the English rates this bill would yield probably $400,000,000.

The treasury regulations will classify the character of income and the persons or corporations in all cases where returns are required to be made for another and the tax withheld at the source. As I have indicated, the tax will only be thus stopped at the source of annual income which is fixed or determinable and is derived from yearly transactions or continuous business connections or relationships extending through the year. This will argely embrace income from interest, rent, and salaries, dividends not being included in return of income for the purpose of the normal tax. All other classes of income accruing during the year will be embraced in a personal return of the taxpayer. The work of administering the proposed law will be done by the internal-revenue department. In making returns the taxpayer, or the person or corporation making return for him, will pursue very much the same course practiced with respect to the assessment of state or local taxes. The internal-revenue department will send blank return to each person supposed to have net income over $4,000 and to each person or company through whose hands a like sized income is supposed to pass. Should such taxpayer be overlooked it would be his duty, as in the case of state taxes, to request a blank return and execute and file with the district collector of the district in which the taxpayer resides. A person or corporation required to withhold tax and make return for another only returns the income in his or its hands and makes no inquiry as to other income of the taxpayer, the latter being a matter between the taxpayer and the government. All returns shall be made and filed by March 1 next and subsequent to December 31, and the tax accrues to the government after December 31, and the machinery for its assessment and collection extending over some months is only one means of getting the tax into the treasury.

Paragraph E prescribes the time and manner of paying the tax as computed upon each of the three returns heretofore described. Any person or corporation required to withhold and pay for a taxable person would not withhold any tax until the annual payments exceeded $4,000, except where the same is derived from interest on corporate or United States bonds; neither would the tax upon incomes from net earnings of corporations subject to like tax be withheld. No part of the tax imposed on corporations is stopped at the source. In many cases the taxable person will receive income from several sources at which the tax will be withheld, and, in order that one of the persons or corporations so withholding may understand that the taxpayer shall be allowed his $4,000 exemption thereon, the taxpayer is required to claim the same by filing affidavit to that effect within 30 days next before return is made for him. The other persons or corporations likewise withholding tax upon the income of the same taxpayer would understand, in the absence of such claim for exemption, that when the income exceeded $4,000 per annum they would retain the taxes due without including any exemption. In cases where tax is stopped at the source, as I have described, if the tax-payer has deductions for expenses, interest, taxes, and so forth, which he desires to have the benefit of, he may file the same with the collector of the district in which he resides if he has other income exceeding those deductions, otherwise he would be obliged to file the same either with the collector of the district in which his income is returned by another for him and the tax withheld or with the person or corporation whose duty it is thus to make return for him. This will be optional with the taxpayer. These two latter methods would bring his entire income and claim for deductions together in the hands of the district collector, so that when the same reached the office of the commissioner of internal revenue for assessment all the facts pertaining to the same would be together.

The first provision in paragraph E requires the tax to be withheld from income derived from interest upon corporate and United States bonds and other indebtedness, even though the income does not exceed $4,000. This is the only available means of collecting taxes from this source of income. The interest on most corporate bonds is represented by coupons payable to bearer. Any holder of these coupons, no matter how large the amount, could easily divide them into amounts under the exemption of $4,000 and send them through different sources for collection or otherwise dispose of them so that when they reached the corporation owing the same no appreciable tax could probably be collected therefrom.

The latter part of the proviso I have mentioned simply contains a provision of the English law designed to intercept the tax from income of a taxable person derived from the dividends upon the stock or interest upon the bonds of foreign corporations doing business in foreign countries, the same being payable outside of the United States. This provision likewise relates to interest on bonds of foreign countries payable outside of the United States.

Paragraph G imposes a like normal tax upon the net profits, gains, or income of corporations without exemption. The provisions and administrative machinery of the present corporation tax law are, in the main, reenacted. However, the language imposing the tax is made more comprehensive so as to embrace all corporations and joint-stock companies or associations, whether or not having capital stock. A large number of corporations that should be subject to tax have escaped under the present corporation-tax law. 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.

Labor, agricultural, charitable, and other organizations and societies exempt under the present corporation-tax law are likewise exempt from taxation under the proposed measure. Mutual savings banks not having capital stock represented by shares would also be exempt.

With respect to mutual fire insurance companies, a slight relaxation of the corporation-tax law as construed by the treasury department is made in the proposed bill. It is represented that factory mutual fire insurance companies require a premium deposit of from ten to twenty times as great as experience shows would be needed to pay the fire losses and all their expenses of the year. This presents a different state of facts from those relating to mutual insurance companies who seek exemption, in effect, from the operation of the proposed income tax.

Mr. Chairman, I regret that time does not permit me to go further into the details of this measure.

Mr. Mann. Mr. Chairman, will the gentleman yield for a question?

Mr. Hull. Yes.

Mr. Mann. Suppose one has an income of $5,000 from either dividends or interest payable by corporations, and that that is his entire income, made up, say, $500 from one company, $600 from another, $700 from another, $800 from another, and on up enough to make $5,000. How does he get his exemption of $4,000 and in which company?

Mr. Hull. Mr. Chairman, the

(Continued on Page 12.)