The Commoner.

A REMARKABLE INCOME TAX SPEECH

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(Continued from Page 7.) advanced payment. It belongs to the individual and not to the company.

Mr. Hull. The amount of the dividend returned to the policyholder has been represented to come out of the surplus of the company, but in any event it would not be reduced any more than the 1 per cent which the corporations now pay reduces the dividend to the stockholder. One ninety-ninth of the net a few moments if I can proceed. earnings from all sources has thus

tofore.

Mr. Madden. Will the gentleman yield for a further question?

Mr. Hull. Yes.

Mr. Madden. A great many people sidered as property? have asked me whether a man owning a life insurance policy will under the provisions of this bill be allowed insurance policies. to charge the annual premiums he is required to pay against his income.

Mr. Hull. I will deal with that in

Mr. Madden. And I would also

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far had no effect on it. This tax has like the gentleman to answer annever affected the policyholder here- other question, whether a widow will be required to pay an income person for whom he acts. tax on the money secured as the result of her husband's death, or whether that money will be con-

> Mr. Hull. It never was contemplated to tax the proceeds of life

Mr. Madden. It is not very clear in the bill.

bill before it was introduced was by inadvertence a little obscure on that point.

Paragraph C exempts from the law salaries of state and local officers and interest upon state and local bonds. The supreme court has often held that under our form of government the states have no power to tax the instrumentalities of the federal government, and conversely that the federal government has no power under the constitution to tax the instrumentalities of the states; not desiring to raise any constitutional question, or to arouse the antagonism of any of the states, this provision was inserted.

Mr. Bartlett. May I interrupt the gentleman?

Mr. Hull. Certainly.

Mr. Bartlett. It is a fact that in my state and in a number of other states, when this amendment was up as part of his income. before the legislature for adoption, many people opposed the adoption of the amendment because there was nothing specifically said in the amendment; but the friends of the amendment felt justified in assuring them that except in great stress, except in time of war, congress would never think it wise to tax the bonds of the state or the subdivision thereof.

Mr. Hull. Mr. Chairman, I think the suggestion of the gentleman is entirely pertinent.

Mr. Bartlett. In other words, the people were assured by the friends of this measure that it would be only in rare cases that congress would ever be called upon to enact any law which would tax the instrumentalities of a state or a subdivision thereof.

Mr. Hull. I do not undertake to express an opinion either way upon reasons. In the first place, as althe power of congress to impose ready stated, the people with insuch tax by virtue of the recent con- comes below \$4,000 pay the princistitutional amendment. It does not necessarily arise in view of the provision in the bill. dent and the federal judges now in the amount of taxes this bill would office are exempted for another constitutional reason. As construed heretofore the constitutional provision to the effect that the salaries of these officials can not be diminished during their terms of office has been held to exempt such salaries until their successors assume office, when the tax would a large family, or to a person supapply. This is a constitutional pro- porting indigent relatives, and so vision independent of any taxing forth. provision in the constitution. During and subsequent to the civil war and in most cases not over \$\$00 experiod it was held that salaries of emption, their laws provide these these officials during their respective special deductions, but in a law that terms of office could not be di- allows \$4,000 exemption it is not minished for any purpose, taxing or necessary to mention these items of otherwise, and it was so held with expenditures specifically. respect to any attempt to assess them for income tax. In view of the very small amount involved, together with the fact that it was not desired to raise any constitutional argument over so small a matter, it was thought wiser to allow the successors of federal judges and of the present president of the United States to assume this tax rather than prehensive as it should later be provoke an argument by undertaking to impose it now, should we even have the power to do so.

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Second-The return of a guardian, executor, and so forth, for the

Third-The return of any person or corporation for a taxable individual upon whose income such person or corporation is required to withhold and pay tax to the government.

As I indicated a few moments ago, while England collects about twothirds to three-fourths of her entire 200,000,000 at the source, I think Mr. Hull. The last print of the that, under the proposed measure, probably in the neighborhood of two-thirds of the tax, including, of course, that which would result indirectly from the individual, but which is paid by a corporation, as to the normal tax-at least twothirds would be collected at the source of the income, and this would insure to that extent the collection of the full tax without trouble to the tax-payer, and without temptation to him to conceal or evade or withhold any portion of his taxable income.

> Mr. Madden. Mr. Chairman, will the gentleman yield there? Mr. Hull. Yes.

Mr. Madden. The gentleman describes a case now where the corporation pays the tax, and where the stockholder who would get dividends from the company would not be required to return his dividends

Mr. Hull. Of the normal tax.

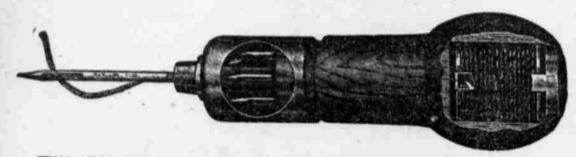
Mr. Madden. But the surtax he will be required to pay.

Mr. Hull. As to the additional tax, every individual makes personal returns of all of his income from every source, corporate or otherwise.

Mr. Madden. Deducting the amount of the original tax of 1 per cent paid by the corporation in which he is a stockholder.

Mr. Hull. Mr. Chairman, I undertook to state a while ago the method of computing his income for the purpose of the additional tax, and I would prefer not to go over it again just now, if the gentleman will pardon me.

This paragraph also directs the exemption of \$4,000 to every individual taxpayer. The exemption of \$4,000 was fixed for a number of pal part not only of our tariff taxes. but of the state and local taxes, and there is no injustice in requiring The salaries of the present presi- those with higher incomes to bear impose; again, an exemption of this amount made it possible to omit a number of deductions which are allowed in other countries, and which would be allowed here, with a lower exemption, such as a certain amount for premiums paid on life insurance policies, allowances to a person with In other countries that have \$200 Furthermore, like any new tax law, it will be necessary for the people to become acquainted with the proposed law and for it to become adjusted to the country before extending its classifications, abatements, deductions, exemptions, and so forth, to that extent which in all respects would make it as commade. It was therefore deemed sufficient at present that while the bill should contain the essential Paragraph D provides for three features of a modernized income-tax kinds of return of income for tax- law, no attempt should be made to First-Return of an individual system of rates such as is found in write into it the comprehensive other countries, like England. With



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