

# Congressman Oldfield Scores Republican Revenue Measure

(Below are extracts taken from the speech of Hon. Wm. A. Oldfield, of Arkansas, in the House of Representatives, August 18, 1921. The House in Committee of the Whole on the state of the union had under consideration the bill, H. R. 8245 to reduce and equalize taxation, to amend and simplify the revenue acts of 1918, and for other purposes.—Ed.)

Now, gentlemen, a great deal has been said about the revenue act of 1918. The press of the country said that Mr. Kitchen, who was the chairman of the Ways and Means Committee at that time, was placing the burden of taxation upon the north and upon the east, that the south was in the saddle, and many Republican members of congress made that statement on this floor, that we were burdening the north and the east and letting off the south in the matter of taxation for the purpose of carrying on the war.

In that connection I think I ought to read to you a statement which I clipped from the Philadelphia Public Ledger on the 28th day of last month, and I will read it to you:

"When Claude Kitchin, of Scotland Neck, N. C., was, as chairman of the Ways and Means Committee, framing the tax bills under which the government raised money for the war the charge was freely made by many Republican speakers and newspapers that the south was seeking to place the burden of taxation upon the north because the latter had most of the money. Of course, this was in a measure true, because taxes must be laid where there is money. Where everybody is poverty stricken little revenue can be raised, no matter how heavy the taxation is. That the Democrats played no favorites, sectionally speaking, is shown, however, by the income tax returns for 1919. The average amount of income tax returned from North Carolina, for instance, was \$269, as against \$237 for Pennsylvania, Louisiana paid \$245 against Illinois's \$235 and Arkansas \$236 as against \$118 for Iowa, \$103 for Indiana, \$125 for Colorado, etc. The tax returns show that there was no sectionalism. The north paid the most because the money was here, but the individual burden was no greater than it was in the south."

## PROVISION THAT RELIEVES RICH SPECULATORS

Now, gentlemen, in this bill there are a great many jokers. I want to confine myself to this bill in this debate.

I say to you today that on page 11, section 207, you have a provision in here that will relieve a lot of rich speculators of the country of just taxes. I want to read it to you.

"(b) In the case of any taxpayer (other than a corporation) whose ordinary net income and capital net gain together exceed \$40,000, there shall be levied, collected, and paid, in lieu of the taxes imposed by sections 210 and 211 of this title, a tax determined as follows:

"A partial tax shall first be computed upon the basis of the ordinary net income at the rates and in the manner provided in sections 210 and 211, and the total tax shall be this amount plus 15 per centum of the capital net gain, etc."

In other words, they do not collect a tax on the capital net gain like they tax other gains in business. For example, under that section an individual might buy an apartment house in Washington in 1913, for which he paid \$100,000. If that apartment house sells in 1921 for a million dollars he would have a net gain of \$900,000, and yet under that provision he would have the right to separate that gain from all other gains, and his \$900,000 would be taxed only 15 per cent. Why do you not tax the \$900,000 profit at the rate of 32 per cent as you do other individuals who have an income of as much as \$66,000? I think the court will sustain that interpretation. I remember quite well that a very bright lawyer came before the Ways and Means Committee and urged that provision on the theory that the people dealing in real estate—buying real estate and buildings for investment—would not sell them because they would have to pay so much to the government. How much do you lose in revenue under this provision? Under that state of facts, under the present law the man would have to pay approximately \$380,000 in taxes, and under this provision he would have to pay only \$135,000.

We say it is not fair to the rest of the people when you relieve rich speculators of taxation in that sort of fashion. You can not explain it to the American people. It seems that Republicans are never happier than when they are relieving rich individuals and rich corporations of taxes.

## MORE THAN DOUBLE THE LIMIT ON TAX EXEMPT SECURITIES

You say in the report that you want to reduce the surtaxes and repeal the excess-profits taxes, especially the surtaxes. And why? Because you say it forces the rich and wealth of the country to place their money in tax-exempt securities.

That is the excuse you give, and we hear the gentleman from Ohio (Mr. Fess) and the gentleman from New York (Mr. Mills) crying out in favor of a constitutional amendment prohibiting the issuing by the states and cities and counties of the country of tax-exempt securities, and they say that if you will do that the rich would not put their money into that kind of security but would put it in productive industry. You say you want no more tax-exempt securities for the reason that the rich of the country put their money in those securities instead of in productive industry. Under the present law a man can buy as much as \$160,000 of government bonds, if he will purchase them properly and according to law, and they are exempt from taxation, and in this bill you increase that amount to \$335,000. Why do you do that? In one breath you say you do not want any more tax-exempt securities because those tax-exempt securities are causing the rich of the country to place their money in them instead of in productive industries, and in the next breath you lay down as an excuse for the legislation you carry in the bill, because on page 82 of the bill we find the following provision:

"Sec. 1010. The various acts authorizing the issues of Liberty bonds are amended and supplemented as follows:

"(a) On and after January 1, 1921, 4 per cent and 4½ per cent Liberty bonds shall be exempt from graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States upon the income or profits of individuals, partnerships, corporations, or associations, in respect to the interest on aggregate principal amounts thereof as follows:

"Until the expiration of two years after the date of the termination of the war between the United States and the German government, as fixed by proclamation of the President, on \$125,000 aggregate principal amount; and for three years more on \$50,000 aggregate principal amount."

You do not want any more tax-exempt securities, yet you double, more than double, the tax-exempt securities than one can buy today under the present law. How are you going to explain that?—I hope Mr. Longworth or Mr. Treadway or some other gentleman of the Ways and Means Committee will explain why it is that in one breath you do not want tax-exempt securities and in the next you increase the amount of exemption. So long as you play falsely with the people and try to mislead them on these tax-exempt securities you could not in a thousand years get them to adopt a constitutional amendment such as Mr. Mills proposes, and they ought not to do it if you are going to treat them in that sort of fashion.

## REPUBLICAN PARTY RUNNING TRUE TO FORM IN PROPOSED LEGISLATION

The Republican party in this proposed legislation is running true to form. You are trying to relieve the wealthy of the country; you are trying to relieve the great multimillionaires and the income of the big corporations and place the burden somewhere else. You say that you lose \$450,000,000 because of repealing the excess-profits tax.

You admit that you lose \$450,000,000 when you repeal the excess-profits tax and you gain \$133,750,000 by your corporation flat tax of 12½ per cent. The trouble is that you relieve the big corporations, the profiteering corporations, of \$450,000,000 and place the burden on the little corporations, as I shall be able to show

you before I finish. But you are running true to form.

There is nothing unusual about this proposed legislation, coming from the Republicans. In 1862 you placed an income tax on the statute books of 3 per cent, I think it was. In 1863 you increased that to 5 per cent, and in 1865 to 10 per cent. Why? To get money to carry on the Civil war, in order to win the war, if you please. In 1870 what did you do? You repealed the income tax law and placed the burden through consumption and other taxes on the people generally, thereby relieving the rich of that time and placing the burden of paying for that war on the masses of the people of America. (Applause on Democratic side.) That is what you are doing today. There can be no question about it, not the slightest doubt. I dare say that half of the Republicans of the House will agree with the statement that I am about to make, because I have talked with some of them and I know they will. In 1918 the revenue act contained a provision taxing stock dividends of corporations, and those stock dividends must be worth something to these corporations, otherwise they would not issue them. In 1920 I believe it was, on March 8, the Supreme Court of the United States, by a 5 to 4 decision, declared the stock-dividend provision of the law unconstitutional. The court might change. In the legal tender cases the congress of the United States sent the cases back to the Supreme Court, and the Supreme Court changed. Why don't you do that? In this bill you could get \$300,000,000 by taxing a privilege, if you please—taxing the privilege of these corporations to issue stock dividends. Let me show you how ridiculous you will make yourselves in passing this sort of legislation. I can not for the life of me understand how any Republican can give a satisfactory excuse for the passage of this legislation. I think it is the most vicious bill that I have ever seen in my term of service here. I can not understand how any honest man can support this legislation, regardless of politics. Let us look at this. I have here a statement prepared for me by the Treasury Department. There have been a billion and a half dollars' worth of stock dividends issued since that decision. A tax of 20 per cent on the privilege of issuing those stock dividends would bring in \$300,000,000 to the Treasury, and it would not hurt the rich.

These big corporations issuing these stock dividends knew when they issued them that the Republican party was liable to come into power, and they knew you would reduce the surtax, that you would reduce the excess-profits tax, you would reduce the tax on the rich, if you please, and then after that they can sell those dividends and pay the lower taxes, if you please.

I shall not go into that at this time, but I want to say this: I believe they ought to pay for this privilege. I think they ought to pay for it, and I believe the people of America will say so. Take the Crane Co., which issued 200 per cent stock dividends; take the North Texas Oil Co., which issued a 500 per cent stock dividend; take the Franklin Yarn Co., which issued a 2,000 per cent stock dividend. The Standard Oil Co., of Nebraska just a few days ago issued a 200 per cent stock dividend. Gentlemen, why do you not tax them? I will tell you why you do not tax them. You do not tax them because the tax would fall upon those who are most able to bear the burden of taxation to run this government and pay the war debt.

## EXCESS-PROFITS TAX DEFENDED AS MOST JUST TAX EVER WRITTEN

Now, let me discuss for a little while the question of the excess-profits tax. I want to say at the outset that there was never a more just tax written on the statute books of America than the excess-profits tax. It is simply nothing more or less than a graduated income tax on profits; excess profits, if you please. I have some maps here, which I shall use at this point. I am greatly indebted to Mr. Howard Clinton Beck, a certified public accountant from the state of Michigan, who has prepared the figures here, which show you without any question, gentlemen, that upon the rich you decrease the taxes, and upon the poor corporations, the weak corporations, you increase the taxes. Do you agree with me? There can be no question about it. Let me show you. It is so outrageous I do not see how any man can afford to repeal the excess-profits tax and substitute the flat corporation tax of 12½ per cent, as proposed in this bill. This is in the blue figures (indicating), and it shows that the corporation pays more than under the present law. Take a corporation with \$5,000 invested capital. If it makes 50 per cent on