

A REMARKABLE INCOME TAX SPEECH

(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 earnings from all sources has thus

far had no effect on it. This tax has never affected the policyholder heretofore.

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

Mr. Hull. Yes.

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

Mr. Hull. I will deal with that in a few moments if I can proceed.

Mr. Madden. And I would also

like the gentleman to answer another question, whether a widow will be required to pay an income tax on the money secured as the result of her husband's death, or whether that money will be considered as property?

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

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

Mr. Hull. The last print of the 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 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 the power of congress to impose such tax by virtue of the recent constitutional amendment. It does not necessarily arise in view of the provision in the bill.

The salaries of the present president and the federal judges now in 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 apply. This is a constitutional provision independent of any taxing provision in the constitution. During and subsequent to the civil war period it was held that salaries of these officials during their respective terms of office could not be diminished for any purpose, taxing or otherwise, and it was so held with 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 provoke an argument by undertaking to impose it now, should we even have the power to do so.

Paragraph D provides for three kinds of return of income for taxation:

First—Return of an individual for himself.

Second—The return of a guardian, executor, and so forth, for the person for whom he acts.

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 two-thirds to three-fourths of her entire 200,000,000 at the source, I think 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 two-thirds 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 taxpayer, 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 as part of his income.

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 reasons. In the first place, as already stated, the people with incomes below \$4,000 pay the principal part not only of our tariff taxes, but of the state and local taxes, and there is no injustice in requiring those with higher incomes to bear the amount of taxes this bill would 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 a large family, or to a person supporting indigent relatives, and so forth.

In other countries that have \$200 and in most cases not over \$800 exemption, their laws provide these special deductions, but in a law that allows \$4,000 exemption it is not necessary to mention these items of expenditures specifically.

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 comprehensive as it should later be made. It was therefore deemed sufficient at present that while the bill should contain the essential features of a modernized income-tax law, no attempt should be made to write into it the comprehensive system of rates such as is found in other countries, like England. With

Bargain in Choice, Well-Located Eastern Nebraska Farm

A fine farm near Lincoln—160 acres. New buildings, complete; modern, up-to-date improvements for a horse, cattle or hog farm; 3 1/2 miles of heavy woven wire fence with steel posts. Splendid new barn and shed; new hog houses; new poultry house; unlimited amount of pure water; new silo. Farm includes alfalfa, upland hay, pasture and plow land. Entire farm fenced and crossed fenced with hog-tight and mule-proof fencing. Located 2 1/2 miles from street car line. Immediate possession can be given. Any one desiring to move near Lincoln or to purchase a highly improved farm at a reasonable price

Address Desk B, Commoner Office, Lincoln, Neb.

Handy Sewing Awl

A Perfect Device for Sewing Any Heavy Material



With this Awl you can mend harness, shoes, tents, awnings and pulley belts, bind books and magazines, sew or mend carpets, saddles, suitcases, or any heavy material.

The SPEEDY STITCHER is the latest invention and the most effective of anything in the form of an Automatic Sewing Awl ever offered for the money. Its simplicity makes it a thoroughly practical tool for any and all kinds of repair work, even in the hands of the most unskilled.

The SPEEDY STITCHER is provided with a set of diamond-pointed grooved needles, including our special needle for tapping shoes, which is an entirely new invention. It also contains a large bobbin from which the thread feeds, all of which are enclosed inside the handle out of the way. This Awl has a tension which enables you to tighten your stitch, and it can be used with or without the bobbin, which saves refilling the bobbin when you have a lot of work to do. These valuable features you will not find in any other \$1.00 Awl. No wrench or screw driver is required to remove the bobbin or tighten the needle in chuck, as is necessary in other makes.

The Awl is convenient to carry—always ready to mend a rip or a tear—it is a tool no practical man can afford to be without, and it is a tool that will save dollars in every home. New needles can be secured at any time. We will send this Awl (together with complete instructions) to any address, postpaid, on receipt of \$1, a bill or money order.

A Limited Special Offer

For a limited time only, we are making this extraordinary offer. Send us only \$1.15 (a special rate) to pay for one full year's subscription to The Commoner and The American Homestead (the popular farm and household monthly) and we will send you one of these fine Automatic Sewing Awls without additional cost and prepaid. Remember, both papers one full year and the Awl for only \$1.15. The regular price for all three is \$2.25, but if you are prompt you can get this bargain offer before it is withdrawn. Open now to new or renewing subscribers. If now a subscriber to either publication present expiration date will be advanced one year. Send at once.

Address, THE COMMONER, Lincoln, Nebraska