	21.1	5.4	3.1
3,500	485	326	405	13.8	9.3	11.6	159	80	4.5	2.3	32.7	16.5	5.3	2.7
4,000	589	426	509	14.7	10.6	12.7	163	80	4.1	2.0	27.7	13.6	4.8	2.3
4,500	694	502	614	15.4	11.1	13.6	192	80	4.3	1.8	27.7	11.5	5.0	2.1
5,000	798	578	718	16.0	11.6	14.4	220	80	4.4	1.6	27.6	10.0	5.2	1.9

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Assumes only one spouse has income.
3/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.
4/ Point at which the tax under H.R. 4790 is the same as the tax under the $40 per capita tax credit.

EXHIBIT 7

Table 3

Comparison of amounts and effective rates of individual income tax under present law, 1/ the House bill (H.R. 4790), and the $40 per capita tax credit, for selected amounts of net income under $5,000

Married person 2/ - Two dependents

Net income before personal exemption	Amounts of tax			Effective rates			Decrease in amounts of tax compared with present law		Decrease in effective rates compared with present law		Tax decrease as a percentage of present tax liability		Tax decrease as a percentage of net income after present tax liability	
	Present law	House bill (H.R. 4790) 3/	$40 per capita tax credit	Present law	House bill (H.R. 4790) 3/	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit	House bill (H.R. 4790)	$40 per capita tax credit
$ 2,400	$ 76	0	0	3.2%	0	0	$ 76	$ 76	3.2%	3.2%	100.0%	100.0%	3.3%	3.3%
2,800	152	$ 53	0	5.4	1.9%	0	99	152	3.5	5.4	65.0	100.0	3.7	5.7
3,000	190	80	$ 30	6.3	2.7	1.0%	110	160	3.7	5.3	58.0	84.2	3.9	5.7
3,500	285	146	125	8.1	4.2	3.6	139	160	4.0	4.6	48.7	56.1	4.3	5.0
3,600	304	160	144	8.4	4.4	4.0	144	160	4.0	4.4	47.5	52.6	4.4	4.9
3,700	323	173	163	8.7	4.7	4.4	150	160	4.1	4.3	46.5	49.5	4.4	4.7
3,800	342	186	182	9.0	4.9	4.8	156	160	4.1	4.2	45.6	46.8	4.5	4.6
3,874 4/	356	196	196	9.2	5.1	5.1	160	160	4.1	4.1	44.9	44.9	4.5	4.5
3,900	361	200	201	9.3	5.1	5.2	162	160	4.1	4.1	44.7	44.3	4.6	4.5
4,000	380	213	220	9.5	5.3	5.5	167	160	4.2	4.0	44.0	42.1	4.6	4.4
4,500	485	286	325	10.8	6.4	7.2	199	160	4.4	3.6	41.0	33.0	4.9	4.0
5,000	589	386	429	11.8	7.7	8.6	203	160	4.1	3.2	34.5	27.2	4.6	3.6

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Assumes only one spouse has income.
3/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.
4/ Point at which the tax under H.R. 4790 is the same as the tax under the $40 per capita tax credit.

EXHIBIT 8

Table 1

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the $40 per capita tax credit

Single person - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 700	$ 38	0	5.4 %	0	$ 38	5.4%	100.0%	5.7%
800	57	$ 17	7.1	2.1%	40	5.0	70.2	5.4
1,000	95	55	9.5	5.5	40	4.0	42.1	4.4
1,200	133	95	11.1	7.8	40	3.3	30.1	3.7
1,500	190	150	12.7	10.0	40	2.7	21.1	3.1
2,000	285	245	14.3	12.3	40	2.0	14.0	2.3
2,500	380	340	15.2	13.6	40	1.6	10.5	1.9
3,000	485	445	16.2	14.8	40	1.3	8.3	1.6
4,000	694	654	17.3	16.3	40	1.0	5.8	1.2
5,000	922	882	18.4	17.6	40	.8	4.3	1.0
6,000	1,169	1,129	19.5	18.8	40	.7	3.4	.8
8,000	1,720	1,680	21.5	21.0	40	.5	2.3	.6
10,000	2,347	2,307	23.5	23.1	40	.4	1.7	.5
15,000	4,270	4,230	28.5	28.2	40	.3	.9	.4
20,000	6,645	6,605	33.2	33.0	40	.2	.6	.3
25,000	9,362	9,322	37.4	37.3	40	.2	.4	.3
50,000	25,137	25,097	50.3	50.2	40	.1	.2	.2
75,000	43,477	43,437	58.0	57.9	40	.1	.1	.1
100,000	63,541	63,501	63.5	63.5	40	*	.1	.1
250,000	191,772	191,732	76.7	76.7	40	*	*	.1

Continued

Footnotes on next page.

EXHIBIT 8

Table 1 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the $40 per capita tax credit

Single person - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 350,000	$ 278,222	$ 278,182	79.5%	79.5%	$ 40	*	*	.1%
500,000	407,897	407,857	81.6	81.6	40	*	*	*
750,000	624,022	623,982	83.2	83.2	40	*	*	*
1,000,000	840,147	840,107	84.0	84.0	40	*	*	*

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.

* Less than .05 percent.

EXHIBIT 8

Table 2

Comparison of amounts and effective rates of individual income tax under present law 1/
and under the $40 per capita tax credit

Married person 2/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 1,400	$ 76	0	5.4%	0	$76	5.4%	100.0%	5.7%
1,500	95	$ 15	6.3	1.0%	80	5.3	84.2	5.7
2,000	190	110	9.5	5.5	80	4.0	42.1	4.4
2,500	285	205	11.4	8.2	80	3.2	28.1	3.6
3,000	380	300	12.7	10.0	80	2.7	21.1	3.1
4,000	589	509	14.7	12.7	80	2.0	13.6	2.3
5,000	798	718	16.0	14.4	80	1.6	10.0	1.9
6,000	1,045	965	17.4	16.1	80	1.3	7.7	1.6
8,000	1,577	1,497	19.7	18.7	80	1.0	5.1	1.2
10,000	2,185	2,105	21.9	21.1	80	.8	3.7	1.0
15,000	4,047	3,967	27.0	26.4	80	.6	2.0	.7
20,000	6,394	6,314	32.0	31.6	80	.4	1.3	.6
25,000	9,082	9,002	36.3	36.0	80	.3	.9	.5
50,000	24,795	24,715	49.6	49.4	80	.2	.3	.3
75,000	43,092	43,012	57.5	57.3	80	.1	.2	.3
100,000	63,128	63,048	63.1	63.0	80	.1	.1	.2

Continued

Footnotes on next page.

EXHIBIT 8

Table 2 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the $40 per capita tax credit

Married person 2/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 250,000	$ 191,340	$ 191,260	76.5%	76.5%	$ 80	*	*	.1%
350,000	277,790	277,710	79.4	79.3	80	*	*	.1
500,000	407,465	407,385	81.5	81.5	80	*	*	.1
750,000	623,590	623,510	83.1	83.1	80	*	*	.1
1,000,000	839,715	839,635	84.0	84.0	80	*	*	*

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Assumes only one spouse has income.

* Less than .05 percent.

EXHIBIT 8

Table 3

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the $40 per capita tax credit

Married person 2/ - Two dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decreease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 2,500	$ 95	0	3.8%	0	$ 95	3.8%	100.0%	4.0%
2,800	152	0	5.4	0	152	5.4	100.0	5.7
3,000	190	$ 30	6.3	1.0%	160	5.3	84.2	5.7
4,000	380	220	9.5	5.5	160	4.0	42.1	4.4
5,000	589	429	11.8	8.6	160	3.0	27.2	3.6
6,000	798	638	13.3	10.6	160	2.7	20.1	3.1
8,000	1,292	1,132	16.2	14.2	160	2.0	12.4	2.4
10,000	1,862	1,702	18.6	17.0	160	1.6	8.6	2.0
15,000	3,639	3,479	24.3	23.2	160	1.1	4.4	1.4
20,000	5,890	5,730	29.5	28.7	160	.8	2.7	1.1
25,000	8,522	8,362	34.1	33.4	160	.6	1.9	1.0
50,000	24,111	23,951	48.2	47.9	160	.3	.7	.6
75,000	42,323	42,163	56.4	56.2	160	.2	.4	.5
100,000	62,301	62,141	62.3	62.1	160	.2	.3	.4
250,000	190,475	190,315	76.2	76.1	160	.1	.3	.3
350,000	276,925	276,765	79.1	79.1	160	*	.1	.2

Continued

Footnotes on next page.

EXHIBIT 8

Table 3 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the $40 per capita tax credit

Married person 2/- Two dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	$40 per capita tax credit	Present law	$40 per capita tax credit				
$ 500,000	$ 406,600	$ 406,440	81.3%	81.3%	$ 160	*	*	.2%
750,000	622,725	622,565	83.0	83.0	160	*	*	.1
1,000,000	838,850	838,690	83.9	83.9	160	*	*	.1

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Assumes only one spouse has income.

* Less than .05 percent.

EXHIBIT 9

Table 1

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the House bill (H.R. 4790)

Single person 2/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	House bill (H.R. 4790) 3/	Present law	House bill (H.R. 4790) 3/				
$ 600	$ 19	0	3.2%	0	$ 19	3.2%	100.0%	3.3%
800	57	$ 27	7.1	3.3%	30	3.8	52.6	4.1
1,000	95	53	9.5	5.3	42	4.2	44.0	4.6
1,200	133	80	11.1	6.7	53	4.4	39.8	5.0
1,500	190	120	12.7	8.0	70	4.7	37.0	5.4
2,000	285	213	14.3	10.6	72	3.7	25.3	4.2
2,500	380	289	15.2	11.6	91	3.6	24.0	4.3
3,000	485	371	16.2	12.4	114	3.8	23.5	4.5
4,000	694	538	17.3	13.5	155	3.8	22.4	4.7
5,000	922	727	18.4	14.5	194	3.9	21.1	4.8
6,000	1,169	950	19.5	15.8	219	3.7	18.7	4.5
8,000	1,720	1,442	21.5	18.0	277	3.5	16.1	4.4
10,000	2,347	2,003	23.5	20.0	344	3.5	14.7	4.5
15,000	4,270	3,723	28.5	24.8	547	3.7	12.8	5.1
20,000	6,645	5,856	33.2	29.3	790	3.9	11.9	5.9
25,000	9,362	8,296	37.4	33.2	1,066	4.2	11.4	6.8

Continued

Footnotes on next page.

EXHIBIT 9

Table 1 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the House bill (H.R. 4790)

Single person 2/ - No dependents

Net income before personal exemption	Amounts of tax: Present law	Amounts of tax: House bill (H.R. 4790) 3/	Effective rates: Present law	Effective rates: House bill (H.R. 4790) 3/	Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
$ 50,000	$ 25,137	$ 22,482	50.3%	45.0%	$ 2,655	5.3%	10.6%	10.7%
75,000	43,477	38,980	58.0	52.0	4,497	6.0	10.3	14.3
100,000	63,541	57,032	63.5	57.0	6,508	6.5	10.2	17.9
250,000	191,772	172,437	76.7	69.0	19,335	7.7	10.1	33.2
350,000	278,222	250,242	79.5	71.5	27,980	8.0	10.1	39.0
500,000	407,897	366,949	81.6	73.4	40,947	8.2	10.0	44.5
750,000	624,022	561,462	83.2	74.9	62,560	8.3	10.0	49.7
1,000,000	840,147	755,974	84.0	75.6	84,172	8.4	10.0	52.7

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Single persons obtain no benefit under the income-splitting provision of H.R. 4790.
3/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.

EXHIBIT 9

Table 2

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the House bill (H.R. 4790)

Married person 2/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	House bill (H.R. 4790) 3/	Present law	House bill (H.R. 4790) 3/				
$ 1,200	$ 38	0	3.2%	0	$ 38	3.2%	100.0%	3.3%
1,500	95	$ 40	6.3	2.7%	55	3.6	58.0	3.9
2,000	190	106	9.5	5.3	84	4.2	44.0	4.6
2,500	285	173	11.4	6.9	112	4.5	39.3	5.1
3,000	380	239	12.7	8.0	141	4.7	37.0	5.4
4,000	589	426	14.7	10.6	163	4.1	27.7	4.8
5,000	798	578	16.0	11.6	220	4.4	27.6	5.2
6,000	1,045	742	17.4	12.4	303	5.0	29.0	6.1
8,000	1,577	1,076	19.7	13.5	501	6.2	31.8	7.8
10,000	2,185	1,455	21.9	14.5	730	7.4	33.4	9.3
15,000	4,047	2,628	27.0	17.5	1,419	9.5	35.1	13.0
20,000	6,394	4,006	32.0	20.0	2,388	12.0	37.3	17.5
25,000	9,082	5,589	36.3	22.4	3,493	13.9	38.5	21.9
50,000	24,795	16,592	49.6	33.2	8,203	16.4	33.1	32.5
75,000	43,092	30,013	57.5	40.0	13,079	17.5	30.4	41.0
100,000	63,128	44,964	63.1	45.0	18,164	18.1	28.8	49.3

Continued

Footnotes on next page.

EXHIBIT 9

Table 2 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the House bill (H.R. 4790)

Married person 2/ - No dependents

Net income before personal exemption	Amounts of tax		Effective rates		Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
	Present law	House bill (H.R. 4790) 3/	Present law	House bill (H.R. 4790) 3/				
$ 250,000	$ 191,340	$ 152,092	76.5%	60.8%	$ 39,248	15.7%	20.5%	66.9%
350,000	277,790	228,604	79.4	65.3	49,185	14.1	17.7	68.1
500,000	407,465	344,874	81.5	69.0	62,591	12.5	15.4	67.6
750,000	623,590	539,386	83.1	71.9	84,203	11.2	13.5	66.6
1,000,000	839,715	733,899	84.0	73.4	105,816	10.6	12.6	66.0

Treasury Department — March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Assumes only one spouse has income.
3/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.

EXHIBIT 9

Table 3

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the House bill (H.R. 4790)

Married person 2/ - Two dependents

Net income before personal exemption	Amounts of tax: Present law	Amounts of tax: House bill (H.R. 4790) 3/	Effective rates: Present law	Effective rates: House bill (H.R. 4790) 3/	Decrease in amounts of tax compared with present law	Decrease in effective rates compared with present law	Tax decrease as a percentage of present tax liability	Tax decrease as a percentage of net income after present tax liability
$ 2,400	$ 76	0	3.2%	0	$ 76	3.2%	100.0%	3.3%
3,000	190	$ 80	6.3	2.7%	110	3.6	57.9	3.9
4,000	380	213	9.5	5.3	167	4.2	44.0	4.6
5,000	589	386	11.8	7.7	203	4.1	34.5	4.6
6,000	798	547	13.3	9.1	251	4.2	31.4	4.8
8,000	1,292	876	16.2	10.9	416	5.3	32.2	6.2
10,000	1,862	1,210	18.6	12.1	652	6.5	35.0	8.0
15,000	3,639	2,320	24.3	15.5	1,319	8.8	36.2	11.6
20,000	5,890	3,657	29.5	18.3	2,233	11.2	37.9	15.8
25,000	8,522	5,200	34.1	20.8	3,322	13.3	39.0	20.2
50,000	24,111	15,986	48.2	32.0	8,125	16.2	33.7	31.4
75,000	42,323	29,346	56.4	39.1	12,976	17.3	30.7	39.7
100,000	62,301	44,225	62.3	44.2	18,076	18.1	29.0	47.9
250,000	190,475	151,179	76.2	60.5	39,296	15.7	20.6	66.0
350,000	276,925	227,681	79.1	65.1	49,244	14.0	17.8	67.4
500,000	406,600	343,940	81.3	68.8	62,660	12.5	15.4	67.1
750,000	622,725	538,453	83.0	71.8	84,272	11.2	13.5	66.2
1,000,000	838,850	732,965	83.9	73.3	105,885	10.6	12.6	65.7

Treasury Department — March 1, 1948

Footnotes on next page.

EXHIBIT 9

EXHIBIT 9

Table 3 - concluded

Comparison of amounts and effective rates of individual income tax under present law 1/ and under the House bill (H.R. 4790)

Footnotes:

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Assumes only one spouse has income.
3/ Assumes taxpayer is not entitled to the special exemption for either the aged or the blind.

EXHIBIT 10

Estimated number of taxable income recipients and their total individual income tax under present law 1/ and under the $40 per capita tax credit, distributed by net income classes, in calendar year 1948

(Assuming personal income of $200 billion)

Net income class ($000)	Number of income recipients			Total tax 2/			
	Taxable under present law	Taxable under the $40 per capita tax credit	Made nontaxable by the $40 per capita tax credit	Under present law	Under the $40 per capita tax credit	Decrease under the $40 per capita tax credit	
						Amount	Percentage distribution
(Number of income recipients in thousands; money amounts in millions)							
Under - 1	5,832.7	3,090.2	2,742.6	$ 252.1	$ 79.7	$ 172.5	5.4%
1 - 2	20,583.1	15,700.7	4,882.4	3,039.6	2,057.7	981.9	30.6
2 - 3	15,096.3	12,801.6	2,294.8	4,182.0	3,109.8	1,072.2	33.3
3 - 4	5,750.1	5,393.0	357.1	2,489.4	1,977.7	511.7	15.9
4 - 5	2,512.9	2,447.0	65.9	1,561.6	1,311.6	250.0	7.8
Under 5	49,775.2	39,432.5	10,342.7	11,524.8	8,536.5	2,988.3	93.0
5 - 10	1,463.2	1,463.2	--	1,626.5	1,478.8	147.7	4.7
10 - 25	608.1	608.1	--	2,464.1	2,405.6	58.5	1.8
25 - 50	149.5	149.5	--	2,144.2	2,130.9	13.3	.4
50 - 100	51.4	51.4	--	1,878.9	1,874.4	4.5	.1
100 - 250	10.3	10.3	--	980.0	979.2	.8	4/
250 - 500	1.3	1.3	--	321.8	321.7	.1	4/
500 - 1,000	.3	.3	--	177.7	177.7	3/	4/
1,000 and over	.1	.1	--	124.9	124.9	3/	4/
5 and over	2,284.1	2,284.1	--	9,718.1	9,493.1	225.0	7.0
Grand total	52,059.4	41,716.6	10,342.7	21,242.9	18,029.6	3,213.2	100.0

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Includes normal tax, surtax and alternative tax on net long-term capital gains.
3/ Less than $50 thousand.
4/ Less than .05 percent.

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

EXHIBIT 11

Estimated number of taxable income recipients and their total individual income tax under present law 1/ and under the House bill (H.R. 4790), distributed by net income classes, in calendar year 1948

(Assuming personal income of $200 billion)

Net income class ($000)	Number of income recipients			Total tax 2/			
	Taxable under present law	Taxable under House bill (H.R. 4790)	Made nontaxable under House bill (H.R. 4790)	Under present law	Under House bill (H.R. 4790)	Decrease under House bill (H.R. 4790): Amount	Decrease under House bill (H.R. 4790): Percentage distribution
	(Number of income recipients in thousands; money amounts in millions)						
Under 1	5,832.7	3,936.0	1,896.7	$ 252.1	$ 103.2	$ 148.9	2.4%
1 - 2	20,583.1	17,660.4	2,922.7	3,039.6	1,770.1	1,269.5	20.3
2 - 3	15,096.3	13,762.8	1,333.5	4,182.0	2,738.4	1,443.6	23.1
3 - 4	5,750.1	5,635.6	114.5	2,489.4	1,667.8	821.6	13.2
4 - 5	2,512.9	2,495.9	17.0	1,561.6	1,103.0	458.6	7.3
Under 5	49,775.2	43,490.8	6,284.5	11,524.8	7,382.7	4,142.1	66.3
5 - 10	1,463.2	1,463.2	--	1,626.5	1,133.0	493.5	7.9
10 - 25	608.1	608.1	--	2,464.1	1,825.4	638.7	10.2
25 - 50	149.5	149.5	--	2,144.2	1,697.8	446.4	7.1
50 - 100	51.4	51.4	--	1,878.9	1,554.2	324.7	5.2
100 - 250	10.3	10.3	--	980.0	844.3	135.7	2.2
250 - 500	1.3	1.3	--	321.8	286.6	35.2	.6
500 - 1,000	.3	.3	--	177.7	160.3	17.4	.3
1,000 and over	.1	.1	--	124.9	113.6	11.3	.2
5 and over	2,284.1	2,284.1	--	9,718.1	7,615.2	2,102.9	33.7
Grand total	52,059.4	45,774.9	6,284.5	21,242.9	14,997.9	6,245.0	100.0

Treasury Department March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.

2/ Includes normal tax, surtax and alternative tax on net long-term capital gains.

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

EXHIBIT 12

Estimated revenue loss from each individual income tax provision of the House bill (H.R. 4790), distributed by net income classes, in calendar year 1948

(Assuming personal income of $200 billion)

Net income class ($000)	Total decrease in tax under House bill (H.R. 4790)	Tax decrease from each individual income tax provision of House bill (H.R. 4790) 1/					Reductions of tentative normal tax and surtax				
		Increase the per capita exemption to $600	Additional exemption for persons over 65	Special provision for the blind	Allow married couples to split their incomes	Increase the standard deduction	Total from all reductions	33.5%	$67	24%	$201.60 plus 14.5% of excess over $840
	(In millions of dollars)										
Under 1	$ 148.9	$ 96.5	$ 8.1	2/	--	--	$ 44.3	$ 44.3	--	--	--
1 - 2	1,269.5	522.1	70.8	$ .1	--	--	676.5	349.2	$ 327.1	$ .2	--
2 - 3	1,443.6	553.9	73.0	.1	$ .5	--	816.1	289.6	39.6	486.9	--
3 - 4	821.6	264.3	68.4	.1	5.3	--	483.5	118.7	71.5	293.3	--
4 - 5	458.6	131.2	18.0	2/	14.5	$ 2.1	292.8	32.2	35.2	183.3	$ 42.1
Under 5	4,142.1	1,567.9	238.3	.3	20.3	2.1	2,313.2	834.0	473.4	963.7	42.1
5 - 10	493.5	87.9	19.2	2/	69.6	68.1	248.7	2.4	4.0	117.5	124.8
10 - 25	638.7	58.3	7.4	2/	296.1	20.9	256.0	--	--	2.9	253.1
25 - 50	446.4	20.1	2.2	2/	224.4	2.3	197.4	--	--	--	197.4
50 - 100	324.7	8.4	.9	2/	142.2	.4	172.8	--	--	--	172.8
100 - 250	135.7	1.8	.3	2/	44.3	2/	89.3	--	--	--	89.3
250 - 500	35.2	.2	2/	2/	5.6	2/	29.4	--	--	--	29.4
500 - 1,000	17.4	.1	2/	--	.9	2/	16.4	--	--	--	16.4
1,000 and over	11.3	2/	2/	--	.1	--	11.2	--	--	--	11.2
5 and over	2,102.9	176.8	30.0	2/	783.2	91.7	1,021.2	2.4	4.0	120.4	894.4
Grand total	6,245.0	1,744.7	268.3	.3	803.5	93.8	3,334.4	836.4	477.4	1,084.1	936.5

Treasury Department

March 1, 1948

1/ The provisions are estimated consecutively, each individual loss depending on the cumulative effect of the preceding provisions.

2/ Less than $50 thousand.

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

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

EXHIBIT 13

Comparison of combined normal tax and surtax rates under present law 1/ and under the House bill (H.R. 4790)

Surtax net income		Combined normal tax and surtax rates			
		Present law		House bill (H. R. 4790)	Percentage-point decrease (-) or increase (+) in rates compared with present law
Exceeding	Not exceeding	Tentative rates	Rates after 5% reduction	Rates after reductions	
$ 0	$ 1,000			13.300%	-5.700%
1,000 2/	1,400 2/	20%	19.00%	20.000	+1.000
1,400	2,000			15.200	-3.800
2,000	4,000	22	20.90	16.720	-4.180
4,000	6,000	26	24.70	22.230	-2.470
6,000	8,000	30	28.50	25.650	-2.850
8,000	10,000	34	32.30	29.070	-3.230
10,000	12,000	38	36.10	32.490	-3.610
12,000	14,000	43	40.85	36.765	-4.085
14,000	16,000	47	44.65	40.185	-4.465
16,000	18,000	50	47.50	42.750	-4.750
18,000	20,000	53	50.35	45.315	-5.035
20,000	22,000	56	53.20	47.880	-5.320
22,000	26,000	59	56.05	50.445	-5.605
26,000	32,000	62	58.90	53.010	-5.890
32,000	38,000	65	61.75	55.575	-6.175

Continued

Footnotes on next page.

EXHIBIT 13 - Concluded

Comparison of combined normal tax and surtax rates under present law 1/
and under the House bill (H.R. 4790)

Surtax net income		Combined normal tax and surtax rates			Percentage-point decrease (-) or increase (+) in rates compared with present law
		Present law		House bill (H. R. 4790)	
Exceeding	Not exceeding	Tentative rates	Rates after 5% reduction	Rates after reductions	
$ 38,000	$ 44,000	69%	65.55%	58.995%	-6.555%
44,000	50,000	72	68.40	61.560	-6.840
50,000	60,000	75	71.25	64.125	-7.125
60,000	70,000	78	74.10	66.690	-7.410
70,000	80,000	81	76.95	69.255	-7.695
80,000	90,000	84	79.80	71.820	-7.980
90,000	100,000	87	82.65	74.385	-8,265
100,000	150,000	89	84.55	76.095	-8.455
150,000	200,000	90	85.50	76.950	-8,550
200,000 and over 3/		91	86.45	77.805	-8.645

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Designates notch area under the House bill. The exact upper limit of the notch area is $1,395.83.
3/ Tax is subject to the following maximum effective rate limitations: under present law, 85.5 percent; under the House bill, 77 percent.

EXHIBIT 14

Estimated number of taxable income recipients distributed by the various percentage reductions provided under the House bill (H. R. 4790), in calendar year 1948

(Assuming personal income of $200 billion)

Surtax net income	Tentative normal tax and surtax	Reductions of tentative normal tax and surtax	Reductions of actual present law 1/ tax	Number of taxable income recipients (millions)
0 - $1,000	0 - $200	33.5%	30%	23.7
$1,000 - 1,395.83	$200 - 279.17	$67	30% to 20%	7.9
1,395.83 - 4,000	279.17 - 840	24%	20%	12.5
4,000 and over	840 and over	$201.60 plus 14.5% of excess over $840	$159.60 plus 10% of excess over $798	1.7
		Total		45.8

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.

APPENDIX

Table of Contents

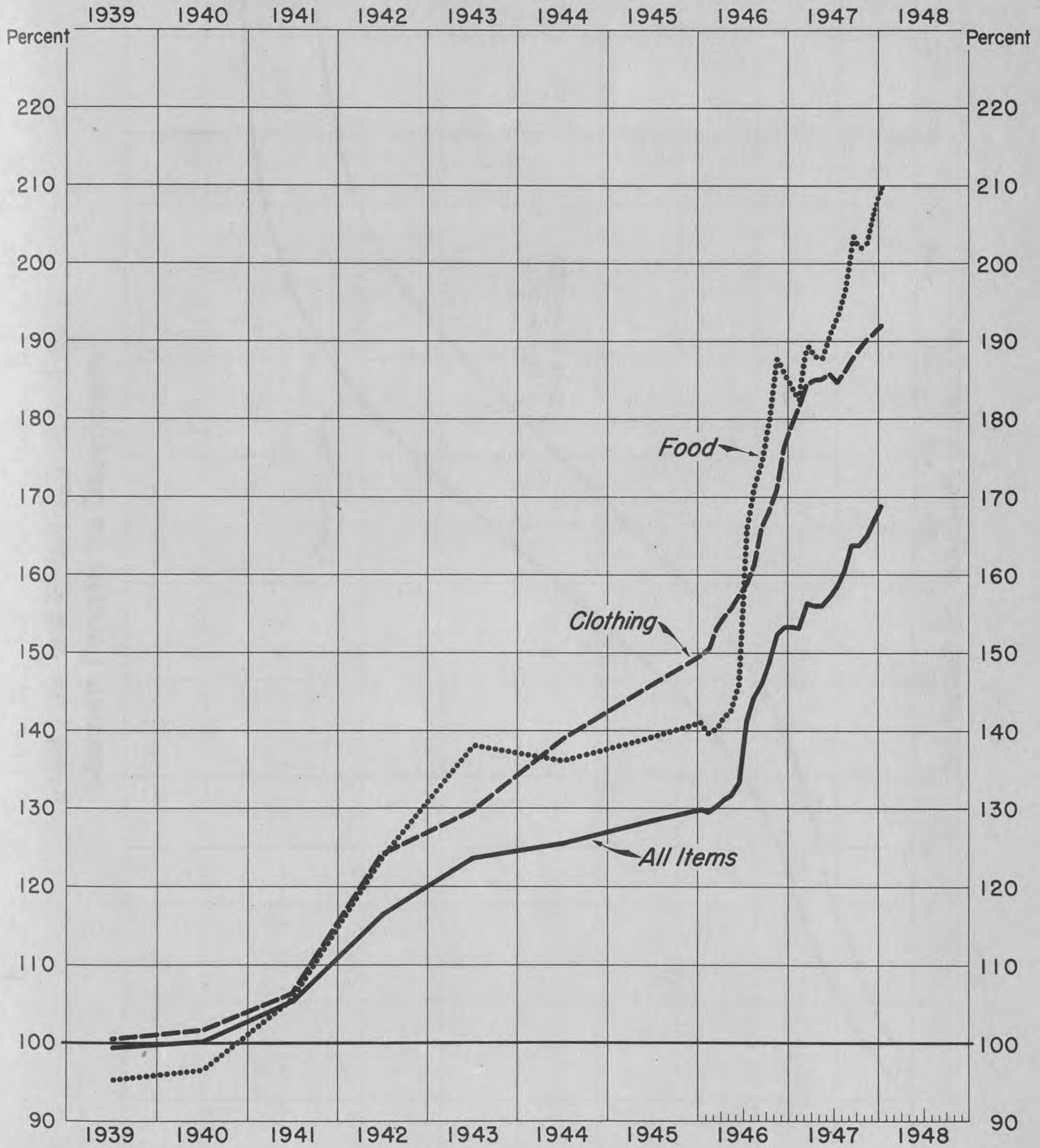
		Page No.
Table A	Estimated number of taxable and nontaxable income recipients, their income and individual income tax under present law, in calendar year 1948......	46
Table B	Estimated number of taxable income recipients under present law, their surtax net income and combined normal tax and surtax, distributed by surtax and net income brackets, in calendar year 1948..	47
Table C	Estimated number of taxable income recipients under present law, their net income before exemptions, surtax net income and total tax, distributed by net income classes, in calendar year 1948.........	48
Table D	Number of taxable individual and fiduciary returns, tax and net income, 1913-1946 and estimated for 1947-1948..	49

Chart I

CONSUMERS' PRICE INDEX 1939 TO DATE

All Items, Food and Clothing

1935-'39=100



Source: Bureau of Labor Statistics consumers' price index for moderate-income families in large cities.

Office of the Secretary of the Treasury

P-316-A

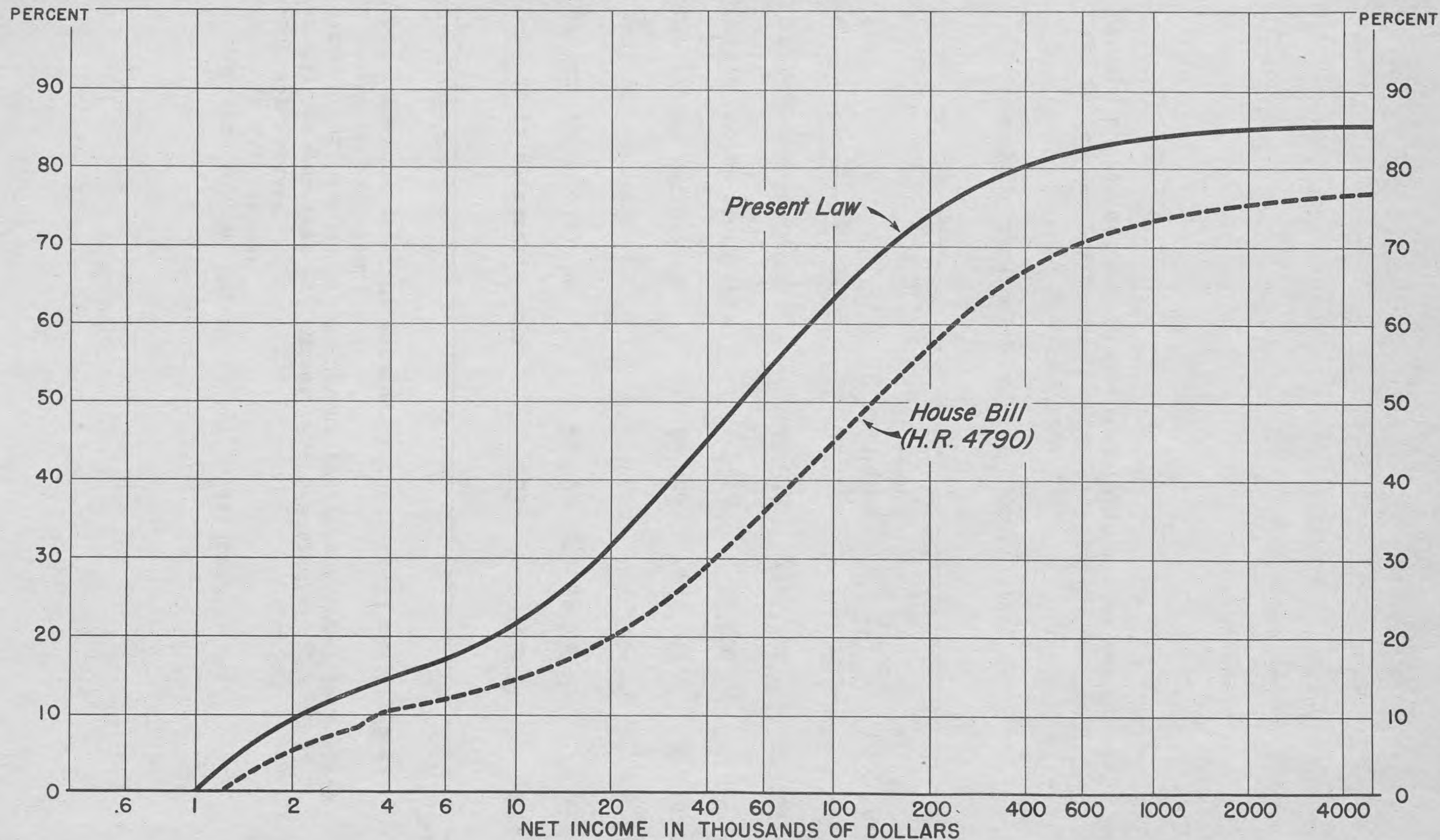


Chart 2
EFFECTIVE RATES OF INDIVIDUAL INCOME TAX
Present Law and House Bill (H.R. 4790)
Married Person, No Dependents
PERCENT
PERCENT
90
80
70
60
50
40
30
20
10
0
Present Law
House Bill
(H.R. 4790)
.6
1
2
4
6
10
20
40
60
100
200
400
600
1000
2000
4000
NET INCOME IN THOUSANDS OF DOLLARS
Office of the Secretary of the Treasury
B-833

Table A

Estimated number of taxable and nontaxable income recipients, their income and individual income tax under present law, 1/ in calendar year 1948

(Assuming personal income of $200 billion)

	Number of income recipients (thousands)	Amount of income (millions)	Total tax (millions)
Total, all income recipients	71,578	$147,932 2/	$21,243
Nontaxable income recipients	19,519	15,020 2/	--
Taxable income recipients	52,059	132,912 2/	21,243
Subject to surtax	52,059	86,108 4/	18,603
Subject to normal tax	52,059 3/	86,085 5/	2,453
Subject to alternative tax	23	373 6/	187

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Net income before exemptions.
3/ The number of persons paying normal tax is estimated to be less than 500 smaller than the number paying surtax.
4/ Surtax net income.
5/ Normal tax net income.
6/ Net long-term capital gains subject to alternative tax.

Table B

Estimated number of taxable income recipients under present law, 1/ their surtax net income and combined normal tax and surtax, distributed by surtax net income brackets, in calendar year 1948

(Assuming personal income of $200 billion)

Surtax net income brackets ($000)	Taxable income recipients cumulated from highest bracket		Surtax net income in bracket		Combined normal tax and surtax in bracket 2/	
	Number	Percent	Amount	Percent	Amount	Percent
(Number of income recipients in thousands; money amounts in millions)						
Under 2	52,059.4	100.00	58,449.4	67.88	11,105.1	52.72
2 - 4	11,190.6	21.50	10,499.6	12.19	2,194.3	10.42
4 - 6	2,352.3	4.52	3,175.1	3.69	784.2	3.72
6 - 8	1,259.3	2.42	2,046.5	2.38	583.2	2.77
8 - 10	926.9	1.78	1,592.1	1.85	514.2	2.44
10 - 12	725.6	1.39	1,224.2	1.42	441.9	2.10
12 - 14	569.4	1.09	994.9	1.16	406.4	1.93
14 - 16	462.5	.89	822.2	.95	367.1	1.74
16 - 18	385.5	.74	690.8	.80	328.1	1.56
18 - 20	322.5	.62	583.5	.68	293.8	1.40
20 - 22	276.3	.53	502.2	.58	267.1	1.27
22 - 26	237.8	.46	825.9	.96	462.9	2.20
26 - 32	176.4	.34	940.4	1.09	553.9	2.63
32 - 38	120.1	.23	665.0	.77	410.6	1.95
38 - 44	92.0	.18	502.8	.58	329.6	1.57
44 - 50	73.8	.14	394.4	.46	269.7	1.28
50 - 60	60.5	.12	474.4	.55	338.0	1.61
60 - 70	40.2	.08	326.4	.38	241.8	1.15
70 - 80	27.7	.05	227.2	.26	174.8	.83
80 - 90	19.8	.04	165.8	.19	132.3	.63
90 - 100	14.3	.03	118.9	.14	98.3	.47
100 - 150	10.7	.02	342.7	.40	289.7	1.38
150 - 200	4.2	.01	142.8	.17	122.1	.58
Over 200	2.2	*	401.4	.47	347.0	1.65
Grand total			86,108.4 3/	100.00	21,056.2	100.00

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Normal tax and surtax were obtained separately by applying the appropriate rates to normal tax and surtax net income. Since normal tax net income is somewhat less than surtax net income, these amounts will differ slightly from the result obtained by applying the combined rates to surtax net income.
3/ Excludes amounts subject to the alternative tax.
* Less than .005 percent.

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

Table C

Table C

Estimated number of taxable income recipients under present law, 1/ their net income before exemptions, surtax net income and total tax, distributed by net income classes, in calendar year 1948

(Assuming personal income of $200 billion)

Net income classes ($000)	Taxable income recipients: Number	Taxable income recipients: Percentage distribution	Net income before exemptions 2/: Amount	Net income before exemptions 2/: Percentage distribution	Surtax net income: Amount	Surtax net income: Percentage distribution	Total tax 3/: Amount	Total tax 3/: Percentage distribution
(Number of income recipients in thousands; money amounts in millions)								
Under 1	5,832.7	11.2%	$ 4,228.1	3.2%	$ 1,327.2	1.5%	$ 252.1	1.2%
1 - 2	20,583.1	39.6	31,050.8	23.4	15,998.3	18.6	3,039.6	14.3
2 - 3	15,096.3	29.0	37,503.0	28.1	21,947.2	25.5	4,182.0	19.7
3 - 4	5,750.1	11.0	19,758.2	14.9	12,849.5	14.9	2,489.4	11.7
4 - 5	2,512.9	4.8	11,102.9	8.4	7,908.0	9.2	1,561.6	7.4
Under 5	49,775.2	95.6	103,643.1	78.0	60,030.2	69.7	11,524.8	54.3
5 - 10	1,463.2	2.8	9,457.3	7.1	7,609.0	8.8	1,626.5	7.7
10 - 25	608.1	1.2	9,035.6	6.8	8,290.8	9.7	2,464.1	11.6
25 - 50	149.5	.3	5,081.8	3.8	4,830.2	5.6	2,144.2	10.1
50 - 100	51.4	.1	3,422.5	2.6	3,286.0	3.8	1,878.9	8.8
100 - 250	10.3	4/	1,458.5	1.1	1,350.9	1.6	980.0	4.6
250 - 500	1.3	4/	428.6	.3	380.5	.4	321.8	1.5
500 - 1,000	.3	4/	226.3	.2	199.5	.2	177.7	.8
1,000 and over	.1	4/	158.0	.1	131.2	.2	124.9	.6
Over 5	2,284.1	4.4	29,268.6	22.0	26,078.2	30.3	9,718.1	45.7
Grand total	52,059.4	100.0	132,911.7	100.0	86,108.4	100.0	21,242.9	100.0

Treasury Department

March 1, 1948

1/ Internal Revenue Code, as amended by the Revenue Act of 1945.
2/ Includes amounts subject to the alternative tax.
3/ Includes normal tax, surtax, and alternative tax on net long-term capital gains.
4/ Less than .05 percent.

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

Table D

Number of taxable individual and fiduciary returns, tax and net income, 1913-1946 and estimated for 1947-1948

Year	Number of returns	Tax	Net income
		(In thousands of dollars)	
1913	1/	$ 28,254 2/	3/
1914	1/	41,046 2/	3/
1915	1/	67,944 2/	3/
1916	362,970	173,387	$ 6,037,233
1917	2,707,234	795,381 4/	10,592,987 5/
1918	3,392,863	1,127,722	13,892,776
1919	4,231,181	1,269,630	17,691,620
1920	5,518,310	1,075,054	20,228,959
1921	3,589,985	719,387	13,409,685
1922	3,681,249	861,057	15,043,514
1923	4,270,121	661,666 6/	17,497,383
1924	4,489,698	704,265	19,468,724
1925	2,501,166	734,555	17,471,219
1926	2,470,990	732,475	17,422,633
1927	2,440,941	830,639	18,090,065
1928	2,523,063	1,164,254	21,031,634
1929	2,458,049	1,001,938	20,493,491
1930	2,037,645	476,715	13,692,584
1931	1,525,546	246,127	9,297,018
1932	1,936,095	329,962	7,919,588
1933	1,747,740	374,120	7,372,660
1934	1,795,920	511,400	8,343,558
1935	2,110,890	657,439	10,034,106
1936	2,861,108	1,214,017	14,218,854
1937	3,371,443	1,141,569	15,264,162
1938	3,048,545	765,833	12,671,537
1939	3,959,297	928,694	15,803,945
1940	7,504,649	1,496,403	23,558,030
1941	17,587,471	3,907,951	45,902,884
1942	27,718,534	8,926,712	67,060,862
1943	40,337,293	14,590,018 7/	98,150,189
1944	42,446,837	16,347,479	3/
1945 prel.	42,764,062	17,225,983	3/
1946	38,840,638 8/	17,400,000 9/	3/
1947 9/	44,000,000	20,600,000	3/
1948 9/	46,000,000	21,242,870	132,911,677

Treasury Department March 1, 1948

Footnotes on next page.

Table D - concluded

Number of taxable individual and fiduciary returns, tax and net income, 1913-1946 and estimated for 1947-1948

Footnotes:

1/ Not available. The total number of taxable and nontaxable returns filed were as follows: 1913, 357,598; 1914, 357,515; and 1915, 336,652.
2/ Receipts (including fines, penalties, additional assessments, etc.) for the fiscal year ended June 30 immediately following, as shown in Annual Reports of the Commissioner of Internal Revenue.
3/ Not available.
4/ Includes war excess-profits taxes of $101,249,781 on individuals and $103,887,984 on partnerships.
5/ Tax base for taxable returns with net incomes of $2,000 and over. There were 1,591,518 taxable returns with net incomes of $2,000 and over, for which the tax amounted to $675,249,450.
6/ Amount after the 25-percent reduction provided by Section 1200(a), Revenue Act of 1924.
7/ Excludes additions to liability under the Current Tax Payment Act of 1943 amounting to $2,555,894,000.
8/ Obtained from Collectors' Monthly Report to Commissioner of Returns Filed.
9/ Estimated.

Source: Data for 1916-45 from "Statistics of Income."

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Tuesday, March 2, 1948.

Press Service
No. S-644

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 March 4 and to mature June 3, 1948, which were offered February 27, 1948, were opened at the Federal Reserve Banks on March 1.

The details of this issue are as follows:

Total applied for - $1,632,292,000
Total accepted - 1,101,402,000 (includes $42,975,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.748 Equivalent rate of discount approx. 0.997% per annum

Range of accepted competitive bids:

High - 99.756 Equiv. rate of discount approx. 0.965% per annum
Low - 99.747 " " " " " 1.001% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 21,336,000	$ 16,346,000
New York	1,441,798,000	957,440,000
Philadelphia	12,810,000	5,050,000
Cleveland	14,293,000	12,637,000
Richmond	2,632,000	2,432,000
Atlanta	5,108,000	4,188,000
Chicago	56,931,000	32,845,000
St. Louis	6,645,000	6,588,000
Minneapolis	5,525,000	5,019,000
Kansas City	21,575,000	20,968,000
Dallas	6,342,000	6,342,000
San Francisco	37,297,000	31,547,000
TOTAL	$1,632,292,000	$1,101,402,000

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 27, 1948.

Press Service
No. S-645

Secretary of the Treasury Snyder announced today that the freezing controls have been removed from blocked accounts where the value of the property in the accounts on February 1, 1948 was not more than $5,000, and the accounts are held for persons residing in any country except Germany, Japan, Bulgaria, Hungary and Rumania.

Treasury Department officials pointed out that the automatic release of the smaller accounts, the total value of which is relatively small, through today's issuance of General License No. 97 will enable the European countries to speed up action on the certification of the larger accounts. Concentration on these larger accounts will afford the greatest assistance to countries likely to receive financial aid under the European Recovery Program. This action is in line with Secretary Snyder's letter of February 2, 1948 to Senator Vandenberg.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, March 1, 1948.

Press Service
No. S-646

Secretary of the Treasury Snyder today announced that effective June 1, 1948 the Treasury Department will cease to have jurisdiction of blocked foreign funds. On that date, the jurisdiction over the remaining blocked assets will be transferred from Foreign Funds Control in the Treasury Department to the Office of Alien Property in the Department of Justice. Attorney General Clark joined Secretary Snyder in urging that persons whose assets may be unblocked under the certification procedure provided by Treasury's General License No. 95 avail themselves of this procedure before June 1, 1948. After that date, outstanding licenses authorizing withdrawals or changes in the assets will become inoperative.

The Attorney General stated that immediately upon transfer he will take a census of all assets remaining blocked. In line with this Government's decision to assist countries which receive financial aid under the European Recovery Program in locating assets of their resident nationals held in the United States, the information concerning the names and assets of such nationals as disclosed by the new census will be given to the governments of the appropriate countries.

In addition, the Attorney General stated that in order to prevent the escape of enemy assets from this Government's control and to implement further this Government's objective to assist countries which receive financial aid under the European Recovery Program, the Office of Alien Property, immediately after receipt of the census information, will begin to process for vesting the assets remaining blocked and held in Swiss and Liechtenstein accounts. The vesting program will also be applied to uncertified assets held indirectly through recipient countries where the census information does not disclose the beneficial owner. Assets, either before or after vesting, may be released upon a showing of non-enemy interest. In such cases, the Office of Alien Property will consult with the government of the country of which the alleged beneficial owner is a resident. It was pointed out that claims for the return of property vested in the Attorney General must be filed within two years after the date of vesting.

Secretary Snyder added that Treasury, Justice and State Department representatives are currently engaged in discussions with representatives of the Swiss Government concerning certain aspects of the program. It was pointed out that Switzerland is not a country which is to receive financial assistance under the European Recovery Program.

The governments of the European Recovery Program countries included in General License No. 95 are being requested to give their residents public notice of the action which will be taken by the United States on June 1, 1948, and to urge their residents to apply to them immediately for the certification of their assets held in the United States if the assets qualify for certification. Secretary Snyder suggested that persons in the United States holding blocked assets of foreign nationals immediately inform such nationals of today's announcement.

Treasury officials stated that this announcement in no way affects its control over importation of securities specified on the list attached as a part of General Ruling No. 5.

oOo

STATUTORY DEBT LIMITATION
AS OF FEBRUARY 29, 1948

March 4, 1948

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 -			
Obligations issued under Second Liberty Bond Act, as amended:			
Interest-bearing:			
Treasury bills	$ 14,437,758,000		
Certificate of indebtedness	18,919,577,000		
Treasury notes	16,701,561,600	$ 50,058,896,600	
Bonds			
Treasury	117,862,832,750		
Savings (current redemp. value)	52,792,527,129		
Depositary	319,360,000		
Armed Forced Leave	685,976,650		
Investment Series	969,920,000	172,630,616,529	
Special Funds			
Certificates of indebtedness	14,886,350,000		
Treasury notes	14,359,949,000	29,246,299,000	
Total interest-bearing		251,935,812,129	
Matured, interest-ceased		309,486,774	
Bearing no interest:			
War savings stamps	61,185,147		
Excess profits tax refund bonds	10,949,404		
Special notes of the United States:			
Internat'l Bank for Reconst. and Development series	165,785,000		
Internat'l Monetary Fund Series	1,278,000,000	1,515,919,551	
Total		253,761,218,454	
Guaranteed obligations (not held by Treasury)			
Interest-bearing			
Debentures: F.H.A.	27,925,636		
Demand obligations: C.C.C.	45,680,268	73,605,904	
Matured, interest-ceased		5,235,475	
		78,841,379	
Grand total outstanding			253,840,059,833
Balance face amount of obligations issuable under above authority			21,159,940,167

Reconcilement with Statement of the Public Debt - February 29, 1948
(Daily Statement of the United States Treasury, March 1, 1948)

Outstanding -	
Total gross public debt	254,604,511,219
Guaranteed obligations not owned by the Treasury	78,841,379
Total gross public debt and guaranteed obligations	254,683,352,598
Deduct - other outstanding public debt obligations not subject to debt limitation	843,292,765
	253,840,059,833

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday March 5, 1948.

Press Service
No. S-648

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 March 11, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated March 11, 1948, and will mature June 10, 1948, 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, March 8, 1948. 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 competive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on March 11, 1948, in cash or other immediately available funds or in a like face amount of Treasury bills maturing March 11, 1948. 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.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Wednesday, March 10, 1948

Press Service
No. S-649

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, 1948, to February 28, 1948, inclusive, as follows:

Products of Phillippine Islands	Established Quota Quantity	Unit of Quantity	Imports as of February 28, 1948
Buttons	850,000	Gross	16,681
Cigars	200,000,000	Number	151,995
Coconut Oil	448,000,000	Pound	15,636,414
Cordage	6,000,000	"	137,775
Rice	1,040,000	"	---
Sugars, refined)	1,904,000,000	"	---
unrefined)			62,884,809
Tobacco	6,500,000	"	85,215

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS
Wednesday, March 3, 1948.

Press Service
No. S-650

The total assets of national banks on December 31, 1947, amounted to more than $88,000,000,000, it was announced today by Comptroller of the Currency Preston Delano. The returns from the call covered the 5,011 active national banks in the United States and possessions. The assets were $2,500,000,000, or nearly 3 percent, more than reported by the 5,019 national banks as of October 6, 1947, the date of the previous call, and $3,600,000,000, or 4 percent, more than reported by the 5,013 active banks as of December 31, 1946.

The deposits of national banks on December 31, 1947, were $82,000,000,000, an increase of $2,500,000,000, or 3 percent, since October and an increase of $3,200,000,000, or 4 percent, since December 1946. Included in the recent deposit figures are demand deposits of individuals, partnerships and corporations of $48,079,000,000, which increased $2,300,000,000, or 5 percent, in the three month period, and time deposits of individuals, partnerships, and corporations of $18,700,000,000, which increased $38,000,000, or two-tenths percent. Deposits of the United States Government of $900,000,000 were $718,000,000 less than in October; deposits of States and political subdivisions of $4,726,000,000 showed an increase of $408,000,000, or more than 9 percent, and deposits of banks of $8,411,000,000 were $258,000,000, or 3 percent, more than in October. Postal savings deposits were nearly $3,000,000 and certified and cashiers' checks were $1,392,000,000.

Loans and discounts at the end of 1947 totalled $21,500,000,000 an increase of $1,400,000,000, or 7 percent, since October, and an increase of $4,171,000,000, or 24 percent, in the year. Commercial and industrial loans of $11,061,000,000 were up 29 percent in the year, loans on real estate of $4,860,000,000 were up 37 percent, and consumer loans to individuals of $3,129,000,000 were up 46 percent, while all other loans of $2,430,000,000, which included loans to farmers, advances to brokers and dealers and others for the purpose of purchasing or carrying securities, and loans to banks, etc., showed a decrease of 21 percent. The percentage of loans and discounts to total deposits on December 31, 1947, was 26.11, in comparison with 25.19 on October 6, 1947 and 21.90 on December 31, 1946.

Investments by the banks in United States Government obligations (including $6,000,000 guaranteed obligations) on December 31, 1947 aggregated $38,825,000,000, which is a decrease of 2 percent since October, and a decrease of 7 percent in the year. Other bonds, stocks and securities held of $5,185,000,000, including obligations of States and political subdivisions of $3,029,000,000, amounted to about the same as in October, but were 8 percent more than at the end of 1946.

Cash of $1,168,000,000, reserves with Federal Reserve Banks of $11,695,000,000, and balances with other banks (including cash items in process of collection) of $9,213,000,000, a total of $22,076,000,000, showed increases in the three and twelve month periods of 9 percent and 10 percent, respectively.

The unimpaired capital stock of the banks at the end of 1947 was $1,780,000,000, including $27,000,000 of preferred stock. Surplus was $2,400,000,000, undivided profits $893,000,000, and reserves $349,000,000, or a total of $3,642,000,000. Total capital accounts of $5,421,000,000 were $292,000 more than in October 1947, and $272,000,000 more than in December 1946.

Statement showing comparison of principal items of assets and liabilities of active national banks as of December 31, 1947, October 6, 1947, and December 31, 1946.

(In thousands of dollars)

	Dec. 31, 1947	Oct. 6, 1947	Dec. 31, 1946	Increase or decrease since Oct. 6, 1947		Increase or decrease since Dec. 31, 1946	
				Amount	Percent	Amount	Percent
Number of banks..................	5,011	5,019	5,013	-8	-.16	-2	-.04
ASSETS							
Commercial and industrial loans....	$11,061,418)	$20,081,046	($8,547,060)	$1,399,411	6.97	($2,514,358	29.42
Loans on real estate..............	4,859,786)		(3,543,788)			(1,315,998	37.14
Consumer loans to individuals......	3,128,783)		(2,143,714)			(985,069	45.95
All other loans, including overdrafts	2,430,470)		(3,075,205)			(-644,735	-20.97
Total loans....................	21,480,457	20,081,046	17,309,767	1,399,411	6.97	4,170,690	24.09
U. S. Government securities:							
Direct obligations...............	38,819,276)	39,622,267	(41,835,752)	-796,832	-2.01	(-3,016,476	-7.21
Obligations fully guaranteed.....	6,159)		(7,780)			(-1,621	-20.84
Total U. S. securities.........	38,825,435	39,622,267	41,843,532	-796,832	-2.01	-3,018,097	-7.21
Obligations of States and political subdivisions....................	3,028,607	3,050,027	2,659,598	-21,420	-.70	369,009	13.87
Other bonds, notes, and debentures..	2,000,094	1,981,623	1,986,327	18,471	.93	13,767	.69
Corporate stocks, including stocks of Federal Reserve banks.........	155,830	155,952	153,359	-122	-.08	2,471	1.61
Total securities..............	44,009,966	44,809,869	46,642,816	-799,903	-1.79	-2,632,850	-5.64
Total loans and securities.....	65,490,423	64,890,915	63,952,583	599,508	.92	1,537,840	2.40
Currency and coin..................	1,168,042	1,038,572	1,094,721	129,470	12.47	73,321	6.70
Reserve with Federal Reserve banks..	11,694,935	11,256,403	10,636,570	438,532	3.90	1,058,365	9.95
Balances with other banks..........	9,212,613	7,921,634	8,335,876	1,290,979	16.30	876,737	10.52
Total cash, balances with other banks, including reserve balances and cash items in process of collection.........	22,075,590	20,216,609	20,067,167	1,858,981	9.20	2,008,423	10.01
Other assets......................	880,987	879,852	830,513	1,135	.13	50,474	6.08
Total assets.................	88,447,000	85,987,376	84,850,263	2,459,624	2.86	3,596,737	4.24

Comparison of principal items of assets and liabilities of national banks - continued
(In thousands of dollars)

	Dec. 31, 1947	Oct. 6, 1947	Dec. 31, 1946	Increase or decrease since Oct. 6, 1947		Increase or decrease since Dec. 31, 1946	
				Amount	Percent	Amount	Percent
LIABILITIES							
Deposits of individuals, partnerships and corporations:							
Demand	$48,079,210	$45,778,324	$45,522,709	$2,300,886	5.03	$2,556,501	5.62
Time	18,764,017	18,725,697	18,031,756	38,320	.20	732,261	4.06
Deposits of U. S. Government	899,585	1,617,480	1,840,541	- 717,895	-44.38	-940,956	-51.12
Postal savings deposits	2,841	2,793	2,944	48	1.72	-103	-3.50
Deposits of States and political subdivisions	4,726,333	4,318,484	4,125,722	407,849	9.44	600,611	14.56
Deposits of banks	8,411,473	8,153,144	8,170,924	258,329	3.17	240,549	2.94
Other deposits (certified and cashiers' checks, etc.)	1,391,897	1,124,122	1,355,243	267,775	23.82	36,654	2.70
Total deposits	82,275,356	79,720,044	79,049,839	2,555,312	3.21	3,225,517	4.08
Bills payable, rediscounts and other liabilities for borrowed money	45,135	143,835	20,047	-98,700	-68.62	25,088	125.15
Other liabilities	705,185	702,465	630,578	2,720	.39	74,607	11.83
Total liabilities, excluding capital accounts	83,025,676	80,566,344	79,700,464	2,459,332	3.05	3,325,212	4.17
CAPITAL ACCOUNTS							
Capital stock:							
Preferred	27,440	27,010	41,789	430	1.59	-14,349	-34.34
Common stock	1,752,326	1,748,453	1,714,832	3,873	.22	37,494	2.19
Total	1,779,766	1,775,463	1,756,621	4,303	.24	23,145	1.32
Surplus	2,399,520	2,341,737	2,275,884	57,783	2.47	123,636	5.43
Undivided profits	893,232	963,589	785,558	-70,357	-7.30	107,674	13.71
Reserves	348,806	340,243	331,736	8,563	2.52	17,070	5.15
Total surplus, profits and reserves	3,641,558	3,645,569	3,393,178	-4,011	-.11	248,380	7.32
Total capital accounts	5,421,324	5,421,032	5,149,799	292	.01	271,525	5.27
Total liabilities and capital accounts	88,447,000	85,987,376	84,850,263	2,459,624	2.86	3,596,737	4.24
Ratio of loans to total deposits	26.11%	25.19%	21.90%				

NOTE: Minus sign denotes decrease.

TREASURY DEPARTMENT

Washington

Statement of Under Secretary Wiggins before
the Committee on Agriculture,
House of Representatives

10:00 A. M., March 8, 1948

(OLEOMARGARINE TAXES)

I am glad to have this opportunity to present to your Committee the views of the Treasury Department on the proposals to modify or repeal the excise taxes and occupational taxes on the manufacture and distribution of oleomargarine.

Federal taxes

The taxation of oleomargarine dates from 1886 and the present schedule of rates from 1902. Uncolored oleomargarine is subject to a tax of 1/4 cent per pound and colored oleomargarine, 10 cents per pound. Imported olegomargarine irrespective of color is taxed at the rate of 15 cents per pound.

In addition, manufacturers and distributors of oleomargarine are required to pay annual occupational taxes. The manufacturers' tax is $600. Wholesalers are subject to a $480 tax if they distribute colored oleomargarine and to a $200 tax if they distribute only uncolored products. For retailers of yellow oleomargarine the tax is $48 and for retailers of uncolored oleomargarine $6.

State taxes

In recent years there has been some reduction in State taxation of oleomargarine through both legislative and judicial action. However, the commodity is still subject to excise taxes in 19 States. The tax is particularly heavy in 7 States where rates ranging from 5 to 15 cents are imposed on uncolored margarine, regardless of the materials from which it is made. In the remaining 12 States, the exemption of margarine made of domestic oils and fats, or with a specified minimum percentage of animal fats, renders the tax ineffective.

Colored margarine is taxed in 4 States at the rate of 10 cents a pound. Three of these are States which also have effective taxes on uncolored margarine. The manufacture and sale of colored margarine is completely prohibited in 5 of the States with effective taxes on uncolored margarine, as well as in 18 other States.

License fees for the manufacture or sale of margarine are required in 14 States. Annual fees for manufacturers and wholesalers vary from $1 to $1,000, and for retailers from 50 cents to $400. (Table 1, page 7).

Field of Federal tax

The oleomargarine taxes have little revenue significance. Collections for the current and the next fiscal year are estimated at approximately $7 million. Actual collections during fiscal year 1947 were less than $6 million, which compared with approximately $5 million in 1946. Throughout the 1930's, total annual collections from this item ranged around $2 million. (Table 2, page 9.) Until the prosperous postwar years, virtually all of this revenue was accounted for by uncolored oleomargarine; the revenue from colored oleomargarine was unimportant. More recently, the use of colored oleomargarine has increased with the result that currently it accounts for about 40 percent of total collections.

Effects on industry

The legislative history of these taxes and the considerations advanced in their defense during their long history indicate that their purpose is to buttress the competitive position of the dairy industry, by discouraging the consumption of a substitute commodity. The testimony presented before this Committee by a large number of witnesses in 1943 bears this out.

The effect of the Federal taxes concerns primarily the competitive position of colored margarine and butter. The public preference for yellow table fats makes colored margarine much more competitive with butter than uncolored margarine. The improved coloring facilities supplied to consumers by manufacturers have not overcome public aversion to the purchase of uncolored fats. For this reason, the oleomargarine tax issue centers primarily upon the special rates applicable to the colored product. The taxes on uncolored oleomargarine have relatively little effect on the competitive positions of the two industries.

The competitive relationship between taxed colored oleomargarine and butter depends in part upon the differential in the prices of the two commodities. During the prewar period when the price differential between the two products was less than 10 cents, the taxes on colored oleomargarine were an important factor in maintaining public preference for butter. When butter prices increased at a more rapid rate than oleomargarine, increasing the differential to 40 cents and more, the taxes on colored oleomargarine were less effective in protecting the public preference for butter. Tax-paid withdrawals of colored oleomargarine increased from less than one million pounds in the prewar years to approximately 10 million pounds in 1944 and 21 million pounds in 1947. (Tables 3 and 4, pages 10-11).

The effect of the widened price differential on the competitive position of the two products would have been appreciably greater but for the fact that in 23 States the sale of colored oleomargarine is prohibited at any price.

The basic issue raised by the oleomargarine taxes is the propriety and desirability of using the tax laws to affect the relative position of competing industries, both of which use domestic agricultural raw materials. In the case of oleomargarine, the taxing power is used as a punitive measure against one industry to advance the interests of another. In the process, the public is deterred from the free exercise of its consumer preferences. Without passing judgment on the relative merits of the two products from the viewpoint of the public health, - matters upon which your Committee has had abundant expert testimony, it is the view of the Treasury Department that the use of the taxing power to distort the normal development of competing industries and to deprive them of the full benefit of the free enterprise system conflicts with the public interest, and in the absence of compelling consideration, should be avoided.

Effect on use of resources

In general, the use of the taxing power to affect the competitive position of industries interferes with the optimum utilization of national resources. The testimony of experts before this and other Committees of Congress suggests that the - national diet would be improved if more of the table fat requirements were obtained from oleomargarine and if milk were diverted to consumption in fluid form. The Treasury Department is not qualified to appraise the validity of these assertions. They illustrate, however, that the punitive use of the taxing power can result in the inefficient use of resources and support the principle that the tax system should not be used for these ends, except where the objective is clearly in the public interest.

Effect on consumers

From the viewpoint of the country as a whole, the principal economic effect of these taxes is to impose direct and indirect burdens on consumers and on distributors which in the aggregate tend to fall with particular weight upon low income groups.

The total tax burden represented by the excise taxes on margarine is in itself of relatively little moment because the population consumes only small amounts of colored margarine. Over 90 percent of margarine consumption consists of the uncolored product, which is subject only to the nominal 1/4 cent tax per pound. For those individuals who consume colored margarine, the payment of a 10 cent per pound tax imposed on a basic type of food constitutes a serious tax burden. While the occupational taxes probably affect the retail price of the product, the tax burden imposed on consumers is small. In 1947, Federal excise and occupational tax collections equalled about one cent per pound of margarine sold.

The tax burden, however, reflects only part of the cost of these taxes to consumers. The existence of the oleomargarine taxes interferes with the availability of margarine in certain areas and induces individuals who would otherwise buy margarine to forego table fats or buy butter. Where, for example, as a result of the occupational taxes, consumers with equal preference for the two products are unable to procure 40-cent margarine and are obliged to purchase 90-cent butter, the burden of these taxes approximates the difference between the selling price of these items.

It is clear that for several reasons the burden of these taxes on consumers is not adequately measured by the Treasury's tax collections. The taxes increase the cost of the product; they interfere with the consumer's freedom of choice in satisfying personal wants; and they increase his living cost by interfering with the consumption of less expensive foods. While the imposition of these burdens through taxation is always undesirable, it is especially objectionable at times when high prices threaten the living standards of important groups in the population.

Regulatory aspects

The legislative history of these taxes indicates that they were first enacted to assist in preventing the fraudulent sale of oleomargarine as butter. The taxing power has on several occasions been used for regulatory purposes. Taxes imposed on the production or distribution of narcotics, white sulphur matches, firearms and national bank notes are examples. In these cases, the taxing power supports the Government's control over certain activities in the public interest. However, in the case of oleomargarine, the need for regulation through the taxing power has been affected by several developments in recent years.

The effectiveness of the Government's administrative agencies for regulatory purposes has been developed and improved. For the purpose of safeguarding public health standards as affected by interstate commerce, Congress specifically created the Pure Food and Drug Administration. In the meanwhile, the need for regulation has diminished as standards of business conduct improved. This is the experience of the Bureau of Internal Revenue. In view of these developments, it is believed that there is little need for the continued use of the taxing power to prevent the misrepresentation of oleomargarine.

However, if the Congress deems the continued use of the taxing power for this purpose to be necessary, then such taxes should be imposed at nominal rates, sufficient only for regulatory purposes. The oleomargarine tax structure in effect for more than forty years goes far beyond these requirements.

Conclusion

In summary, it is the Treasury Department's view that the present oleomargarine taxes distort the competitive position of two domestic industries, interfere with the optimum utilization of national resources, and unnecessarily burden consumers far in excess of the amount paid in taxes. Revenue considerations are not involved.

In many parts of the country, State imposed taxes on and prohibitions against the use of oleomargarine are so far-reaching that this item of food would continue to be unavailable to consumers, even in the absence of Federally imposed taxes. It is the Treasury's view that the Federal taxes should nonetheless be repealed. Such action would benefit consumers in the majority of the States. In the event, however, that the continued use of the tax instrument is deemed to be necessary for regulatory purposes, this end can be attained by the imposition of nominal tax requirements without recourse to punitive tax measures.

Tables

		Page No.
Table 1	State oleomargarine excises and license fees, January 1, 1948	7
Table 2	Collections from oleomargarine taxes, fiscal years 1934-1949..................	9
Table 3	Production and withdrawals of colored and uncolored oleomargarine, fiscal years 1934-1947..........................	10
Table 4	Number of taxpayers of special taxes on manufacturers of and dealers in oleomargarine, fiscal years 1934-1947......	11

Table 1

State oleomargarine excises and license fees, January 1, 1948

State	Excise tax (Cents per pound)			Annual license fees (In dollars)			
	Colored	Un-colored	Containing foreign materials 1/	Manu-facturers	Whole-salers	Retailers	Public eating places
California	*			$100	$50		$2
Colorado			10¢	25	25		
Connecticut	*			100	50	$ 6	3
Delaware	*						
Florida			10				
Georgia			10				
Idaho	10¢ 2/	5¢			200	50	
Illinois	*						
Iowa	*	5					
Kansas			10				
Louisiana			12				
Maine	*		10				
Maryland	*						
Massachusetts	*					0.50	
Michigan	*						
Minnesota	*		10 3/	1	1	1	
Montana	*				1,000	400	
Nebraska				100	25	1	
New Hampshire	*						
New Jersey	*						
New York	*						
North Carolina			10		75		
North Dakota	10	10		10 4/	5 4/	2 4/	
Ohio	*						
Oregon	*						
Pennsylvania	*			2	2	2	
South Carolina			10				
South Dakota	*	10					
Tennessee	10		10 5/	300	75	5	
Texas			10				
Utah	10	5					
Vermont	*				25	2 - 100	
Washington	*	15					
Wisconsin	*	15		1,000	500	25	
Wyoming	*		10 3/				

Treasury Department, Division of Tax Research

Footnotes on next page.

Table 1 - Concluded

State oleomargarine excises and license fees
January 1, 1948

Footnotes

* Manufacture or sale of colored margarine prohibited.

1/ Tax applies to oleomargarine (colored or uncolored) not made from oils and fats (specifically named by the statute) that are largely derived from domestic materials.
2/ Idaho also prohibits the manufacture or sale of colored margarine.
3/ Minnesota's tax applies to oleomargarine not containing a minimum percentage (65%) of animal fats, as well as that made of foreign materials. Wyoming's tax applies only to vegetable oleomargarine (containing 20% or less of animal fats).
4/ The license is for 2 years.
5/ Tennessee's tax applies to all colored margarine, regardless of ingredients. Uncolored margarine is exempt if made from domestic oils and fats.

Table 2

Collections from oleomargarine taxes, fiscal years 1934-1949

(Thousands of dollars)

Fiscal year	Colored, 10¢ per pound	Uncolored, 1/4¢ per pound	Special taxes					Total
			Manufacturers, $600	Wholesale dealers		Retail dealers		
				Colored, $480	Uncolored, $200	Colored, $48	Uncolored, $6	
1934	$ 45	$ 603	$ 28	$ 10	$ 198	$ 5	$ 587	$ 1,476
1935	85	898	27	10	209	5	814	2,049
1936	56	916	25	8	249	2	948	2,204
1937	68	968	27	3	272	3	1,007	2,348
1938	65	1,033	25	2	316	4	1,021	2,466
1939	39	822	28	4	302	2	1,014	2,210
1940	31	759	25	5	283	1	909	2,014
1941	50	851	26	2	284	3	905	2,122
1942	87	889	28	1	268	2	969	2,244
1943	238	1,088	32	4	287	7	965	2,621
1944	1,081	1,190	29	20	412	34	1,317	4,084
1945	2,219	1,356	33	49	386	131	1,330	5,503
1946	1,842	1,191	26	54	357	164	1,298	4,932
1947	2,132	1,441	34	74	364	224	1,604	5,874
1948(est.)	1/	1/	1/	1/	1/	1/	1/	7,000 2/
1949(est.)	1/	1/	1/	1/	1/	1/	1/	7,000 2/

Treasury Department, Division of Tax Research

Source: Annual Reports of the Commissioner of Internal Revenue and The Budget of the United States Government, fiscal year 1949.

1/ Not available.
2/ Includes collections from taxes on adulterated butter.

Table 3

Production and withdrawals of colored and uncolored oleomargarine, fiscal years 1934-1947

(Thousands of pounds)

Fiscal year	Colored				Uncolored			
	Produced	Tax-paid withdrawals	Tax-free withdrawals		Produced	Tax-paid withdrawals	Tax-free withdrawals	
			For export	For use of United States			For export	For use of United States
1934	2,689	463	1,594	632	240,498	240,410	1/	---
1935	2,905	808	1,409	681	350,916	350,114	1/	---
1936	2,773	527	1,471	781	368,964	368,987	1/	---
1937	1,967	673	584	741	387,297	386,776	---	---
1938	1,649	624	200	838	413,755	413,561	---	---
1939	1,381	355	156	868	331,592	331,702	1/	3
1940	1,860	302	649	896	301,858	301,599	2	---
1941	4,489	427	1,865	2,076	339,446	340,550	1	8
1942	14,828	667	2,939	10,955	353,977	353,648	---	---
1943	116,970	2,104	1,558	110,302	431,498	429,469	10	87
1944	135,003	10,398	826	125,902	474,023	473,442	---	114
1945	72,686	21,243	2,023	48,440	540,313	533,744	7,174	1,645
1946	66,410	17,918	8,222	41,896	484,792	481,493	3,285	700
1947	65,960	21,126	8,080	36,758	576,446	571,083	573	547

Treasury Department, Division of Tax Research

Source: Annual Reports of the Commissioner of Internal Revenue.

1/ Less than 500 pounds.

Table 4

Number of taxpayers of special taxes on manufacturers of and dealers in oleomargarine, fiscal years 1934-1947

Fiscal year	Manu-facturers, $600	Wholesale dealers		Retail dealers	
		Colored, $480	Uncolored, $200	Colored, $48	Uncolored, $6
1934	47	4	2,407	79	104,852
1935	45	4	1,275	160	155,415
1936	42	4	1,340	73	160,565
1937	41	4	1,471	57	174,591
1938	38	2	1,665	64	184,214
1939	40	3	1,636	38	173,727
1940	42	10	1,507	26	162,720
1941	42	2	1,486	37	162,038
1942	45	2	1,422	34	163,791
1943	72	14	1,731	133	182,643
1944	44	47	1,962	1,132	200,048
1945	47	121	1,973	3,842	218,889
1946	45	125	1,893	3,981	243,295
1947	47	176	2,204	5,102	265,984

Treasury Department, Division of Tax Research

Source: Annual Reports of the Commissioner of Internal Revenue.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 9, 1948.

Press Service
No. S-652

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 March 11 and to mature June 10, 1948, which were offered March 5, 1948, were opened at the Federal Reserve Banks on March 8.

The details of this issue are as follows:

Total applied for - $1,796,385,000
Total accepted - 1,101,030,000 (includes $44,730,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.748 Equivalent rate of discount approx. 0.997% per annum

Range of accepted competitive bids:

High - 99.756 Equiv. rate of discount approx. 0.965% per annum
Low - 99.747 " " " " " 1.001% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 13,490,000	$ 13,170,000
New York	1,575,858,000	937,210,000
Philadelphia	11,837,000	9,245,000
Cleveland	29,930,000	29,930,000
Richmond	3,450,000	3,094,000
Atlanta	6,610,000	5,330,000
Chicago	62,449,000	34,758,000
St. Louis	6,375,000	6,119,000
Minneapolis	5,320,000	3,848,000
Kansas City	27,570,000	17,630,000
Dallas	5,660,000	5,660,000
San Francisco	47,836,000	35,036,000
TOTAL	$1,796,385,000	$1,101,030,000

oOo

TREASURY DEPARTMENT

Washington

(The following address by Secretary Snyder at the Founders' Day Banquet of Alpha Tau Omega, at the Statler Hotel, Cleveland, Ohio, is scheduled for delivery at 8:30 P.M., E.S.T., Monday, March 8, 1948, and is for release at that time).

One of the most important objectives of the economic foreign policy of the United States is the reestablishment of that measure of economic equilibrium which is indispensable to world peace.

In our own generation, we have witnessed the social and financial disruption following two wars. Our purpose is to try to cure as far as possible the economic causes of international friction which could again ignite conflicts, and to guarantee our own security and prosperity through greater utilization of our national and world resources.

The future course of events in Western Europe and the effect of these events upon world economic stability are involved in the decision to be made by the Congress as to whether this Government will institute and finance the proposed European Recovery Program.

In the nearly three years since the termination of hostilities, Western Europe has made very real progress toward overcoming the devastating social and material consequences of the war. This progress is mainly due to the determined efforts of the peoples of that area to utilize their own considerable natural and human resources to the fullest possible extent.

The United States has financially supported these efforts in large measure, because we believe it essential to do so.

However, the monetary aid which we made available for reconstruction and rehabilitation is now, or is about to be, exhausted. At the same time, the progress of the recipient countries toward recovery is far from complete, and they still have before them a hard and bitter struggle against economic disintegration.

The need for assistance is clear: first, in form of relief to help tide Western Europe over its present food shortage; and second, in lending aid for the rebuilding and developing necessary to reconstructing the economic structure of Europe and to increase production to the point that grants will no longer be necessary.

Against this background, sixteen countries of Europe met last summer to formulate a common program looking toward genuine economic recovery within approximately four years.

Clearly, these countries cannot, in their present war disrupted state, achieve any measure of economic stability without substantial outside assistance. And obviously, the primary source of this outside aid must of necessity be the United States.

The Economic Cooperation Bill now pending before the Congress is a proposal to furnish the assistance required by these countries to augment their common efforts in achieving the goal of economic equilibrium.

The events of the last few weeks in Europe have reemphasized the necessity of taking the most prompt action toward the economic recovery of the countries of Western Europe. While the Economic Cooperation Act of 1948 is an economic measure, the tragedy that has befallen the democratic form of government of Czechoslovakia through subversive conquest gives the importance of this act a graver and more solemn import.

The threat to Finland further underscores the dire trend of communism in endangering the freedom and security of the peoples of the world. And since the importance of the decision that faces the Congress is worldwide, it would be well to discuss some of the financial aspects of the Program which have a special interest to the American business community.

Before the war, the international trade of the countries included in the European Recovery Program comprised roughly half of total world trade.

The United States profited greatly by this trade, For many years, we sold more goods to Western Europe than we bought. Western Europe made up this deficit by the export of its own industrial products to other parts of the world. This three-cornered trade has been beneficial to all countries concerned.

While export trade has never been as important to the United States as it is to many other countries, employment and profits in many key occupations have been dependent in great degree upon such trade. The growing of cotton and tobacco, the production of dried fruits, the manufacture of automobiles and automobile parts and of industrial and business equipment, and the production of pharmaceuticals come readily to mind. With the foreign exchange provided by its exports, the United States has purchased such metals as tin, tungsten and chromium, tropical products such as coffee, tea and cocoa, and many of the other commodities which are either essential to American industry or important to the American consumer.

This interchange of goods has increased the employment of American labor and the profits of American industry, and has contributed to raising the standard of living of the United States to the highest level that the world has yet seen.

It is a major purpose of the European Recovery Program to put Western Europe in a sound position where she can once more pay her own way and provide her share of the goods which keep world trade going. And most certainly, in the preparation of the European Recovery Program, emphasis must continually be given to the economic development of Western Europe as a whole, as well as to the development of the separate countries.

Europe will be a positive factor in world prosperity. If we fail, it will become, at the very least, a chronically depressed area and a permanent impediment to world prosperity.

Our interests, as well as those of Western Europe -- and of the whole world -- are bound up in that restoration of international trade sought by the European Recovery Program.

When they assembled in Paris, the sixteen Western European countries critically weighed their minimum recovery needs from the Western Hemisphere and their anticipated dollar income and resources.

In turn, the United States Government rigorously examined this appraisal of requirements as against the available resources of these countries. The National Advisory Council on International Monetary and Financial Problems advised the President and the Congress that it believed the approach which had been followed was sound and the $6.8 billion recommended for the first fifteen months was needed to achieve the objectives of the European Recovery Program.

The figure of $5.3 billion for the twelve months period from April, 1948, through March, 1949, agreed on by the Foreign Relations Committee of the Senate, approximates the $6.8 billion recommended by the President for the first fifteen months of the Program.

I must strongly emphasize here, however, that in the final determination, funds should be provided in sufficient amount, and over a sufficient period, to make the Program a success.

In the event that the Economic Cooperation Bill is passed by the Congress, the manner in which the proposed financial assistance should be extended to Europe would be of extreme importance.

After considering all the issues involved, the Executive Branch concluded that assistance would be most appropriately provided by a combination of grants, which would not be repaid, and of loans, which would be repaid. Each country's ability to repay in dollars should primarily determine whether assistance should be given in the form of grants or loans. The nature of the aid, whether capital goods or consumers goods, would be an additional factor in determining the type of assistance which would have to be supplied.

Loans should normally be used for the financing of European imports of capital equipment and of imports of raw materials to be used in connection with capital development.

Grants should be used for financing of imports of current supplies and of food, fuel and fertilizer and of raw materials not used for capital development.

In the administration of the Recovery Program, the American taxpayers' interest must, of course, be safeguarded by obtaining the maximum possible repayment in dollars. However, it would be disastrous to extend the entire amount of assistance on a loan basis.

We must remember that the European countries have had to incur large dollar obligations since the end of hostilities. And, if the entire program were placed on a loan basis, it would be practically impossible for the recipient countries to earn in dollars the additional annual charges of interest and principal, even after trade and investments abroad return to normal.

Certainly no one wants to see repeated the wholesale defaults on foreign loans which took place in the early '30's. It would not be advantageous to the future of this country's trade and private investment if these countries contracted additional dollar debts beyond their capacities to repay. Such a result would largely defeat the purposes of the entire program.

At this time, it would be premature to approximate a final breakdown for a suitable division of grants and loans. The estimate presented to the Congress that 20 to 40 percent of the aid might be extended through loans is as far as one can now safely go in predicting the probable division.

Business-like administration of the Program would require that the Administrator have discretionary powers in such determinations.

It is proposed that the loan program would be carried out through the agency of the Export-Import Bank, whose broad loan experience and machinery would be placed at the disposal of the Administrator.

If the Administrator for Economic Cooperation decided, after consulting the National Advisory Council, that it was desirable to extend aid on a credit basis, he would allocate the funds to the Export-Import Bank of Washington. The Bank in turn would make the loan as directed and on terms specified by the Administrator in consulation with the NAC.

A very important aspect of the ERP Bill is the authorization to the Administrator to expend funds for the procurement of supplies outside of the United States. This is the so-called offshore procurement authority. Its primary purpose is to relieve pressure upon goods and services in short supply in the United States.

Large percentages of the requirements of grains, fats, and oils, meat and other agricultural products can be secured only in other countries of the Western Hemisphere. Through such procurement methods, it would be possible for these countries to supply larger amounts of foods and materials to Europe than they do now. At the same time, they would obtain greater dollar exchange for their normal essential imports from the United States.

The Canadian and Latin American economies are clearly dependent upon certain types of goods from this country. In addition, many of our important industries have built up remunerative export markets in the other countries of the Western Hemisphere. From the long-run viewpoint, therefore, the offshore procurement authority is in the best interests of the United States.

Of course, this authority would need to be exercised with discretion. The Government would not permit the use of dollars for purchases abroad when reasonably priced supplies were available in the United States in excess of our domestic needs, or when prices charged by exporters abroad are unreasonable.

Another phase of the Bill which is of special interest to the American business community is the matter of guaranties. These are designed to remove the major existing deterrent to American capital investment in Europe.

It is extremely important that American business participate in the Recovery Program by making new investments abroad.

American industrial concerns have been largely discouraged from investing abroad because of the inability to convert foreign currency earnings into dollars. While these concerns are in a position to invest in such enterprises and are quite prepared to assume the risks of operation, they are not willing to take a chance if unable to realize their earnings in terms of dollars.

For this reason, the Administration has proposed a guaranty to cover the transfer risk.

In actual operation, it is anticipated that the transfer guaranty would be extended after the Administrator and the foreign government concerned agree that the project falls within the purposes of the European Recovery Program.

It is not proposed to extend these guaranties to cover normal business risks.

While we realize the problems involved in the reconstruction and recovery of Europe are of tremendous scope, we are encouraged by the definite and substantial progress made to date in the Western European countries.

These countries seek through cooperative efforts to promote more effective utilization of their own European resources. They have set up a European clearing organization, designed to avoid unnecessary payments of gold or dollars. They have moved to transfer unemployed labor across national boundaries to countries in need of additional manpower. Determined efforts are also being made to effect more productive allocations of bottleneck items such as metallurgical coke, mining equipment, steel and internal transport. And, with encouraging success, they have been exploring the possibilities of regional customs unions.

The most advanced regional customs union is that of Belgium, the Netherlands and Luxembourg, (the so-called Benelux), the tariff provisions of which were placed in effect January 1, 1948. As a result of severe postwar maladjustments, free flow of goods within the area is not yet possible. But it is hoped that free interchange of goods can be accomplished within a year or so, thus completing a long-range project which began during the war years in London.

Economically speaking, the Benelux countries comprise a great trading and industrial area despite their compactness. By uniting the steel, glass, cement and other industries of Belgium and Luxembourg with the dairy products, horticulture and colonial processing of the Netherlands, more efficient utilization of manpower and material resources is anticipated.

Italy and France are also intensively examining the necessary adjustments which must be made prior to a customs union. Similar discussions are taking place among the Scandinavian countries to the same end.

Another aspect of the plan on which much interest is focused concerns the role of the local currency accounts in the recovery program. Through bilateral agreement with the United States, each participating country would agree to set up a special account to deposit the local currency equivalent to the dollar cost of all goods supplied through grants-in-aid made by the United States. Although title to the accounts would remain with the foreign government concerned, expenditures of these funds would be undertaken only in agreement with the United States Government.

Title to the accounts would remain with the foreign government concerned. It has been suggested that the United States should acquire title to the local currencies. This possibility was thoroughly explored by the Executive Branch and rejected on the grounds that it would jeopardize the purposes of the Program. By taking title to the accounts, the United States Government would be acquiring powers within the internal economic realm of another country that would be bound to be irritating and prejudicial to good relations between the United States and the recipient country. The United States would inevitably share the responsibility and receive the blame for any results of the recipient Government's management of its internal economic policy which were opposed by groups within the country concerned. The United States, moreover, would be involved in any criticism of the price policy followed or the manner of distribution of the commodities. The important thing about the local currency accounts is that they be used in a constructive manner, and this, in the opinion of the Executive Branch, can best be assured through an effective program of joint control, with the title to the accounts remaining with the recipient countries.

An important and a very delicate issue is the matter of exchange rate adjustment. It has been advocated that an across-the-board exchange rate adjustment should be made a prerequisite to any extension of aid under the European Recovery Program. Because of the widespread circulation of this proposal, I would like to outline for you the views of the National Advisory Council on the subject.

The Council considers that it will be necessary for some of the sixteen participating countries to adjust their exchange rates. It believes, however, that across-the-board devaluation at this time is neither feasible nor desirable. For, while dangers of exchange rates which overvalue currencies are well understood, nevertheless, premature devaluation may have as unfortunate economic and political consequences for a country as would the prolonged maintenance of an overvalued rate.

Necessary revisions should take place as a part of developing programs of internal stabilization. When, and if, in the opinion of the United States Government, the exchange rates of recipient countries are imposing an unjustifiable burden on their balance of payments, they would be asked to consult with the International Monetary Fund about revision. Countries which are not members of the Fund would be expected to consult with the United States Government.

This procedure would provide a means whereby appropriate exchange rate adjustments would be undertaken wherever necessary.

No single phase of the Recovery Program has attracted more attention in the American business and financial communities than the relationship of the Program to this European monetary stabilization problem.

Monetary instability is a paramount economic problem in Europe today. If the Recovery Program is to be successful, prompt and adequate measures for monetary stabilization must be taken by the European countries.

At the Paris meeting, the sixteen participating countries undertook to apply any measures necessary to internal stability.

It is realized that budgets will have to be brought into balance rapidly, so that the expenses of government can be met without increasing the public debt and without increasing inflationary expenditures. It is clear that in most countries modifications in tax structures and control of expenditures will be absolutely necessary.

As these steps are taken, the trend toward balanced budgets, increased production, and steadying prices will all interact to hasten stabilization.

The Economic Cooperation Bill provides that each country receiving aid from the United States shall enter into a separate agreement with this Government. This agreement will cover the terms on which aid will be given.

Moreover, each country will be required to supply the United States Government with full information about any pertinent aspect of the Recovery Program and to give a report on the Program to its own people. The United States will, of course, retain the right to determine whether aid to any country is to be continued if our previous assistance has not been used effectively.

We have a direct interest in assuring that the European aid we propose to provide will make a maximum contribution toward reaching economic stability.

Without a doubt, the restoration of normal business conditions in Western Europe will have a decided beneficial effect upon our own economic environment.

The countries participating in the European Recovery Program, together with the United States, comprise the major industrialized area in the world. The bulk of world trade has always taken place among the more highly developed countries. As the nations of the world have advanced in industrial development, they have come to participate to a greater, rather than to a lesser extent, in world trade.

This has resulted in a very material contribution to the worldwide increase in living standards which has so characterized the past century.

So, laying aside all social and humanitarian considerations -- to say nothing of the extremely important political considerations which exist today -- commonsense dictates that America participate in the financing of European rehabilitation.

Commonsense clearly indicates that the United States has a vital financial and economic stake in the European Recovery Program and it is, therefore, entitled to, and should have, the wholehearted support of every one of our citizens.

oOo

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, March 10, 1948

Press Service
No. S-654

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	Imports May 29, 1947, to February 28, 1948	Established Quota	Imports May 29, 1947 to Feb. 28, 1948
	(Bushels)	(Bushels)	(Pounds)	(Pounds)
Canada	795,000	617	3,815,000	1,309,477
China	-	-	24,000	5,600
Hungary	-	-	13,000	-
Hong Kong	-	-	13,000	1,600
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	617	4,000,000	1,316,677

-oOo-

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, March 10, 1948

Press Service
No. S-655

The Bureau of Customs announced today preliminary figures showing the imports for consumption of commodities within quota limitations provided for under the General Agreement on Tariffs and Trade, from the beginning of the quota periods to February 28, 1948, inclusive, as follows:

Commodity	Established Quota Period and Quantity		Unit of Quantity	Imports as of February 28, 1948
Whole milk, fresh or sour	Calendar year	3,000,000	Gallon	1,497
Cream, fresh or sour	Calendar year	1,500,000	Gallon	258
Butter	3 months from Jan. 1, 1948	30,000,000	Pound	32,660
Fish, fresh or frozen, filleted, etc., cod, haddock, hake, pollock, cusk, and rosefish	Calendar year	(1) 24,930,188	Pound	Quarter-year quota filled
White or Irish potatoes:				
Certified seed	12 months from	150,000,000	Pound	107,583,002
Other	Sept. 15, 1947	60,000,000	Pound	49,614,439

(1) The proviso to Item 717(b) limits the imports for consumption at the quota rate to 6,232,547 pounds during the first 3 months of the calendar year.

Due to a provision of the President's proclamation No. 2769 of January 30, 1948, in which the entry of a specified quantity of Cuban filler tobacco, unstemmed or stemmed (other than cigarette leaf tobacco) and scrap tobacco affects the rate of duty on such tobacco from countries other than Cuba, a record is maintained of imports from Cuba. 3,964,815 pounds of such Cuban tobacco were imported for consumption during the period January 1 to February 28, 1948, inclusive.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Wednesday, March 10, 1948

Press Service
No. S-656

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, 1947, to February 28, 1948, inclusive, 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, 1947, to Feb.28, 1948	Imports Sept. 20, 1947, to Feb.28, 1948	Imports Sept. 20, 1947, to Feb. 28, 1948
Egypt and the Anglo-Egyptian Sudan	783,816	-	43,574,472	-
Peru	247,952	247,952	1,903,999	-
British India	2,003,483	19,852	-	24,003,577
China	1,370,791	-	-	-
Mexico	8,883,259	8,883,259	-	-
Brazil	618,723	618,723	-	-
Union of Soviet Socialist Republics	475,124	249,068	177,949	-
Argentina	5,203			
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	-			
	14,516,882	10,018,854	45,656,420	24,003,577

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, 1947, to Feb. 28, 1948	Established: 33-1/3% of: Total Quota	Imports Sept. 20, 1947 to Feb. 28, 1948 1/
United Kingdom......	4,323,457	19,703	1,441,152	19,703
Canada..............	239,690	70,818	-	-
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		-	
Cuba................	6,544		-	
Germany.............	76,329		25,443	
Italy...............	21,263		7,088	
Totals	5,482,509	160,148	1,599,886	19,703

1/ Included in total imports, column 2.

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Thursday, March 11, 1948

Press Service
No. S-657

Secretary Snyder announced today that beginning March 22, banks which act as Government depositaries for withheld taxes will be permitted to transfer such taxes to their war loan accounts instead of remitting them to the Federal Reserve Banks from day to day as presently required. These deposits will be subject to call by the Treasury from war loan accounts from time to time as funds are needed for Government disbursement. This change in method of handling the remission of withheld taxes will permit a more even flow of funds into the Treasury.

Secretary Snyder said that banking institutions would receive instructions from the Federal Reserve Banks.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 12, 1948.

Press Service
No. S-658

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 March 18, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated March 18, 1948, and will mature June 17, 1948, 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, March 15, 1948. 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 March 18, 1948, in cash or other immediately available funds or in a like

face amount of Treasury bills maturing March 18, 1948. 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 exception, 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.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS
Monday, March 15, 1948.

Press Service
No. S-659

During the month of February, 1948, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net purchases of $177,355,550, Secretary Snyder announced today.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 16, 1948.

Press Service
No. S-660

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 March 18 and to mature June 17, 1948, which were offered March 12, 1948, were opened at the Federal Reserve Banks on March 15.

The details of this issue are as follows:

Total applied for - $1,935,941,000
Total accepted - 1,107,232,000 (includes $43,282,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.748 Equivalent rate of discount approx. 0.996% per annum

Range of accepted competitive bids:

High - 99.756 Equiv. rate of discount approx. 0.965% per annum
Low - 99.747 " " " " " 1.001% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 10,585,000	$ 6,515,000
New York	1,596,028,000	889,026,000
Philadelphia	18,990,000	6,262,000
Cleveland	15,715,000	8,315,000
Richmond	4,925,000	4,851,000
Atlanta	2,780,000	2,632,000
Chicago	198,875,000	141,581,000
St. Louis	3,800,000	3,349,000
Minneapolis	2,305,000	1,935,000
Kansas City	21,040,000	16,278,000
Dallas	4,360,000	4,360,000
San Francisco	56,538,000	22,128,000
TOTAL	$1,935,941,000	$1,107,232,000

oOo

United States Savings Bonds Issued and Redeemed Through February 27, 1948

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

	Amount Issued 1/	Amount Redeemed 1/	Amount Outstanding 2/	Percent Redeemed of Amt. Issued
Series A-D:				
Series A-1935 (matured)...	$ 255	$ 248	$ 7	97.25%
Series A-1936 (matured)...	463	444	19	95.90
Series C-1937 (matured)...	590	534	56	90.51
Series C-1938.............	673	249	3/ 424	37.00
Series D-1939.............	1,043	223	820	21.38
Series D-1940.............	1,229	241	989	19.61
Series D-1941.............	528	94	434	17.80
Total Series A-D......	4,781	2,032	2,749	42.50
Series E:				
Series E-1941.............	1,479	356	1,124	24.07
Series E-1942.............	6,690	2,457	4,233	36.73
Series E-1943.............	10,939	4,745	6,194	43.38
Series E-1944.............	12,791	5,665	7,126	44.29
Series E-1945.............	9,952	4,219	5,733	42.39
Series E-1946.............	4,369	1,316	3,053	30.12
Series E-1947.............	4,042	587	3,455	14.52
Series E-1948 (2 mos.)....	509	*	509	--
Total Series E........	50,771	19,345	31,426	38.10
Total Series A-E......	55,552	21,377	34,176	38.48
Series F and G:				
Series F and G-1941.......	1,534	212	1,322	13.82
Series F and G-1942.......	3,194	515	2,679	16.12
Series F and G-1943.......	3,366	553	2,813	16.43
Series F and G-1944.......	3,697	469	3,228	12.69
Series F and G-1945.......	3,147	290	2,858	9.22
Series F and G-1946.......	2,994	168	2,826	5.61
Series F and G-1947.......	2,588	39	2,549	1.51
Series F and G-1948 (2 mos)	404	*	404	--
Total Series F and G...	20,923	2,246	18,677	10.73
Unclassified sales and redemptions................	151	128	23	
Total All Series 4/	76,626	23,751	52,875	31.00

* 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 Series A-C (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

(The following address by Secretary Snyder before the National Savings Bonds Conference at the Statler Hotel, Washington, D. C., is scheduled for delivery at 10:45 A. M., E.S.T., Thursday, March 18, 1948, and is for release at that time.)

It is a real pleasure to welcome you and to tell you once again how greatly we value and appreciate the splendid cooperation and support which you folks are giving to our Savings Bond Program.

We are here to consider ways of selling more bonds. The primary reasons for our efforts to this end are to bring about a broader distribution of public debt ownership, to enable the Treasury to continue its policy of retiring inflationary bank-held debt to divert money from the inflationary spending stream by creating greater individual savings habits, and to build up economic security for the Nation and its people.

At our meeting last year, we discussed the evidence of the serious price inflation in our economy, and we spoke of the acute need for affirmative action to counteract this inflation.

The conditions which prompted our intensified sales promotion campaign last year are equally, if not more forcefully persuasive today.

We have made definite progress, and I sincerely congratulate you upon your part in it. Nevertheless, we still have a long way to go.

Economic conditions and prospects should determine, at any given time, whether or not, and to what extent the public debt should be reduced. When national income levels and business activity are high, as now, debt reduction must be a foremost consideration of national fiscal policy.

Since the first of March, 1946, we have reduced the public debt some $26 billion by drawing down the Treasury cash balance to peacetime levels and, during the past months, through the use of revenue surplus. Virtually all of this reduction has been made in that part of the debt held by the banking system. During this same period, we were able to retire approximately $3 billion more of bank-held debt through the transfer of public debt holdings from the banking system to non-bank investors. And the sale of Savings Bonds to individuals has been an important factor in enabling the Treasury to carry out this anti-inflationary objective.

Last month, the Government Borrowing Committee of the American Bankers' Association issued a booklet which contained the following statement: "Proper placement of the national debt has become as important as reduction of the debt."

This is sound thinking and indicates the kind of farsighted support which the American Bankers' Association and its members have been giving the Savings Bond program and the policy of retiring bank-held debt. All of you know that the ABA has been holding regional conferences to implement its five-point program against inflation and that the sale of more Savings Bonds to more people is one of those five points. You will hear much more about this program later.

In addition to the commercial banks, many savings banks and investment bankers are giving the Bond program fine support. Groups of commercial, savings and investment bankers and insurance executives meet at the Treasury from time to time to talk over mutual problems with us.

In December, I invited leaders in business and industry to form a National Industrial Advisory Committee for the Treasury. As a result of the work they have already accomplished, there has been an upswing in Payroll Savings and the number of firms that have reinstated the Plan in the past three months. Payroll Savings is now available to at least 300,000 more wage and salary earners than in November. Today, 19,000 firms are making this Plan available, and we estimate nearly 5½ million Americans are now using it for automatic and regular savings through Bonds.

We have a tremendous overall force behind the Security Loan Drive. When the Savings Bonds Division of the Treasury sought additional support for April, May and June, the response was most enthusiastic. And, in view of this vast support, I believe we can rightfully be optimistic about the success of the Drive.

I want to mention some of the groups and organizations who have been, and are being, especially active in our bond program.

Last week, a committee of retailers from every state in the Union met with us at the White House to organize for advertising and promoting the Security Loan.

Publishers are continuing the series of full-page ads which they have been donating for more than a year. The Advertising Council of America and the advertising agencies and their staffs are the task force for the preparation of the effective Bond ads you see in magazines and newspapers.

Month after month, house organ editors promote Payroll Savings in their publications with excellent results.

Leading advertisers and advertising agencies have organized the National Advertising Advisory Committee. Cartoonists and comic strip artists are arranging to give special aid to the Security Loan. The newspaper publishers and advertising managers have pledged even greater support than they gave to any other of our peacetime Bond promotions. The radio networks, the independent stations, the radio artists, and the motion picture industry, give generously of their time and talent to the Savings Bond Program.

Among others who deserve high commendation for their willing cooperation, I am pleased to cite our educators who are teaching our children the benefits of a more thrifty America through the School Savings program; and our textbook publishers who are also encouraging thrift habits in our children by including Savings Bond material in school texts.

The American Federation of Labor, the Congress of Industrial Organizations, the Railway Brotherhoods, and all other labor organizations are backing the Payroll Savings Program and the Security Loan with concrete action.

Another most effective group organized to help our state and county Bond Committees is made up of the national agricultural organizations -- namely, the Farm Bureau Federation, the Farmers' Union, and the National Grange, as well as the field force of the Departments of Agriculture, both national and state. Their help in drive after drive has been invaluable in reaching the farm market for Bonds.

As you know, farm families, in proportion to their numbers and their ability, have been the best buyers of Savings Bonds in the Nation.

I want to commend also the members of the Savings Bonds Division of the Treasury, some 380 workers -- just one fifth of the wartime staff -- who serve and guide the volunteers who sell around seven billion dollars worth of Bonds a year.

As we did in wartime, so must we in peacetime rely for the major part of the Bond promotion and sales operation upon volunteers in the state, county and city Savings Bonds committees and those who work with them.

In this connection I welcome the new National Organizations Committee for Savings Bonds which was formed on March 5th. These National organizations were a substantial force in the war bond program. At the request of the Treasury, their national

officers are now asking local units and members to volunteer for any service they can render to local Savings Bond committees in the Security Loan. I know this will prove of great assistance to those of you who have the job of enlisting volunteers for the Drive.

The success of the Security Loan and of the continuing Savings Bond program depends upon these volunteer forces in advertising, agriculture, banking, industry, labor, newspaper and magazine publishing, motion picture, radio, and other fields.

This huge volunteer organization is a heartening and inspiring example of the citizens of a democracy working together to one common purpose. The future welfare of our Nation depends upon such community leadership and cooperation.

There are perhaps ten million Americans who have served or are serving now in the Bond program, and many of them have been giving their services since 1941. The Security Loan campaign needs the services not only of the veteran volunteers but of every citizen who can serve as a new volunteer.

Building security of the Nation and of the individual is a most important function of the Savings Bonds program today. The liquid savings of individuals are now past the $200 billion mark. These savings constitute a reservoir of buying power for the future. They are an essential means toward the stabilization and expansion of our economy.

The Security Loan Campaign affords each of us the opportunity to contribute not only to his own well-being, but to that of the Nation as a whole. The success of this drive is of paramount importance, not only from the standpoint of its immediate objectives, but from the standpoint of our future individual and national security.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Thursday, March 18, 1948.

Press Service
No. S-662

Secretary Snyder today announced that the limitation on Series E savings bonds is being raised from $5,000, maturing value, to $10,000, maturity value, effective for the calendar year 1948. The limitation relates to the amount of Series E bonds originally issued during any one calendar year to any one person. There is no change in the manner in which holdings will be computed, and the new provision simply doubles the amount that any individual may hold.

The Secretary reached the decision to raise the limitation in advance of the start of the Security Loan Drive which will open on April 15. Full details regarding the increase in limitation are contained in amendments to the Series E offering circular and the Regulations Governing Savings Bonds, which are being released today.

UNITED STATES SAVINGS BONDS - SERIES E

1948
First Amendment to
Department Circular No. 653
Second Revision, dated
August 31, 1943,
as supplemented

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY
Washington, March 18, 1948

Fiscal Service
Bureau of the Public Debt

Pursuant to Section 22 (a) of the Second Liberty Bond Act, as amended (55 Stat. 7, 31 U.S.C. and Sup. 757c), Section IV, paragraph 1, of Department Circular No. 653, Second Revision, dated August 31, 1943 (31 CFR 1943 Supp., 316), as supplemented, is hereby amended to read as follows:

IV. LIMITATION ON HOLDINGS

1\. The amount of bonds of Series E originally issued during any one calendar year to any one person that may be held by that person at any one time shall not exceed $5,000 (maturity value) for each calendar year up to and including the calendar year 1947, and $10,000 (maturity value) for each calendar year thereafter, computed in accordance with the provisions of the regulations governing United States Savings Bonds. If any person at any time acquires savings bonds issued during any one calendar year in excess of the prescribed amount, the amount of such excess should immediately be surrendered for refund of the issue price.

JOHN W. SNYDER
Secretary of the Treasury

REGULATIONS GOVERNING SAVINGS BONDS

1948

Third Amendment to
Department Circular No. 530,
Sixth Revision, dated
February 13, 1945

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY,
Washington, March 18, 194

Fiscal Service
Bureau of the Public Debt

To Owners of United States Savings Bonds and Others Concerned:

Pursuant to Section 22 (a) of the Second Liberty Bond Act, as amended (55 Stat. 7, 31 U.S.C. and Sup. 757c), Subpart C of Department Circular No. 530, Sixth Revision, dated February 13, 1945 (31 CFR 1945 Supp., 315) as amended, is hereby further amended 1/ and revised to read as follows:

Subpart C - LIMITATION ON HOLDINGS

Sec. 315.8. Amount which may be held.--As provided by Section 22 of the Second Liberty Bond Act, as added February 4, 1935 (U.S.C. 1940 Ed., title 31, section 757c), and by regulations prescribed by the Secretary of the Treasury pursuant to the authority of that section, as amended by the Public Debt Act of 1941, 55 Stat. 7, the amounts of savings bonds of the several series issued during any one calendar year that may be held by any one person at any one time are limited as follows:

(a) Series A, B, C, and D.--$10,000 (maturity value) of each series for each calendar year.

(b) Series E.--$5,000 (maturity value) for each calendar year up to and including the calendar year 1947, and $10,000 (maturity value) for each calendar year thereafter.

(c) Series F and G.-- $50,000 (issue price) for the calendar year 1941, and $100,000 (issue price) for each calendar year thereafter, of either series or of the combined aggregate of both, except that, in the case of commercial banks authorized to acquire such bonds in accordance with Section 315.5, the limitation shall be such as may have been or may hereafter be provided specifically in official circulars governing the offering of other Treasury securities, but in no event in excess of $100,000 (issue price) for any calendar year.

1/ This supersedes the Second Amendment which is hereby withdrawn from circulation. The Second Amendment was issued merely to provide for the purchase of savings bonds of Series E outside of the limitation under the conditions which are set forth in Sec. 315.9 (d) (4) of this amendment.

Sec. 315.9. Calculation of Amount.--In computing the amount of savings bonds of any one series issued during any one calendar year held by any one person at any one time for the purpose of determining whether the amount is in excess of the authorized limit as set forth in the next preceding section, the following rules shall govern:

(a) the term "person" shall mean any legal entity, including but not limited to an individual, a partnership, a corporation (public or private), an unincorporated association or a trust estate, and the holdings of each person, individually and in a fiduciary capacity, shall be computed separately.

(b) In the case of bonds of Series A, B, C, D, and E, the computation shall be based upon maturity values. In the case of bonds of Series F, and G, the computation shall be based upon issue prices.

(c) Except as provided in subsection (d), there must be taken into account: (1) all bonds originally issued to and registered in the name of that person alone; (2) all bonds originally issued to and registered in the name of that person as coowner or reissued, at the request of the original owner, to add the name of that person as coowner or to designate him as coowner instead of as beneficiary under the provisions of this circular, except that the amount of bonds of Series E held in coownership form may be applied to the holdings of either of the coowners, but will not be applied to both, or the amount may be apportioned between them; and (3) all bonds acquired by him before March 1, 1941, upon the death of another or the happening of any other event.

(d) There need not be taken into account: (1) bonds of which that person is merely the designated beneficiary; (2) those in which his interest is only that of a beneficiary under a trust; or (3) those to which he is entitled as surviving designated beneficiary upon the death of the registered owner, as an heir or legatee of the deceased registered owner, or by virtue of the termination of a trust or the happening of any other event, unless he became entitled to any such bonds in his own right before March 1, 1941; or (4) with respect to bonds of Series E, those purchased with the proceeds of matured bonds of Series A and Series C-1938, where the Series A or Series C bonds were presented by an individual (natural person in his own right) owner or coowner for that purpose and the Series E bonds are registered in his name in any form of registration authorized for that series.

(e) Nothing herein contained shall be construed to invalidate any holdings within or, except as provided in subsection (c) above, to validate any holdings in excess of, the authorized limits, as computed under the regulations in force at the time such holdings were acquired.

Sec. 315.10 Disposition of excess.--If any person at any time acquires savings bonds issued during any one calendar year in excess of the prescribed amount, the excess must be immediately surrendered for refund of the purchase price, less (in the case of Series G bonds) any interest which may have been paid thereon, or for such other adjustment as may be possible.

JOHN W. SNYDER
Secretary of the Treasury

TREASURY DEPARTMENT

WASHINGTON

FOR RELEASE
Thursday, March 25, 1948

Press Service
No. S-663

Secretary of the Treasury Snyder today made public preliminary statistics from corporation income tax returns and corporation excess profits tax returns for 1945, filed through December 31, 1946, prepared under the direction of Commissioner of Internal Revenue George J. Schoeneman. The preliminary report, Statistics of Income for 1945, Part 2, will be released at an early date.

SUMMARY DATA

The number of corporation income and declared value excess-profits tax returns for 1945, filed through December 31, 1946, is 452,700, of which 301,259 show net income of $22,165,385,218, while 118,106 show deficit of $1,026,249,663, and 33,335 have no income data (inactive corporations).

The income tax liability reported on these returns is $4,181,693,604 and the declared value excess-profits tax is $54,887,907, while an excess profits tax liability of $6,556,529,033 is reported on 52,098 corporation excess profits tax returns for the same period. Thus the total amount of corporation income and excess profits taxes is $10,793,110,544, representing a decrease of 27 percent as compared with the total for 1944. The amounts of income tax and excess profits tax liability do not take into account any credit claimed for income and profits taxes paid to a foreign country or United States possession.

The 52,098 taxable corporation excess profits tax returns for 1945 show excess profits net income of $14,165,549,528 and adjusted excess profits net income of $8,368,072,530.

A comparison of the 1945 returns with the 1944 returns is provided in the following summary:

Corporation returns, 1/ 1945 and 1944: Summary data

(Money figures in thousands of dollars)

	1945 (preliminary)	1944 (complete)	Increase or decrease (-)	
			Number or amount	Per-cent
Income and declared value excess-profits tax returns				
Total number of income and declared value excess-profits tax returns, Form 1120	452,700	446,796	5,904	1
Returns with net income: 2/				
Number	301,259	288,904	12,355	4
Net income 2/	22,165,385	27,123,741	-4,958,356	-18
Tax liability:				
Income tax 3/	4,181,694	4,353,620	-171,926	-4
Declared value excess-profits tax	54,888	98,668	-43,780	-44
Excess profits tax 4/	6,556,529	10,431,762	-3,875,233	-37
Total	10,793,111	14,884,050	-4,090,940	-27
Returns with no net income: 2/				
Number	118,106	123,563	-5,457	-4
Deficit 2/	1,026,250	819,260	206,989	25
Number of returns of inactive corporations	33,335	34,329	-994	-3
Excess profits tax returns				
Taxable excess profits tax returns, Form 1121:				
Number	52,098	55,912	-3,814	-7
Excess profits net income 5/	14,165,550	20,471,652	-6,306,102	-31
Adjusted excess profits net income 6/	8,368,073	12,935,510	-4,567,437	-35
Excess profits tax		See above		

For footnotes, see pp. 16-17.

Allowance of the net operating loss deduction reduced the net income for declared value excess-profits tax computation by $114,401,128 on 31,432 returns filed for 1945, as compared with $148,759,845 on 34,296 returns filed for 1944. See note 30, page 17.

RETURNS INCLUDED

The returns included in this release are those filed for the calendar year ending December 31, 1945, a fiscal year ending within the period July 1945 through June 1946, and a part year with the greater portion of the accounting period in 1945.

The data are from corporation income and declared value excess-profits tax returns, Form 1120; life insurance company income tax returns, Form 1120L; mutual insurance company income tax returns, Form 1120M; and corporation excess profits tax returns, Form 1121. Included for this purpose in addition to returns filed by domestic corporations are the returns filed by foreign corporations engaged in business within the United States. Amended returns and tentative returns are not included. The complete report, Statistics of Income for 1945, Part 2, will contain more detailed statistics from corporation income and declared value excess-profits tax returns and from corporation excess profits tax returns, together with data from personal holding company returns, Form 1120H.

The statistics are compiled from the returns as filed, prior to revisions that may be made as a result of audit by the Bureau of Internal Revenue and prior to changes which may result from carry-backs, relief granted under section 722 of the Internal Revenue Code, recomputation of amortization of emergency facilities, or from the renegotiation of war contracts, after the returns were filed. Changes resulting from the renegotiation of war contracts are recorded as settlements are reached, however, and the effect of renegotiation settlements reached to date with respect to the tax year 1945 will be shown in a special tabulation to be included in the complete report, Statistics of Income for 1945, Part 2.

CHANGES IN LAW AFFECTING CORPORATION RETURNS

The provisions of the Internal Revenue Code as amended by the Revenue Act of 1943 continue in effect for the calendar year 1945, for a fiscal year ending in the period July through November 1945, and for a part year beginning and ending in 1945.

In the case of returns for fiscal years ending in the period January through June 1946, and returns for part years ending in 1946 with the greater part of the accounting period falling in 1945, the tax liability is affected by certain changes in law introduced by the

Revenue Act of 1945. The most significant changes are as follows:

Income and Declared Value Excess-Profits Tax Returns, Form 1120

(1) There is a decrease in the surtax rates for 1946 as compared with 1945, as shown below:

Size of surtax net income	1946 rate	1945 rate
Not over $25,000	6	10
Over $25,000 but not over $50,000:		
First $25,000	6	10
Next $25,000	22	22
Over $50,000:		
First $25,000	14	16
Excess over $25,000	14	16

(2) Corporations filing returns for taxable years beginning in 1945 and ending in 1946 are required to compute two tentative taxes, one under the provisions applicable to 1945, the other under the provisions applicable to 1946, and prorate each on the basis of the number of days before January 1, 1946, and the number of days after December 31, 1945, respectively. The prorated portions of the two tentative taxes are then combined to determine the actual liability, which is the amount tabulated in this report. Amounts tabulated from these returns for all items other than the tax liability are the amounts used in computing the tentative tax for 1945 under provisions of the Revenue Act of 1943.

(3) The capital stock tax is repealed, effective with respect to taxable years ending after June 30, 1945; the declared value excess-profits tax is repealed, effective with respect to taxable years ending after June 30, 1946.

Excess Profits Tax Returns, Form 1121

(1) The corporate excess profits tax is repealed, effective January 1, 1946.

(2) For fiscal years beginning in 1945 and ending in 1946, the excess profits tax is retained for the 1945 portion of the year through the provision that the excess profits tax shall be an amount equal to that portion of a tentative tax, computed under provisions of the Revenue Act of 1943 and prorated on the basis of the number of days before January 1, 1946.

(3) For taxable years beginning in 1946, the law retains the unused excess profits credit for the purpose of the two year carry-back to 1944 and 1945. No excess profits tax returns are required to be

filed for such taxable years but the provisions of law relative to the computation of excess profits credit continue in effect. There is no unused excess profits credit for a taxable year beginning after December 31, 1946.

CONSOLIDATED RETURNS OF AFFILIATED CORPORATIONS (FORM 1120)

For 1945 the number of consolidated returns for income tax purposes is 1,412, of which 1,080 show net income amounting to $2,035,202,917, while 329 show deficit of $149,595,065, and 3 have no income data (inactive corporations). The number of consolidated returns filed is only 0.3 percent of all corporation returns. However, the net income reported in consolidated returns is 9.2 percent of the net income of all returns showing net income, and the income tax reported therein, amounting to $485,059,717, is 11.6 percent of the income tax for all corporations.

The privilege of filing a consolidated return for income tax purposes (Form 1120) is granted to affiliated domestic corporations in general upon the condition that the affiliated group make also a consolidated excess profits tax return for the taxable year. To qualify as an affiliated group, the member corporations must meet certain requirements in respect to their connection through stock ownership with a common parent corporation.

Data from the consolidated returns are shown as a separate tabulation in table 1-A, pages 9 - 10, and are combined with data from other returns in the tabulations presented elsewhere in this release. The following summary shows, by industrial divisions, the number of consolidated returns (Form 1120) and the number of subsidiaries included therein, for both the years 1945 and 1944.

Consolidated corporation returns, 1945 and 1944, by industrial divisions, showing number of consolidated returns and number of subsidiaries

Industrial divisions 7/	Number of consolidated returns 8/		Number of subsidiaries 9/	
	1945	1944	1945	1944
All industrial divisions	1,412	1,300	6,093	5,780
Mining and quarrying	85	68	316	260
Manufacturing	454	413	1,940	1,812
Public utilities	219	200	1,442	1,433
Trade	226	215	660	609
Service	84	79	285	240
Finance, insurance, real estate, and lessors of real property	287	271	1,312	1,296
Construction	35	40	87	88
Agriculture, forestry, and fishery	13	13	40	41
Nature of business not allocable	9	1	11	1

For footnotes, see pp. 16-17.

INDUSTRIAL GROUPS

The distribution of the corporation income and declared value excess-profits tax returns for 1945 by major industrial groups for returns with net income and returns with no net income is shown in tables 1, 1-A, and 2, pages 7 - 12, of this release. Tables 1 and 2 include all returns, while table 1-A includes only consolidated returns.

The industrial classification is based on the business activity reported on the return. When multiple businesses are reported on a return, the classification is determined by the business activity which accounts for the largest percentage of total receipts. Therefore, the industrial groups do not reflect pure industry classifications. It is important to note that the industrial classification of a consolidated return is based on the predominant business of the affiliated corporations for which the consolidated return is filed. If it were possible to segregate the income of the subsidiary or affiliated concerns, the data for such concerns might fall in industrial divisions other than the ones in which they are here included.

In analyzing the data compiled from returns classified under the major group "Insurance carriers, agents, etc.," it should be noted that life insurance companies are required to include only interest, dividends, and rents in gross income. Beginning 1942, life insurance companies are allowed a "reserve and other policy liability credit" equal to a flat proportion of investment income less tax-exempt interest. This credit, which is deducted after arriving at net income and is reported only on returns with net income, takes the place of the deductions for reserve earnings, deferred dividends, and interest paid, which formerly were allowed in computing net income.

For 1945 the credit ratio is .9539 and for normal tax purposes the aggregate amount of reserve and other policy liability credit is $1,141,239,298, of which $1,140,271,625 is reported on returns with balance sheets. As an offset to this credit, adjustment for certain non-life insurance reserves is reported in total amount of $6,784,957, of which $6,772,506 is reported on returns with balance sheets. The latter adjustment, which is made in order to include in the tax base the interest received on non-life insurance reserves, applies only to life insurance companies deriving a portion of their income from contracts other than life insurance, annuities, or noncancellable health and accident insurance.

HISTORICAL SUMMARY

A historical summary for each of the years 1936-1945 is presented in table 4, page 15. In comparing the data throughout the ten-year period, the various changes in law must be taken into consideration, especially the discontinuance for 1934-1941 of the privilege of filing consolidated returns for income tax purposes (except by railroad corporations and their related holding or leasing companies and, in 1940 and 1941, by Pan-American trade corporations) and the restoration of this privilege beginning 1942.

Table 1. - Corporation income and declared value excess-profits tax returns, 1/ 1945, by major industrial groups, for returns with net income and returns with no net income: Number of returns, total compiled receipts, net income or deficit, and dividends paid in cash and assets other than own stock; also, for returns with net income: Total tax, income tax, declared value excess-profits tax, excess profits tax, and adjusted excess profits net income

(Money figures in thousands of dollars)

	Major industrial groups 7/	Total number of returns 8/	Returns with net income 2/: Number of returns	Returns with net income 2/: Total compiled receipts 10/	Returns with net income 2/: Net income 2/	Returns with net income 2/: Adjusted excess profits net income 11/	Taxes: Total tax	Taxes: Income tax 3/	Taxes: Declared value excess-profits tax	Taxes: Excess profits tax 4/	Returns with net income 2/: Dividends paid in cash and assets other than own stock	Returns with no net income 2/: Number of returns	Returns with no net income 2/: Total compiled receipts 10/	Returns with no net income 2/: Deficit 2/	Returns with no net income 2/: Dividends paid in cash and assets other than own stock	
1	All industrial groups	452,700	301,259	238,916,192	22,165,385	8,308,874	10,793,111	4,181,694	54,888	6,556,529	5,888,730	118,106	16,402,147	1,026,250	179,777	1
2	Mining and quarrying	9,144	3,694	3,352,021	299,656	38,579	118,368	86,528	345	31,495	146,522	3,602	601,662	57,268	13,295	2
3	Metal mining	1,626	205	662,804	79,265	2,498	26,302	24,113	54	2,136	51,052	643	77,655	10,282	1,050	3
4	Anthracite mining	155	85	318,166	10,264	895	3,551	2,944	10	596	6,454	63	53,612	1,966	43	4
5	Bituminous coal, lignite, peat, etc.	1,693	915	1,347,600	81,412	13,578	35,613	24,545	92	10,975	26,461	629	196,776	10,119	2,871	5
6	Crude petroleum and natural gas production	3,559	1,722	699,821	85,887	8,494	31,296	24,481	78	6,737	44,483	1,587	224,559	26,753	9,157	6
7	Nonmetallic mining and quarrying	1,384	743	316,873	42,250	13,050	21,374	10,266	111	10,997	17,846	520	48,230	6,770	166	7
8	Mining and quarrying not allocable	727	24	6,757	578	65	233	179	(14)	54	225	160	830	1,379	8	8
9	Manufacturing	82,189	61,680	133,388,783	10,576,548	5,251,678	6,110,210	1,946,769	29,955	4,133,486	2,751,876	17,432	7,881,133	326,331	66,411	9
10	Food and kindred products	9,039	7,081	18,503,256	1,010,275	440,272	556,137	222,832	3,960	329,345	259,804	1,647	955,350	23,794	2,016	10
11	Beverages	2,772	2,082	4,272,186	418,168	230,495	255,779	73,984	2,038	179,757	75,833	509	163,861	9,323	746	11
12	Tobacco manufactures	219	178	2,224,005	140,851	13,268	60,181	49,317	20	10,843	65,483	32	3,734	206	25	12
13	Cotton manufactures	832	766	2,781,939	282,219	175,962	180,479	41,634	495	138,350	39,264	58	31,076	4,457	259	13
14	Textile-mill products, except cotton	3,678	3,141	4,806,155	454,144	245,737	272,285	81,775	1,475	189,035	80,987	438	72,234	3,162	789	14
15	Apparel and products made from fabrics	7,797	6,460	3,862,214	245,853	127,516	139,133	41,710	1,688	95,735	25,976	1,166	116,185	4,157	140	15
16	Leather and products	2,108	1,769	2,142,515	137,064	62,527	77,374	28,371	664	48,339	26,999	290	48,870	1,559	178	16
17	Rubber products	475	361	3,299,988	248,125	171,316	169,987	30,291	535	139,161	39,168	92	61,070	1,773	568	17
18	Lumber and timber basic products	2,436	1,607	1,322,905	123,754	29,712	52,923	30,362	205	22,357	38,482	728	152,481	8,318	1,308	18
19	Furniture and finished lumber products	3,999	3,102	1,869,506	142,009	56,131	73,721	29,295	562	43,864	23,446	815	137,008	7,458	466	19
20	Paper and allied products	2,126	1,848	3,510,239	345,350	158,505	197,707	69,596	365	127,745	77,119	239	74,019	3,073	340	20
21	Printing and publishing industries	10,337	8,021	3,744,193	590,971	319,227	352,134	97,830	1,862	252,442	101,558	2,036	101,050	6,825	564	21
22	Chemicals and allied products	6,476	4,414	9,359,336	1,059,701	413,926	562,368	225,502	1,249	335,617	368,606	1,772	550,655	28,736	8,236	22
23	Petroleum and coal products	482	311	9,617,216	370,575	13,014	108,896	98,260	115	10,521	346,497	131	767,502	19,193	14,074	23
24	Stone, clay, and glass products	2,875	1,952	2,201,259	224,032	82,084	119,577	52,857	529	66,192	61,052	818	141,887	12,938	1,454	24
25	Iron, steel, and products	6,719	5,068	17,079,571	1,290,452	724,556	787,473	212,072	3,967	571,435	296,485	1,458	1,432,797	49,029	19,842	25
26	Nonferrous metals and their products	2,518	1,853	3,861,582	276,312	110,203	143,928	58,469	1,009	84,450	103,921	587	128,285	8,190	493	26
27	Electrical machinery and equipment	1,942	1,345	6,702,501	619,199	372,694	395,338	90,272	798	304,267	143,640	526	445,441	24,938	1,621	27
28	Machinery, except transportation equipment and electrical	6,387	4,536	9,287,682	966,618	547,453	599,375	158,430	3,125	437,820	189,012	1,656	583,081	38,384	3,993	28
29	Automobiles and equipment, except electrical	646	501	1,955,981	184,623	127,053	123,077	22,232	467	100,379	20,256	119	1,133,334	14,470	4,879	29
30	Transportation equipment, except automobiles	1,157	739	16,734,426	1,051,356	622,584	650,499	161,874	3,142	485,463	292,015	363	501,662	34,766	1,461	30
31	Other manufacturing	4,119	2,853	2,628,897	261,043	138,874	154,139	45,681	1,081	107,377	49,828	1,098	122,440	8,651	1,563	31
32	Manufacturing not allocable	3,050	1,692	1,621,234	133,852	68,568	77,700	24,122	606	52,972	26,445	854	157,111	12,929	1,395	32
33	Public utilities	21,138	12,967	19,662,749	3,133,908	985,673	1,547,608	719,647	2,343	825,619	1,186,689	6,770	2,990,595	196,818	36,563	33
34	Transportation	14,133	8,611	11,983,223	1,459,879	576,399	799,429	320,061	2,124	477,244	345,184	4,583	2,621,876	147,324	24,436	34
35	Communication	3,856	2,260	2,719,947	703,925	216,702	315,776	131,917	74	183,786	355,255	1,334	224,457	14,812	2,501	35
36	Other public utilities	3,149	2,096	4,959,579	970,104	192,572	432,403	267,669	145	164,589	486,250	853	144,262	34,682	9,625	36
37	Trade	124,442	97,551	64,013,288	3,439,290	1,638,766	1,902,389	628,978	15,034	1,258,377	550,601	23,398	2,623,717	76,211	6,162	37
38	Wholesale	36,763	28,839	31,009,172	1,249,275	582,600	676,067	232,811	5,489	437,767	193,029	6,843	1,277,514	33,274	1,323	38
39	Commission merchants	5,494	3,861	1,598,788	95,542	36,823	46,722	17,641	396	28,685	22,078	1,457	133,321	4,247	149	39
40	Other wholesalers	31,269	24,978	29,410,385	1,153,732	545,778	629,345	215,170	5,093	409,082	170,951	5,386	1,144,193	29,026	1,173	40
41	Retail	72,955	57,682	27,982,207	1,922,222	973,903	1,099,856	334,639	8,052	757,165	320,358	13,527	1,030,694	33,338	3,538	41
42	General merchandise	5,435	4,686	9,708,976	958,460	608,158	619,113	141,620	1,834	475,658	168,309	641	120,873	2,558	1,316	42
43	Food stores, including market milk dealers	5,699	4,199	5,883,869	161,626	68,166	88,444	35,063	673	52,707	36,906	1,353	162,760	2,764	179	43
44	Package liquor stores	1,749	1,489	197,613	8,120	840	2,572	1,861	101	610	217	238	16,221	378	5	44
45	Drug stores	4,212	3,383	909,769	50,796	21,061	26,615	9,591	261	16,762	8,098	707	39,581	862	69	45
46	Apparel and accessories	10,412	9,072	3,427,728	273,824	147,291	156,768	42,330	1,826	112,613	32,949	1,148	67,370	2,594	57	46
47	Furniture and house furnishings	4,976	3,926	885,787	77,920	21,165	35,353	18,710	394	16,248	13,246	926	43,107	2,227	115	47
48	Eating and drinking places	9,976	6,719	1,283,629	74,138	28,399	36,139	14,092	441	21,606	10,271	3,031	193,355	7,116	176	48
49	Automotive dealers	8,171	6,205	1,303,111	71,779	12,595	27,552	16,881	562	10,108	8,564	1,642	105,340	4,279	162	49
50	Filling stations	1,792	1,182	234,238	14,392	5,365	7,497	2,880	49	4,568	3,785	539	30,715	771	11	50
51	Hardware	2,199	1,942	224,766	16,111	2,614	5,842	3,638	171	2,033	2,114	232	10,584	392	95	51
52	Building materials, fuel, and ice	7,109	5,723	1,411,606	84,061	17,343	34,645	19,696	812	14,137	16,469	1,232	92,244	5,291	1,256	52
53	Other retail trade	7,237	5,798	1,503,424	90,147	32,080	42,654	18,690	549	23,415	12,192	1,302	65,580	2,977	77	53
54	Retail trade not allocable	3,988	3,358	1,007,693	40,849	8,826	16,664	9,586	379	6,699	7,238	536	82,966	1,130	19	54
55	Trade not allocable	14,724	11,030	5,021,909	267,794	82,264	126,466	61,528	1,493	63,445	37,215	3,028	315,509	9,599	1,301	55

For footnotes, see pp. 16-17.

312

Table 1. - Corporation income and declared value excess-profits tax returns, 1/ 1945, by major industrial groups, for returns with net income and returns with no net income: Number of returns, total compiled receipts, net income or deficit, and dividends paid in cash and assets other than own stock; also, for returns with net income: Total tax, income tax, declared value excess-profits tax, excess profits tax, and adjusted excess profits net income - Continued

(Money figures in thousands of dollars)

	Major industrial groups 7/ - Continued	Total number of returns 8/	Returns with net income 2/									Returns with no net income 2/				
							Taxes									
			Number of returns	Total compiled receipts 10/	Net income 2/	Adjusted excess profits net income 11/	Total tax	Income tax 3/	Declared value excess-profits tax	Excess profits tax 4/	Dividends paid in cash and assets other than own stock	Number of returns	Total compiled receipts 10/	Deficit 2/	Dividends paid in cash and assets other than own stock	
56	Service	37,904	22,977	5,274,712	648,697	233,932	316,519	131,970	2,248	182,300	128,328	12,130	597,319	47,002	3,924	56
57	Hotels and other lodging places	4,381	3,129	1,004,424	111,990	35,259	53,262	25,533	532	27,197	11,092	1,105	91,747	8,859	443	57
58	Personal service	8,246	5,679	821,874	59,553	11,712	23,375	13,466	275	9,634	11,270	2,274	136,190	5,432	116	58
59	Business service	7,098	4,080	1,041,843	83,389	25,687	39,899	18,981	248	20,671	20,272	2,548	115,539	5,829	262	59
60	Automotive repair services and garages	3,080	1,982	49,033	10,487	1,359	3,479	2,286	90	1,102	1,086	993	32,584	1,607	2,703	60
61	Miscellaneous repair services, hand trades	1,530	961	104,609	7,363	2,328	3,187	1,361	30	1,795	510	528	17,571	1,145	37	61
62	Motion pictures	4,122	3,167	1,606,617	273,440	102,548	136,675	53,325	279	83,071	70,855	767	63,754	7,612	50	62
63	Amusement, except motion pictures	4,370	1,881	340,816	74,957	45,593	43,822	11,695	618	31,509	9,839	1,844	56,700	5,779	94	63
64	Other service, including schools	4,845	2,003	288,117	25,902	8,759	11,998	5,049	169	6,780	3,181	1,978	77,606	10,166	202	64
65	Service not allocable	232	95	17,379	1,616	687	821	275	7	540	224	93	5,629	574	17	65
66	Finance, insurance, real estate, and lessors of real property	141,527	88,806	9,732,271	3,756,042	74,574	666,793	602,980	3,174	60,638	1,067,800	45,005	1,092,671	262,141	47,781	66
67	Finance	32,695	23,838	4,143,285	1,753,569	23,865	406,514	385,726	1,242	19,547	798,838	7,344	91,291	67,584	28,268	67
68	Banks and trust companies	13,484	12,276	2,820,291	1,008,291	13,284	295,960	284,099	769	11,092	278,755	818	40,449	12,734	1,924	68
69	Long-term credit agencies, mortgage companies, except banks	3,048	1,696	29,008	8,038	62	2,089	2,031	19	38	1,938	1,232	4,853	8,374	1,015	69
70	Short-term credit agencies, except banks	3,536	2,322	212,016	56,840	2,707	21,112	18,899	59	2,153	25,068	937	14,358	2,558	473	70
71	Investment trusts and investment companies 12/	3,527	2,656	324,328	259,444	155	15,568	15,378	68	123	214,875	814	3,642	6,167	18,989	71
72	Other investment companies, including holding companies 13/	1,884	1,388	442,862	320,597	1,216	38,693	37,655	49	990	258,383	451	7,102	14,387	1,240	72
73	Security and commodity-exchange brokers and dealers	1,312	991	208,608	58,059	3,297	17,699	14,921	209	2,569	8,226	246	5,702	1,553	151	73
74	Other finance companies	1,499	655	58,130	26,553	1,962	10,671	8,991	25	1,655	6,004	653	7,997	11,416	461	74
75	Finance not allocable	4,405	1,854	48,041	15,749	1,183	4,722	3,750	45	927	5,589	2,193	7,187	10,394	4,015	75
76	Insurance carriers, agents, etc.	7,876	5,529	3,523,949	1,476,097	12,353	86,157	75,659	157	10,340	119,991	2,065	505,009	29,363	8,900	76
77	Insurance carriers	2,070	1,626	3,310,697	1,446,284	8,810	75,887	68,390	39	7,459	108,399	376	468,556	27,109	8,796	77
78	Insurance agents, brokers, etc.	5,806	3,903	213,251	29,813	3,542	10,270	7,270	119	2,881	11,592	1,689	36,453	2,254	104	78
79	Real estate, including lessors of buildings	94,136	55,955	1,859,364	423,177	27,424	131,643	108,465	1,699	21,479	86,384	32,796	464,073	144,556	9,518	79
80	Lessors of real property, except buildings	6,820	3,484	205,674	103,199	10,932	42,479	33,130	76	9,273	62,587	2,800	32,298	20,637	1,096	80
81	Construction	12,801	7,811	2,458,850	146,070	42,036	62,134	28,480	1,042	32,611	27,957	4,023	488,965	33,451	1,514	81
82	Agriculture, forestry, and fishery	6,528	3,865	893,856	149,892	41,613	63,727	32,848	631	30,249	25,923	2,287	99,516	16,079	1,661	82
83	Agriculture and services	5,964	3,568	847,807	142,890	39,626	60,779	31,473	613	28,693	24,402	2,069	93,951	13,481	1,592	83
84	Forestry	284	145	16,297	2,559	33	724	690	6	28	1,316	116	2,233	2,058	67	84
85	Fishery	280	152	29,753	4,442	1,955	2,224	685	12	1,528	205	102	3,332	541	2	85
86	Nature of business not allocable	17,027	1,908	139,661	15,283	2,022	5,362	3,492	115	1,755	3,036	3,459	26,569	10,949	2,466	86

For footnotes, see pp. 16-17.

Table 1-A. - Consolidated corporation income and declared value excess-profits tax returns, 1/ 1945, by major industrial groups, for returns with net income and returns with no net income: Number of returns, number of subsidiaries, total compiled receipts, net income or deficit, and dividends paid in cash and assets other than own stock; also, for returns with net income: Total tax, income tax, declared value excess-profits tax, excess profits tax, and adjusted excess profits net income

(Money figures in thousands of dollars)

	Major industrial groups 7/	Total number of consolidated returns 8/	Returns with net income 2/: Number of returns	Returns with net income 2/: Number of subsidiaries 9/	Returns with net income 2/: Total compiled receipts 10/	Returns with net income 2/: Net income 2/	Returns with net income 2/: Adjusted excess profits net income 11/	Taxes: Total tax	Taxes: Income tax 3/	Taxes: Declared value excess-profits tax	Taxes: Excess profits tax 4/	Returns with net income 2/: Dividends paid in cash and assets other than own stock	Returns with no net income 2/: Number of returns	Returns with no net income 2/: Number of subsidiaries 9/	Returns with no net income 2/: Total compiled receipts 10/	Returns with no net income 2/: Deficit 2/	Returns with no net income 2/: Dividends paid in cash and assets other than own stock	
1	All industrial groups	1,412	1,080	5,151	29,702,047	2,035,203	615,382	987,047	485,060	2,201	499,786	992,952	329	942	1,871,296	149,595	23,154	1
2	Mining and quarrying	85	58	227	660,410	47,486	1,530	15,630	14,277	45	1,308	26,689	27	89	69,605	4,340	685	2
3	Metal mining	8	5	27	162,244	13,104	-	4,220	4,210	11	-	11,201	3	3	1,157	91	-	3
4	Anthracite mining	9	7	56	161,045	4,958	-	1,416	1,416	(14)	-	2,440	2	2	1,504	109	-	4
5	Bituminous coal, lignite, peat, etc.	25	17	74	165,190	6,933	21	2,686	2,665	4	18	2,197	8	28	43,376	2,113	9	5
6	Crude petroleum and natural gas production	34	23	54	143,559	19,321	860	5,917	5,152	30	735	9,016	11	52	21,715	1,869	676	6
7	Nonmetallic mining and quarrying	8	6	16	28,372	3,169	650	1,390	835	-	555	1,836	2	3	1,783	150	-	7
8	Mining and quarrying not allocable	1	-	-	-	-	-	-	-	-	-	-	1	1	70	9	-	8
9	Manufacturing	454	363	1,715	19,437,145	993,294	311,504	485,490	236,432	1,514	247,544	609,829	91	225	1,085,618	42,455	10,866	9
10	Food and kindred products	40	31	216	1,112,856	72,196	38,649	45,923	13,904	72	31,947	18,324	9	18	21,325	1,173	23	10
11	Beverages	18	13	23	133,341	9,460	1,227	4,434	3,422	10	1,003	2,264	5	15	19,222	346	88	11
12	Tobacco manufactures	1	1	2	472	34	-	12	12	-	-	-	-	-	-	-	-	12
13	Cotton manufactures	6	6	10	79,915	6,655	3,864	3,530	1,857	1	1,672	993	-	-	-	-	-	13
14	Textile-mill products, except cotton	22	18	44	270,796	30,011	21,690	20,715	3,375	8	17,332	8,345	4	4	3,485	122	-	14
15	Apparel and products made from fabrics	10	8	15	16,336	1,379	384	689	366	1	322	195	2	2	4,923	5	-	15
16	Leather and products	5	5	8	58,128	3,364	850	1,656	1,064	20	571	369	-	-	-	-	-	16
17	Rubber products	5	5	45	894,157	62,171	46,965	45,131	6,336	105	38,690	9,493	-	-	-	-	-	17
18	Lumber and timber basic products	21	14	22	31,997	2,939	259	983	758	3	222	1,457	7	9	6,051	167	-	18
19	Furniture and finished lumber products	10	8	11	12,204	1,372	207	528	350	1	177	351	2	5	7,097	232	50	19
20	Paper and allied products	11	10	21	124,904	11,156	4,427	5,904	2,296	7	3,601	1,798	1	1	1,555	60	-	20
21	Printing and publishing industries	36	32	120	219,328	30,243	9,312	16,310	8,374	29	7,907	7,604	4	7	3,638	143	-	21
22	Chemicals and allied products	41	33	128	599,118	44,087	12,069	22,392	12,932	15	9,445	19,259	8	29	46,427	1,283	726	22
23	Petroleum and coal products	26	21	262	5,675,602	196,159	-	50,814	50,771	43	-	214,566	5	38	503,021	15,197	8,290	23
24	Stone, clay, and glass products	20	15	25	63,623	4,918	1,740	2,658	1,158	13	1,488	1,007	5	8	14,150	1,732	20	24
25	Iron, steel, and products	49	38	222	3,123,742	96,443	39,339	54,921	22,924	420	31,576	68,018	11	35	179,028	8,540	1,439	25
26	Nonferrous metals and their products	18	12	89	1,145,164	51,109	3,196	18,989	16,389	(14)	2,599	46,943	6	9	19,195	1,538	101	26
27	Electrical machinery and equipment	19	14	97	234,895	23,916	3,002	9,257	6,741	115	2,402	14,378	5	9	13,640	1,132	50	27
28	Machinery, except transportation equipment and electrical	33	29	67	303,980	32,014	25,863	22,033	2,317	279	19,436	4,560	4	5	5,351	457	-	28
29	Automobiles and equipment, except electrical	8	6	11	84,654	5,763	893	2,719	2,025	-	694	790	2	3	8,393	99	32	29
30	Transportation equipment, except automobiles	25	18	126	5,094,713	293,920	96,071	149,757	74,167	230	75,360	181,376	7	23	227,537	10,070	25	30
31	Other manufacturing	19	15	29	38,981	4,883	1,290	2,432	1,369	139	924	1,244	4	5	1,583	160	22	31
32	Manufacturing not allocable	11	11	122	118,239	9,102	206	3,704	3,524	3	176	6,495	-	-	-	-	-	32
33	Public utilities	219	171	1,200	6,153,613	748,016	243,186	381,322	176,251	436	204,635	272,714	48	242	539,736	85,081	8,908	33
34	Transportation	134	102	541	4,444,444	475,309	213,902	277,611	97,613	401	179,597	129,344	32	173	467,859	56,333	966	34
35	Communication	9	8	33	32,176	5,727	280	2,359	2,119	1	239	909	1	4	376	98	1	35
36	Other public utilities	76	61	626	1,676,992	266,980	29,004	101,352	76,520	33	24,799	142,461	15	65	71,501	28,650	7,941	36
37	Trade	226	192	596	2,469,411	102,355	41,739	56,154	24,002	108	32,044	26,837	34	64	30,518	1,455	575	37
38	Wholesale	97	85	205	599,400	26,828	4,997	12,253	8,251	45	3,957	9,450	12	16	14,070	731	24	38
39	Commission merchants	10	6	6	9,178	811	278	448	215	-	233	101	4	5	1,642	31	-	39
40	Other wholesalers	87	79	199	590,222	26,017	4,719	11,805	8,036	45	3,724	9,349	8	11	12,428	700	24	40
41	Retail	110	91	358	1,822,084	72,511	34,781	41,914	15,329	61	26,524	17,189	19	45	11,870	408	13	41
42	General merchandise	15	15	111	473,039	36,840	22,659	22,291	5,921	31	16,340	6,546	-	-	-	-	-	42
43	Food stores, including market milk dealers	15	13	54	1,028,317	17,710	5,337	9,537	4,977	22	4,538	5,562	2	2	583	5	-	43
44	Package liquor stores	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44
45	Drug stores	3	2	3	871	48	-	14	14	(14)	-	-	1	2	289	20	-	45
46	Apparel and accessories	18	16	60	97,375	6,018	2,901	3,678	1,342	1	2,335	1,162	2	7	634	23	-	46
47	Furniture and house furnishings	6	5	9	29,275	2,793	1,492	1,820	543	2	1,275	442	1	3	3,480	68	-	47
48	Eating and drinking places	18	15	65	115,249	5,857	2,245	3,332	1,410	3	1,919	2,582	3	10	2,582	83	-	48
49	Automotive dealers	9	8	14	8,455	789	114	295	196	1	98	306	1	3	1,125	29	13	49
50	Filling stations	4	1	1	107	5	-	1	1	-	-	-	3	3	1,341	58	-	50
51	Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51
52	Building materials, fuel, and ice	10	8	22	28,256	778	-	300	298	1	-	158	2	2	664	98	-	52
53	Other retail trade	8	6	12	33,025	1,471	33	618	600	(14)	18	427	2	7	243	7	-	53
54	Retail trade not allocable	4	2	7	8,115	202	-	28	27	1	-	5	2	6	928	17	-	54
55	Trade not allocable	19	16	33	47,928	3,017	1,961	1,986	422	2	1,563	198	3	3	4,579	316	539	55

For footnotes, see pp. 16-17.

Table 1-A. - Consolidated corporation income and declared value excess-profits tax returns, 1/ 1945, by major industrial groups, for returns with net income and returns with no net income: Number of returns, number of subsidiaries, total compiled receipts, net income or deficit, and dividends paid in cash and assets other than own stock; also, for returns with net income: Total tax, income tax, declared value excess-profits tax, excess profits tax, and adjusted excess profits net income - Continued

(Money figures in thousands of dollars)

	Major industrial groups 7/ - Continued	Total number of consolidated returns 8/	Returns with net income 2/										Returns with no net income 2/					
			Number of returns	Number of subsidiaries 9/	Total compiled receipts 10/	Net income 2/	Adjusted excess profits net income 11/	Taxes				Dividends paid in cash and assets other than own stock	Number or returns	Number of subsidiaries 9/	Total compiled receipts 10/	Deficit 2/	Dividends paid in cash and assets other than own stock	
								Total tax	Income tax 3/	Declared value excess-profits tax	Excess profits tax 4/							
56	Service	84	69	226	117,817	14,236	3,977	6,650	3,805	52	2,793	2,023	15	59	25,120	2,530	-	56
57	Hotels and other lodging places	21	18	58	21,201	2,638	447	935	679	17	239	191	3	3	4,307	81	-	57
58	Personal service	5	5	5	603	27	-	6	6	-	-	9	-	-	-	-	-	58
59	Business service	8	6	30	3,167	368	(14)	120	119	1	(14)	18	2	8	2,901	110	-	59
60	Automotive repair services and garages	3	3	9	2,237	46	-	13	13	(14)	-	17	-	-	-	-	-	60
61	Miscellaneous repair services, hand trades	1	1	1	314	11	-	3	3	-	-	2	-	-	-	-	-	61
62	Motion pictures	24	21	62	64,188	7,168	1,734	3,684	2,210	27	1,448	1,248	3	34	10,637	1,306	-	62
63	Amusement, except motion pictures	12	9	52	22,622	3,726	1,796	1,818	705	7	1,106	535	3	4	5,110	486	-	63
64	Other service, including schools	10	6	9	3,485	252	-	70	70	-	-	4	4	10	2,166	549	-	64
65	Service not allocable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65
66	Finance, insurance, real estate, and lessors of real property	287	193	1,083	645,774	91,149	1,522	24,181	22,860	20	1,301	51,326	92	229	95,118	10,834	2,041	66
67	Finance	73	54	555	199,781	55,241	6	13,877	13,868	4	5	32,700	19	24	2,134	1,326	1	67
68	Banks and trust companies	21	18	100	72,376	20,907	6	6,302	6,296	1	5	11,389	3	4	1,388	693	-	68
69	Long-term credit agencies, mortgage companies, except banks	3	-	-	-	-	-	-	-	-	-	-	3	4	450	74	-	69
70	Short-term credit agencies, except banks	20	16	385	47,653	10,609	-	4,392	4,390	3	-	4,560	4	5	167	22	-	70
71	Investment trusts and investment companies 12/	7	5	21	20,369	1,258	-	106	106	-	-	452	2	2	(14)	14	-	71
72	Other investment companies, including holding companies 13/	12	8	26	35,572	18,471	-	1,738	1,738	-	-	15,461	4	6	64	498	1	72
73	Security and commodity-exchange brokers and dealers	5	5	10	10,028	1,802	-	734	734	-	-	89	-	-	-	-	-	73
74	Other finance companies	1	1	2	4,608	472	-	198	198	-	-	-	-	-	-	-	-	74
75	Finance not allocable	4	1	11	9,175	1,722	-	407	407	-	-	751	3	3	65	25	-	75
76	Insurance carriers, agents, etc.	30	21	61	361,019	19,461	301	4,688	4,429	1	258	15,693	9	42	71,485	1,868	1,003	76
77	Insurance carriers	22	15	49	350,578	16,875	155	4,073	3,941	(14)	132	12,596	7	40	71,268	1,856	1,003	77
78	Insurance agents, brokers, etc.	8	6	12	10,441	2,586	146	614	489	1	125	3,097	2	2	217	12	-	78
79	Real estate, including lessors of buildings	166	110	448	78,062	12,974	1,215	4,311	3,257	16	1,038	2,102	56	152	21,088	4,922	854	79
80	Lessors of real property, except buildings	18	8	19	6,912	3,474	-	1,305	1,305	-	-	830	8	11	411	2,718	184	80
81	Construction	35	22	65	73,037	6,465	1,140	2,918	1,955	15	948	3,144	13	22	23,460	2,645	21	81
82	Agriculture, forestry, and fishery	13	9	34	143,089	31,459	10,784	14,430	5,206	11	9,213	385	4	6	402	61	-	82
83	Agriculture and services	13	9	34	143,089	31,459	10,784	14,430	5,206	11	9,213	385	4	6	402	61	-	83
84	Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	84
85	Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85
86	Nature of business not allocable	9	3	5	1,751	743	-	271	271	-	-	5	5	6	1,718	193	58	86

For footnotes, see pp. 16-17.

Table 2. - Corporation income and declared value excess-profits tax returns, 1/ 1945, by major industrial groups, for returns with net income and returns with no net income: Dividends received on stock of domestic corporations and interest received on Government obligations

(Money figures in thousands of dollars)

	Major industrial groups 7/	Returns with net income 2/						Returns with no net income 2/						
		Dividends received on stock of domestic corporations 15/	Interest received on Government obligations (less amortizable bond premium)					Dividends received on stock of domestic corporations 15/	Interest received on Government obligations (less amortizable bond premium)					
			Total	Wholly taxable 16/	Subject to declared value excess-profits tax and surtax 17/	Subject to surtax only 18/	Wholly tax-exempt 19/		Total	Wholly taxable 16/	Subject to declared value excess-profits tax and surtax 17/	Subject to surtax only 18/	Wholly tax-exempt 19/	
1	All industrial groups	1,387,847	1,978,735	1,475,113	296,345	5,501	201,776	30,587	35,115	25,332	4,914	91	4,778	1
2	Mining and quarrying	20,792	6,551	5,822	517	28	184	791	636	492	46	1	97	2
3	Metal mining	7,974	3,376	3,193	122	(14)	61	38	277	243	27	1	6	3
4	Anthracite mining	111	320	293	24	(14)	3	4	17	15	2	-	(14)	4
5	Bituminous coal, lignite, peat, etc.	3,241	1,337	1,136	146	23	32	116	77	64	11	-	2	5
6	Crude petroleum and natural gas production	8,272	899	672	170	2	56	582	215	151	4	(14)	60	6
7	Nonmetallic mining and quarrying	1,194	613	522	56	3	32	52	50	20	1	(14)	29	7
8	Mining and quarrying not allocable	(14)	5	5	-	-	-	-	1	(14)	(14)	-	-	8
9	Manufacturing	351,657	122,519	105,076	10,573	443	6,427	5,888	4,041	3,519	376	5	141	9
10	Food and kindred products	20,644	7,423	5,947	656	13	808	119	188	133	19	(14)	36	10
11	Beverages	3,621	2,235	1,876	118	7	235	136	56	48	(14)	-	7	11
12	Tobacco manufactures	3,827	380	176	125	2	77	-	-	-	-	-	-	12
13	Cotton manufactures	6,218	2,253	2,060	85	9	98	40	26	26	-	-	-	13
14	Textile-mill products, except cotton	5,600	4,530	4,317	72	4	137	18	36	31	1	1	2	14
15	Apparel and products made from fabrics	1,711	1,756	1,560	134	2	61	22	26	26	-	-	-	15
16	Leather and products	1,569	1,546	1,426	61	2	57	26	25	25	(14)	-	(14)	16
17	Rubber products	1,530	2,572	2,515	48	4	5	53	21	21	(14)	-	(14)	17
18	Lumber and timber basic products	2,709	1,858	1,664	71	14	110	16	74	70	2	2	(14)	18
19	Furniture and finished lumber products	1,527	1,795	1,430	171	15	178	80	53	42	3	-	7	19
20	Paper and allied products	7,698	4,314	3,675	415	5	220	116	41	41	(14)	(14)	(14)	20
21	Printing and publishing industries	14,211	6,133	4,572	1,113	30	417	30	42	38	2	(14)	1	21
22	Chemicals and allied products	83,393	9,851	8,597	624	23	608	287	676	480	184	-	11	22
23	Petroleum and coal products	94,240	8,468	6,580	1,251	88	549	695	310	304	3	(14)	3	23
24	Stone, clay, and glass products	3,285	3,291	2,772	409	6	104	67	99	89	4	(14)	4	24
25	Iron, steel, and products	27,398	21,595	19,504	1,333	47	711	1,972	1,068	1,019	31	(14)	18	25
26	Nonferrous metals and their products	13,640	4,115	3,933	92	2	88	47	74	73	-	-	(14)	26
27	Electrical machinery and equipment	18,425	5,736	4,110	1,082	97	446	139	231	223	7	(14)	(14)	27
28	Machinery, except transportation equipment and electrical	10,162	12,043	9,398	1,348	41	1,257	239	256	220	24	(14)	11	28
29	Automobiles and equipment, except electrical	1,063	28	15	-	(14)	13	436	387	268	94	-	26	29
30	Transportation equipment, except automobiles	24,562	16,390	15,423	890	25	53	1,318	203	203	-	-	(14)	30
31	Other manufacturing	3,285	2,605	2,069	397	2	138	29	93	83	(14)	-	10	31
32	Manufacturing not allocable	1,337	1,600	1,457	80	5	58	3	58	57	(14)	-	1	32
33	Public utilities	315,222	35,685	30,554	2,346	89	2,695	7,451	2,126	1,881	100	1	145	33
34	Transportation	69,967	22,192	17,810	2,003	49	2,330	6,622	1,552	1,342	75	(14)	134	34
35	Communication	176,997	5,127	5,042	43	3	39	826	385	371	3	(14)	10	35
36	Other public utilities	68,257	8,366	7,703	299	37	326	3	189	167	21	(14)	(14)	36
37	Trade	47,674	28,482	25,659	1,572	123	1,127	725	571	531	18	2	19	37
38	Wholesale	24,887	9,797	8,963	341	55	438	204	248	224	9	1	15	38
39	Commission merchants	7,388	825	740	17	6	61	22	37	34	2	-	1	39
40	Other wholesalers	17,499	8,972	8,223	324	49	376	183	211	190	7	1	14	40
41	Retail	19,733	16,808	14,963	1,146	57	642	481	245	233	9	1	2	41
42	General merchandise	10,158	8,483	7,991	330	24	138	245	77	76	1	-	(14)	42
43	Food stores, including market milk dealers	1,168	1,932	1,278	546	3	105	5	2	2	-	-	-	43
44	Package liquor stores	9	16	15	-	-	(14)	-	(14)	(14)	-	-	-	44
45	Drug stores	1,012	327	314	5	1	7	(14)	(14)	(14)	-	-	-	45
46	Apparel and accessories	3,088	1,961	1,647	32	3	279	10	9	8	(14)	-	-	46
47	Furniture and house furnishings	634	1,125	1,078	24	2	21	2	20	20	-	-	-	47
48	Eating and drinking places	429	461	410	22	2	28	16	10	7	3	-	(14)	48
49	Automotive dealers	647	614	555	51	3	4	130	63	63	-	-	-	49
50	Filling stations	246	108	61	38	6	3	10	8	7	1	-	(14)	50
51	Hardware	108	113	109	2	(14)	2	(14)	1	1	-	-	-	51
52	Building materials, fuel, and ice	931	709	647	30	10	22	54	24	20	3	(14)	1	52
53	Other retail trade	775	577	530	26	2	18	2	18	18	(14)	(14)	(14)	53
54	Retail trade not allocable	528	382	328	39	1	14	8	13	12	1	(14)	(14)	54
55	Trade not allocable	3,055	1,877	1,733	86	11	48	40	77	74	(14)	1	2	55

For footnotes, see pp. 16-17.

Table 2. - Corporation income and declared value excess-profits tax returns, 1/ 1945, by major industrial groups, for returns with net income and returns with no net income: Dividends received on stock of domestic corporations and interest received on Government obligations - Continued

(Money figures in thousands of dollars)

	Major industrial groups 7/ - Continued	Returns with net income 2/						Returns with no net income 2/						
		Dividends received on stock of domestic corporations 15/	Interest received on Government obligations (less amortizable bond premium)					Dividends received on stock of domestic corporations 15/	Interest received on Government obligations (less amortizable bond premium)					
			Total	Wholly taxable 16/	Subject to declared value excess-profits tax and surtax 17/	Subject to surtax only 18/	Wholly tax-exempt 19/		Total	Wholly taxable 16/	Subject to declared value excess-profits tax and surtax 17/	Subject to surtax only 18/	Wholly tax-exempt 19/	
56	Service	38,885	3,828	3,497	139	22	171	284	735	657	71	1	7	56
57	Hotels and other lodging places	1,291	1,200	1,148	15	5	31	13	348	330	17	-	(14)	57
58	Personal service	861	276	227	18	4	28	5	12	11	(14)	(14)	(14)	58
59	Business service	2,367	608	510	58	5	34	10	109	59	47	1	3	59
60	Automotive repair services and garages	34	39	35	1	(14)	2	6	134	134	(14)	-	(14)	60
61	Miscellaneous repair services, hand trades	23	50	49	(14)	(14)	(14)	(14)	1	1	-	-	-	61
62	Motion pictures	33,762	1,046	1,015	15	1	14	20	6	5	(14)	(14)	-	62
63	Amusement, except motion pictures	250	289	276	8	1	4	184	56	56	(14)	(14)	(14)	63
64	Other service, including schools	200	313	229	23	5	57	44	70	60	6	(14)	3	64
65	Service not allocable	96	8	8	-	-	-	-	(14)	(14)	-	-	-	65
66	Finance, insurance, real estate, and lessors of real property	589,535	1,778,527	1,302,270	280,692	4,783	190,783	14,715	26,293	17,755	4,276	75	4,187	66
67	Finance	454,601	1,256,463	869,459	240,357	3,891	142,757	4,168	14,160	10,947	648	28	2,537	67
68	Banks and trust companies	16,492	1,220,577	843,468	234,893	3,778	138,438	320	12,622	10,057	577	24	1,965	68
69	Long-term credit agencies, mortgage companies, except banks	197	232	167	6	4	54	28	35	29	3	(14)	3	69
70	Short-term credit agencies, except banks	2,393	1,395	1,320	26	9	40	63	154	122	1	(14)	31	70
71	Investment trusts and investment companies 12/	157,655	9,341	7,661	672	35	973	1,727	203	150	21	1	31	71
72	Other investment companies, including holding companies 13/	266,096	3,980	2,922	405	5	648	1,643	244	201	21	3	19	72
73	Security and commodity-exchange brokers and dealers	10,226	17,753	11,305	4,267	57	2,123	94	323	32	3	(14)	287	73
74	Other finance companies	486	178	137	37	(14)	4	179	30	16	(14)	(14)	14	74
75	Finance not allocable	1,056	3,008	2,478	51	1	476	115	548	341	21	1	186	75
76	Insurance carriers, agents, etc.	117,876	514,966	427,039	39,815	832	47,279	9,220	9,639	4,509	3,554	33	1,542	76
77	Insurance carriers	114,480	514,586	426,718	39,791	827	47,250	9,197	9,579	4,465	3,539	33	1,541	77
78	Insurance agents, brokers, etc.	3,396	380	321	24	5	29	23	60	44	15	(14)	1	78
79	Real estate, including lessors of buildings	15,402	6,062	4,952	417	57	637	1,221	989	823	51	13	102	79
80	Lessors of real property, except buildings	1,656	1,036	820	103	3	110	106	1,506	1,476	23	1	6	80
81	Construction	10,786	1,755	1,490	104	8	153	513	589	423	22	4	140	81
82	Agriculture, forestry, and fishery	12,462	1,185	631	397	5	153	148	58	52	4	(14)	2	82
83	Agriculture and services	12,402	1,117	571	395	4	148	128	57	50	4	(14)	2	83
84	Forestry	33	40	32	2	(14)	5	20	1	1	-	-	-	84
85	Fishery	27	28	28	-	(14)	(14)	-	(14)	(14)	-	-	-	85
86	Nature of business not allocable	835	203	114	4	1	83	71	65	22	2	1	40	86

For footnotes, see pp. 16-17.

Table 3. - Taxable corporation excess profits tax returns, 1/ 1945, by adjusted excess profits net income classes and by method of credit computation: Number of returns, excess profits net income, excess profits credit, adjusted excess profits net income, and excess profits tax

(Income classes and money figures in thousands of dollars)

Adjusted excess profits net income classes 6/	Number of returns	Excess profits net income 5/	Excess profits credit 20/	Adjusted excess profits net income 6/	Excess profits tax 4/ less 10 percent credit
		Aggregate			
Under 5	12,537	292,177	135,101	27,034	21,447
5 under 10	6,504	213,007	96,110	47,525	37,360
10 under 15	4,347	173,074	73,130	53,708	42,180
15 under 20	3,112	155,247	68,357	53,926	42,203
20 under 25	2,465	142,463	61,149	55,332	43,129
25 under 50	7,371	597,571	253,777	264,322	208,260
50 under 100	5,711	759,442	287,729	404,562	315,590
100 under 250	5,210	1,393,888	478,751	820,078	632,103
250 under 500	2,266	1,228,765	401,897	794,619	606,537
500 under 1,000	1,276	1,464,548	556,024	892,918	683,353
1,000 under 2,000	681	1,504,039	537,656	952,926	729,191
2,000 under 3,000	246	1,030,977	423,704	599,012	468,098
3,000 under 4,000	101	523,184	168,179	353,506	270,631
4,000 under 5,000	62	435,125	158,877	275,628	218,710
5,000 under 10,000	130	1,335,827	453,570	880,955	701,114
10,000 under 15,000	31	659,987	268,956	390,722	311,362
15,000 under 20,000	17	445,452	140,649	304,634	245,348
20,000 under 25,000	10	352,641	124,763	227,779	186,203
25,000 and over	21	1,458,137	489,042	968,885	793,711
Total	52,098	14,165,550	5,177,420	8,368,073	6,556,529
		Invested capital method			
Under 5	10,004	206,542	81,884	21,373	16,823
5 under 10	4,949	144,714	56,751	36,032	28,059
10 under 15	3,222	117,516	43,738	39,718	30,969
15 under 20	2,228	98,421	36,198	38,659	29,891
20 under 25	1,727	90,191	33,509	38,680	30,006
25 under 50	4,848	342,710	117,433	173,410	135,826
50 under 100	3,475	424,648	142,391	244,716	188,160
100 under 250	2,923	727,030	206,544	458,415	347,121
250 under 500	1,226	607,615	166,126	426,695	319,291
500 under 1,000	656	670,590	204,817	458,647	344,783
1,000 under 2,000	311	597,877	158,125	435,307	324,036
2,000 under 3,000	109	417,666	150,573	265,020	202,035
3,000 under 4,000	46	213,473	50,725	162,288	117,917
4,000 under 5,000	23	126,239	24,918	101,091	79,062
5,000 under 10,000	49	434,222	118,403	315,329	246,900
10,000 under 15,000	13	251,625	88,731	162,764	128,561
15,000 under 20,000	8	197,804	51,272	146,453	114,396
20,000 under 25,000	6	205,317	64,342	140,915	114,377
25,000 and over	8	514,483	185,103	329,299	273,237
Total	35,831	6,388,683	1,981,584	3,994,810	3,071,449
		Income method - aggregate			
Under 5	2,533	85,635	53,217	5,661	4,624
5 under 10	1,555	68,293	39,359	11,493	9,301
10 under 15	1,125	55,558	29,392	13,990	11,211
15 under 20	884	56,826	32,159	15,267	12,312
20 under 25	738	52,272	27,640	16,652	13,123
25 under 50	2,523	254,861	136,344	90,912	72,434
50 under 100	2,236	334,794	145,338	159,846	127,430
100 under 250	2,287	666,858	272,207	361,663	284,982
250 under 500	1,040	621,150	235,771	367,924	287,246
500 under 1,000	620	793,958	351,207	434,271	338,570
1,000 under 2,000	370	906,162	379,531	517,619	405,155
2,000 under 3,000	137	613,311	273,131	333,992	266,063
3,000 under 4,000	55	309,711	117,454	191,218	152,714
4,000 under 5,000	39	308,886	133,959	174,537	139,648
5,000 under 10,000	81	901,605	335,167	565,626	454,214
10,000 under 15,000	18	408,362	180,225	227,958	182,801
15,000 under 20,000	9	247,648	89,377	158,181	130,952
20,000 under 25,000	4	147,324	60,421	86,864	71,826
25,000 and over	13	943,654	303,939	639,586	520,474
Total	16,267	7,776,867	3,195,836	4,373,263	3,485,080

For footnotes, see pp. 16-17.

Table 3. - Taxable corporation excess profits tax returns, 1/ 1945, by adjusted excess profits net income classes and by method of credit computation: Number of returns, excess profits net income, excess profits credit, adjusted excess profits net income, and excess profits tax - Continued

(Income classes and money figures in thousands of dollars)

Adjusted excess profits net income classes 6/	Number of returns	Excess profits net income 5/	Excess profits credit 20/	Adjusted excess profits net income 6/	Excess profits tax 4/ less 10 percent credit
Income method - general average					
Under 5	1,219	38,927	23,179	2,763	2,262
5 under 10	766	34,638	20,001	5,606	4,581
10 under 15	571	28,695	15,332	7,105	5,725
15 under 20	444	25,473	13,169	7,658	6,258
20 under 25	382	25,721	12,705	8,715	6,867
25 under 50	1,316	147,089	84,687	47,682	38,299
50 under 100	1,153	172,492	72,979	82,068	65,624
100 under 250	1,158	332,759	132,180	182,212	144,860
250 under 500	549	325,493	120,770	192,583	151,783
500 under 1,000	327	390,681	156,663	229,950	181,855
1,000 under 2,000	193	491,743	220,284	269,461	211,955
2,000 under 3,000	61	227,190	77,945	148,578	118,963
3,000 under 4,000	30	174,217	69,857	103,571	81,766
4,000 under 5,000	14	100,241	38,063	62,038	50,686
5,000 under 10,000	48	523,876	186,682	336,713	271,449
10,000 under 15,000	8	188,655	87,072	101,503	82,028
15,000 under 20,000	3	77,082	21,642	55,410	45,349
20,000 under 25,000	2	76,425	34,238	42,167	33,610
25,000 and over	7	635,371	233,138	402,164	333,573
Total	8,251	4,016,767	1,620,585	2,287,950	1,837,492
Income method - increased earnings					
Under 5	1,314	46,708	30,038	2,898	2,362
5 under 10	789	33,655	19,358	5,887	4,720
10 under 15	554	26,863	14,060	6,885	5,486
15 under 20	440	31,353	18,990	7,609	6,054
20 under 25	356	26,551	14,935	7,937	6,256
25 under 50	1,207	107,772	51,657	43,230	34,135
50 under 100	1,083	162,302	72,359	77,778	61,806
100 under 250	1,129	334,099	140,027	179,451	140,122
250 under 500	491	295,657	115,001	175,341	135,463
500 under 1,000	293	403,277	194,544	204,321	156,715
1,000 under 2,000	177	414,419	159,247	248,158	193,200
2,000 under 3,000	76	386,121	195,186	185,414	147,100
3,000 under 4,000	25	135,494	47,597	87,647	70,948
4,000 under 5,000	25	208,645	95,896	112,499	88,962
5,000 under 10,000	33	377,729	148,485	228,913	182,765
10,000 under 15,000	10	219,707	93,153	126,455	100,773
15,000 under 20,000	6	170,566	67,735	102,771	85,603
20,000 under 25,000	2	70,899	26,183	44,697	38,216
25,000 and over	6	308,283	70,801	237,422	186,901
Total	8,016	3,760,100	1,575,251	2,085,313	1,647,588

For footnotes, see pp. 16-17.

Table 4. - Corporation returns, 1/ 1936-1945: Historical summary of selected items from income and declared value excess-profits tax returns, and excess profits tax returns

(Money figures in thousands of dollars)

Line	Item	1945 21/	1944	1943	1942	1941	1940	1939	1938	1937	1936	Line
	Income and declared value excess-profits tax returns											
	All income and declared value excess-profits tax returns:											
1	Number (excluding returns of inactive corporations)	419,365	412,467	420,521	442,665	468,906	473,042	469,617	471,032	477,838	478,857	1
2	Total compiled receipts 10/	255,318,339	262,200,531	249,592,493	217,680,512	190,432,017	148,236,787	132,878,224	120,453,946	142,443,379	132,722,602	2
3	Net income less deficit 2/	21,139,136	26,304,481	27,819,245	23,051,611	16,332,542	8,919,429	6,734,565	3,672,882	7,353,991	7,326,218	3
4	Total tax liability	10,793,111	14,884,050	15,925,582	12,256,396	7,167,902	2,548,546	1,232,256	859,566	1,276,172	1,191,378	4
5	Income tax	3/4,181,694	3/4,353,620	22/4,479,166	22/4,337,728	23/3,744,568	25/2,144,292	1,216,450	27/853,578	28/1,232,837	29/1,169,765	5
6	Declared value excess-profits tax	54,888	98,668	154,934	66,854	64,149	26/30,744	15,806	5,988	43,335	21,613	6
7	Excess profits tax 4/	6,556,529	10,431,762	11,291,483	7,851,814	3,359,186	373,511	-	-	-	-	7
8	Dividends paid in cash and assets other than own stock	6,068,507	6,057,043	5,727,676	5,607,085	6,700,787	6,088,781	5,746,739	5,013,433	7,514,017	7,379,333	8
	Returns with net income: 2/											
9	Number	301,259	288,904	283,735	269,942	264,628	220,977	199,479	169,884	192,028	203,161	9
10	Total compiled receipts 10/	238,916,192	252,962,944	240,676,898	206,160,215	175,181,820	125,180,472	105,658,338	80,267,477	109,202,739	105,011,693	10
11	Net income 2/	22,165,385	27,123,741	28,717,966	24,052,358	18,111,095	11,203,224	8,826,713	6,525,979	9,634,837	9,478,241	11
12	Total tax liability	10,793,111	14,884,050	15,925,582	12,256,396	7,167,902	2,548,546	1,232,256	859,566	1,276,172	1,191,378	12
13	Income tax	3/4,181,694	3/4,353,620	22/4,479,166	22/4,337,728	23/3,744,568	25/2,144,292	1,216,450	27/853,578	28/1,232,837	29/1,169,765	13
14	Declared value excess-profit tax	54,888	98,668	154,934	66,854	64,149	26/30,744	15,806	5,988	43,335	21,613	14
15	Excess profits tax 4/	6,556,529	10,431,762	11,291,483	7,851,814	3,359,186	373,511	-	-	-	-	15
16	Dividends paid in cash and assets other than own stock	5,888,730	5,968,526	5,631,023	5,490,167	6,518,177	5,888,325	5,562,273	4,780,202	7,308,774	7,179,220	16
	Returns with no net income: 2/											
17	Number	118,106	123,563	136,786	172,723	204,278	252,065	270,138	301,148	285,810	275,696	17
18	Total compiled receipts 10/	16,402,147	9,237,587	8,915,595	11,520,297	15,250,197	23,056,316	27,219,886	40,186,469	33,240,640	27,710,909	18
19	Deficit 2/	1,026,250	819,260	898,722	1,000,746	1,778,553	2,283,795	2,092,148	2,853,098	2,280,846	2,152,024	19
20	Dividends paid in cash and assets other than own stock	179,777	88,517	96,653	116,918	182,610	200,457	184,466	233,231	205,243	200,112	20
	Returns of inactive corporations:											
21	Number	33,335	34,329	35,373	37,012	40,160	43,741	46,343	49,469	51,259	51,922	21
	Excess profits tax returns											
	Taxable excess profits tax returns:											
22	Number	52,098	55,912	68,202	54,002	42,412	13,440	-	-	-	-	22
23	Excess profits net income	5/14,165,550	5/20,471,652	5/22,306,883	5/17,084,370	24/12,072,516	24/2,997,937	-	-	-	-	23
24	Adjusted excess profits net income 6/	8,368,073	12,935,510	14,552,878	10,494,667	6,334,864	911,603	-	-	-	-	24
25	Excess profits tax				(See line 15 above)							25

For footnotes, see pp. 16-17.

Footnotes for tables in this release

1/ The information contained in this release is compiled from the returns as filed, prior to revisions that may be made as a result of audit by the Bureau of Internal Revenue. Data shown for the years 1940 through 1945 are likewise prior to any changes resulting from carry-backs, relief granted under section 722 of the Internal Revenue Code, recomputation of amortization of emergency facilities, or from the renegotiation of war contracts, after the returns were filed. The effect of renegotiation settlements reached after the returns were filed is to be shown in special tabulations which will appear in the complete reports, "Statistics of Income, Part 2," for each of the years 1942 through 1945.

2/ "Net income" or "Deficit" for 1944 and 1945 is the amount reported for declared value excess-profits tax computation, adjusted by excluding net operating loss deduction and adding Government interest subject to surtax only and excess of net long-term capital gain over net short-term capital loss; for 1940-43 is the amount reported for declared value excess-profits tax computation adjusted by excluding net operating loss deduction; for 1936-39 is the amount reported for (declared value) excess-profits tax computation and is the difference between "Total income" and "Total deductions." Net income or deficit as here defined is the basis for classification of the returns by those with net income and those with no net income for all years except 1936 when the classification was based on the net income for income tax computation which is less than the net income for (declared value) excess-profits tax computation by the amount of the (declared value) excess-profits tax.

3/ "Income tax" consists of normal tax, surtax, and alternative tax reported in lieu of normal tax and surtax where the income includes an excess of net long-term capital gain over net short-term capital loss, if and only if such tax is less than the normal tax and surtax. Tabulated with the income tax for returns with net income is a small amount of tax reported on returns with no net income, under the special provisions applicable to certain mutual insurance companies, other than life or marine.

4/ The excess profits tax shown is that imposed by section 710 of the Internal Revenue Code as amended and should not be confused with the declared value excess-profits tax. For 1945 the amount shown is the excess profits tax reported on corporation excess profits tax returns, less the 10 percent credit.

The allowance of the current credit of 10 percent against the excess profits tax in lieu of the post-war refund and the credit for debt retirement was provided by the Tax Adjustment Act of 1945 for taxable years beginning after December 31, 1943, but this change was not taken into account in the 1944 data for the reason that a majority of the returns for 1944 were filed previous to July 31, 1945, the date of the Tax Adjustment Act of 1945, and accordingly show post-war refund and credit for debt retirement. Thus, for 1944, as in 1942 and 1943, the amount of excess profits tax shown is the excess profits tax liability reported on corporation excess profits tax returns, less the credit for debt retirement and the net post-war refund.

Throughout this release, the amounts for the years 1943 through 1945 are before the amount deferred under section 710(a)(5) (relating to abnormalities under section 722) and after any adjustments reported on the returns under other relief provisions. The amount for 1942 is after both the section 710(a)(5) deferment and any adjustments reported on the returns under other relief provisions.

The amount for 1941, shown in table 4, is the excess profits tax deduction (item 35, page 1, Form 1120, for 1941) allowed in the computation of normal-tax net income, except that for fiscal years beginning in 1940, with the greater part of the accounting period in 1941, there is tabulated the amount of excess profits tax liability (item 32, page 1, Form 1121 for 1940.)

The amount for 1940, shown in table 4, is tabulated from corporation excess profits tax returns for the calendar year 1940 and for fiscal years beginning in 1940 with the greater part of the accounting period in 1940 (item 32, page 1, Form 1121.) The excess profits tax provisions apply only to taxable years beginning after December 31,1939.

5/ The excess profits net income is obtained from the normal-tax net income (computed without allowance of credit for income subject to excess profits tax and without allowance of dividends received credit) by making certain adjustments, consisting principally of the exclusion of long-term capital gains and losses, and dividends received from domestic corporations.

6/ The adjusted excess profits net income, as reported on Form 1121, is the excess profits net income less the sum of the specific exemption, excess profits credit, and unused excess profits credit adjustment. For part year returns, the amounts of excess profits net income and adjusted excess profits net income have been placed on an annual basis.

The total amount of adjusted excess profits net income for 1944 does not include a deficit of $6,579,233 reported on 2,556 taxable excess profits tax returns with no adjusted excess profits net income.

7/ The industrial classification is based on the business activity reported on the return. When multiple businesses are reported on a return, the classification is determined by the business activity which accounts for the largest percentage of total receipts. Therefore, the industrial groups do not reflect pure industry classifications.

8/ Total number of returns includes returns of inactive corporations.

9/ "Number of subsidiaries" is the number of affiliated corporations which together with the common parent corporation file a consolidated corporation income tax return.

10/ "Total compiled receipts" consists of gross sales (less returns and allowances), gross receipts from operations (where inventories are not an income-determining factor), all interest received on Government obligations (less amortizable bond premium), other interest, rents, royalties, excess of net short-term capital gain over net long-term capital loss, excess of net long-term capital gain over net short-term capital loss, net gain from sale or exchange of property other than capital assets, dividends, and other receipts required to be included in gross income. "Total compiled receipts" excludes nontaxable income other than tax-exempt interest received on certain Government obligations.

11/ "Adjusted excess profits net income," allowed as a credit on Form 1120 in computing normal tax and surtax net income for taxable years beginning after December 31, 1941, is, in general, equal to the adjusted excess profits net income, as reported on Form 1121. However, in case the excess profits tax is determined as provided in section 721 of the Internal Revenue Code (relating to abnormalities in income in the taxable period), section 726 (relating to corporations completing contracts under the Merchant Marine Act of 1936), section 731 (relating to corporations engaged in mining strategic minerals), or section 736(b) (relating to corporations with income from long-term contracts), the credit reported on Form 1120 for adjusted excess profits net income is the amount of which the excess profits tax is 95 percent. For the purpose of computing such credit, the excess profits tax used is the tax computed without regard to the limitation provided in section 710(a)(1)(B) (the 80 percent limitation), without regard to the credit provided in section 729(c) and (d) for foreign taxes paid, and without regard to the adjustments provided in section 734 in case of position inconsistent with prior income tax liability.

12/ The industrial classification designated "Investment trusts and investment companies" consists of corporations which derived 90 percent or more of receipts from investments and which at no time during the taxable year had investments in corporations in which they owned 50 percent or more of the voting stock.

13/ The industrial classification designated "Other investment companies, including holding companies" consists of (1) corporations which derived 90 percent or more of receipts from investments and which at some time during the taxable year had investments in corporations in which they owned 50 percent or more of the voting stock, and (2) corporations which derived less than 90 percent but more than 50 percent of receipts from investments.

14/ Less than $500.

15/ "Dividends, domestic corporations" consists of dividends received from domestic corporations subject to income taxation under chapter 1 of the Internal Revenue Code. This item is reported in column 2, schedule F, page 3, Form 1120, and is the amount used for computation of the dividends received credit.

16/ "Interest received on Government obligations, wholly taxable" consists of interest on Treasury notes issued on or after December 1, 1940, and obligations issued on or after March 1, 1941, by the United States or any agency or instrumentality thereof, reported as item 9(b), page 1, Form 1120.

17/ "Interest received on Government obligations, subject to declared value excess-profits tax and surtax" consists of interest on United States savings bonds and Treasury bonds owned in principal amount of over $5,000 issued prior to March 1, 1941, reported as item 9(a), page 1, Form 1120.

18/ "Interest received on Government obligations, subject to surtax only" consists of interest on obligations of instrumentalities of the United States (other than obligations of Federal land banks, joint stock land banks, and Federal intermediate credit banks) issued prior to March 1, 1941, reported as item 32, page 1, Form 1120.

19/ "Interest received on Government obligations, wholly tax-exempt" consists of interest on obligations of States, Territories, or political subdivisions thereof, the District of Columbia, and United States possessions; obligations of the United States issued on or before September 1, 1917; all postal savings bonds; Treasury notes issued prior to December 1, 1940; Treasury bills issued prior to March 1, 1941; United States savings bonds and Treasury bonds owned in principal amount of $5,000 or less issued prior to March 1, 1941; and obligations issued prior to March 1, 1941, by Federal land banks, joint stock land banks, and Federal intermediate credit banks. Interest from such sources is reported under item 15(a) of schedule M, page 4, Form 1120.

20/ The excess profits credit is a deduction from the excess profits net income and is computed by one or the other of the following methods:

(a) Under section 713 of the Internal Revenue Code the credit is based on income, and for domestic corporations is 95 percent of the average base period net income plus 8 percent of net capital addition or minus 6 percent of net capital reduction; for foreign corporations this credit is 95 percent of the average base period net income. The method based on income permits the base period net income to be determined on either a general average basis or on increased earnings in the last half of the base period. The base period, in general, begins after December 31, 1935, and ends with the close of the last taxable year beginning before January 1, 1940.

(b) Under section 714 the credit is based on invested capital, and, for returns with taxable year beginning after December 31, 1943, the percentage of invested capital allowed as a credit is as follows: First $5,000,000, 8 percent; next $5,000,000, 6 percent; next $190,000,000, 5 percent; and over $200,000,000, 5 percent.

The "Unused excess profits credit adjustment" is not included in the amount of excess profits credit shown in table 3 but is taken into account in arriving at the adjusted excess profits net income, as explained in note 6.

21/ Preliminary figures.

22/ "Income tax" for the years 1942 and 1943 consists of normal tax, surtax, and for taxable years beginning after December 31, 1941, alternative tax reported in lieu of normal tax and surtax where the income includes an excess of net long-term capital gain over net short-term capital loss, if and only if such tax is less than the normal tax and surtax. Tabulated with the income tax for returns with net income is a small amount of tax reported on returns with no net income, under the special provisions applicable to certain mutual insurance companies, other than life or marine, or where receipts for the taxable year include interest on obligations of certain instrumentalities of the United States, described in note 18.

23/ "Income tax" for 1941 consists of income and income defense taxes reported on returns for a fiscal year ending in the period July through November 1941 (and on returns for a part year beginning in 1940 and ending in 1941, the greater part of the accounting period falling in 1941); and normal tax and surtax reported on returns for the calendar year 1941 and on returns for a fiscal year ending in the period January through June 1942 (and on returns for a part year beginning and ending in 1941, and

Footnotes for tables in this release - Continued

for a part year beginning in 1941 and ending in 1942, the greater part of the accounting period falling in 1941). Tabulated with the income tax for returns with net income is a small amount of surtax reported on returns with no net income, where receipts for the taxable year include interest on obligations of certain instrumentalities of the United States, described in note 18.

24/ The excess profits net income for returns with taxable year beginning in 1940 is obtained from the normal-tax net income by making certain adjustments, consisting principally of the deduction of income and income defense taxes for the taxable year, and the exclusion of (1) dividends received from domestic corporations (this adjustment refers to that portion of dividends not deducted as dividends received credit in computing normal-tax net income), and (2) gains or losses from sale or exchange of capital assets (depreciable or nondepreciable) held for more than 18 months. For returns with taxable years beginning in 1941, the income tax is not deducted in arriving at excess profits net income, instead, the excess profits tax is allowed as a deduction in the computation of normal-tax net income. (The starting point in the computation of excess profits net income for 1941 remains the normal-tax net income computed without deduction of excess profits tax.)

25/ Income tax shown for 1940 includes income defense tax.

26/ Declared value excess-profits tax shown for 1940 includes declared value excess-profits defense tax reported on returns for a fiscal year ending in period July 1, 1940, through June 30, 1941.

27/ Income tax shown for 1938 consists of $41,569,498 normal tax and $7,778,561 surtax on undistributed profits reported on returns for a fiscal year ending in period July through November 1938 (and on returns for a part year beginning in 1937 and ending in 1938, the greater part of the accounting period falling in 1938), and $804,230,054 income tax reported on returns for the calendar year 1938 and on returns with a fiscal year ending in period January through June 1939 (and on returns for a part year beginning and ending in 1938, and for a part year beginning in 1938 and ending in 1939, the greater part of the accounting period falling in 1938).

28/ Income tax shown for 1937 consists of $1,056,939,166 normal tax and $175,897,696 surtax on undistributed profits.

29/ Income tax shown for 1936 consists of $59,289,827 income tax reported on returns with fiscal year ending in period July through November 1936 (and on returns for a part year beginning in 1935 and ending in 1936, the greater part of the accounting period falling in 1936), and $965,503,111 normal tax and $144,972,284 surtax on undistributed profits reported on returns for the calendar year 1936 and on returns with fiscal year ending in period January through June 1937 (and on returns for a part year beginning and ending in 1936, and for a part year beginning in 1936 and ending in 1937, the greater part of the accounting period falling in 1936).

30/ The net operating loss deduction tabulated herein is the amount originally reported, consisting only of the net operating loss carry-over reduced by certain adjustments, and does not take into account whatever revisions may subsequently be made as the result of any carry-back of net operating loss from the two succeeding tax years. In general, the net operating loss carry-over is the sum of the net operating losses, if any, for the two preceding taxable years. If there is net income in the first preceding taxable year, the net operating loss for the second preceding taxable year is reduced to the extent such loss has been absorbed by such net income.

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, March 19, 1948.

Press Service
No. S-664

The Secretary of the Treasury, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing March 25, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated March 25, 1948, and will mature June 24, 1948, 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, March 22,1948. 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 March 25, 1948, in cash or other immeidately available funds

or in a like face amount of Treasury bills maturing March 25, 1948. 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.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Friday, March 19, 1948.

Press Service
No. S-665

Secretary Snyder today announced the appointment of Elting Arnold, a native of Staatsburg, New York, as an assistant general counsel for the Treasury Department.

Mr. Arnold received his AB degree at Williams College, Williamstown, Massachusetts, in 1934, and completed his legal training at Columbia Law School in 1937, receiving an LLB degree. He was admitted to the New York bar in 1938.

Following two years as a law clerk employed by the New York firm of Root, Clark, Buckner and Ballantine, Mr. Arnold joined the Treasury as an attorney in the Office of the General Counsel in June, 1939.

In June, 1941, Mr. Arnold was assigned to the legal staff of Foreign Funds Control, acting in various capacities until January, 1947, when he was appointed Chief Counsel of Foreign Funds Control.

In November and December, 1946, Mr. Arnold was adviser to the U. S. delegate to the Inter-Allied Reparations Agency in meetings in Brussels, Belgium, in regard to the preparation of a proposed agreement for the resolution of conflicting custodial problems. In February and March, 1947, he also engaged in negotiating agreement for the unblocking of Swedish assets in the United States, and in other representation of Foreign Funds Control in Sweden, The Netherlands, Belgium and Switzerland.

oOo

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, March 22, 1948.

Press Service
No. S-666

Secretary of the Treasury Snyder today announced the offering, through the Federal Reserve Banks, of 1-1/8 percent Treasury Certificates of Indebtedness of Series D-1949, open on an exchange basis, par for par, to holders of Treasury Certificates of Indebtedness of Series D-1948, in the amount of $1,321,139,000, which will mature on April 1, 1948. Cash subscriptions will not be received.

The certificates now offered will be dated April 1, 1948, and will bear interest from that date at the rate of one and one-eighth percent per annum, payable with the principal at maturity on April 1, 1949. 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, March 24.

Subscriptions addressed to a Federal Reserve Bank or Branch or to the Treasury Department, and placed in the mail before midnight March 24, 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

1-1/8 PERCENT TREASURY CERTIFICATES OF INDEBTEDNESS OF SERIES D-1949

Dated and bearing interest from April 1, 1948 Due April 1, 1949

1948
Department Circular No. 824

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, March 22, 1948.

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 1-1/8 percent Treasury Certificates of Indebtedness of Series D-1949, in exchange for Treasury Certificates of Indebtedness of Series D-1948, maturing April 1, 1948.

II. DESCRIPTION OF CERTIFICATES

1. The certificates will be dated April 1, 1948, and will bear interest from that date at the rate of 1-1/8 percent per annum, payable with the principal at maturity on April 1, 1949. 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 April 1, 1948, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series D-1948, maturing April 1, 1948, which will be accepted at par, and should accompany the subscription. The full year's interest on the certificates surrendered will be paid to the subscriber following acceptance of the certificates.

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
Bureau of Internal Revenue
Washington

FOR IMMEDIATE RELEASE
Monday, March 22, 1948.

Press Service
No. S-667

George J. Schoeneman, Commissioner of Internal Revenue, announced today the appointment of Clarence A. McLaughlin as a member of the Excess Profits Tax Council. Mr. McLaughlin, formerly General Counsel to the War Contracts Price Adjustment Board, will assume his new office immediately.

Mr. McLaughlin is a 41 year old attorney who entered the Army as a Private in 1942, attended Officer Candidate School, and rose to the rank of Major. He is a native of St. Louis, Missouri, and was graduated from Boston University. He also received his law degree from Boston University (1932) and has taken graduate studies in administrative law and political science at American University, Washington, D. C. He is a mamber of the Massachusetts bar and practiced law in Brockton, Mass., 1932-1942. After being commissioned an officer in the Army, he rose to the position of General Counsel in the office of the Chief Signal Officer. Since March 25, 1946, he has been engaged in the renegotiation of war contracts in connection with both the Army Price Adjustment Board and the Interdepartmental War Contracts Price Adjustment Board.

The Excess Profits Tax Council was created in July 1946, for the purpose of interpreting the law and expediting action on claims under Section 722 of the Internal Revenue Code, which provides for refunds to corporations which overpaid the war-time excess profits tax because of specified economic circumstances peculiar to the taxpayer or his industry.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 23, 1948.

Press Service
No. S-668

The Secretary of the Treasury announced last evening that the tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills to be dated March 25 and to mature June 24, 1948, which were offered March 19, 1948, were opened at the Federal Reserve Banks on March 22.

The details of this issue are as follows:

Total applied for - $1,818,856,000
Total accepted - 1,008,654,000 (includes $42,117,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.748 Equiv. rate of discount approx. 0.996% per annum

Range of accepted competitive bids:

High - 99.760 Equiv. rate of discount approx. 0.949% per annum
Low - 99.747 " " " " " 1.001% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 13,910,000	$ 10,170,000
New York	1,519,622,000	807,442,000
Philadelphia	22,135,000	13,686,000
Cleveland	11,700,000	11,496,000
Richmond	7,572,000	7,318,000
Atlanta	5,395,000	5,395,000
Chicago	156,033,000	89,818,000
St. Louis	2,612,000	2,408,000
Minneapolis	3,545,000	3,341,000
Kansas City	6,830,000	6,577,000
Dallas	13,284,000	13,145,000
San Francisco	56,218,000	37,858,000
TOTAL	$1,818,856,000	$1,008,654,000

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, March 25, 1948.

Press Service
No. S-669

The Secretary of the Treasury, by this public notice, invites tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing April 1, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated April 1, 1948, and will mature July 1, 1948, 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, March 29, 1948. 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 April 1, 1948, in cash or other immediately available funds or in a like

face amount of Treasury bills maturing April 1, 1948. 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.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Thursday, March 25, 1948.

Press Service
No. S-670

Secretary Snyder today issued the following statement on the occasion of the agreement on the ITO charter:

I am happy to learn that more than fifty nations, including the United States, have just reached agreement on the Charter for an International Trade Organization which forms a vital part of the framework of world economic cooperation.

The Bretton Woods Agreements Act which provides for our participation in the International Monetary Fund and the International Bank for Reconstruction and Development states that:

"In the realization that additional measures of international cooperation are necessary to facilitate the expansion and balanced growth of international trade and render most effective the operations of the Fund and the Bank, it is hereby declared to be the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies, as soon as possible, on ways and means which will best reduce obstacles to and restrictions upon international trade, eliminate unfair practices, promote mutually advantageous commercial relations, and otherwise facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations."

The International Trade Organization Charter establishes an organization designed to bring about the progressive realization of these objectives as world conditions permit. It lays down the broad rules of fair play under which most of the world's trade is to be conducted and which are so essential to the most effective long-run operations of both the International Bank for Reconstruction and Development and the International Monetary Fund.

This Charter has received thorough international consideration over a long period of time in world conferences held under the auspices of the United Nations first in London, then in New York and Geneva, and finally in Havana. The present draft represents the best thoughts not only of government experts especially qualified to deal with trade and financial problems, but also of designated representatives of the Congress of the United States, as

well as of American industry, agriculture, and labor. Furthermore, in its initial stages this draft charter was also widely studied by interested organizations and persons throughout this country whose suggestions were incorporated in it.

The relation of the Trade Organization to the financial machinery created by the Bretton Woods Agreements Act is clearly recognized by that Act which states that:

> "In considering the policies of the United States in foreign lending and the policies of the Fund and the Bank, particularly in conducting exchange transactions, the Council and the United States representatives on the Fund and the Bank shall give careful consideration to the progress which has been made in achieving" agreement and cooperation among nations on ways and means to reduce obstacles to and restrictions upon international trade and otherwise to facilitate its balanced growth.

The Charter is fully cognizant of the interrelationship between commercial and financial matters. The International Trade Organization is required to consult with the Fund whenever the Organization is called upon to deal with problems concerning monetary reserves, balance of payments, or foreign exchange arrangements. On such problems the Organization is also required to accept all findings of statistical and other facts presented by the Fund whose voice is determining on questions of monetary reserves and on financial aspects of other matters covered in consultation in such cases. It contains an explicit prohibition against trade actions which might frustrate the intent of the provisions of the Articles of Agreement of the International Monetary Fund as well as against exchange actions which might frustrate the intent of the provisions of the Trade Charter.

Action on the international commercial front must have full regard for the effects of such action on the financial front and, conversely, international financial policies must consider fully the possible influence of such policies on the commercial front. The conduct of international affairs therefore requires maximum coordination of financial and trade matters, and the Charter will serve to complete the framework of international economic cooperation necessary to synthesize international financial and commercial policies. For these reasons, as well as because it is in the interest of world political and cultural relationships, I am glad that so many nations have been able to reach preliminary agreement in the International Trade Organization Charter on the principles to govern commercial relations.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Friday, March 26, 1947.

Press Service
No. S-671

Secretary Snyder announced today that the Government's wartime program of guaranteeing loans made by banks for the purpose of financing war production contractors has practically terminated, resulting in net revenue to the Treasury amounting to approximately $23,000,000.

During the war and postwar period nearly 9,000 guaranteed loans were authorized in the aggregate amount of about $10,350,000,000. These loans played an important part in mobilizing our industrial plant for war production, and in easing the strain of postwar readjustment.

Total guarantee fees and interest collected as of December 31, 1947, amounted to $35,000,000. Expenses of the Federal Reserve Banks for administering the program, and interest paid under guarantee agreements, etc., amounted to about $5,300,000. Total losses incurred, plus estimates of further losses in liquidation of the program, amounted to only $6,700,000, resulting in a net return to the Treasury of $23,000,000.

This program was set up pursuant to the President's Executive Order No. 9112 of March 26, 1942, and was operated under Regulation V of the Board of Governors of the Federal Reserve System. The regulation provided the general framework under which the Federal Reserve Banks, under the supervision of the Board of Governors, acted as agents for the Departments of the Army and Navy, and the Maritime Commission. The financing of contractors, subcontractors and others engaged in businesses of operations deemed by the armed services and the Maritime Commission to be necessary for the prosecution of the war was carried out through the normal commercial banking channels subject to governmental guarantees administered on a business basis.

oOo

TREASURY DEPARTMENT

Washington

Statement of Secretary Snyder before a Subcommittee of the Committee on Post Office and Civil Service, House of Representatives, on H. R. 5523, "To amend the Civil Service Retirement Act of May 29, 1930, as amended, to provide annuities for investigatory personnel of the Treasury Department who have rendered at least twenty years of service".

10:00 A.M., March 31, 1948

Last year the Congress enacted legislation providing special retirement benefits for investigatory personnel of the F.B.I. Under this legislation, an F.B.I. agent may, with the consent of the Attorney General, retire on an annuity after rendering 20 years or more of service and reaching the age of 50 years. H. R. 5523 would grant investigative and law enforcement officers of the Treasury Department exactly the same retirement benefits as those which have been accorded the F.B.I.

The Treasury enforcement agencies to which H. R. 5523 relates are five: the Division of Investigations and Patrol of the Bureau of Customs; the Secret Service Division; the Bureau of Narcotics; the Intelligence Unit of the Bureau of Internal Revenue; and the Alcohol Tax Unit of the Bureau of Internal Revenue. With me today are the heads of these enforcement agencies, together with Mr. Harney, the Acting Chief Coordinator of the Treasury Enforcement Agencies, and Mr. Spingarn, Assistant General Counsel of the Treasury, who will be available to testify and to provide you with any information desired with respect to the particular enforcement units.

I am glad to have the opportunity to appear before this Committee in support of this extremely meritorious bill, and to tell you briefly why I think it should be approved.

The Treasury Enforcement Agencies carry a heavy and frequently hazardous responsibility for protecting the revenues of the United States, and for carrying on other federal enforcement work of major importance. While each agency has its specialized functions, they also work together as a team, as situations demand, under careful planning for coordinated activity. On the ability and energy of their agents depends the securing of all the Government's customs and internal revenues, the enforcement of many other Federal laws, and a deep respect for the authority of the United States Government on the part of actual or potential law violators.

The Secret Service is charged with the protection of the President and of his immediate family, and the President-Elect, a difficult and important responsibility. The Secret Service also enforces the laws relating to our money and obligations and securities, suppressing the insidious crimes of counterfeiting and forgery. Upon the enforcement work of the Secret Service depends the physical integrity of more than \$26½ billion of our paper money and more than \$1 1/3 billion of our coins, as well as all Government bonds and checks. Postwar foreign black markets in U. S. currency have greatly increased this work. Only last September Secret Service agents assisted French police in the seizure of over two million dollars -- in representative value -- of counterfeit U. S. currency, in the vicinity of Marseilles, France, and the arrest of the members of the crime syndicate involved. This was the largest single capture of counterfeit money in the history of of the Secret Service.

The Customs Division of Investigations and Patrol enforces the Customs laws which for the fiscal year 1947 provided \$497 million in revenues to the United States. In waging the war against smuggling, Customs Agents and patrol officers must operate to a considerable extent over difficult border country without regard to time or hours of work. They deal with a desperate type of criminal who operates on both sides of the borders. They frequently must engage in gun battles with well equipped and well organized bands of desperados.

Narcotic Agents deal with the worst types of criminals in enforcing the Federal Narcotic and Marihuana laws. They do a large amount of undercover work among criminal gangs and are subjected constantly to physical danger. In fact, I do not believe there is any other Federal enforcement agency whose work involves a greater element of strain and hazard.

The Alcohol Tax Unit of the Bureau of Internal Revenue engages in the suppression of the non-tax-paid liquor traffic. Liquor taxes are accruing to the U. S. at the rate of approximately \$2 1/3 billion per year. "Bootlegging" is a profitable business which attracts the biggest and the smallest of criminals. At present the Alcohol Tax Unit is seizing illicit stills at the rate of 6,000 a year. Revenue Agents, as they are called, are not considered good life insurance risks. Many Alcohol Tax Unit Agents have lost their lives or have been wounded or injured in the performance of duty.

Agents of the Intelligence Unit of the Bureau of Internal Revenue, who investigate mainly income tax frauds, must match their wits against some of the most clever criminals in the country. Sometimes they must work for months or even years in uncovering fraudulent tax evasions which have deprived the United States of millions of dollars. Some of the better known criminals who have fallen into their net include Al Capone, Ralph Capone, Jack Gusik, Johnny Torrio, Waxey Gordon, and Moe Annenberg.

Treasury enforcement agents do not lead an easy life. Many of them are subjected to physical dangers and hardships. They must spend much time away from their homes and families. Their lives in many respects are not their own, for they may be called into an investigation at any time of day or night. Sometimes they have to live with a case 24 hours a day for weeks or months, eating and sleeping at irregular intervals and living under conditions of extreme physical strain. This is a young man's business. Many of the older men cannot stand the killing pace. They cannot produce the necessary work. Yet we cannot summarily dismiss them after their best years have been given in loyal service to their country.

The Treasury Department and its enforcement agents share wholeheartedly in the general admiration and respect for the Federal Bureau of Investigation. Nevertheless, Treasury enforcement agents feel strongly, as do I, that the granting of special retirement benefits to one agency and not to the other is discriminatory and inequitable. I believe that the law enforcement responsibilities of the Treasury Department, and the demands which the Department must make upon its agents, are not surpassed by those of any other Federal enforcement agency. I am sure that this Committee can fully appreciate the morale problem confronting the Treasury Department if its agents are not accorded retirement privileges which are as liberal as those which have been given to another investigative organization of the Government. Pride in the Service, which has manifested itself in the achievements and sacrifices of our men, would be dealt a serious blow. Moreover, the competitive position of the Treasury Department in recruiting and retaining its investigative personnel would be affected adversely. This competitive position already is a factor to be reckoned with, as Treasury agents are recruited through Civil Service at relatively low starting grades.

Under existing law a Treasury agent cannot retire under age 60 without a reduction of his annuity. The proposed legislation, which would permit retirement at the age of 50 years, would attract new and young blood and insure a physically able force.

I strongly recommend this bill to your favorable consideration. It would enable us to replace men who, because of age or as a result of the drain upon their physical resources, are unable to cope satisfactorily with the responsibilites placed upon them. It would make Treasury law enforcement a young men's service, keen, alert, and dynamic. The replacing of older men by young ones, where necessary or desirable, would increase efficiency and productivity and should result in substantial benefits to the United States. I am most hopeful that this Committee will agree with the Treasury recommendation which I am expressing, and take appropriate action to report H. R. 5523 favorably and expedite its passage through Congress.

This Subcommittee also has before it today H. R. 5401, a bill which would provide the same retirement benefits as H. R. 5523 but which would be limited in its application to personnel of the Bureau of Narcotics. S. 1089, a companion bill to H. R. 5401, has already passed the Senate and has been referred to this Committee. As I stated in a letter of March 9, 1948 to Chairman Rees, the Treasury Department does not recommend enactment of either H. R. 5401 or S. 1089 unless amended to provide also for investigative and law enforcement officers of the Secret Service, the Bureau of Customs, the Alcohol Tax Unit, and the Intelligence Unit. I believe that the personnel of each of these agencies are equally entitled to the retirement benefits which H. R. 5401 and S. 1089 would provide for the personnel of the Bureau of Narcotics.

In a letter to Chairman Rees dated March 9, 1948, submitting the Treasury Department's views on H. R. 5523, I called attention to certain technical amendments which should be made to the bill. These technical changes are necessary because section 1 of the Civil Service Retirement Act was amended generally by the Act of February 28, 1948. I should like to have my letter of March 9, 1948 made a part of the record if that has not already been done.

The Treasury Department has submitted to the Bureau of the Budget its views with respect to this proposed legislation, but has not as yet been advised of the Bureau's position thereon.

oOo

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 30, 1948.

Press Service
No. S-673

The Secretary of the Treasury announced last evening that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated April 1 and to mature July 1, 1948, which were offered March 25, 1948, were opened at the Federal Reserve Banks on March 29.

The details of this issue are as follows:

Total applied for - $1,983,758,000
Total accepted - 1,200,262,000 (includes $28,899,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price - 99.748 Equivalent rate of discount approx. 0.996% per annum

Range of accepted competitive bids:

High - 99.760 Equiv. rate of discount approx. 0.949% per annum
Low - 99.747 " " " " " 1.001% " "

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

Federal Reserve District	Total Applied for	Total Accepted
Boston	$ 12,755,000	$ 12,385,000
New York	1,708,454,000	979,924,000
Philadelphia	18,045,000	6,501,000
Cleveland	31,175,000	23,775,000
Richmond	2,448,000	2,448,000
Atlanta	5,600,000	4,120,000
Chicago	121,808,000	120,166,000
St. Louis	1,980,000	1,758,000
Minneapolis	8,015,000	7,127,000
Kansas City	15,808,000	10,362,000
Dallas	10,435,000	10,361,000
San Francisco	47,235,000	21,335,000
TOTAL	$1,983,758,000	$1,200,262,000

o0o

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Tuesday, March 30, 1948

Press Service
No. S-674

The Secretary of the Treasury today announced the subscription and allotment figures with respect to the current offering of 1-1/8 percent Treasury Certificates of Indebtedness of Series D-1949, to be dated April 1, 1948.

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

Federal Reserve District	Total Subscriptions Received & Allotted
Boston	$ 21,366,000
New York	496,055,000
Philadelphia	23,820,000
Cleveland	39,939,000
Richmond	13,858,000
Atlanta	42,491,000
Chicago	156,463,000
St. Louis	46,000,000
Minneapolis	47,318,000
Kansas City	53,914,000
Dallas	40,175,000
San Francisco	70,919,000
Treasury	2,138,000
TOTAL	$1,054,456,000

By arrangements made between the Treasury and the Federal Reserve System, holdings of the System of maturing certificates amounting to $106,282,000 will be presented for cash redemption on April 1.

oOo

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
March 31, 1948.

Press Service
No. S-675

The Bureau of Customs announced today that the tariff rate quota of white or Irish certified seed potatoes for the quota year ending September 14, 1948, was approximately 81 percentum filled as of the close of business on March 20.

oOo