

000,000 in revenue may be derived from this new tax, including the corporation tax, that amount making up for the deficit in revenues to be derived from imports by virtue of the greatly reduced tariff rates and the transfer to the free list of articles that are classed as necessities of living.

Incomes of taxable persons shall include gains, profits and income derived from salaries, wages or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, businesses, trade, commerce, or sales or dealings in property, also from interest, rents, dividends, securities, including income from property, also from but not the value of property acquired by bequest, devise or descent, and also proceeds of life insurance policies paid upon death of persons insured.

The bill allows as deductions in computing net income all necessary expenses actually incurred in carrying on any business, not including personal living or family expenses, interest accrued and payable within the year by a taxable person on indebtedness, all national, state, county, school and municipal taxes, not including local benefit taxes; losses incurred in trade or from fires, storms or shipwreck not compensated by insurance or otherwise; debts actually ascertained as worthless and charged off; also reasonable allowance for wear and tear on property; but no deduction will be allowed for expense of restoration or improvements made to increase property value.

It excepts also, in computing net income, amounts received as dividends upon the stock of any corporation, joint stock company, association or insurance company which is taxable upon its net income under the corporation tax provision of the bill.

The bill excludes the compensation of the president of the United States during his term, judges of the supreme and inferior courts of the United States, and compensation of all officers and employes of a state or any political subdivision thereof.

It establishes a system of collection of the tax at its source, requiring all persons, firms, co-partnerships, companies, corporations, joint stock companies, associations or insurance companies and all trustees, executors, administrators, receivers, etc., and officers and employes of the United States having the control or disposal of salaries, wages, interest and other profits and income of another person to withhold and pay to the collector of internal revenue the amount of income tax due from such person. All such persons or firms are made personally liable for such tax.

PENALTIES FOR EVASION

Persons or corporations liable to make return on incomes who fail to do so at a specified time, are made liable to a fine not exceeding \$500 and the penalty for false or fraudulent returns is fixed at \$1,000, or imprisonment not exceeding one year, or both.

"In formulating this additional impost," said Chairman Underwood in his report, "the attempt has been made to provide not only a source of revenue, but also a means of redressing in some measure the unequal tax burdens which result from the practice of basing the federal income entirely upon customs and internal revenue duties. This is a system of taxation which inevitably throws the burden of supporting the government upon the shoulders of the consumers. It correspondingly exempts the money of larger income, whose consumption of the ordinary necessities of life is subject to tariff taxation in a far less aggregate degree than is that of smaller income earners, who expend the greater proportion of their resources for the ordinary necessities of life."

EXTRA TAX FOR DELINQUENTS

The bill provides that all taxable persons shall be notified of the amount for which they are liable, under the law, on or before June 1. For delay in making payments, and ten days after notice, there shall be added the sum of 5 per cent on the amount of tax unpaid, and at the rate of 1 per cent a month from the time the tax fell due.

The corporation tax provision, it is directed, shall be computed upon income for the year ending December 31, 1913, and for each calendar year thereafter. It is provided, however, that corporations may designate the last day of any month as the day of the closing of the fiscal year, and may have the tax computed on the basis of net income ending on its designated day. All labor, agricultural, horticultural, fraternal, religious and mutual benefit societies are made exempt from this proposed tax.

Mr. Underwood's Explanation of the Tariff Bill

Washington, April 7.—In a statement accompanying the tariff bill, introduced today, Chairman Underwood said the measure, in the opinion of its makers, would revise the tariff "to a basis of legitimate competition, such as will afford a wholesome influence on our commerce, bring relief to the people in the matter of high cost of living, and at the same time work no detriment to properly conducted manufacturing industries."

"In its tariff revision work the committee has kept in mind," he said, "the distinction between the necessities and the luxuries of life, reducing the tariff burdens on the necessities to the lowest points commensurate with revenue requirements, and making the luxuries of life bear their proportion of the tariff responsibilities. Many items of manufacture controlled by monopolies have been placed on the free list."

Chairman Underwood's statement giving the changes in detail continues as follows:

"In the chemical schedule the rates on certain commodities show heavy reductions. For instance, boracic acid is cut from 78.70 per cent to 21.43 per cent; glue from 35.06 per cent to 14.29 per cent, and red lead from 60.35 per cent to 25 per cent. Moderate reductions have been made on medicinal preparations, which are cut from 25 per cent to 15 per cent; blacking from 25 per cent to 15 per cent; drugs from 12.55 per cent to 10 per cent, and olive oil from 25.18 per cent to 21.05 per cent. The schedules contain a number of articles on which either no reduction has been made or an advance provided for.

RATES ON BRICK AND TILE CUT

"Rates on all brick have been cut on the average from 30.23 per cent to 10.23 per cent, tile from 47.84 per cent to 23.36 per cent, asphalt from 37.05 per cent to 9.62 per cent. Ordinary earthenware, which already was relatively low, being subject to an average duty of 24.67 per cent, has now been cut to 15 per cent, while window glass has been given an average reduction on all glasses of from 46.38 per cent to 28.31 per cent. Plate glass, which may be considered a luxury, still retains a duty of nearly 40 per cent, the average being 38.45 per cent, in place of the duty of 63.95 per cent in the law.

"Pig iron and slabs, which were 16.35 per cent and 17.79 per cent, have been cut to 8 per cent in each case; beans from 23.20 per cent to 12 per cent, and forgings from 30 per cent to 15 per cent. On the other hand, bicycles, a much more highly manufactured product, are dutiable at 25 per cent, as against 45 per cent, and razors at 35 per cent as against 77.68 per cent.

EXTENSION OF FREE LIST

"The idea of the large extension of the free list for the manufactured products has been the fundamental conception, while the effort has been made to improve the status of the manufactured lumber. Thus sawed boards, other than cabinet wood, have been carried to the free list, while sawed cabinet woods, which were 12.75 per cent in 1912, now are 10 per cent; casks, barrels, etc., which were 30 per cent, are now 14.77 per cent, and house furniture, which was 35 per cent, now is 15 per cent.

"Tobacco and spirits have been found to be good producers of revenue and have, therefore, been left at the same rates as in the present law.

SCHEDULE G REVISED

"In the effort to relieve the consumer and to mitigate the high and rising cost of living, schedule G, which deals with agricultural products, has been thoroughly revised and important reductions have been made. For instance, the duty on horses has been reduced from 25 per cent to 10 per cent, cattle from 25.07 per cent to 10 per cent, sheep from 16.41 to 10 per cent, barley from 43.05 per cent to 23.07 per cent, macaroni from 34.25 per cent to 23.81 per cent, hay from 43.21 per cent to 26.67 per cent, fruits from 27.21 per cent to 15.38 per cent, figs from 51.53 per cent to 42.10 per cent, lemons from 68.85 per cent to 24.03 per cent, live poultry from 13.10 per cent to 6.67 per cent and vinegar from 33.03 per cent to 17.39 per cent. Other changes are in proportion and the general effect has been to reduce in a very material proportion the heavy taxes upon imported foodstuffs.

REDUCTIONS ON COTTON GOODS

"In Schedule I, dealing with cotton, comparisons of the principal items show reductions on

cotton thread from 31.54 per cent to 19.29 per cent, on spool thread from 22.95 per cent to 15 per cent, on cotton cloth from 42.74 per cent to 26.69 per cent, on waterproof cloth, from 50.56 per cent to 25 per cent, on ready-made clothing from 50 per cent to 30 per cent, on collars and cuffs from 64.03 per cent to 25 per cent, on plushes from 51.40 per cent to 40 per cent, on handkerchiefs from 59.27 per cent to 30 per cent, on stockings from 75.30 per cent to 50 per cent, on gloves from 89.17 per cent to 35 per cent, on underwear from 60.27 per cent to 25 per cent, and on cotton damask from 40 per cent to 25 per cent.

"Flax, hemp and their products, have been similarly dealt with. Raw flax and raw hemp have been reduced from \$22.40 and \$22.50 per ton, respectively, to \$11.20 each; jute yarns have been cut from 26.90 per cent to 15 per cent, cables and cordage from 6.43 per cent to 4.55 per cent, oilcloths for floors from 44.29 per cent to 15 per cent, handkerchiefs from 50 per cent to 35 per cent.

"Schedule K, dealing with wools and woolen manufactures, has been the center of criticism for many years and the committee has given it very careful study. The result has been to make raw wool free of duty, to reduce yarns from 79.34 per cent to 20 per cent, blankets from 72.69 per cent to 25 per cent, flannels from 93.29 per cent to 25 and 35 per cent, dress goods from 99.70 per cent to 35 per cent, clothing from 79.56 per cent to 35 per cent, webbing, etc., from 82.07 per cent to 35 per cent, and carpets from rates ranging from 60 per cent to 82 per cent, to rates ranging from 20 per cent to 35 per cent.

"Inasmuch as silk and silk goods are distinctively to be classed as luxuries, it has been deemed wise to make only very moderate reductions in the rates of duty. Partially manufactured goods have been cut from 21.01 per cent to 15 per cent, spun silk yarn from 37.09 per cent to 35 per cent, sewing silk from 35 per cent to 15 per cent, silk goods from 52.58 per cent to 50 per cent, silk handkerchiefs, plain, from 50 per cent to 40 per cent, ribbons from 50 per cent to 40 per cent, artificial silk yarns from 41.79 per cent to 35 per cent, and braids, embroideries and the like of artificial silk from 68.49 per cent to 60 per cent.

DUTY ON PAPER REMOVED

"Print paper, whose cost of production is as low in this country under favorable conditions, as it is anywhere in the world, has been transferred to the free list when worth less than 2½ cents per pound, while the higher grades have been given a tariff of 12 per cent, in place of 15.80 per cent. Copying paper has been cut from 42.32 per cent to 30 per cent, bag envelopes, etc., from 49.92 per cent to 35 per cent, parchment paper from 47.92 per cent to 25 per cent, photographic paper from 29.99 per cent to 25 per cent, writing paper from 45.13 per cent to 25 per cent, common wrapping paper from 35 per cent to 25 per cent, and books from 25 per cent to 15 per cent.

"Trimmed hats are given only a moderate reduction, being cut from 50 per cent to 40 per cent, while brooms are substantially reduced, being cut from 40 per cent to 15 per cent, jewelry has been but slightly reduced, falling from 75.74 per cent to 60 per cent.

TARIFF COMPETITIVE

"Where the tariff rates balance the difference in cost of production at home and abroad, including an allowance for the difference in freight rates, the tariff must be competitive, and from that point downward to the lowest tariff that can be levied will continue to be competitive to a greater or less extent. Where competition is not interfered with by levying the tax above the highest competitive point, the profits of the manufacturer are not protected.

"On the other hand, when the duties levied at the custom house are high enough to allow the American manufacturer to make a profit before his competitor can enter the field, we have invaded the domain of the protection of profits. In the committee's judgment the protection of any profit must of necessity have a tendency to destroy competition and create monopoly, whether the profit protected is reasonable or unreasonable.

WHICH COURSE IS WISEST?

"Which course is the wiser one for our government to take? The one that demands the

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