

1953

Summary of the President's 1954 Budget

Summary of the Budget of the National Government of Canada for the Fiscal Year Ending March 31, 1954

Preliminary Digest of Suggestions for Internal Revenue Revision Submitted to the Joint Committee on Internal Revenue Taxation

Federal Excise-Tax and Collection Data

Estimates of Federal Receipts for Fiscal Years 1953 and 1954

Digest of Testimony Presented Before the Ways and Means Committee Relative to the President's Recommendations to Extend for Six Months the Excess-Profits Tax

Excess Profits Tax

Excise Tax on Admissions

Examples Illustrating the Application of Section 206 of H. R. 6426

Hearing - Reorganization of the Bureau of Internal Revenue - September 25, 1953

1954

Summary of the President's 1955 Budget

Summary of Committee on Finance Hearings on H. R. 8224, a Bill to Reduce Excise Taxes, and for Other Purposes

Present Law Individual Income, Estate Gift, and Excise Tax Rates

Historical Data Pertaining to the
Individual Income Tax 1913-54

Comparison of Tax Burdens and Rates
on a Single Person, a Head of Household,
and a Married Couple

1955

The Internal Revenue Service - Its
Reorganization and Administration

Federal Excise-Tax Data

Summary of the President's 1956 Budget

Data on Sections 462 and 452 of the
Internal Revenue Code of 1954

Renegotiation Act of 1951 as Amended
Through August 3, 1955

Cross-Reference Within the Internal
Revenue Code of 1954 as of January 1,
1956

Alternative Plans for Reducing the
Individual Income Tax Burden

1956

Report to the Subcommittee on Excise
Tax Technical and Administrative
Problems

Data on Minor Tax Bills Pending Before
the Committee on Finance on January 6,
1956

Report of the Joint Committee on
Internal Revenue Taxation Relating to
Renegotiation

Terminology of the Internal Revenue
Code of 1954

Application of the Tax on Transportation
of Persons to Foreign Travel Under
Present Law, H. R. 5265, as Passed by
the House of Representatives, and
H. R. 5265, as Passed by the Senate

Estimates of Federal Receipts for
Fiscal Years 1956 and 1957

Summary of the Senate Amendments to
Title II of H. R. 10660, the Highway
Revenue Act of 1956

Data on Title II of H. R. 10660, the
Highway Revenue Act of 1956

Renegotiation Act of 1951 Amended

1953

1953

DIGEST OF TESTIMONY
PRESENTED BEFORE THE WAYS AND
MEANS COMMITTEE RELATIVE TO THE
PRESIDENT'S RECOMMENDATIONS
TO EXTEND FOR SIX MONTHS
THE EXCESS-PROFITS TAX

JUNE 1953

PREPARED BY THE
STAFF OF THE JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION



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DIGEST OF TESTIMONY

INTRODUCTION

This digest summarizes the statements of individual and Government witnesses appearing before the Ways and Means Committee during its hearings on the President's proposal to extend for 6 months the excess-profits tax. Inasmuch as this report has been prepared prior to the publication of the complete hearings, some testimony may have been inadvertantly omitted.

Part I of this digest contains an alphabetical list of witnesses and the dates of their appearances. Part II contains a brief summary of the individual testimony.

PART I
INDEX OF WITNESSES

	<i>Date</i>
Amis, Thomas L.....	June 3.
Anberg, Oscar H.....	June 8.
Albord, Ellsworth C.....	June 10.
Bailey, George D.....	June 4.
Betner, Thomas E.....	June 13.
Biggers, John D.....	June 10.
Bixler, Roland M.....	June 11.
Bogue, E.....	June 3.
Bolesky, R. W.....	June 12.
Bonditch, Richard L.....	June 9.
Burger, George.....	June 11.
Christopherson, S. R.....	June 10.
Clardy, Kit, Representative.....	June 12.
Clay, Joseph B.....	June 8.
Coleman, George C.....	June 9.
Collins, Bradley.....	June 2.
Daggett, Frederick.....	Do.
Daine, Robert.....	June 9.
Dawson, John S.....	June 11.
Deeb, George, Sr.....	June 8.
DeMambro, Gene.....	Do.
Dennison, Paul T.....	June 11.
Detweiler, Joseph H.....	June 10.
Ditmars, Walter.....	June 2.
Dolle, William L.....	June 5.
Douglas, John W.....	June 3.
Draffan, G. L.....	June 11.
Dudley, Claude W.....	June 4.
Eaton, Melvin C.....	June 2.
Enders, Harry H.....	June 10.
Evenson, C. R.....	Do.
Fetchmeyer, Henry C.....	June 5.
Fernald, Henry B.....	June 8.
Fetter, John B.....	June 11.
Giesceke, R. H.....	Do.
Gilbert, Robert A.....	June 10.
Glenn, Norman.....	June 8.
Graves, Jeannie.....	June 11.
Gray, Elisha.....	June 2.
Gray-Lewis, C. W.....	June 2.
Griffin, J. C.....	June 3.
Heyer, B. F. W.....	Do.
Hickox, Alan.....	June 2.
Holbrook, John K.....	June 3.
Hollander, Edmond D.....	June 12.
Hughes, Rowland R.....	June 1.
Humphrey, George M.....	Do.
Jalbert, Eugene.....	June 13.
Jones, Mack C.....	June 12.
Kiefer, Alan.....	June 2.
Kimball, A. W.....	June 9.
Kracklauer, A. C.....	June 8.
Lanterman, J. B.....	June 4.
Laube, Herbert L.....	June 2.

	<i>Date</i>
Laylin, Clarence D	June 9.
Lear, Coates	June 4.
LeSourd, F. A	June 5.
Logan, Garrett	June 12.
Lotz, R. F	Do.
Loudon, Robert C	June 4.
McCabe, Thomas	June 3.
Mastin, T. H., Jr	June 12.
Mathias, Edward W	June
Maytag, Fred, II	June 9.
Mead, Brian	June 12.
Meulen, A. Vander	June 13.
Miller, Galen	June 2.
Mitchell, Don G	June 9.
Moore, William H	June 3.
Morris, Robert	June 9.
Mueller, Stan	June 5.
Mundy, E. H	June 10.
Munroe, Linton S	June 11.
Nelson, Alfred B	June 2.
Nichols, R. B	June 4.
Park, Lee I	June 5.
Parkhurst, R. G	Do.
Peterson, Douglas, Jr	June 2.
Peterson, William H	June 8.
Pinkney, James F	Do.
Pitt, Raymond	June 3.
Pool, John B	June 12.
Potier, Lee A	Do.
Potter, Tom	June 11.
Powderly, William H., Jr	June 5.
Putzell, E. J., Jr	June 12.
Richards, Roy	June 2.
Roll, R. C	Do.
Roswell, H. H	June 9.
Ruttenberg, Stanley	June 9.
Sandt, Walter	June 11.
Schultz, David T	June 8.
Seghers, Paul D	June 4.
Sheen, Robert T	June 8.
Sprague, Phil T	June 2.
Sprogell, Harry E	June 12.
Steffens, F. C	June 10.
Stevens, William E	June 9.
Sweet, Franklin T	June 12.
Taylor, Angus M	June.
Thompson, W. A., Sr	June 13.
Thomson, J. Cameron	June 5.
Watson, C. G	June 10.
Williams, John S	Do.
Williams, W. A	June 5.
Wilson, Blakely	June 11.
Wood, John R., Jr	June 2.
Wortham, R. W., Jr	June 12.
Yoder, Roger A	June 10.
Yontz, Merle R	June 13.
Young, J. L	June 3.

PART II

BRIEF SUMMARY OF THE INDIVIDUAL TESTIMONY

Thomas L. Amis, chairman, Young American Business Conference

Opposed to the extension of the excess-profits tax. Believes that such a tax makes it impossible for small companies to survive on a competitive basis with larger and older competitors. Believes further that this tax has been demonstrated to be unnecessary and unworkable in increasing gross revenue for enough to offset the irreparable damage it is doing to our economic machinery.

Oscar H. Ahnberg, vice president, R. T. Collier Corp.

Opposed to the extension of the excess-profits tax. Believes that the excess-profits tax is unfair in that it strikes hardest at small business, at new business, and at any business that tries to grow. Believes that it is extremely hazardous to start a new business even though the potential returns are such that the investment is considered as venture capital under calculated risks.

Ellsworth C. Alvord, Alvord & Alvord

Not in a position to express an opinion as to extension. Agrees that the tax discriminates against small-growth companies, is inflationary, discourages investment in business, taxes efficiency, subsidizes waste and poor management, discourages expansion, etc.

George D. Bailey, certified public accountant

Endorses the general principles of the President's tax plan, particularly the principle of slowing up the elimination of the emergency taxes until greater progress has been made in balancing the budget. Agrees that the excess-profits tax is not a good tax.

Thomas E. Betner, Plastomatic Corp.

Opposed to the extension of the excess-profits tax law. Believes that the present measure is a form of double taxation; does not provide capital for expansion, and prevents the investment of new capital.

John D. Biggers, chairman, Libbey-Owens-Ford Glass Co.

Supports the President's proposal for extension of the excess-profits tax to December 31, 1953. "Even if the excess-profits tax were permitted to expire on June 30 of this year, its provisions, as you know, would be effective for the full calendar year of 1953. The only change would be a rate reduction from 30 percent to 15 percent. Those companies most severely affected, like our own company, are paying the 70-percent maximum and in such cases the actual reduction would probably be only 9 percentage points instead of 15. All of the inequities and disadvantages of the excess-profits tax would be in effect for the full year."

Roland M. Bisler, president, J. B. T. Instrument Co.

Opposed to the extension of the excess-profits tax. Believes that this law throttles efforts to improve efficiency. Leads to wastefulness, reduces initiative, and stifles business expansion.

E. Bogue, president of Etc., Inc.

Opposed to the extension of the excess-profits tax. Considers that this tax prevents expansion of plant and equipment and has resulted in a very poor working-capital position.

Russell W. Bolesky, secretary-treasury, Therm-O-Disk, Inc.

Opposed to the extension of the excess-profits tax. Believes that small and growing companies are not allowed to retain enough of their earnings for expansion and working capital under this measure.

Richard L. Bowditch, president, Chamber of Commerce of United States

Opposes extension of the excess-profits tax. Believes that the end of the excess-profits tax will stimulate initiative and that it will release funds for expansion which are now held in abeyance. Its virtues as a revenue are qualified by excessive costs of assessment in compliance; it discourages incentive for prudent management; it encourages waste and inefficiency; and it penalizes the small and growing and the progressive companies as against those which are laggard or static.

George J. Burger, vice president in charge, National Federation of Independent Business

Opposed to the extension of the excess-profits tax. Believes that this measure deters young and growing companies.

S. R. Christophersen, president, S. S. Parsons; chairman of the Board of Smaller Business of America, Inc.

Opposed to the extension of the excess-profits tax law. Believes that this measure prevents small business from expanding. Prevents small business from replacing existing plant and equipment as it wears out.

Representative Kit Clardy, Michigan

Opposed to the extension of the excess-profits tax. Believes that it strikes "at the very heart, the very root of our system, because it skins off the money that would be required to create new jobs."

Joseph B. Clay, president, Clay Equipment Corp., Iowa

Opposed to the extension of the excess-profits tax. Believes that the tax is "a penalty tax on progress." Believes that the tax encourages wastefulness and extravagance, that it discourages efficiency, and that it works a particular hardship on the business working the hardest.

George C. Coleman, president, Birtchard Dairy, Inc.

Opposed to the extension of the excess-profits tax. Believes that if this measure continues most small businesses will have to either liquidate their assets and their companies or sell to a company for a minimum amount of whatever they can ask for the same.

Bradley Collins, individual investor

Opposed to the 6 months' extension of the excess-profits tax. Believes that to continue such a tax will discourage investors in new and growing businesses.

Frederick K. Daggett, president, Flexible Tubing Corp., Connecticut

Opposed to a 6 months' extension of the excess-profits tax. Believes that small growth companies cannot grow without working capital, which under this tax is taken.

Robert Daine, president, The Teleregister Corp., New York

Opposed to the extension of the excess-profits tax. Believes that to levy this tax in any period other than outright warfare cannot be defended on grounds other than those of sheer economic opportunism. Recommends retroactive relief for net-deficit corporation.

John S. Dawson, vice president, Bridgeport Brass Co.

Recommends an amendment which would eliminate 1950 from the formula.

George Deeb, Sr., Steel-Bronze Sealing Rings Co., Indiana

Opposed to the extension of the excess-profits tax. Considers that the excess-profits-tax law has forced him out of business.

Gene DeMambro, president, Lincoln Park Industries, Inc.

Opposed to the extension of the excess-profits tax. Believes that the excess-profits tax has impeded growth; has made it impossible to maintain a competitive position in the industry by purchasing modern equipment; has made it impossible to replace depreciation accounts for old and obsolete equipment; has increased debt in times of high industrial activity; has made it impossible to pay dividends which are the life blood of new equity capital; has siphoned off capital needed for expansion; and has created an attitude of frustration in management.

Paul T. Dennison, president, Minnesota Rubber & Gasket Co.

Opposed to the extension of the excess-profits-tax law. Believes that the tax discriminates against the small groups of businesses, that it penalizes initiative, and it is a failure as a revenue getter.

Joseph H. Detweiler, secretary and treasurer, Argus Cameras, Inc.

Believes that the excess-profits tax is discriminatory and that it penalizes the efficiently managed growing companies. Suggests the best argument for its discontinuance is that the tax would not affect more than 12 percent of the corporations with taxable income in 1950.

Walter Ditmar, president, Gray Manufacturing Co., Connecticut

Opposed to a 6 months' extension of the excess-profits tax. Believes that his corporation has been injured by the excess-profits tax. Cites that this tax has crippled initiative, prevented expansion, and prevented healthy competition with other organizations in this industry. Believes that due to the excess-profits tax there has been no significant increase in the net profits after taxes although gross sales have increased by 165 percent.

William L. Dolle, president, Lodge & Shipley Co.

Opposed to the extension of the excess-profits tax. Believes that this law has a damaging effect on the national security in that it retards the development of machine-tool research, design, and production.

*John W. Douglas, president, Republic Foil & Metal Mills, Inc.
Connecticut*

Opposed to the extension of the excess-profits tax. Believes there can be no argument for its reenactment. The results of this tax have been lost growth, lost competition, lost employment, lost income, lost tax revenue, and lost opportunity to strengthen the national economy. Believes that if Congress does not have faith in our economic future, it would be better to assure the \$800 million revenue by a small temporary rise in the regular corporate tax rate in place of another crippling tax on a select segment of our economy.

G. L. Draffan, president, the Ohio Brass Co.

Opposed to the extension of the excess-profits tax. Believes that as presently enacted it does not and cannot accomplish its purpose.

Claude W. Dudley, the Ohio Match Co.

Proposes an amendment to the excess-profits-tax law regardless of whether the measure is continued throughout the year or is discontinued on June 30. Suggest that the law be amended to take care of the inequity with respect to the operation of the carryback provision which affects this company and may affect any calendar year corporation, or any corporation operating on any basis other than a fiscal year ending June 30.

M. C. Eaton, president, Norwich Pharmacal Co.

Opposed to a 6 months' extension of the excess-profits tax. Believes that this tax hampers the development of the domestic economy because it stymies the growth of an individual unit which could make great contribution to the economic and social welfare of the country. If excess-profits tax expires, companies subject to the tax will expand and thus create jobs and more taxable income.

Harry H. Enders, secretary and treasurer, Young & Rubicam, Inc.

Recommends that section 459 (d) of the Internal Revenue Code be amended to include in addition to television-broadcasting companies "other taxpayers such as advertising agencies also engaged in the business of television broadcasting."

C. R. Erenson, president, Michigan Wheel Co.

Opposed to the extension of the excess-profits-tax law. Believes that its continuation will result in far more harm by preventing businesses from obtaining additional risk capital, preventing expansion and preventing further employment to the communities.

Henry C. Fechtmeyer, comptroller, Ampco Metal, Inc.

Opposed to the extension of the excess-profits-tax law. Believes that this tax is highly discriminatory. Feels that it has led to basic inequities in a highly competitive business world which cannot be overcome by relief provisions, however ingenious, but only by its repeal or expiration. Believes that this tax is a poor revenue pro-

ducer and that it produces administrative and collection problems. Considers that the law is expensive to administer directly and indirectly to the point of diminishing returns. Further points out that the proposed extension would double the Government's contingent liability for refund under the carryback provisions of the act.

Henry B. Fernald, chairman of the tax committee, American Mining Congress

Strongly urges that the excess-profits tax be repealed as of December 31, 1952, or at least be allowed to expire under existing law June 30, 1953. Believes that the excess-profits tax has an adverse impact on business affairs because of its many inequities.

John B. Fetter, Fetter Co., Kentucky

Opposed to the extension of the excess-profits tax. Believes that the law is unjust, inequitable, and prevents the growth of business.

Marion B. Folsom, Under Secretary of the Treasury

Appearance in respect to the lobbying law.

R. H. Giesecke, controller, McGraw Electric Co.

Opposed to any extension of the excess-profits-tax law because there is no possible degree of equity and because of its complexities and costly and confusing administrative problems. Feels that this measure prevents expansion programs and fosters hesitancy on the part of prospective investors.

Robert A. Gilbert, National Security & Research Corp.

Opposed to the extension of the excess-profits-tax law. Believes that it is easier and cheaper to reduce the budget than it is to let excessive taxation drive the economy into a depression.

Norman Glenn, president, Sponsor Publications, Inc.

Opposed to the extension of the excess-profits tax. Believes that it is discriminatory and unfair to new and growing corporations, particularly with respect to small businesses.

Jennie H. Graves, president, Vogue Dolls, Inc.

Opposed to the extension of the excess-profits tax. Believes that it was not the intention of Congress to levy taxes which are inequitable, which destroy incentive, and stifle new and growing enterprises.

Elisha Gray, president, Whirlpool Corp., St. Joseph, Mich.

Opposed to a 6-month extension of the excess-profits tax. It is believed that under this tax there is not enough retained earnings to finance the increased volume of business without going heavily into debt. Working capital needed for expanded customer credit, for additional materials for production, for increased factory production, and for extra operating cash is seriously curtailed by this tax.

C. W. Gray-Lewis, treasurer, Liby-Tulip Cup Corp., New Jersey

Opposed to the extension of the excess-profits tax. Believes that this tax hinders necessary growth. Believes that so long as the excess-profits tax remains on the books this company cannot retain enough earnings to expand normal business and new developments adequately. Further believes that this tax causes severe limitations on borrowing.

J. C. Griffin, treasurer, International Register Co., Illinois

Opposed to the extension of the excess-profits tax. Believes that this tax has seriously restricted the supply of working capital. Believes that the excess-profits tax is a great destroyer of efficiency. Believes that this tax has resulted in many unsound and unnecessary programs undertaken by companies on the theory that the Government pays the lion's share of the expense. Believes further in the fact that this tendency to spend unduly makes the excess-profits tax inflationary instead of deflationary.

B. F. W. Heyer, president, Heyer Industries, New Jersey

Believes the excess-profits tax is inequitable; however, feels that the present problem cannot be solved by letting the excess-profits tax die as provided by law unless the revenue it produces is replaced. Proposes a simple amendment to the excess-profits tax which will immediately correct its inherent inequities. Amend the tax so that it will be applied only as a penalty tax for companies who do not require extra earnings for expansion and who do not actually use them for this purpose. This means this "penalty tax" of 30 percent will also apply against those excess earnings if they are distributed as dividends; for in that case the money is not needed for business expansion.

Allen Hickox, president, Low's Reproduction Service, Inc.

Opposed to the extension of the excess-profits-tax law. Believes that this additional tax is a penalty on business for the crimes of efficiency, increasingly higher wages, growth, employment, and accelerated circulation of dollars through increased sales.

John K. Holbrook, secretary and counsel, Allied Control

Statement is a departure from the direct issue of whether the excess-profits tax should or should not be continued. Recommends that this tax be amended where necessary to cure its inequities or unfairness and that such amendment should be retroactive to the effective date of the act.

Edward D. Hollander, national director, Americans for Democratic Action

Supports the extension of the excess-profits tax beyond June 30, 1953, to maintain the present level of revenue during the foreseeable future. Believes that this measure does not suppress business initiative. Points out that the rate of investment in business plant and equipment has increased nearly 50 percent since this tax was imposed.

Rowland R. Hughes, Assistant Director of the Bureau of the Budget

Urges the extension of the excess-profits tax because of a number of adverse factors in the budget picture scheduled to come to focus in the fiscal years 1954 and 1955. They are: (1) The peak of expenditures, (2) the revenue loss as a result of tax reduction already in the law, (3) the overestimate of receipts for fiscal 1953 and 1954, and (4) the difficulty of adjusting downward the expenditures for the huge buildup of contracts and commitments already on the books.

Hon. George M. Humphrey, Secretary of the Treasury

Urges the extension of the excess-profits tax for 6 months through December 31, 1953. Believes this is necessary in view of last January's budget filed for the fiscal year 1954 showing estimated receipts of \$68.7 billion and expenditures of \$78.6 billion with a prospective deficit of \$9.9 billion. Believes that on July 1, 1953, when the excess-profits tax expires there will be involved a loss of revenue of \$2 billion in a full year and \$800 million in fiscal 1954. The individual income tax rates are scheduled for reduction beginning January 1 by amounts ranging from approximately 10 percent in the lower and middle brackets to between 1 percent and 2 percent in the highest brackets. This will involve a loss of \$3 billion on a full-year basis and \$1.1 billion in fiscal 1954. On April 1, 1954, the normal corporate tax is to be reduced from 30 percent to 25 percent, with the surtax remaining at 22 percent. This will reduce the total regular rate on the bulk on corporate income from 52 percent to 47 percent. It will mean a loss of \$2 billion in a full-year operation with only a small loss in fiscal 1954. These reductions total approximately \$8 billion for a full-year operation and \$2.1 billion for fiscal 1954. Believes that no immediate tax reduction can be safely made at this time. Further believes that there are many inequities and hardships which occur from various provisions of the several laws. On the basis of all these facts and taking into account the need for maintaining military security and economic security, it is believed that these recommendations should receive favorable consideration.

Hon. George M. Humphrey, Secretary of the Treasury

The second appearance of Mr. Humphrey concerns the lobby law.

Eugene Jalbert, treasurer, Judson Dunaway Corp.

Opposed to the extension of the excess profits tax. Believes that small companies are penalized at a time when growth is most needed. Believes that if the Government feels additional revenue is necessary, it should be levied and collected on a basis that is fair to all.

Mark C. Jones, president, M. C. Jones Electronics Co., Inc.

Opposed to the extension of the excess profits tax law. Believes that this measure severely curtails modernization and expansion and prevents the accumulation of adequate working capital.

E. W. Kiefer, chairman of the board, Port Huron Sulphite & Paper Co., Michigan

Opposed to the extension of the excess profits tax. Believes that industry in order to maintain growth and maintain modernization of equipment must have additional working capital now being taken by the excess profits tax.

A. W. Kimball, executive vice president, the National Small Businessmen's Association

Opposed to the extension of the excess profits tax. Believes that this tax is economically unsound and unethical. Suggests that if it is so important to the fiscal policy of the Government that \$800 million of revenue be retained in receipts this year by imposing the corporate income tax on the presently untaxed earnings of savings

and loan associations, cooperatives, mutual savings banks, credit unions, and other financial and commercial institutions which are now taxed very little or not at all, recommends the adoption of H. R. 1559, a measure designed to tax such earnings. Estimated that this would produce \$800 million in new revenue.

A. C. Kracklauer, president, Sparkler Manufacturing Co.

Opposed to the extension of the excess-profits tax. Believes that such a tax prevents the increasing of plant and equipment facilities. Prevents the building of reserves for expansion. Does not believe that it is the intention of the Government to deliberately stifle the natural growth of business through unjust and vicious legislation.

J. B. Lanterman, controller, American Steel Foundries, Illinois

Opposed to the extension of the excess-profits tax. Believes that the tax is not equitable, is not understandable in its application, is difficult to administer, and that its effect upon our economic activities is undesirable.

Herbert Laube, president, Remington Corp.

Opposed to the 6 months' extension of the excess-profits tax. Recommends that new companies be encouraged to take advantage of growth possibilities and that new companies be put on a more competitive basis with older companies by the complete elimination of the excess-profits tax.

Clarence D. Laylin. Appearing on behalf of the Ohio Chamber of Commerce, Columbus, Ohio

The Ohio Chamber of Commerce is opposed to the extension of the excess-profits tax. I am authorized to say that the Georgia State Chamber of Commerce, the Kansas State Chamber of Commerce, the West Virginia State Chamber of Commerce, and the south Texas Chamber of Commerce concur in that position.

Coates Lear, vice president, Overseas National Airways

Opposed to the extension of the excess-profits tax. Believes it to be unfair and discriminatory and to have a disastrous effect on young and rapidly growing industries and particularly on small companies such as Overseas whose very existence is threatened by the extension of the excess-profits tax.

F. A. LeSourd, counsel, Superior Portland Cement

Urges that there be coupled with any extension of the excess-profits tax, or that there be adopted even though the tax not be extended, provisions along the lines of H. R. 610 retroactively correcting the inequities in that tax. Believes that the effect of the excess-profits-tax law is to give a bonanza to a wrongdoer and penalize his victim. Believes that to correct inequities in the tax laws and that such corrections would involve very little loss of revenue.

Garrett Logan, board of directors, Franks Manufacturing Corp.

Opposed to the extension of the excess-profits tax. Believes that a company with small financial resources requiring all the working capital it can get to finance its growth must not be burdened with the insurmountable barrier of this law.

R. F. Lotz, comptroller, Virginia Smelting Co.

Opposed to the extension of the excess-profits tax. Recommends that if additional revenue is needed during the next 6 months or until the new tax law is written that temporary adjustments to the normal tax rate be made.

Robert C. Loudon, comptroller, Symington-Gould Corp.

Opposed to the extension of the excess-profits-tax law. Considers such a tax can never be equitable in spite of the best efforts of the committee to make it a fair law. Believes that whether or not the excess-profits tax is extended an inequity to the Symington-Gould Corp. be remedied by amending section 435 (g) (5) (B) and by amending section 535 (g) (6).

Thomas B. McCabe, Scott Paper Co.

Testified in support of the President's proposed extension of the excess-profits tax. Believes that if the excess-profits tax is not extended now when corporate earnings are on a high plateau, other sources of tax revenue will be jeopardized.

R. Edward Mastin, president, LaFavorite Rubber Manufacturing Co.

Opposed to the extension of the excess-profits tax. Feels that under this measure sufficient working capital for new machinery and equipment is seriously curtailed.

Edward W. Mathias comptroller and assistant treasurer, Durez Plastics & Chemicals, Inc.

Opposed to the extension of the excess-profits-tax law. Opposition to the extension of the excess-profits tax does not contemplate any reduction in the total amount of Federal taxes paid by corporations. It merely proposes a more equitable distribution of Federal corporate income taxes by a nominal upward revision of the corporate income-tax rates.

Fred Maytag, president, Maytag Co.

Opposed to the extension of the excess-profits tax. Believes that this measure is a penalty tax and has no place in a sound fiscal program. This tax is particularly burdensome to small and growing companies.

Brian Meade, secretary-treasurer, Marlin-Rockwell Corp.

Opposed to the extension of the excess-profits-tax law. Believes that the expiration of the excess-profits tax would be a stimulant to business and that any loss in revenue could be partially offset by savings in defense commitments.

A. Vander Meulen, vice president and treasurer, United Specialties Co.

Opposed to the extension of the excess-profits-tax law. Feels that the excess-profits tax has forced many small companies into long-term debts which jeopardize financial stability. Believes that no tax law which takes away from a growing corporation the capital that it needs to grow on should be allowed to continue.

Glen Miller, vice president-treasurer, Tow-Motor Corp., Ohio

Opposed to the extension of the excess-profits tax on the ground that it is inequitable and penalizes growth.

John G. Mitchell, chairman, board of directors, Sylvania Electric Products, Inc.

Opposed to the extension of the excess-profits tax. Believes that it is vicious, discriminatory, unfair, feeds inflation, fosters waste and inefficiency, and is stifling growth. The principal inequity of the excess-profits tax is that it subjects taxpayers in the same industry to widely differing degrees of taxation. In addition to recommendations that the excess-profits tax not be extended, strongly urges that the excess-profits-tax law be amended retroactively for all years to which applied so as to permit an acquiring corporation, such as Sylvania, to determine whether it is eligible for the benefits of the growth formula on the basis of its own experience, both before and after the liquidation of subsidiaries.

William H. Moore, Packard-Bell Co.

Opposed to the extension of the excess-profits tax on the ground that it is discriminatory and economically unsound. Believes, however, that in the event such tax is extended, retroactive relief should be granted to this company by allowing it to use as the basis of computing its tax credit the income for the period beginning July 1, 1950, and ending June 30, 1951.

Robert Morris, Ferguson-Lander Box Co., Illinois

Opposed to the extension of the excess-profits tax. Believes that the tax is vicious, inequitable, and a penalty on thrift. Suggests that if the \$800 million is so necessary, the Government could obtain it by raising the surtaxes 2 percent for the last 6 months of 1953.

Stan Mueller, secretary-treasurer, Pacific Coast Engineering Co.

Opposed to the extension of the excess-profits tax. Believes that this tax offers no incentive for growth, reduces working capital, disrupts long-term planning thereby adding to cost, stops plant expansion, and has a bad moral effect on business.

E. H. Mundy, treasurer, Sturgis Posture Chair Co.

Opposed to the extension of the excess-profits-tax law. Believes that American business will actually return more tax dollars to the Treasury without this unfair tax. To allow this tax to remain law, even for a short time, will do serious damage to the future ability of American industry to expand and care for an increasing labor supply.

L. S. Munroe, Jr., secretary-treasurer, Budd Cigar Co., Florida

Opposed to the extension of the excess-profits tax. Believes that in order to enlarge operations, increase employment, thereby providing more Federal revenue, it is essential that a fair return on investment be realized. Working capital cannot be increased enough to allow for this normal expansion under the excess-profits tax.

Alfred Nelson, president, Superior Electric Co., Connecticut

Opposed to extension of the excess-profits tax. Believes that this tax is very seriously interfering with the growth of the company as well as jeopardizing the jobs of its present employees. Believes that the excess-profits tax is a strong deterrent to plant modernization.

R. B. Nichols, president, the Torrington Co., Indiana

Opposes any extension of the excess-profits tax and requests correction of past inequities. Believes that this tax makes it impossible for many companies to retain enough earnings after paying their taxes to be in a sound cash position. Believes that a company should have more than 3 years within which to develop and promote its new product for purposes of qualifying for relief. Proposes amendment to section 443 (a) of the Internal Revenue Code. This language is contained in H. R. 1982.

Lee I. Park, chairman, tax section, American Bar Association

The association has taken no position on the desirability of extending the excess-profits tax beyond June 30, 1953. The association believes, however, that the existing law is vitally defective in failing to provide an adequate general relief provision. The association recommends that a new part V be added to subchapter D of chapter I of the Internal Revenue Code in order to provide relief in cases where abnormalities and inequities are shown to exist in the law as it now stands. The association's recommendations in draft form are essentially the same as H. R. 610 and relate solely to the determination of the normal base-period earnings which are to be used as a basis for computing under presently prescribed rules the amount to be subtracted from the earnings of the taxable year for the purpose of ascertaining that part of the earnings of the taxable year which are considered to be excess profits and to be subject to the excess-profits-tax rates.

R. G. Parkhurst, assistant treasurer, Santay Corp., Illinois

Opposed to the extension of the excess-profits tax. Believes that such a tax removes all opportunity to continue research in a vastly expanding industry because there is little or no money remaining to put back into the business. Feels that the excess-profits tax removes working capital which is so badly needed for expanding industries.

Douglas Peterson, Jr., president, Superior Manufacturing Co., North Carolina

Opposed to the extension of the excess-profits tax. Believes that as a result of this tax this company is placed in a position whereby it is impossible to pay a fair return on invested capital and still retain in the business those earnings which commonsense and good business judgment demand for survival.

Dr. William H. Peterson, professor of economics, Polytechnic Institute of Brooklyn

Opposed to the extension of the excess-profits tax. Believes that the excess-profits tax is unscientific, that it is destructive, and that if it is "bad" 6 months from now it is bad now.

James F. Pinkney, general counsel, American Trucking Associations, Inc.

Opposed to the extension of the excess-profits-tax law. Feels that this tax is a serious impediment to the normal and healthy growth of industry and that the Treasury would profit more in the long run by its immediate removal.

Raymond G. Pitt, president, Elcen Metal Products Co.

Opposed to the extension of the excess-profits tax. Believes that this tax has taken money urgently needed to provide adequate plant facilities, equipment, and working capital

John B. Poole, counsel for Television Broadcasters Tax Committee.

Opposed to the extension of the excess-profits tax law. Believes that it penalizes growth and development of new and small-business enterprises, and for them it has caused the tax ceiling of 70 percent to be the effective rate.

Lee A. Potter, Jr., president, Young Presidents Organization

Opposed to the extension of the excess-profits-tax law. Believes that this tax encourages inefficient management, that it retards business incentive, and discriminates against small business, and particularly against growth business.

Thomas J. Potter, comptroller, Metal-Glass Products Co.

Opposed to the extension of the excess-profits-tax law. Believes that excess-profits tax promotes and encourages inefficiency. Astronomical sums of the so-called 18-cent dollars are squandered each year on advertising, promotional schemes, giveaway expense accounts, re-decorations, and exclusive club dues. This wasteful attitude actually contributes toward the inflationary spiral. Believes that if this tax is extended to December 31, 1953, it could very well mean that the Government will be in a position of having to refund huge sums in a lean year when it can least afford an influx of refunds.

William H. Powderly, Jr., tax accountant, appearing for W. H. Steffler, secretary-treasurer of the Robertshaw-Fulton Controls Co., Pennsylvania

Opposed to the extension of the excess-profits-tax law. Hinders needed expansion. "As a result of this cash stringency we were forced into the money markets in 1951 and 1952 and are again in the process of seeking capital which should have been provided in large part by earnings retained. The effect has been to stifle normal growth and ultimately to restrict tax revenues from corporations."

Edwin J. Putzell, Jr., secretary, Monsanto Chemical Co.

Opposed to the extension of the excess-profits-tax law. In the event that the present law should be extended, a bill to amend it should include a provision to make available to corporate taxpayers a carryback of any unused excess-profits-tax credit during the period immediately following termination of such law.

Roy Richards, president, South Wire Co., Georgia

Opposed to a 6 months' extension of the excess-profits tax. Believes that the excess-profits tax has prevented expansion of growth business and that the excess-profits tax is the reason that this company has overestimated its debt position. Believes that due to having no base period they are paying percentagewise the highest tax in the industry.

R. C. Roll, executive vice president, Betz Corp., Indiana

Opposed to the extension of the excess-profits tax. States that during the past year earnings were below normal. The major reason

for the drop in profits in the past year is directly traceable to the excess-profits tax. Believes that this tax has curtailed earnings to such an extent that normal replacement of facilities could not be made. Believes that if the excess-profits tax is allowed to expire will be able to increase sales by 100 percent.

H. H. Roswell, publisher of the Police Gazette

Opposed to the extension of the excess-profits tax. Believes that this measure is a "hangman's noose" around small firms. Believes that this measure is depleting practically all of earnings. "Because of this tax, profits last year after a full year's operation amounted to less than the cost of getting out one issue of our magazine." In the event this tax should be continued, an equitable relief provision should be made available.

Stanley Ruttenberg, director, department of education and research, Congress of Industrial Organizations

Supports the extension of the excess-profits tax. Believes that this measure should not carry a termination date but should be held on the statute books as long as needed. Believes that this need will continue beyond January 1, 1954. Believes that the charges leveled against the excess-profits tax are not well-founded criticism. Believes that only large business pays this tax.

Walter Sandt, Smaller Bank Tax Conference

Opposed to the extension of the excess-profits-tax law. Believes that it is not possible for small-business men to expand their working capital under this measure. In the event the measure should be extended, it should be amended retroactively to include a provision permitting banks to include their savings liabilities in the form of savings accounts, savings certificates, or whatever form as borrowed capital, for the purpose of computing their excess-profits-tax credit by the industry rate of return method.

David T. Schultz, vice president-treasurer, Raytheon Manufacturing Co.

Opposed to the extension of the excess-profits-tax law. Believes that it is an extremely harsh law, that it stifles opportunity to compete for venture capital, and believes that the measure is an unproductive tax.

Paul D. Seghers, the Federal Tax Forum, New York

Considers that the recommendations as to whether the excess-profits-tax law should be allowed to lapse on June 30 or should be extended for further period is not within their province. Submitted 16 recommended amendments which they believe necessary to correct injustices and inequities that exist in the excess-profits-tax law.

Robert T. Sheen, president, Milton Roy Co., Pennsylvania

Opposed to the extension of the excess-profits tax. Considers it an "antigrowth" tax. Feels that it penalizes small-growth organizations.

Phil T. Sprague, president, Hays Corp., Indiana

Opposed to the excess-profits tax. Believes that due to this tax this company is weaker financially. Prevents reinvestment of necessary profits in capital equipment. Also believes that the tax prohibits investment in research and development work.

Angus M. Taylor, Jr., Chemical Industrial Corp.

Opposes extension of the excess-profits tax. Believes that such a tax actually penalizes thrift and efficiency and hampers business expansion and that it works particular hardships on successful small businesses which must depend upon retained earnings for growth. Believes that retained earnings under the excess-profits-tax law are inadequate to finance the natural development of a corporation and that there is little incentive for new capital to risk the uncertainty of a new and growing business.

William A. Thompson, president, Tool Craft Products, Inc.

Opposed to the extension of the excess-profits-tax law. Believes that this tax prevents expansion and seriously hinders the working capital position of small companies.

Harry E. Sprogell, secretary, Perfect Foods, Inc.

Opposed to the extension of the excess-profits tax law. The consequences of this tax have been to rob the company of cash which is necessary for operation. Further expansion under this law is entirely impossible. Capital has not been accumulated even to repay the price of the last expansion.

F. C. Steffens, vice president, National Rejectors

Opposed to the extension of the excess-profits tax. Believes that if the excess-profits tax had not been in effect they could have financed their whole expansion out of earnings, thereby creating more jobs.

William E. Stevens, certified public accountant, Blowing Rock Chair Co., North Carolina

Opposed to the extension of the excess-profits tax law. Believes that in the event that this measure is continued it should be amended to allow new corporations a credit comparable to the earning experience of older corporations and that such amendment should be made retroactive to allow new corporations to correct the injustices of past years.

Franklin T. Sweet, vice president, The Di-Noc Co.

Opposed to the extension of the excess-profits-tax law. Believes that if the excess-profits-tax law is allowed to expire it will be an added incentive to business which will be returned to the Government in the form of taxes greatly in excess of the amount which they will receive as a result of the present law.

J. Cameron Thomson, chairman, Monetary and Debt Management, Committee for Economic Development

Supports the President's proposal for the extension of the excess-profits-tax law to December 31, 1953. Believes that if there were any danger that the excess-profits tax might go on and on their position would be different.

C. G. Watson, president, Youngstown Welding & Engineering Co.

Opposed to the extension of the excess-profits tax on the ground that it is unjust, it penalizes efficiency, know-how, and ingenuity.

Points out that a small company is obliged to stay small because it is not allowed to retain sufficient money to keep up with its industry.

John S. Williams, president, Williams & Marcus Co.

Opposed to the extension of the excess-profits tax. Believes that this measure is unfair, unreasonable, and inequitable as it does not treat all taxpayers on the same impartial basis. In the event it becomes necessary to collect larger revenues, suggest that it not be done through excess-profits taxes of the present kind but through renegotiation of Government contracts and subcontracts to recapture excessive profits and prevent war profiteering and through the use of higher base rates or broader tax rates which would affect all taxpayers alike.

W. A. Williams, president, Dearborn Glass Co.

Opposed to the extension of the excess-profits tax. Agrees with other testimony that the excess-profits tax has a stifling effect on growing business and makes it extremely difficult for a business to have adequate working capital.

Blakely Wilson, vice president, Plainville Electro Plating Co.

Opposed to the extension of the excess-profits-tax law. Believes that the law prevents proper plant expansion, procuring of equipment, and building. Pointed out that if they cannot keep earnings they cannot grow.

John R. Wood, Jr., treasurer, Clark Equipment Co.

Opposed to the extension of the excess-profits tax. Believes that the the excess-profits tax is "a ball and chain" tied only to the leg of those who are growing rapidly. Believes that the excess-profits tax is a serious handicap to growth in that it forces corporations into extra debt.

Richard W. Wortham, Jr., executive vice president, Southland Paper Mills, Inc.

Opposed to the extension of the excess-profits-tax law. Believes that it is an unjust form of taxation. In case revenue is required, it should be obtained by an equitable and just method of taxation, a small increase in the normal corporate tax rate, for example.

Roger A. Yoder, secretary-treasurer, appearing on behalf of the Detroit Steel Corp.

Opposed to any extension of the excess-profits tax. Believes that the psychological reaction to the expiration of this tax will provide a stimulus to business which will result in increased normal tax revenue which will overshadow the revenue temporarily lost by the expiration of the excess-profits tax. Should the committee and the Congress vote an extension of this tax, we firmly believe that there should be included in the statute a general relief provision to bring about a correction of some of the more gross inequities which are embodied in the excess-profits tax as it presently exists.

Merle Yontz, president, Le Tourneau-Westinghouse Co.

Opposed to the extension of the excess-profits tax. Believes that the inequities and uncertainty of this measure is a heavy handicap on growing companies. Believes that such a tax does not provide the necessary capital for an expanding progressive company.

J. L. Young, Young & Greenawalt Co.

Opposed to extension of excess-profits tax. Believes that it hinders normal expansion, is discriminatory and prevents construction of necessary equipment.

