No. 2298). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 12907. A bill for the relief of Dr. Mehmet Vecihi Kalaycioglu; with amendment (Rept. No. 2299). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 9893. A bill for the relief of Tadeusz Sochacki; with amendment (Rept. No. 2300). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 12402. A bill for the relief of Concetta Maria, Rosetta, and Tomasino Manigiaracina; with amendment (Rept. No. 2301). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. H.R. 1362. A bill for the relief of Calogera Virone Messina; with amendment (Rept. No. 2302). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CELLER:

H.R. 13007. A bill to amend further section 11 of the Federal Register Act, as amended; to the Committee on the Judiciary.

By Mr. LATTA (by request):

H.R. 13008. A bill to change the name of the Perry's Victory and International Peace Memorial National Monument, to provide for the acquisition of certain lands, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. NORBLAD:

H.R. 13009. A bill to amend the Commodity Credit Corporation Charter Act to give a priority to grain storage facilities of States and their political subdivisions; to the Committee on Banking and Currency.

By Mr. O'KONSKI:

H.R. 13010. A bill to provide for donation to farmers and stockmen of feed for livestock in areas in which the effects of radiation denies them their usual sources of feed; to the Committee on Agriculture.

By Mr. WILSON of California:

H.R. 13011. A bill to amend title II of the Social Security Act to liberalize the retirement test through increasing the amount of earnings permitted without full deductions from benefits thereunder; to the Committee on Ways and Means.

H.R. 13012. A bill to amend the Internal Revenue Code of 1954 to provide that amounts received as certain awards under the Japanese-American Evacuation Claims Act of 1948, as amended, shall not be included in gross income; to the Committee on Ways and Means.

By Mr. FLOOD:

H.J. Res. 868. Joint resolution to create a regional agency by intergovernmental compact for the planning, conservation, utilization, development, management, and control of the water and related natural resources of the Susquehanna River Basin, for the improvement of navigation, reduction of flood damage, reduction and control of surface subsidence, regulation of water quality, control of pollution, development of water supply, hydroelectric energy, fish and wildlife habitat, and public recreational facilities, and other purposes, and defining the functions, powers, and duties of such agency; to the Committee on the Judiciary.

By Mr. MACK:

H.J. Res. 869. Joint resolution providing that February 12, 1965, shall be a legal holiday; to the Committee on the Judiciary.

By Mr. FRIEDEL:

H. Res. 773. Resolution authorizing the employment of additional personnel for the offices of the Doorkeeper and Postmaster of the House of Representatives; to the Committee on House Administration.

By Mr. LANE:

H. Res. 774. Resolution providing for sending the bill (H.R. 7561) for the relief of certain counties, cities, and other political subdivisions of the State of California, together with accompanying papers, to the Court of Claims; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BARRETT:

H.R. 13013. A bill for the relief of Elfriede Unterholzer Sharble; to the Committee on the Judiciary.

By Mr. GUBSER:

H.R. 13014. A bill for the relief of Capt. Leon M. Gervin; to the Committee on the Judiciary.

By Mr. JOHNSON of Maryland:

H.R. 13015. A bill for the relief of Edward Benedict Adams; to the Committee on the Judiciary.

By Mr. KING of Utah:

H.R. 13016. A bill for the relief of Ivan Andrew Therkildsen; to the Committee on the Judiciary.

By Mr. MOELLER:

H.R. 13017. A bill for the relief of Antonia Hernandez-Rico; to the Committee on the Judiciary.

By Mr. MOORE:

H.R. 13018. A bill for the relief of Jaime E. Lazaro; to the Committee on the Judiciary.

H.R. 13019. A bill for the relief of Lydia Lazaro; to the Committee on the Judiciary.

By Mr. RIVERS of South Carolina:

H.R. 13020. A bill for the relief of Rebecca K. Clayton; to the Committee on the Judiciary.

By Mr. RYAN of New York:

H.R. 13021. A bill for the relief of Peter G. Corbett; to the Committee on the Judiciary.

By Mrs. WEIS:

H.R. 13022. A bill for the relief of Sheu Chwan Shaiou; to the Committee on the Judiciary.

SENATE

WEDNESDAY, AUGUST 29, 1962

The Senate met at 10 o'clock a.m., and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Our Father, God, again with the miracle of dawn has come the gift of a new day. With contrition for past failures, may no vain regrets keep us from seizing the challenge of each new day as we hear the angel of the morning declare—

Each night I burn the records of the day—
each sunrise every soul is born again.

And so through sleep and darkness safely brought, restored to life and power and thought, we would each face this fresh chance with the glorious consciousness, "I am with Thee."

Even in the heat and burden of daylight's tasks and of evening weariness, let not our strength fail nor our vision fade.

In the midst of all that besets us, make us patient and considerate of one another in the fret and jar of human contacts, remembering that even in the glare of public gaze, each fights a hard battle and walks a lonely way.

We ask it in the name of the One who in a dark garden trod the winepress alone. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Tuesday, August 28, 1962, was dispensed with.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States submitting a nomination was communicated to the Senate by Mr. Miller, one of his secretaries.

EXECUTIVE MESSAGE REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States submitting the nomination of Abba P. Schwartz, of Maryland, to be Administrator, Bureau of Security and Consular Affairs, Department of State, which was referred to the Committee on Foreign Relations.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. MANSFIELD, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On the request of Mr. MANSFIELD, and by unanimous consent, the Special Subcommittee on Arts, of the Committee on Labor and Public Welfare; and the Permanent Subcommittee on Investigations, of the Committee on Government Operations, were authorized to meet during the session of the Senate today.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

AMENDMENT OF TITLE 10, UNITED STATES CODE, RELATING TO AWARD OF THE MEDAL OF HONOR, DISTINGUISHED SERVICE CROSS, NAVY CROSS, AIR FORCE CROSS, AND SILVER STAR

A letter from the Secretary of the Army, transmitting a draft of proposed legislation to amend title 10, United States Code, to authorize the award of the Medal of Honor, the Distinguished Service Cross, the Navy Cross, the Air Force Cross, and the Silver Star, and for other purposes (with accompanying papers); to the Committee on Armed Services.

EXEMPTION OF CERTAIN RESERVE OFFICERS FROM DUAL COMPENSATION RESTRICTIONS

A letter from the General Counsel of the Department of Defense, transmitting a draft

of proposed legislation to exempt certain reserve officers of the Army or Air Force from the dual compensation restrictions of the Economy Act of June 30, 1932, as amended (with accompanying papers); to the Committee on Armed Services.

REPORT ON TARIFF COMMISSION INVESTIGATION RELATING TO BERYLLIUM

A letter from the Chairman, U.S. Tariff Commission, Washington, D.C., transmitting, pursuant to law, a report of that Commission's investigation concerning beryllium (with an accompanying report); to the Committee on Finance.

REPORT ON REVIEW OF DETERMINATION OF NEEDS FOR MAJOR SPARE COMPONENTS FOR REPAIR OF MISSILES SERVICE UNITS, DEPARTMENT OF THE NAVY

A letter from the Comptroller General of the United States, transmitting, pursuant to law, a confidential report on the review of determination of needs for major spare components for repair of missiles service units, Department of the Navy (with an accompanying report); to the Committee on Government Operations.

PROPOSED CONCESSION PERMIT AT MUIR WOODS NATIONAL MONUMENT, CALIF.

A letter from the Assistant Secretary of the Interior, transmitting, pursuant to law, a proposed concession permit at Muir Woods National Monument, Calif. (with accompanying papers); to the Committee on Interior and Insular Affairs.

REPORT ON TORT CLAIMS PAID BY GENERAL SERVICES ADMINISTRATION

A letter from the Administrator, General Services Administration, Washington, D.C., transmitting, pursuant to law, a report on tort claims paid by that Administration, during fiscal year 1962 (with an accompanying report); to the Committee on the Judiciary.

PETITION

The PRESIDENT pro tempore laid before the Senate a letter in the nature of a petition signed by Ohio Bell, of Chicago, Ill., relating to the receipt by the Senate of his petition for a redress of grievances, mailed by him on July 17, 1962, which was referred to the Committee on the Judiciary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. JACKSON, from the Committee on Armed Services, with an amendment:

H.R. 11217. An act to amend section 6112 of title 10, United States Code (Rept. No. 1979).

By Mr. EASTLAND, from the Committee on the Judiciary, with amendments:

H.R. 8038. An act to amend section 491 of title 18, United States Code, prohibiting certain acts involving the use of tokens, slugs, disks, devices, papers, or other things which are similar in size and shape to the lawful coins or other currency of the United States (Rept. No. 1981).

By Mr. DIRKSEN, from the Committee on the Judiciary, without amendment:

S.J. Res. 222. Joint resolution providing for the designation of the period October 1962 through October 1963 as "National Safety Council 50th Anniversary Year" (Rept. No. 1980).

By Mr. PASTORE, from the Committee on Commerce, with an amendment:

S. 3646. A bill to amend the Communications Act of 1934, as amended, relative to merger of domestic telegraph carriers (Rept. No. 1982).

REPORT ON DISPOSITION OF EXECUTIVE PAPERS

Mr. JOHNSTON, from the Joint Select Committee on the Disposition of Papers in the Executive Departments, to which was referred for examination and recommendation a list of records transmitted to the Senate by the Archivist of the United States, dated August 14, 1962, that appeared to have no permanent value or historical interest, submitted a report thereon, pursuant to law.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SMATHERS:

S. 3684. A bill for the relief of Doyle A. Ballou; to the Committee on the Judiciary.

By Mr. BENNETT:

S. 3685. A bill to amend the act approved July 14, 1960, 74 Stat. 526, as amended, relating to the establishment of a register of names in the Department of Commerce of certain motor vehicle drivers; to the Committee on Commerce.

(See the remarks of Mr. BENNETT when he introduced the above bill, which appear under a separate heading.)

AMENDMENT OF NATIONAL DRIVER REGISTER SERVICE ACT

Mr. BENNETT. Mr. President, I introduce, for appropriate reference, a bill to amend the act approved July 14, 1960, 74 Stat. 526, as amended, relating to the establishment of a register of names in the Department of Commerce of certain motor vehicle drivers. I ask unanimous consent that a statement, prepared by me, relating to the bill be printed in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred, and, without objection, the statement will be printed in the RECORD.

The bill (S. 3685) to amend the act approved July 14, 1960, 74 Stat. 526, as amended, relating to the establishment of a register of names in the Department of Commerce of certain motor vehicle drivers, introduced by Mr. BENNETT, was received, read twice by its title, and referred to the Committee on Commerce.

The statement presented by Mr. BENNETT is as follows:

STATEMENT BY SENATOR BENNETT

Over a year of experience with the National Driver Register Service program has illustrated to State and Federal officials that this new effort for problem driver control is thoroughly effective, and that the States can increasingly better their driver license record systems by utilizing the driver record information accumulated in the Driver Register Service. The progress of the program is indicated by the fact that only 4 nonparticipating States remain. Already over 200,000 problem drivers have been registered in the Driver Register file, and over 12,000 reports have been sent to the several States. However, the Driver Register can accept revocation reports only on drivers who have lost their driving privileges due to drunken driving or involvement in a fatal accident.

Among State and Federal officials a question is now being asked: "Why limit the information in the Driver Register file to merely to drunk driving and fatality information?" State officials who are concerned with locating their problem drivers want information on all other types of revocations and suspensions of driving privileges, in addition to the drunk driving and fatality categories. It is basic that since the program has proved effective, such additional information should be made available to inquiring State officials. It is not in the best interests of State driver improvement programs, or the National Driver Register Service, to be unable to report matters such as suspensions of driving privileges necessitated by physical or mental incompetency. Also, many drivers lose their driving privileges on account of courses of conduct involving repeated, habitual violations of the traffic laws. These drivers are often considered by law enforcement personnel as being more dangerous than the drunken driver, because they have become involved in a pattern of dangerous driving, rather than a single isolated violation of a traffic law.

During the first year of this program, Federal Driver Register officials have become acutely aware of the feeling on the part of State officials that the determination as to which driver should or should not be registered in the National Driver Register file is an exclusive State matter. The State official, in all cases, is the one who must take the action, and has custody of the basic source documents having to do with revocations and suspensions. Consequently, he feels strongly that any amendment to the National Driver Register Service law should be one which leaves to the appropriate State official the decision as to who should be registered in the Driver Register file.

Many State officials seem to believe that the ideal situation would be a law which would enable State officials to report all revocations or suspensions which should come to the attention of all other State officials who have to do with the involved motorist. For example, if an individual applies for a driver license in the State of Texas and is denied driving privileges by Texas because officials there discover that he is a serious epileptic case, such a driver should be registered in the Driver Register file. If he is not so registered, he can all too easily obtain driving privileges in another State by failing to disclose his chronic physical condition. The same reasoning applies to the driver who has lost his driving privileges in one State because of repeated violations of the traffic laws. This type of action should also be one which is not readily evaded by the simple device of moving across a State line.

The basic idea of driver improvement programs in the States is to collect all available relevant and appropriate information concerning drivers, so that State officials may be enabled to bring corrective action to bear upon problem drivers. Without sufficient information on a national basis to do this, any expectation of maximum results cannot be realistic.

The basic concept of the driver register law, and this proposed amendment, is in accord both in letter and spirit with Article IV, Section I, of the Constitution:

"Full faith and credit shall be given in each State to the public acts, records, and judicial proceedings of every other State. And the Congress may by general laws prescribe the manner in which such acts, records and proceedings shall be proved, and and the effect thereof."

The specific wording of any amendment to the driver register law increasing its scope will make a great difference to the success of the National Driver Register Service program in the future. The driver register program is a service to State traffic safety officials, and as such it should provide the type of service to State officials which they themselves determine they want and

need. This bill effectively does this job in a simple, uncomplicated manner.

The laws of the several States concerning revocations and suspensions of driving privileges vary considerably. In view of this widespread variance, the more specific an amendment to the driver register law is, the more troublesome it becomes to administer it effectively and uniformly throughout the Nation. The language in the bill proposed is general and uncomplicated. In effect the bill says "it is a matter for the determination of State traffic safety officials to report to the National Driver Register those revocations, suspensions, cancellations, and denials of driving privileges which the acting State officials believe to be serious enough to deserve national attention." What better way could the National Driver Register fulfill its service mission to the States?

REVENUE ACT OF 1962—AMENDMENTS

Mr. MORTON submitted an amendment, intended to be proposed by him to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which was ordered to lie on the table and to be printed.

Mr. HARTKE submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. PROXMIRE submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table and to be printed.

Mr. BEALL (for himself, Mr. LAUSCHE, and Mr. JAVITS) submitted an amendment, intended to be proposed by them, jointly, to House bill 10650, supra, which was ordered to lie on the table and to be printed.

Mr. LAUSCHE submitted an amendment, intended to be proposed by him, to House bill 10650, supra, which was ordered to lie on the table and to be printed.

TRADE EXPANSION ACT OF 1962—AMENDMENTS

Mr. SMATHERS submitted amendments, intended to be proposed by him, to the bill (H.R. 11970) to promote the general welfare, foreign policy, and security of the United States through international trade agreements and through adjustment assistance to domestic industry, agriculture, and labor, and for other purposes, which were referred to the Committee on Finance and ordered to be printed.

NOTICE OF RECEIPT OF A NOMINATION BY COMMITTEE ON FOREIGN RELATIONS

Mr. FULBRIGHT. Mr. President, as chairman of the Committee on Foreign Relations, I desire to announce that today the Senate received the nomination of Abba P. Schwartz, of Maryland, to be Administrator, Bureau of Security and Consular Affairs, Department of State.

In accordance with the committee rule, this pending nomination may not be considered prior to the expiration of 6 days of its receipt in the Senate.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mrs. NEUBERGER:

Articles entitled "Consumer Council in White House," "Consumer Voices' Dismal History," "Status of Aid for Consumers," "Pilot Program for Consumers," and "How Can Council Aid Consumers?" written by Sylvia Porter and published recently.

TRIBUTE TO SENATOR METCALF

Mr. MANSFIELD. Mr. President, in the August 24 edition of the Helena (Mont.) Independent Record, there appeared an editorial entitled "To the Left of Kennedy." The editorial comments on the vote that my friend and colleague, Senator METCALF, cast on the question of the passage of the communications satellite bill. Unfortunately, the editorial is based upon a mistake; and in fairness to both the paper and to Senator METCALF, I wish to make these few remarks.

I quote from the editorial published in the Helena (Mont.) Independent Record:

TO THE LEFT OF KENNEDY

Montana's Senator LEE METCALF has joined those who are to the left of Kennedy.

When the vote came on the all-important Telstar bill, the subject of the previous filibuster, METCALF did not actually vote but it was announced that he was paired against the bill.

This meant that if he had been present he would have voted against it.

Further on, the editorial states:

Then the same group—

Referring to the majority of the Senate—

had to unite to take control in the Senate when the Democratic majority flubbed, and passed President Kennedy's bill for him.

To do this they had to override the liberals to the left of Kennedy for the second time and it was then that they found Senator METCALF paired so that he was affiliated with the radicals.

Mr. President, first let me say that I know of no radicals in the Senate; but there are some liberals, and they are entitled to their views.

It will be noted that the editorial states:

It was announced that he—

Senator METCALF—

was paired against the bill.

And the editorial continues:

This meant that if he had been present he would have voted against it.

This, of course, is not the case, Mr. President, as I am sure Senators will remember, and as the CONGRESSIONAL RECORD of August 17, at page 16926, clearly shows. Senator METCALF was not only present at the time when the vote was taken, but he voted "yea," before announcing that he had a pair with the junior Senator from Alaska [Mr. GRUENING], and therefore was required to withhold his vote.

In giving this pair to Senator GRUENING, who, I believe, had been called out of the city prior to the vote on the question of the passage of the bill, Senator METCALF was merely demonstrating once again his quiet courtesy and gentlemanly willingness to accommodate a fellow Member of the Senate. His support of the President's satellite bill was determined and unhesitating from start to finish of the debate, as is shown by his vote in favor of the motion to invoke cloture and by each and every vote that he cast on the measure.

But, Mr. President, I think this may be a proper time to pay a brief tribute to my colleague. I wish to say that throughout his service as a Member of this body, he has, in my opinion, acquitted himself in every way in accordance with the highest traditions of the Senate.

I know of no Senator who has applied himself more sincerely to careful study and independent consideration of the issues we face than has he. I know of no Senator who is more concerned with the thoughts and the destiny of the people he represents than is the junior Senator from Montana. I believe no Senator is more devoted to his country or to the Senate than is my colleague, Senator METCALF.

In short, Mr. President, I know of no man with whom I would rather serve in this body than with my fellow colleague, my confident, and my friend, LEE METCALF.

I am proud that I have the opportunity to represent in this body the same people who chose him for their U.S. Senator.

KERR-MILLS—CLAIMS AND REALITY

Mrs. NEUBERGER. Mr. President, in a recent address, the Governor of Oregon expressed great satisfaction with the program of medical assistance to the aged enacted in Oregon under the auspices of the Kerr-Mills Act. Other Oregonians have written to me in recent months commending the Kerr-Mills program. One declares that the Kerr-Mills program is "adequate" to the needs of our elder citizens. Another, that "it is cheaper than social security"; still another, that the Kerr-Mills Act "avoids waste of tax money," and that under Kerr-Mills no one "is taxed to pay other people's hospital bills." These letters have prompted me to take a careful second look at Kerr-Mills and to measure its achievements against the claims of its advocates.

The Kerr-Mills Act was passed nearly 2 years ago. Its principal aim was to stimulate the creation of a new category of public assistance—medical assistance for the aged—MAA. Under Kerr-Mills, each State can establish a program of medical assistance to the aged with the costs to be borne partially by grants of Federal funds. The State MAA programs were to be designed to aid those who might have sufficient financial resources to meet their ordinary living expenses but not the expanding costs of medical services.

Each State had to decide whether it could afford to bear its portion of a medi-

cal assistance program. Once the decision to establish such a program had been made, the State then had to set eligibility requirements, conditions, and benefits consonant with its financial resources. Only 24 States have thus far been willing and able to establish MAA programs. To the 7 million elderly citizens living in the remaining 26 States, the claims made for the Kerr-Mills Act are a cruel mockery.

Yet even in those States which have an active MAA program, the achievements have fallen drastically short of the claims.

I. THE ADEQUACY OF COVERAGE UNDER KERR-MILLS

During the Senate debate on the Kerr-Mills Act, the senior Senator from Oklahoma [Senator KERR] acknowledged that an estimated 10 million of the Nation's 17 million aged would need medical care which they could not afford. Yet in March of this year, after 18 months' experience with Kerr-Mills, only 88,000 elderly persons received medical assistance under Kerr-Mills—only one-half of 1 percent of the Nation's aged. The State of Oregon has an aged population of 191,000, yet in the month of May, the last month for which figures are available, only 372 elderly Oregonians received medical assistance under Kerr-Mills—a bare two-tenths of 1 percent of Oregon's aged.

Why are so few helped? The answers are not hard to find. To be eligible for MAA a single person in Oregon can receive no more than $1,500 income a year—$28.87 a week; a couple may receive $2,000—$38.47 a week. These requirements are so stringent that even persons receiving no income other than the highest social security payments are ineligible for MAA. Moreover, persons with liquid assets of more than $1,500—single or $2,000—couple—are not eligible.

Ironically, persons with no liquid assets whatsoever are similarly ineligible. Oregon requires that the recipient of MAA benefits pay the first $50 of physician's fees and $7.50 a day for each of the first 10 days of hospitalization. Unless these deductible payments are first paid, the patient is entitled to no benefits under MAA.

Moreover, these requirements are rigidly enforced. A single man or woman with an income of $1,501 would be entitled to no benefits whatsoever, though an applicant with an annual income of $1,499 could receive the full benefits provided.

Nor are the benefits provided by the MAA programs remotely adequate to the needs of the aged. For example, the State of Oregon limits hospitalization payments to 14 days in any one year. Yet, more than 50 percent of the aged who are hospitalized require more than 2 weeks' hospitalization.

Many aged persons are intimidated by the complexity of the eligiblity requirement; others are confused as to the benefits available. Many are loathe to submit to the means test, the basic requirement for eligibility under the public assistance approach. After a lifetime of independence and thrift, submitting to the humiliation of need is a painful experience, particularly during the period of emotional stress frequently accompanying serious illness.

II. KERR-MILLS AS A VOLUNTARY, FAIR PROGRAM

There's nothing voluntary about medical assistance under Kerr-Mills. The mass programs are financed entirely through taxation. Indeed, the financing of Kerr-Mills programs through taxation results in the most inequitable sort of tax burden. Four States alone—California, Massachusetts, New York, and Michigan—have thus far consumed nearly 90 percent of the Federal funds expended under Kerr-Mills. For example, medical payments under the Kerr-Mills program in the State of Massachusetts during May of this year averaged over $6 per aged inhabitant, while the Oregon Kerr-Mills program expended only 44 cents per aged inhabitant. Yet Oregon citizens are taxed by the Federal Government at the same rate as Massachusetts taxpayers.

III. KERR-MILLS AS "CHEAPER THAN SOCIAL SECURITY"

A glaring weakness of the Kerr-Mills programs has been the extraordinary costs of administration. Of course, no program involving full investigation of the recipient's financial resources can be cheap. For example, for every dollar of the taxpayer's money spent for older people in Oregon's MAA program, 82 cents went to pay for the redtape inherent in a limited program involving a means test.

IV. FREEDOM OF CHOICE UNDER KERR-MILLS

The Kerr-Mills Act does not assure the recipient of medical care freedom to choose either hospital, nursing home, doctor, or pharmacy. The State is free to designate treatment in public or other county facilities by staff physicians.

In Oregon the State has established a rigid schedule of fees to be paid the physician for specified medical services. Ironically, the President's medicare proposal had no provisions for the payment of doctors' fees, but only for the payment of hospital expenses. Yet the AMA favors Kerr-Mills and labels the President's proposals socialized medicine. What could be more socialized than the setting of fees?

CONCLUSION

Reluctantly, then, even the most objective observer is forced to conclude that the Kerr-Mills Act is miserly in design and inadequate in execution. For the aged of 26 States Kerr-Mills has done nothing; in 20 of the remaining 24, next to nothing. In 4 of the wealthier States Kerr-Mills has provided some substantial benefits—at the expense of the taxpayers of all 50 States.

CALL OF THE ROLL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

[No. 222 Leg.]

Allott	Boggs	Chavez
Bartlett	Burdick	Cotton
Bennett	Bush	Dirksen
Gore	McGee	Scott
Hayden	Miller	Smathers
Hill	Monroney	Talmadge
Hruska	Morton	Williams, Del.
Jordan, Idaho	Neuberger	Young, Ohio
Keating	Prouty	
Mansfield	Russell	

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. BIBLE] is absent on official business.

I further announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Alaska [Mr. GRUENING], and the Senator from Missouri [Mr. SYMINGTON] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Maryland [Mr. BUTLER], the Senator from New Hampshire [Mr. MURPHY], the Senator from Kansas [Mr. PEARSON] and the Senator from Wisconsin [Mr. WILEY] are necessarily absent.

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair). A quorum is not present.

Mr. SMATHERS. Madam President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

After a little delay, Mr. AIKEN, Mr. BEALL, Mr. BOTTUM, Mr. BYRD of Virginia, Mr. BYRD of West Virginia, Mr. CANNON, Mr. CAPEHART, Mr. CARLSON, Mr. CARROLL, Mr. CASE, Mr. CHURCH, Mr. CLARK, Mr. COOPER, Mr. CURTIS, Mr. DODD, Mr. DOUGLAS, Mr. EASTLAND, Mr. ELLENDER, Mr. ENGLE, Mr. ERVIN, Mr. FONG, Mr. FULBRIGHT, Mr. GOLDWATER, Mr. HART, Mr. HARTKE, Mr. HICKENLOOPER, Mr. HICKEY, Mr. HOLLAND, Mr. HUMPHREY, Mr. JACKSON, Mr. JAVITS, Mr. JOHNSTON, Mr. JORDAN of North Carolina, Mr. KEFAUVER, Mr. KERR, Mr. KUCHEL, Mr. LAUSCHE, Mr. LONG of Missouri, Mr. LONG of Hawaii, Mr. LONG of Louisiana, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCCLELLAN, Mr. MCNAMARA, Mr. METCALF, Mr. MORSE, Mr. MOSS, Mr. MUNDT, Mr. MUSKIE, Mr. PASTORE, Mr. PELL, Mr. PROXMIRE, Mr. RANDOLPH, Mr. ROBERTSON, Mr. SALTONSTALL, Mr. SMITH of Massachusetts, Mrs. SMITH of Maine, Mr. SPARKMAN, Mr. STENNIS, Mr. TALMADGE, Mr. THURMOND, Mr. WILLIAMS of New Jersey, Mr. YARBOROUGH, and Mr. YOUNG of North Dakota, entered the Chamber and answered to their names.

The PRESIDING OFFICER. A quorum is present.

CONTINUING APPROPRIATIONS, 1963

Mr. HAYDEN. Madam President, I send to the desk a joint resolution (H.J. Res. 864), which states—

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the joint resolution of July 31, 1962 (Public Law 87-564), is hereby amended by striking out "August 31, 1962" and inserting in lieu thereof "September 30, 1962".

And ask for immediate consideration of the joint resolution.

The PRESIDING OFFICER. The joint resolution will be stated by title.

The LEGISLATIVE CLERK. A joint resolution (H.J. Res. 864) making continuing appropriations for the fiscal year 1963, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

Mr. WILLIAMS of Delaware. Madam President, reserving the right to object, I realize the situation with which we are confronted. We shall go along with the proposed extension, but we have an amendment on the legislative appropriation bill which would stop the junk mail privileges of Members of Congress. Yet if we would pass the continuing joint resolution, we would continue that junk mail privilege. I am wondering if it is not about time to stop it. I was wondering if the chairman of the committee would go along with a proviso that would eliminate the use of any of the appropriated funds for the financing of the junk mail privilege. This is the most important time, on the eve of an election, in which the privilege would be used. Why should we let junk mail be circulated by Members of Congress on the eve of an election?

Mr. HAYDEN. I know, but if the joint resolution is not passed, no one in any branch of the Government where appropriation bills have not been signed into law can be paid next month. Passage is absolutely necessary.

Mr. WILLIAMS of Delaware. The joint resolution could be passed in 2 seconds if the Senator would add the proposed provision.

Mr. HAYDEN. What the Senator from Delaware has in mind is a separate matter which does not bear on the joint resolution.

Mr. PASTORE. Madam President, will the Senator yield?

Mr. HAYDEN. I yield.

Mr. PASTORE. I am chairman of the subcommittee which has to do with the legislative appropriation bill in which the proposed provision concerning the matter that disturbs the Senator from Delaware has been inserted. We have scheduled a conference for tomorrow morning. I think the Senator ought to know that. I realize that the point has nothing to do with the joint resolution, but the matter is set for discussion tomorrow morning.

Mr. HAYDEN. The proposal should not be attached to the joint resolution.

Mr. WILLIAMS of Delaware. Perhaps it should not, but may we momentarily pass the question? I shall discuss it with the Senator.

The PRESIDING OFFICER. Does the Senator from Delaware object to the present consideration of the joint resolution?

Mr. WILLIAMS of Delaware. At this time I object.

Mr. KEATING. Madam President, are we still in the morning hour?

The PRESIDING OFFICER. We are in the morning hour.

Mr. HAYDEN. Madam President, I move that the Senate proceed to the consideration of the joint resolution (H.J. Res. 864) making continuing appropriations for the fiscal year 1963, and for other purposes.

The PRESIDING OFFICER. The joint resolution will be stated by title.

The LEGISLATIVE CLERK. A joint resolution (H.J. Res. 864) making continuing appropriations for the fiscal year 1963, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Arizona.

The motion was agreed to.

The PRESIDING OFFICER. The joint resolution is open to amendment.

Mr. WILLIAMS of Delaware. Madam President, I suggest the absence of a quorum. I shall prepare an amendment.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HAYDEN. Madam President, I withdraw my motion.

The PRESIDING OFFICER. The motion has been withdrawn.

Mr. SMATHERS. Madam President, are we still in the morning hour?

The PRESIDING OFFICER. Morning business is in order.

WHY APPROPRIATE TAXPAYERS' MONEY FOR CIVIL DEFENSE BOONDOGGLE?

Mr. YOUNG of Ohio. Madam President, I was shocked to learn that the Senate Appropriations Committee has recommended an appropriation of $194 million for civil defense purposes in the independent offices appropriations bill. This is over twice the amount included in the bill passed by the House of Representatives.

If amendments that I intend to propose to the bill are not adopted, I shall ask for a yea-and-nay vote on the final passage of the bill and shall vote against its passage.

The administration had originally requested over $695 million for civil defense functions for fiscal year 1963. Our colleagues in the other body wisely reduced this figure to $84 million. Our Appropriations Committee has seen fit to recommend $194 million.

Madam President, the bulk of this increase of $110 million is $83,800,000 for fallout shelters. Instead of continuing to waste taxpayers' money on this project, the House allowed $10 million only, for research to develop measures and plans for civil defense.

Madam President, in my view all appropriations for civil defense purposes over and above those needed for proper educational and research functions are a waste of taxpayers' money.

I especially object to any funds for Federal construction of fallout shelters. Last summer we hurriedly appropriated $208 million for fallout shelters. No American is any safer as a result of that expenditure. Furthermore, it in no way deterred the aggressive intentions and acts of the Russian and Red Chinese dictators. Although the international situation is no less critical, the hysteria and fear of last summer seem to have subsided. The then preoccupation with fallout shelters is now history. Sanity seems to have returned.

For all practical purposes, today we are back where we started a year ago except that more taxpayers' money has been wasted, and the number of civil defense jobholders feeding at the public trough has increased. Americans generally realize that civil defense as it has been conducted in the past will be of little or no use in a nuclear war. Few people did anything about home shelters. Those who did are left with useless holes in the ground or, if they were lucky, with a cold-storage room in the basement or a rumpus room for their children.

Of necessity most shelters would have to be built in cities where the bulk of our population is located. Yet, it is precisely in the cities that they would offer the least protection from the blast and fire of a nuclear attack. Those favoring such a program have testified that in order to be at all effective it would require an eventual expenditure of anywhere from $50 to $200 billion of taxpayers' money. Even then, extensive advances being made in rocket and nuclear technology will make any shelter program obsolete before it is half completed. There is also the possibility of more deadly types of warfare—chemical and biological warfare. Certainly, were an aggressor to unleash the horror of a thermonuclear war, he would probably not hesitate about using other methods equally as terrifying.

Unless we are prepared to embark on such a vast gamble, it seems futile to me to waste hundreds of millions of taxpayers' dollars—in this case $110 million—on schemes which are, in reality, nothing more than expensive doses of psychological pablum for a frightened and bewildered public. For 13 years civil defense officials have simply been deluding the public into thinking that something real was being done, that there is some measure of security in a nuclear war. We cannot close our eyes and refuse to realize the consequences of such a disaster.

The Senate committee has also recommended an increase of $26 million to continue established civil defense programs, other than those for fallout shelters. Included is a $5 million increase of matching grants to the States for administrative expenses.

In reality much of these additional funds will end up in the pockets of political wardheelers in city halls and county courthouses across the land. It was our hope that when the boondoggling Office of Civil and Defense Mobilization was abolished and its functions transferred to the Department of Defense, such muddled thinking and planning would go with it. Apparently, this has not happened. At local and State levels the same political hacks are still riding the civil defense gravy train. If our Nation's mayors and Governors seriously believe that this program is urgent, why have not these boondogglers been replaced with men of stature and competence?

All of us can be proud of the thousands of patriotic Americans who, as volunteers, gave their time and effort often at greak risk to themselves in times of flood, fire, and other natural disasters. These Americans have helped, and

always will continue to help, their neighbors regardless of the doubtful leadership of paid civil defense officials safe behind desks.

Americans are fed up with the silly schemes of civil defense planners. They are tired of talk of fallout shelters and evacuation. They are disgusted with schemes to provide identification bracelets for teenagers to exchange; of millions of contradictory pamphlets; of highly publicized bomb shelter proposals; of policemen loafing on civil defense duties, waiting for a bomb to drop, while many of our city streets are unsafe after dark.

Madam President, it is better for us to face the fact that no modern society can survive all-out nuclear war, than to delude ourselves by inadequate efforts to try to assure the survival of some individuals. All agree that we live in a grim period of international anarchy. However, we must not allow this to cloud our judgment regarding defense of civilians. We should not embark on expensive schemes that will prove of no real value in event of war.

It is my fervent hope that the Senate will reduce the amount recommended by the Appropriations Committee for civil defense purposes at least to the point where it does not exceed that allowed by the House of Representatives. To that end, I serve notice that I intend to offer amendments on the floor when this bill comes before us for debate and vote.

If the appropriation for the shelter program for civil defense still remains in the independent offices appropriation bill, the bill should be defeated, and I intend to vote against it.

THE SELF-EMPLOYED INDIVIDUALS RETIREMENT ACT—H.R. 10

Mr. HAYDEN. Madam President, the Members of the 77th Congress, in 1942, recognized the need for legislation which would give impetus to the corporations to provide their employees with an additional measure of security in their years of reduced income. That this legislation was successful cannot be denied because today 23 million Americans are covered by private pension plans. An additional 8 million people, including every Member of Congress, is the beneficiary of a public plan.

The 1942 action of the Congress failed, however, to include among those who could participate in private pension plans the millions of Americans who are engaged in earning their livelihood as self-employed individuals rather than as employees. This omission in the tax laws means that self-employed persons are prohibited by law from participating in tax deferred retirement plans although they can set up such plans for their employees.

This admitted tax inequity which has existed for the past 20 years, while not intended to discriminate against the self-employed, has done just that. As far back as 1951 a bill was introduced to correct this admitted inequity. This bill, H.R. 10, has been pending on the calendar of the Senate since last September. It is of great interest to my constituents in the small business, professional, and farm ranks. Our senior citizens continue to make up an increasing percentage of the population of this country. Few bills have been given the time and consideration that this bill has received during the past 11 years.

I ask the Senator from Montana, the majority leader, whether favorable consideration will be given to the adoption of H.R. 10, as it was passed by the House of Representatives, as an amendment to the pending bill, H.R. 10650.

Mr. MANSFIELD. Madam President, in response to the question raised by the distinguished senior Senator from Arizona, it is my understanding that the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN] has announced that he will offer H.R. 10 as an amendment to the pending tax bill. If that is done, it is my intention to move to table H.R. 10 after there has been a reasonable amount of debate, and I have so informed the Senator from Illinois.

However, as I have indicated to other Members who are interested in this proposal, it is my intention to call up H.R. 10 later in the session if it is not attached to the tax bill, so that it can be debated, discussed, and considered on the merits of the proposition itself.

As the Senator knows, he and the Senator from Florida [Mr. SMATHERS] were instrumental in having the bill reported by the Senate Democratic policy committee, but the committee at the same time left it to the discretion of the Senator from Montana, in his capacity as majority leader, as to when it would be taken up. I have stated the situation to the best of my ability. To recapitulate, it is my intention to move to table H.R. 10 if it is offered as an amendment to the tax bill, and if the motion to table is successful, to call up H.R. 10 later in the session.

Mr. HAYDEN. I am glad to know that the Senate will have an opportunity to consider H.R. 10 before the adjournment of this session of Congress.

Mr. MANSFIELD. It will.

"WHY TAX RATES 'BRAKE' RECOVERY"—ARTICLE BY SYLVIA PORTER

Mr. BUSH. Madam President, when I read Sylvia Porter's column in yesterday's Evening Star, I was reminded of the song from "South Pacific" entitled "There's Nothing Like a Dame." There is much truth in that title, and I found confirmation of it in Miss Porter's article last evening. She goes straight to the point on the subject of taxation, and spells out the real trouble with our Federal tax system. She concludes that there is virtually unanimous agreement among liberals and conservatives concerning the "depressing" effects of our tax rates.

I believe Miss Porter's conclusions make sense. They point up the futility of the so-called incentive investment tax credit feature of the pending tax bill.

If it is incentive and growth that we really want, I agree with Sylvia Porter that we will find it in revising the income tax rates, taking our cue and learning our lesson from those we have so proudly helped to recover in Europe.

Cut income taxes and broaden the tax base to include Federal taxes on production or sales, as suggested by Kenneth Galbraith in his book entitled, "The Affluent Society."

I urge Senators to read Sylvia Porter's article which was published in yesterday's Evening Star.

Madam President, I ask unanimous consent that the article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WHY TAX RATES "BRAKE" RECOVERY

(By Sylvia Porter)

"Why is it that our tax system is now getting so much blame for being a drag on our economy?" asked the intelligent woman across the dinner table the other evening. "I listened to President Kennedy's TV address on taxes, heard him condemn our high rates, promise tax cuts in 1963, and refer to how much faster the Common Market countries are growing than we are. But I've not heard a simple explanation of why the system is a drag and how our tax rates compare with those of Europe."

These are pertinent observations. So here goes with my attempt at a "simple explanation."

No other Federal Government takes so big a bite out of the paychecks of workers and the profits of businessmen as our does—and this includes Communist Russia and the socialistic and totalitarian nations of Europe and South America. None hampers employment and production with such confiscatory tax rates as the United States.

In this country, for instance, 86 percent of the Government's take comes from taxes on paychecks, profits, estates, or gifts. In Communist Russia, in complete contrast, only 15 percent comes from taxes on incomes and the 85 percent balance comes from direct taxes on Soviet citizens when they buy food, clothing, shelter, etc. In the prospering Common Market nation of West Germany, only 22 percent of the central government's collections comes from income and capital taxes; the rest is raised from sales, excise taxes, customs duties. In the prospering Common Market nation of Italy, the income-capital tax bite is only 26 percent. The closest to the United States in relying so heavily on income and profits taxes is New Zealand, which collects 65 percent from these sources.

EXPANSION PENALIZED

No other Federal Government in the world penalizes individuals or businessmen with extraordinary abilities and ambitions to the extent that our tax structure does. Our top tax rate of 91 percent on individual incomes is confiscatory, can't possibly be justified on financial grounds for, few individuals who qualify for this bracket permit themselves to get into it. A personal income tax rate which reaches 50 percent on as low as $16,000 of taxable income is distinctly discouraging to individual risk taking. As for the 52-percent tax rate on corporations, the evidence is overwhelming that this has retarded American industry's ability to reinvest earnings in job-creating activities.

RECOVERY STRANGLED

No other Federal Government has held to an oppressive tax structure as long as we have—with the possible exception of Great Britain, another nation turning in a sluggish performance. Every other nation which slapped on steep taxes during World War II has long since reformed them—which is what President Kennedy was referring to

when he mentioned in his TV address that "by lightening tax burdens," the Common Market countries have achieved "full employment and an economic growth rate twice ours,"

No other Federal Government has accepted four recessions since the end of World War II without its leaders getting down to work and saying flatly our tax structure is at least partially responsible and reform is overdue. There is no doubt that our tax rates helped to strangle the 1959 recovery—for they bit so quickly and substantially into rising incomes and profits that the advance didn't have a chance to survive. Tax reduction-reform was bypassed in 1960, though, bypassed again in 1961, and now it's dead for 1962. Meanwhile, as Mr. Kennedy pointed out, during the past 15 months of economic expansion, Federal taxes have siphoned out $5 billion more from the economy than increased Federal spending has poured into the business stream. This is a measure of the way our high rates tend to brake a recovery almost automatically as it proceeds. In the first half of calendar 1963, when Federal tax collections will be at their peak, the brake will be on in earnest—and if we don't get the tax reductions pledged for this period, the economic consequences for us could be dismal.

Much of this was hidden in the earlier postwar years, when the enormous pent-up demands of the whole free world kept the United States heading strongly upward. Now, in this new competitive era the realities have become clear, and, significantly, agreement on the depressing effects of our tax rates is virtually unanimous among informed economists and financiers—liberal and conservative, Republican and Democratic.

COMMUNIST EXPANSION IN LATIN AMERICA

Mr. SMATHERS. Madam President, this morning's Washington Post contains an article entitled "Castro's Strength; Skillful as Dictator," written by Roscoe Drummond. In essence, the article details what has been and is a very sad story concerning what has happened in Cuba. Mr. Drummond makes the point that Fidel Castro himself and his army are growing stronger, while the economy of Cuba and the forces of freedom in Cuba are apparently growing weaker. Mr. Drummond quotes a statement of Salvador de Madariaga, a European liberal, who has visited Latin America and who contends that Cuba ought to be liberated by the Organization of American States. These are the words of Salvador de Madariaga:

The argument that Castro had better be left alone and given enough rope to hang himself is worthless. The experience of other nations fallen into the unscrupulous hands of the Communist Party allows of no such optimism. Time could only make Cuba an impregnable base for communism to spread all over Latin America.

The Latin American governments who shilly-shally over it are only preparing the rope with which they will be hanged. Castro must go soon.

That particular expression is one with which I have long agreed. I cannot help believing that the situation in Cuba will not get better merely by hoping it will get better. I cannot help believing that the time has long since past when the Organization of American States should itself set up a police force, comprised of the countries of Central America and South America. They should invoke the provisions of the Treaty of 1947, and even the provisions which have to do with Communist infiltration in this hemisphere, contained in the treaty of 1961, signed at Punta del Este.

I cannot help believing that after that has been done, and after the organization of a police force has been begun, the U.S. Government and other governments should then recognize a Cuban Government in exile. I have been recommending such a procedure for about 2 years, but without any success whatever, I regret to say. However, it seems to me that that is the only logical way for us who make great protestations about our faith in freedom and our willingness to fight for freedom can legally and properly give aid to the forces of freedom which seek to overthrow Castro in Cuba. We have done this previously in our history. It seems to me the time is long overdue when we should do it with respect to Cuba. The longer we delay such a decision, the worse the condition will become.

There is no question that Cuba is being used today as the fountainhead for propaganda throughout Central and South America, just as is reported by Mr. Drummond, who has recently made a trip through South America.

While it is true that the image of Castro himself may have become dimmed, or may have become tarnished to some extent, nevertheless the forces of communism and the machinery of communism grow ever stronger, not only in Cuba, but throughout Central and South America, as well. After Castro has gone, there will still be the problem of getting rid of communism in Cuba and attacking communism all over Central and South America.

I urge that the United States begin to think seriously about providing some leadership in this field.

Madam President, I ask unanimous consent that the article by Mr. Drummond be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SKILLFUL AS DICTATOR

(By Roscoe Drummond)

PORT-OF-SPAIN, TRINIDAD.—Nowhere in Latin America have I encountered any support for the wishful thinking in Washington that Castro is going to die on the vine or that Cuban dictatorship will soon fall from its inner weaknesses.

The prevailing view in the Latin American capitals I have visited is that while conditions in Cuba are getting steadily worse, the Castro regime itself is becoming steadily more entrenched.

One South American newspaper correspondent, who had spent considerable time in Cuba and left only recently, put it this way: "Fidel Castro is proving himself totally incompetent to manage the affairs of his nation but extraordinarily skillful in managing the apparatus of a police state."

This raises a question of acute importance to policymakers in Washington who are rather counting on waking up some morning and finding that Castro has disappeared in the dust.

The question is whether any Communist police state, holding all the weapons of terror and repression in its own hands, can ever be overthrown by a popular uprising armed with little more than sticks and stones?

There is no doubt that conditions are deteriorating inside Cuba. There is clearly developing an angry, resentful, frustrated, and humiliated people who, while still passionately supporting the Castro revolution, are heartsick over what Castro has done to the revolution.

The evidence is mounting that there is hunger and undernourishment. Cuba used to produce food for export and now cannot supply the needs of its own population. Private farmers have no incentive to increase their crops, and the peasants on the state collective farms are wondering when they are going to receive their land as promised by Castro. They still can't quite realize that Castro's Communist state has taken over both the land and the peasants to work it.

The situation is so out of hand that you have the upside down condition of farmers appealing to the cities to send them food.

Economic aid from the Soviet Union and Red China is failing to live up to promises—even as Fidel has failed to live up to his promises. Castro is finding the Communist-bloc assistance—except arms—is not only doled out very carefully but is also costly. Cuba's slim reserves of foreign currency are steadily being drained away, largely because Cuba no longer has the exports it can sell to the hard-currency countries.

But Latin American sources on the continent are convinced that Castro is steadily tightening his grip on the Cuban state and on the Cuban people—with so much Soviet help that he is both ally and captive.

Castro's armed forces seem to be all that he needs—and more—to prevail over any opposition that might develop. The Soviet Union is stepping up its shipments of arms and thousands of "technicians." Castro has recruited the forces in ample volume. There is every reason to assume that the army is loyal to Castro's bidding. While the regime has been unable to feed his people properly, it has taken care to see that its troops are a favored class. This means that the Castro army is massively armed, well fed, and heavily disciplined for its duty—to keep the dictatorship in control at all costs.

A distinguished European liberal who has recently visited Latin America contends that Cuba ought to be liberated by the Organization of American States. These are the words of Salvador de Madariaga:

"The argument that Castro had better be left alone and given enough rope to hang himself is a worthless. The experience of other nations fallen into the unscrupulous hands of the Communist Party allows of no such optimism. Time could only make of Cuba an impregnable base for communism to spread all over Latin America. The Latin American governments who shilly-shally over it are only preparing the rope with which they will be hanged. Castro must go soon."

But wishful hoping will not free the Cuban people. Castro will fall—only if he is pushed.

COMPETITIVE BIDDING WINS ONE FOR A CHANGE

Mr. PROXMIRE. Madam President, recently the Senate passed an excellent bill, which has been generally overlooked, and which was reported by the Committee on Armed Services. The bill related to military procurement. The distinguished senior Senator from Georgia [Mr. RUSSELL] deserves credit for his successful leadership on this bill. It was strongly opposed by the Department of Defense.

The bill directs the Pentagon to rely on formal advertising and open competitive bidding whenever feasible. It also

would require a contractor to certify, on all negotiated contracts of more than $100,000, that cost estimates are accurate, complete, and current. The bill would permit the Department of Defense to adjust a contract's profit formula if the cost estimates later proved unjustifiably high.

Furthermore, the Pentagon would be required, when awarding a negotiated contract, to conduct written or oral discussions over price with the contractor.

Madam President, I have been pressing for a long time for increased Government reliance on competitive bidding. Less than $1 in $6 of Pentagon procurement is secured in this most economical way. I think the action taken by the Committee on Armed Services, under the leadership of the distinguished Senator from Georgia [Mr. RUSSELL], deserves the highest commendation. The bill is now in conference, and the additions made by the Senate which I have described may not survive.

I express the fervent hope that the Senate provisions will survive and that the bill will become law, because there is no question in my mind that such a procedure as provided in the bill can substantially reduce the cost of operations of the Department of Defense and the burden of Government spending in the first place; in the second place, the bill will give small business a much greater opportunity to compete, because small business always does better when there is full competition for Government procurement.

POSITION ON VOTE

Mr. HOLLAND. Madam President, the senior Senator from Florida was not present and was not recorded on the vote on the minority leader's motion to adjourn on August 13, reported on page 16409 of the CONGRESSIONAL RECORD as "No. 159 Leg." To place myself on record on that vote, I hereby state that if I had been present and voting, I would have voted "yea."

MONTANA—THE BIG SKY COUNTRY

Mr. MANSFIELD. Madam President, as the population centers of this Nation expand, more and more Americans are looking for exciting new places in which to spend their leisure. Larger numbers than ever before are visiting Montana. And they are discovering what Montanans have known for years—that the Treasure State's combination of natural beauty, clean air, friendly people, and opportunities to "get away from it all" is the greatest tonic in the world for the ills of hectic living and metropolitan congestion.

The latest visitor to sing the praises of Montana as a vacation spot is John F. McLeod, travel editor of the Daily News of Washington, D.C. Mr. McLeod recently made a 1,500-mile tour through the State as a guest of the Pacific Northwest Travel Association. The sights which caught his eye were the scenic wonders of Glacier National Park, the restored frontier town of Virginia City and the picturesque Red Lodge-Cooke City entrance to Yellowstone National Park. His descriptions of these areas are both vivid and faithful. He was so impressed with the advantages to be offered by a stay in the West that he urged President and Mrs. Kennedy to consider that area when planning their future vacations.

Madam President, I ask unanimous consent that the articles written by Mr. McLeod be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Daily News, Aug. 7, 1962]

MELODRAMA IS A MONTANA TOWN

(By John F. McLeod)

VIRGINIA CITY, MONT.—This is the swingingest ghost town you ever saw—or heard.

In the days when it was a booming gold mining center, the main swing event was a mass hanging of "road agents" by vigilantes. (You can still see the rafter which served as a gallows.)

The real swinging thing here now, though, is what is probably the most fantastic collection of coin-operated musical instruments assembled.

And a reconstructed Main Street, so realistic Virginia City is with some justification called the "Williamsburg of the West."

ONE MAN'S WORK

State Senator Charles Bovey is the man mainly responsible. It's said his own home could no longer contain his fantastic collection of Americana.

Senator Bovey's dozens of music-making machines, housed both here and in the nearby "motel city" of Nevada City, are no ordinary juke boxes. Operated by perforated discs somewhat like a player piano, they play violins, organs—even a whole band complete with drums and cymbal.

The "pure food" whisky sign published here is a special delight of photographers but the shops along the plank sidewalk contain a lot of other nostalgic items.

In the tobacco shop, a brand of plug tobacco is illustrated by a Lillian Russellish type beauty about to be kissed by her bemustached beau, who one assumes is chewing the "champagne-flavored plug tobacco" the sign advertises.

Virginia City incidentally will observe its 100th anniversary in a big way next year. It was on May 26, 1863, that six prospectors "struck it rich" in nearby Alder Gulch Creek.

FINANCED WAR

It's said that so much gold was taken out of the Gulch during the next 2 years that it saved the Nation during the Civil War. It provided the gold to equip and pay the Union armies.

Yet many of the miners were Southerners. In fact, they were such Confederate sympathizers they originally named the town "Varina" after Jefferson Davis' wife. It was said a judge, more Northern in his sympathies, scratched out the Varina on official papers and substituted Virginia, saying "That's Southern enough."

Estimates on the amount of gold taken from the Gulch over the years range from $40 to $400 million. Dredgings crews were still working over Gulch gravel deposits as late as 1937.

You can see now, if you like, a monument to the first six prospectors at the gold discovery site, but that isn't the reason thousands of tourists going to or from Yellowstone Park go out of their way a bit to see Virginia City.

MELODRAMA

The Virginia City Opera House gives nightly performances alone worth the trip. We have just seen "The Barber of Fleet Street," in which the barber's victims wind up as meat pies. The stage ovens were so realistic one of our party said it all reminded him of Paris' Grand Guignol.

There are also a full quota of saloons at which you can partake of "pure food" and other beverages.

The most unusual—in fact, perhaps the most unusual saloon in the world—is that operated by Bob Gohn, a descendant of one of the original six prospectors.

The unusual thing is that Mr. Gohn is blind. Completely blind and has been for 42 years since he was blinded by a mine explosion.

Yet Mr. Gohn operates his combined bar and general store completely by himself. Only help is a girl who dusts and cleans each morning.

I watched him serve shot after shot of whisky, even stir a martini, without spilling a drop.

[From the Washington Daily News, Aug. 14, 1962]

SMOKEY BEAR VERSUS YOGI BEAR

(By John F. McLeod)

YELLOWSTONE NATIONAL PARK.—When you mention the cartoon character Yogi Bear, or his habitat, "Jellystone Park," you arouse what appears to be no reaction whatever from National Park Service personnel.

Look a little closer, however, and you'll notice a thin sheet of glaze descending over what were previously clear, alert, even sparkling eyes.

"In Interior Department," one summer temporary employee (he felt he could speak freely) told me, "we just don't talk about Yogi. We don't even like to talk about bears."

(If you know the TV cartoon, you'll know that Yogi is a rather bumbling but lovable bear who is frequently thwarted by efficient, but not so lovable, National Park Service rangers.)

This injury is compounded perhaps by the fact that Agriculture Department's National Forest Service has clutched to its bosom as a symbol, it's friend, Smokey the Bear.

And let's face it, National Park Service and National Forest Service are rivals at the same feeding trough.

To the general public, the Forest Service men are building up a quite positive image as friend to the bears.

Whereas National Park Service—dare we say it?—is increasingly appearing as anti-bear.

Secretary Freeman's multiuse plan for the forests may not be too well understood, but breathes there a youngster who doesn't know the Forest Service is fighting forest fires so Smokey and his friends don't get burned up?

Secretary Udall and his sidekick, Connie Wirth, are probably just as concerned about fires and much more concerned about bears but they're still stuck with Yogi.

All over the national parks now you'll see signs and warnings: "Do not feed the bears."

What's the reaction of the kids to this one? "But poor Yogi will go hungry."

Rivalry between the Park Service and the Forest Service, however, is obviously not a bad thing for the visitor to the West these days.

All the publicity (and money) the Park Service has obtained from its Mission 66 program has stimulated the Forest Service into a big improvement program, too.

We were especially impressed by 2 huge dolomite boulders formed into a memorial to the 28 killed in the Gallatin National Forest earthquake of August 17, 1959. And we don't believe the Park Service could have done a better job at verbal and graphic interpretation.

Another recent job which should get Forest Service a lot of pats on the back is a lookout it built along a spiny ridge overlooking a Custer National Forest canyon on the Cooke City-Red Lodge Highway. Here, as one lady said, even the view from the restroom is spectacular.

[From the Washington Post, Aug. 14, 1962]

YELLOWSTONE BEARS' UNION CRACK

MAMMOTH HOT SPRINGS, WYO.—Jim Graff, who issues public pronouncements for the Yellowstone Park Co., concessionaires, asked the Washington Daily News' travel editor if he, too, had seen the critter approaching the road.

"The coyote?" I asked.

"Watch him," said Jim, "he's panhandling." Then Jim issued this pronouncement:

"The coyotes have just broken one of the world's strongest unions—the black bears' former monopoly on begging along Yellowstone Park roads."

As park rangers have cracked down on the bears, moving the more uninhibited panhandlers back into primitive areas, coyotes have moved in to take their place. It does add something new, however. Until recently tourists had seldom seen usually shy coyotes at such close range.

[From the Washington Daily News, Aug. 21, 1962]

JACKIE, PLEASE COME HOME

(By John F. McLeod)

GLACIER NATIONAL PARK, MONT.—The folks in the travel business out this way aren't too happy about the fact President Kennedy always takes his vacations in New England or Florida.

And they are even less happy that Mrs. Kennedy and Caroline—and a great many of the other Kennedys—seem to prefer Europe.

It's a truism of travel that tourists play a sort of game of follow the leader. There's a certain amount of snob appeal involved.

That's why the thousands of Westerners who are dependent upon vacation travel wince when they see pictures these days of the First Lady and her daughter living it up in Italy. (A "nonpolitical" quickie solo trip West by the President doesn't really count.)

IT'S A GOOD YEAR

Westerners aren't complaining about business this year. The World's Fair has resulted in a real bonanza for all attractions on the main transcontinental routes leading to Seattle.

As of August 1, for instance, the head count at Glacier Park was up 32 percent above the same time last year.

It's the dropoff next year the Westerners are worried about.

We can't think of anything that would do Mr. Kennedy's popularity in the West more good than for him to spend a several weeks' vacation with his family in the Rocky Mountain area, particularly if Mrs. Kennedy and Caroline seem to enjoy Western horses and ponies as much as they do their Virginia mounts.

And we think it would be strange indeed, if the Kennedys didn't enjoy the great open spaces of the West as much as other Americans.

Glacier Park during July and August certainly is as near a paradise as America can offer.

We spent several hours at Logan Pass, the high point on the spectacular Going-to-the-Sun Highway which crosses the park from east to west. There were cars from every State.

EXULTATION

The thing you notice on the faces of almost all tourists after they park their cars and stretch their legs here is not just happiness but almost exultation as they look over the great snow-capped peaks about them. These are their mountains and their park.

There is also a friendliness of the tourists to each other which seems to result from their sharing of the beauty of a common heritage.

After crossing the Continental Divide, we twisted and turned down the mountains stopping frequently to enjoy the views of glaciers, waterfalls and mountain meadows—until we reached what is surely one of the most beautiful of mountain lakes anywhere, the park's Lake McDonald.

There we stayed the night at the unpretentious but spic and span Village Inn motel right at the lake's edge. Surely no other lake in the world has such clear luminous entrancing brilliance.

There—as you do so easily in the West—we struck up a conversation with our neighbors, a retired couple from Schenectady, N.Y., who had been to the fair. They were stretched out in deck chairs on the little motel patio, looking at the lake and mountains, relaxing with their shoes off.

"Wouldn't you just like to stay here forever?" the lady said.

[From the Washington Daily News, Aug. 21, 1962]

MONTANA MUST

GLACIER NATIONAL PARK, MONT.—One item of equipment every tourist should bring with him to the high mountain country of the West is a pair of binoculars.

One-upmanship here consists mostly of how many Rocky Mountain goats or bighorn sheep or golden eagles you claim to have seen.

And the fact is you really need the binoculars to see them—and they are a thrill to see.

[From the Washington Daily News, Aug. 28, 1962]

MONTANA MONTAGE: STARRING A HIGHWAY

(By John F. McLeod)

RED LODGE, MONT.—A lot of folk around here wonder whether most of the AAA Auto Club travel counselors aren't a lot of timid old maids.

The Red Lodge-Cooke City Highway (U.S. 212), also sometimes called the "Top of the World Road," is by far the most dramatic of the five ways you can drive into Yellowstone National Park.

In fact, the group of travel writers with whom I made the drive all agreed they had never made a more spectacular trip in an auto than the one which took us over 10,800-foot-high Beartooth Pass.

Yet, I am told, thousands of travelers through the West miss this magnificent experience—perhaps the most magnificent of all on our 2-week tour—because the AAA girls who recommended routings, warn trip-planners to avoid the road.

The road is only open from June until the first heavy snows in September, and it is a succession of switchbacks, but I was told there has not been a single fatal accident on the highway since it was opened in 1933.

I have driven on mountain highways in almost every section of the United States, and through the German, Swiss, and Italian Alps, but nowhere have I seen such a succession of beautiful alpine lakes and meadows, of pinnacles and precipices.

Cooke City, a historic mining town near the park entrance, is an outfitting center for pack trips going into the Beartooth Mountain Wilderness of the Custer National Forest. We encountered a half-dozen strings of dudes on horseback (quick-stepping donkeys carry the gear) on a brief Jeep ride to an abandoned mine at Daisy Pass.

Here we followed by only a day a bulldozer which had cleared snow off the trail. And here we saw a sight which even astounded our native guides:

A flock of seven tremendous bighorn sheep grazed on a mountainside, separated from us only by a small snowfield.

One girl in our party, Latryl Layton of the Fort Worth (Tex.) Press, a Scripps-Howard newspaper, was so anxious to get a picture that she started scurrying across the snow. She slipped, fell and slid, bumpy-bump down the snowfield but emerged smiling from a field of yellow glacier lilies.

We think Washingtonians would particularly like to spend a night at the other end of the highway, here at Red Lodge.

One of the most beautiful mountain streams I have ever seen is roaring and rushing down from the mountains right beside my motel. It's name: Rock Creek.

As I prepare to board the Northern Pacific's North Coast Limited for home, I've jotted down some random Montana impressions which add up to quite a montage of memories:

The ideal time to approach Glacier National Park from the east is just before sunset, when its jagged upthrust is backlighted by the setting sun.

The miles and miles of cherry orchards along Flathead Lake (claimed to be the largest U.S. natural lake west of Superior) and the delicious taste of the bing cherries, as you munch them in the car driving along.

The continuing battle going on at the Hardin, Mont., site of Custer's last stand, among Battle of Little Big Horn buffs. (Some argue General Custer was a great hero, others a bumbling bum.)

The luck of two young honeymooners, Rod and Jackie Anderson, who landed a job as managers for the summer of the Flying Cloud Ranch, so remotely located in Beaverhead National Forest it has few guests.

The incomparable taste of trout you have caught yourself (our group caught the limit both in the Wise River at the Flying Cloud Ranch and in Yellowstone Lake's Eagle Bay).

The sensation of being caught in a thunder and hail (as big as mothballs) storm while on horseback in a remote canyon 10 miles from your stable.

The fact accommodations are easier to get at both Yellowstone and Glacier Park lodges on weekends (both parks are a 2-day drive from most major population centers).

The oft-repeated question Mel Smith, superintendent of Lewis and Clark Caverns, gets from tourists: "How much cave is left undiscovered?"

The most enthusiastic (in a nice way) chamber of commerce secretary we have ever met, Donald F. Wilson, and his favorite Montana quotation (from a John Steinback "Holiday" article):

"Montana seems to me to be what a small boy would think Texas is like from hearing Texans. * * *"

[From the Washington Daily News, Aug. 28, 1962]

DINING HIGH

BILLINGS, MONT.—The Vegas Cafe here tries to entice fairbound visitors with this sign: "Dine here 2,600 feet above the Space Needle."

A SECOND LOOK AT AFRICA

Mr. MONRONEY. Madam President, an unusually perceptive on-the-spot study of the U.S. activities in several African nations by an able American writer who grew up there has come to my attention. Clarke M. Thomas, son of missionary parents who served in Sierra Leone has taken a second look at Africa after 25 years and has written about it for the Oklahoma City Times

in Oklahoma City, Okla., where he is an editorial writer.

Mr. Thomas came away with the feeling that Africa will be "a long row to hoe" for the United States, but that it will be tough for the Communists, too. The two trends that impressed him most were evidence that the tide in unfriendly countries like Ghana and Guinea is beginning to turn our way, mostly because of Russian "goofs," and the great increase in the number of Americans on the scene in countries that 25 years ago knew only missionaries. He makes special mention of the Peace Corps, of which he heard good reports.

On the subject of the value American Negroes in African posts, Mr. Thomas found far more evidence on the positive than the negative side. He quoted one African, who urged, "Send us your best men, white or black," and an American Negro from Oklahoma, who reported, "I have been accepted here as any other American."

I ask unanimous consent to have printed in the RECORD the first three articles Mr. Thomas wrote for the Daily Oklahoman after his return. Later, I will bring others to the Senate's attention.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Daily Oklahoman, Aug. 5, 1962]

SOONER FINDS RED TIDE RUNNING OUT IN WEST AFRICA

(By Clarke Thomas)

In West Africa in 1962 two trends impress an American visitor:

1. The evidence that the tide in such unfriendly countries as Ghana and Guinea is beginning to turn our way.

2. The great increase in "the American presence"—the number of Americans on the scene.

Perhaps the two are related. I found our cause well served by my countrymen on the scene, with the United States particularly popular in the two pro-West lands I visited.

But in candor I would have to say that any changes for the better in two neutralist countries I visited have come mostly because of Russian "goofs." They simply have not been able to make of Ghana and Guinea the showcases for communism they had hoped for.

A British businessman in Ghana remarked to me, "We're beginning to find the Russians aren't 10 feet tall. Not out here."

He added reflectively, "Maybe we were lucky, after all, that the Russians poured technicians into this country. The Ghanaians found out some things that didn't jibe with the rosy picture they'd had of the Communists:

"First, they learned the Russians are white. Second, they demand air-conditioned houses, running water, and servants just as the imperialists do. Third, they are cliquish and don't mingle with Europeans, let alone Africans."

But what has hurt the Communists the most is that they haven't been able to live up to their vaunted efficiency in getting things done (which is supposed to excuse their harsh and undemocratic methods).

Take Guinea. In 1958 the Communists rushed in to fill the gap when the French angrily pulled out everything—technicians, records, even telephones—when Guinea turned down De Gaulle's referendum and decided to be completely independent.

Millions of rubles in "credits" were advanced and hundreds of technicians swarmed in. But gradually the Guinean Government began to realize little was coming of the many Communist surveys, which were being financed by the "credits" which eventually would have to be repaid in full by Guinea.

In addition Guinea found itself paying the bill for these examples of Red efficiency:

Snowplows shipped to the airport in tropical Conakry. Road graders with Siberian-type stoves inside. Electronic equipment and cement left uncovered and caught in the first rainy-season downpours. "Big Brother" loudspeakers installed all over the capital of Conakry, but which rusted out within a month.

Both Guinea and Ghana got stuck with Russian airplanes sold them to establish air routes to Moscow. But it soon became obvious that no one wanted to travel to Moscow, and the planes sit embarrassingly unused at the respective airports.

In Ghana Russian crews were included in the bargain. With nothing to do, these fliers spend their days at the beach, except for an occasional flight to Moscow to service the planes. And all at Ghana's expense.

But when Ghana's President Nkrumah tried to trade the planes for deep sea fishing trawlers he could use, the Communist answer in effect was: "Nothing doing. An agreement is an agreement, isn't it?"

This doesn't mean that these nations are ready to fall into our laps. Their newspapers and radio stations churn out anti-West guff with monotonous regularity. Nkrumah and Guinea's President Touré remain bush league dictators, with people reluctant to talk except out in the open or under the cover of a loud air conditioner.

But many of the Americans, Europeans, and Africans with whom I talked in those countries and elsewhere in Africa described the same "hunch" that the tide has begun to turn against Communist hopes of establishing Cuba-style footholds there.

A second noticeable trend, particularly to an American returning to West Africa after a long absence, was the number of Americans around. This was a far cry from a quarter century ago when about the only Americans there were missionaries.

Now there are U.S. governmental personnel, American businessmen, and representatives of private foundations and agencies.

Most of these countries as colonies didn't even have a U.S. consulate, let alone an embassy. The establishment of embassies has brought in several Americans plus a U.S. Information Agency branch, with library, cultural program, news releases, and other efforts to explain the United States and its policies.

We have in each country an AID program (the successor to the old point 4 technical aid). This means many technicians in such fields as agriculture, education, and public health.

There was a Peace Corps contingent in each country I visited except Guinea. Are they liked? Yes, because in these particular countries all Peace Corpsmen are teachers, an item in short supply and greatly welcomed.

In Nigeria at Nsukka in the eastern region Michigan State University has a contract to establish a land-grant type college.

American businessmen are beginning to come into West Africa, particularly Nigeria. That nation of 35 million has stable, friendly policies which are making it West Africa's prime spot for investment.

A final category of Americans you'll see are from foundations and private philanthropies.

The Rockefeller Brothers Foundation, for example, the past 5 years in Nigeria and Ghana has been compiling statistics and information that might be helpful to prospective industry and private investment from abroad. The Ford Foundation has been making economic surveys, too.

CARE has just launched an imaginative hot-lunch program in the elementary schools in Sierra Leone. Using U.S. food surpluses, CARE will make sure that every schoolchild in that country gets at least one hot, well-balanced meal a day.

[From the Daily Oklahoman, Aug. 6, 1962]

MARJORIE MICHELMORE CASE IS DEAD IN NIGERIA

(By Clarke Thomas)

"The Majorie Michelmore postcard case is a dead issue in Nigeria," said an Oklahoman who had a lot to do with that famous Peace Corps flareup.

He is Brent K. Ashabranner, assistant director of our Peace Corps program in Nigeria, and a native of Shawnee.

Ashabranner was acting director of the Peace Corps contingent in that West African country Miss Michelmore wrote the famous postcard expressing dismay at living conditions in Nigeria. The card somehow showed up in the hands of students at the University College of Ibadan and ballooned in the world press.

While the former Oklahoman was in New York for a conference at the time of the incident, he had his hands full when he flew back to smooth things over.

Now, months later, the redheaded former student and faculty member at Oklahoma State University declares: "The incident has not hurt the work of the Peace Corps in Nigeria. In fact, it may have done some good because it made our volunteers a bit more aware of their responsibilities overseas.

"Sure, they'd been told about these, but this affair really brought it home to them. It gave them a renewed determination to know the Nigerians better."

Ashabranner said the "postcard" affair also served as a catalyst to make the Negerians want to tell visitors more about their country and its good qualities.

Though born in Shawnee, Ashabranner took his schooling at El Reno and Bristow. His father, Dudley Ashabranner, was a pharmacist.

He obtained a B.S. in secondary education at Oklahoma State University and a master's degree in English there. Later he taught in the Oklahoma State University English department.

Ashabranner also is a writer. His latest novel is "The Choctaw Code," written with Russell Davis.

He is married to the former Martha White, of Roswell, N. Mex., also an Oklahoma State University graduate. They have two daughters, Melissa, 11, and Jennifer, 9, both born in Stillwater.

Ashabranner broke into oversea work with the Oklahoma State University team in Ethiopia from 1955–57. He worked with linguists writing textbooks in English and Amharic.

He joined the International Cooperation Administration (ICA) to work in Libya from 1957–59. Selected by ICA for special training, he studied at Boston University and traveled in five different West African countries.

ICA sent him to Nigeria in 1960. He switched over to the Peace Corps last year.

The Peace Corps contingent in Nigeria totals 107, all teachers. A fair percentage previously taught, but many came straight from university work. Of these, 79 are in secondary schools scattered around a country as big as Texas and Oklahoma combined, teaching many subjects, but mostly English, science, and mathematics.

Another 24 are junior faculty members at the new University of Nigeria at Nsukka in the eastern region, where Michigan State University holds the contract to develop an institution on the American land-grant college plan. The other four are agriculture teachers.

I have been asked frequently since returning from my West African trip what the reaction to the Peace Corps is over there.

My answer is that from all I could gather it is quite good—for a simple reason.

In the countries I visited which have a Peace Corps program, all of our volunteers are teachers. And in West Africa where there is a great thirst for education, coupled with a shortage of teachers, nothing is so welcome.

I did not see many Peace Corps volunteers because most of them are teaching schools in the "bush."

In fact, the Corps prefer to teach in the back country, rather than in the coastal cities with their creature comforts, apparently because the "bush" is more what they expected when they signed up.

Most of the volunteers are from the eastern part of the United States, an imbalance the Corps is anxious to correct. I rather imagine that is one reason why a Peace Corps training program was established at the University of Oklahoma, in hopes of attracting more young people from this region.

A Ghana Government official told me the Peace Corps volunteers were making a good name for themselves because they participated in the sports and festivities of the village, rode in the "mammy lorries" (the trucks which are the major transportation in Ghana), and represented a fresh, young American outlook which Ghanaians found intriguing.

As to the situation in Nigeria, Ashabranner affirmed, "We haven't lost a single volunteer, although some are living under very remote conditions. But they were prepared for it, and it is no shock to them."

(NOTE.—Miss Michelmore was not lost to the program, although she was transferred back to Washington, D.C.)

"In fact, in most places they have found the housing better than they had anticipated. Because they usually go to a school where faculty housing exists—that is the Nigerian system—they have not had to live in mud huts," Ashabranner said.

The former Oklahoman said the volunteers tell him "they are learning and benefiting. They are making some Nigerian friendships and want more."

At the end of our interview, I asked whether there had even been a ruling put out against postcards.

Ashabranner laughed, "As a matter of fact, no." The fact that he could laugh about what once was an international incident which threatened the entire program shows how far the Peace Corps feels it has come.

[From the Daily Oklahoman, Aug. 7, 1962]

FORMER OKLAHOMAN DISCUSSES THE U.S. NEGRO IN AFRICA

(By Clarke Thomas)

In recent months there have been articles in at least two national magazines raising questions about whether American Negroes help or hurt our cause overseas.

This was a question I asked discreetly of Americans, both white and Negro, of Britishers, and, above all, of Africans during my recent trip to West Africa.

One of the best answers came from a former Oklahoman, Sam Fuhr, assistant chief education officer in the Nigeria program of the U.S. Agency for International Development (AID).

But, first, let me tell you of my interview with Fuhr. I came upon him quite by accident, having asked AID officials in Lagos, Nigeria, who might be a good person to interview on our educational efforts there. I was directed to Fuhr, and only in the process of interviewing him did I learn he was an Oklahoman.

It turned out that he was born in Oklahoma City, in the area adjacent to the Twin Hills golf course. Schooled at Muskogee, he received his degree at Langston University in 1939.

He taught at Rosenwald High School at Henryetta, Hennessey Dunbar, and Okmulgee Dunbar, before becoming in 1948 an area supervisor of the institutional on-the-farm training program under the Veterans Administration. Fuhr recalls he worked under Bonnie Nicholson and J. B. Perky.

In 1951 Fuhr went to Oklahoma State University and received his master's degree in agricultural education and commenced work on his doctorate. He joined the International Cooperation Administration (forerunner of AID) in 1953 and was sent to Iran (Persia).

Fuhr spent another year back at Oklahoma State University before going to Nigeria in April 1961.

His parents, Mr. and Mrs. A. H. Fuhr, live in Muskogee; his wife's mother, Mrs. Fannie Sams, at Taft. The two Fuhr children, Sandra and William, are students at Langston University.

Fuhr said he has found his education post in Nigeria most interesting because that West African country is changing its orientation on education.

"In the past there was a straight academic emphasis," Fuhr said, "but now the Nigerians realize that if they are to pull themselves up by their bootstraps, their education must be more functional."

Thus the American approach is being followed increasingly, in contrast to the British classical curriculum of the past.

"There's no doubt about the Nigerian interest in education. The Government now is putting more than 30 percent of its gross national product into education. Some wonder whether it is putting too much in, at the expense of other activities which would return the investment quicker.

"But education has come to be considered the open door to employment and there is a lot of pressure on the Nigerian Government to have universal education," Fuhr explained. "Some of us worry about the danger of educating too many too soon, before there are enough jobs."

I might interject here that one of the most interesting interviews I had in Nigeria was with Alhaji Batatunde Jose, editor of the influential Daily Times. When I asked Jose if he saw any clouds on the rosy future of Nigeria which he had painted me, he leaned back reflectively and replied:

"Yes, one. And that is the numbers of students who have received an elementary education but either don't have the scholastic ability or the money to go on to secondary school. They do not want to take ordinary jobs, yet they are not ready for jobs requiring true educational skills. They are unhappy and disgruntled, and could be a place for radical ideas to take hold."

But back to the question of the effectiveness of Negroes in our agencies and missions overseas—

The general reply I had had to my question was this: "It depends on the person."

Just as some whites have not fitted into the African situation since independence, some American Negroes haven't either. They went out with the wrong attitudes, looked down their noses at Africans, and didn't help their country. But the same could be said of some whites.

But just as there have been many whites who proved worthy representatives for their country, so there is a long roster of Negroes whose service has been invaluable.

In fact a common answer from Africans was summed up in a comment by a Nigerian official that would startle some white Americans: "There's no difference. They are all so American, so unlike us, whether they are white or black. Just a difference in color, but the Negroes are as American to us as the whites."

One young U.S. technician, a Negro, said he felt that initially there might be a quicker rapport between an American Negro and an African. "But upon longer acquaintance, it doesn't make any difference. A white American who has proved himself color-blind will in the long run have just as good a relationship as we will."

Not that there aren't grounds for talk that Africans are prejudiced against American Negroes. A cheerful young Ghanaian official to whom I posed the topic after we had conversed on a wide range of subjects turned serious and commented, "Well, really, you must see that we look down on anyone who has been a slave."

That view quickly raises the hackles of American Negroes as being beside the point. One told me he meets this head on with his Ghanaian audiences by assuring them he prefers the clear conscience of knowing that his forefathers didn't sell fellow Africans into slavery, as the forefathers of his listeners well may have. He added he usually gets a favorable response to this forthright declaration.

But I found far more evidence on the positive side.

Several Africans complained to me that while there were Negroes in the AID missions, there were few in the embassies. Some added in the next breath, "But don't inundate us with Negroes only. Send us your best men, white or black."

A powerful positive argument was the loyalty and admiration which able Negro department heads in U.S. agencies receive from their subordinates, white and colored. It is an interesting commentary on racial attitudes within America that some of these subordinates include whites from the Deep South who work unstintingly under Negro supervisors with whom they presumably would hesitate to eat back home.

The point is that, in a foreign land where the going often is rough for the American cause, any person who can gain ground, whether white or Negro, is highly appreciated by his fellow workers.

I read with great interest an article by one of Nigeria's most widely read newspaper columnists, Theresa Ogumbiyi (for some reason women columnists dominate the field in Nigeria). Entitled "A Welcome to All 'Slaves,'" Miss Ogumbiyi wrote:

"Africans do not dislike Negroes. On the contrary, we have a feeling of kinship and of 'belongingness' with them. To us they are our people lost to us during the wicked slave trade.

"An African, I'm sure, would instinctively approach a Negro for help rather than his white counterpart. Not because he distrusted the latter, but because he felt he would be better understood by the former who was his own 'kind.' * * * Why can't we have more of them?"

But the best summation I heard in West Africa came at the end of my conversation with ex-Oklahoman Sam Fuhr as I broached this subject. His calm, sincere answer:

"I have been accepted here as any other American."

REA FURTHERS AND STRENGTHENS FREE ENTERPRISE

Mr. YARBOROUGH. Madam President, all too often, unfounded and inaccurate charges are hurled at the Rural Electrification Administration, one of the best friends the American rural citizen ever had.

To the rural American, the REA is the equivalent of the firelight that Abraham Lincoln used to read his books. The REA brought electricity to light the way to advancement for a vast and vital part of our population.

The magnificent REA cooperative program was one of the greatest advances in the history of this Nation. It was born in controversy and grew—because of the good it did—despite the jibes and false charges that have always been its burden.

The REA cooperative, free enterprise at its best, has brought light to millions of homes across this great land. The power provided by REA is one of the great sources of strength that brought such tremendous development in agriculture in recent years. It lit the way to progress.

The REA was created under the New Deal of Franklin D. Roosevelt. It grew under the Fair Deal of President Truman. Now, in the vibrant age of the New Frontier, it is far too valuable a part of our Nation to be the target of abuse and unfounded charges.

Our Nation would not be so great today, if the jibes of the critics of progress for mankind had prevailed.

Madam President, in the Wednesday, August 29, edition of the Washington Post, there is a letter to the editor by Norman M. Clapp, Administrator of the Rural Electrification Administration, in Washington, which deals with one of the charges often heard against the REA.

In eloquent and forceful language, Mr. Clapp lays bare the weakness of the phony "Government ownership" label placed on the free enterprise REA. I ask unanimous consent to have printed in the RECORD the letter from Mr. Clapp, captioned "Role of REA."

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

ROLE OF REA

A United Press International story appearing in the August 22 Washington Post, quotes Edison Electric Institute Vice President Edwin Vennard as charging that the Rural Electrification Administration has overstepped its legislative mandate by "promoting Government ownership of the electric power business."

This charge is malicious and unfounded. The rural electric cooperatives which represent the overwhelming majority of REA's borrowers are not a form of "Government ownership," but are local, free independent enterprise. They are owned by specific groups of rural people, not the public or the Government. REA, the Federal agency from which the cooperatives have borrowed money, owns not a single pole, transformer, or mile of line. In a sense, REA is the banker for the rural electric systems and the cooperatives are paying back the money they have borrowed from REA, on time, ahead of time, and with interest. In fact, principal repayments amount to more than a billion dollars, and interest payments more than a half-billion dollars.

The cooperatives may not use REA loan funds to serve any customer who already is receiving central station electric service from another supplier. The consumers now being connected by cooperatives are new consumers in the areas they pioneered and developed—areas that were bypassed as profitless by some of the very companies Mr. Vennard represents.

Mr. Vennard also questions the right of REA borrowers to serve large industries which build in their service areas. There is nothing in the Rural Electrification Act or in the legislative history of that act to prohibit such service, although in point of fact REA borrowers serve few industries which could be described as large.

When REA is forced to make a generation and transmission loan, Mr. Vennard charges secrecy. What he means is that the power companies with which the cooperatives have been attempting to negotiate for wholesale electricity should be apprised of every detail of the cooperatives' alternative plan for obtaining power. Mr. Vennard means that the very power companies which have failed to negotiate in good faith, which have refused to offer reasonable terms to the cooperatives, and which have forced the cooperatives to move ahead—at considerable cost—with their own power supply proposal, should have the right to review and the opopportunity to veto that proposal. This would be an unjustifiable invasion of the cooperative's private business. I repeat, cooperatives are private enterprise.

NORMAN M. CLAPP.

AMERICAN SLOVAK SOCIETY NATIONAL CONVENTION

Mr. SCOTT. Madam President, Pennsylvania has a larger number of Slovak and Slavonic fraternal organizations and societies than any other State. One such outstanding organization is the National Slovak Society which is known as the father of American Slovak fraternalism. The society is given this name because its first meeting inspired numerous other Slovak societies to organize. The first meeting of the National Slovak Society took place in Pittsburgh, in the old northside section known then as Allegheny City. The date was February 16, 1890. The guiding hand behind this event was Peter V. Rovnianek, the well-known leader of the Slovak people in the United States.

The 1890 meeting inspired other Slovak groups. Now, seven decades later, Slovak organizations boast a membership of some 400,000, assets worth over $150 million, many churches, charitable groups, and educational institutions. There are also numerous Slovak newspapers published in the United States. The National Slovak Society continues to be looked upon by the other Slovak organizations with admiration and respect.

Starting on Labor Day of this year, the American Slovak Society will hold its 23d national convention in New York City. My distinguished colleagues, Senators KEATING and JAVITS, have already sent their greetings. I join them now in sending the society my heartiest congratulations.

In order that the great work of this oldest American Slovak organization can be fully appreciated by everyone, I ask unanimous consent that the following article by Mr. John C. Sciranka be inserted in the RECORD. Mr. Sciranka is a well-known American Slovak journalist and himself a member of the convention committee of the society. He represents assembly 19, known as Pannonia, of Passaic, N.J. in the society.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

THE NATIONAL SLOVAK SOCIETY AND ITS OUTSTANDING ACCOMPLISHMENTS IN AMERICA

(By John C. Sciranka)

During the week of September 2, 1962, the supreme officers and delegates will assemble at Hotel Statler-Hilton, New York City, N.Y., for the 23d convention of the National Slovak Society, oldest Slovak fraternal organization in America, founded on February 16, 1890, in Pittsburgh, Pa. The society is known as the "father of American Slovak fraternalism." Its founder was Peter V. Rovnianek, well-known intellectual and linguist, who was born on June 27, 1867, in Slovakia, and studied in Budapest and Vienna. He came to the United States in September 1888, and studied at Cleveland Seminary. From there he wrote articles to a Slovak publication in Streator, Ill., the Nova Vlast (New Country), which gave birth to the National Slovak Society.

Prior to the formation of this society, Slovaks had organized various sick benefit societies in several States. For instance in the city of New York the First Slovak Benevolent Society was founded in 1883. In Passaic, N.J., St. Stephen's Society was founded in 1884, and in the same year a St. Stephen's Society was founded in Cleveland, Ohio, and in Bayonne, N.J. In Minneapolis, Minn., the society of SS. Cyril and Methodius was founded in 1888. The historians have registered up to and including 1889, 14 such Slovak societies.

Rovnianek decided to leave the seminary and devote his talent to the American Slovak fraternalism and the enlightenment of his countrymen for which he later paid a heavy price and died practically a pauper, in spite of the fact that he earned the title as the "first Slovak millionaire in America." Rovnianek was an idealist, who wanted to raise his Slovak people to the position of glory, which they lost with the fall of the great Moravian empire 10 centuries ago, which was regained with the establishment of the first Republic of Czechoslovakia on October 28, 1918. Rovnianek started in 1890 to organize the American Slovaks under the banner of "Liberty, Equality, and Fraternity." In 1891 he played a leading role in founding of the first Slovak women's organization, the Zivena, named after the pagan goddess of life and in 1892 he also played a prominent role in the founding of the Slovak Gymnastic Union Sokol. Considering the fact that Sokoldom is observing this year its centennial as an organization of all Slavonic nations for physical fitness training, credit must be given to Rovnianek and also to Gustav Marsal-Petrovsky, a well-known Slovak author, for getting the American Slovaks to form a Sokol organization 70 years ago. We feel proud of this fact, when such emphasis is placed on physical fitness by President Kennedy and our American Government, that the Slovaks gave impetus to this great movement seven decades ago.

But the first American Slovak fraternalists, who assisted Rovnianek in this muchneeded undertaking for the social and cultural welfare of the first Slovak emigrants, also deserve mention here. They were: Stephen Oravec of Hazleton, Pa.; Anton S. Ambrose, Plymouth, Pa.; John Miller, Cleveland, Ohio; Rev. Ludvik Novomensky, a Slovak Lutheran minister of Freeland, Pa., and John Rybar, of Braddock, Pa. Their first meeting was held in Walthers Hall, corner of Chestnut and Vinial Streets, North Side, Pittsburgh, Pa. This is also recognized as the first convention.

Rovnianek inspired other leaders, who followed by founding similar Slovak fraternal organizations. He also realized the power of the press and joined John Slovensky and Julius Wolf as editor of the American Slovak Gazette (AmerikánskoSlovenské Noviny), first Slovak newspaper in America, founded in Pittsburgh, Pa., on October 21, 1886 by the two mentioned Slovak teachers. Later he established a first American Slovak daily in Pittsburgh.

Conditions were not as favorable for Rovnianek's idealistic undertakings as they are today. The Slovak people were poor and

after a thousand years of oppression in their homeland—Slovakia—there were many illiterates, who had to be educated and taught to appreciate the great opportunities of American democracy. For this purpose Rovnianek with the cooperation of Rev. Stephen Furdek and others founded in 1907 the Slovak League of America and published brochures, books, and almanacs. Then with the aid of Julius Wolf and A. S. Ambrose, who succeeded Rovnianek as president of the N.S.S., he published brochures and articles in English that the American public be informed who the Slovaks are, pointing to the glorious historical past of the Slovak nation, which had its rulers and diplomats dating back to the seventh century. Rovnianek was a brilliant lecturer and gained friends among American civic and cultural leaders. He joined prominent American clubs and gained the confidence of such prominent Americans like U.S. Senator Oliver of Pennsylvania, Uncle Joe Cannon, Speaker of the House, and Presidents Grover Cleveland, William McKinley, Teddy Roosevelt, and William Howard Taft.

It was in 1910 that President Taft received a Slovak delegation in Washington, D.C., and ordered that their just plea of recognition for the question "What is your mother tongue?" be inserted in the census questionnaires. Under Rovnianek's regime, persecuted leaders of Slovakia and other Slavonik countries, fighting for the freedom of their respective nations, were given moral and material help. He likewise had Slovaks represented at various American exhibitions, including the World's Fair in Chicago. Slovak intellectuals were employed by his enterprises and American Slovak students given scholarships to pursue their studies that we might have much-needed leaders in America.

After Rovnianek's resignation in 1900, his successor Anton S. Ambrose, founder of the "Slovak v Amerike" newspaper in Plymouth, Pa., on December 21, 1889, which is still published in Middletown, Pa., continued in his footsteps and Ambrose too was a brilliant speaker and a linguist, with international affiliations. Ambrose dared to challenge even the famous Count Apponyi of Hungary during his lectures in America. Ambrose introduced various modern methods into the organization and his fraternal ritual is still in use. Ambrose was later instrumental in aiding the establishment of the new Republic of Czechoslovakia and lived there, but never gave up his American citizenship. After the occupation of the country by the Nazis, he returned to the United States and died in California.

Albert Mamatey, instructor at Carnegie Tech in Pittsburgh, Pa., who at one time worked for Thomas A. Edison, was the third president, who took office in 1909. Mamatey was a brilliant speaker and gave many lectures before large American audiences and universities. This writer has one of Mamatey's lectures in front of him while writing this article. It was published in "The Journal of Race Development," October 1915, by Clark University, Worcester Mass. Mamatey's lecture in Washington, D.C., on the subject "Securing Interest and Cooperation of Our Foreign Born Citizens" is still quoted by many sociologists.

Mamatey was also president of the Slovak League of America and during his administration the creation of the first Republic of Czechoslovakia was realized. Mamatey was the recognized and most brilliant American Slovak leader for over two decades. He died on December 21, 1923, as honorary consular of the Republic of Czechoslovakia with offices in Pittsburgh.

During the administration of these three presidents, the National Slovak Society grew in membership and stature. It was recognized as the foremost organization of American Slovaks. Leading Americans like President Woodrow Wilson, Secretary of State Robert Lansing, Federal Judge Joseph Buffington and others paid tribute to its leadership. Famous electrical wizard, Dr. Nikola Tesla, was proud to receive honorary membership in the society. Also, the noted scientist, Dr. Michael I. Pupin, professor of Columbia University, was proud to be an honorary member of the organization. Dr. John D. Prince, well-known American statesman and senator of New Jersey, later ambassador in the Balkan countries, aided the organization for the recognition of the Slovak language and it was he, who as a collaborator for the Slavic languages at Columbia University with Dr. Clarence Manning and Dr. Arthur P. Coleman declared that "Slovak is the key to the Slavonic languages."

Dr. Edward A. Steiner, noted professor of Grinnell College, Grinnell, Iowa, born in Slovakia in 1866 and author of some 20 books, including his autobiography "From Alien to Citizen" praised the National Slovak Society in his writings for its aid in developing the Slovak immigrant to become a typical American citizen by choice. Dr. Steiner was proud of his Slovak birth. In a book "Our Foreign Born Citizens and What They Have Done for America" by Anne E. S. Beard and Frederica Beard, Dr. Steiner is compared to Alexander Graham Bell, Dr. Alexis Carrel, Samuel Gompers, Henry Morgenthau, Joseph Pulitzer, Charles P. Steinmetz and other great Americans. Dr. Steiner lived in Pittsburgh, Pa., where he worked in the steel mills and observed the hardships and the rise and progress of the Slovak people. He also lived in Streator, Ill., and Outlook magazine sent him to Russia to interview the famous humanitarian and author, Count Tolstoy, who was also a great admirer of the Slovak people. Dr. Dushan Makovicky, a Slovak was Count Tolstoy's personal physician. Congressman MELVIN PRICE inserted this writer's article about Dr. Steiner in the CONGRESSIONAL RECORD on July 19, 1956, under the title "Dr. Edward A. Steiner, Friend of the Immigrants." Dr. Steiner died in California on June 30, 1956.

Well-known Father John LaFarge, S.J., professor of Fordham University and distinguished author and lecturer, who labored among the Slovaks of St. Mary's City, Md., mentions the National Slovak Society in his autobiography "The Manner Is Ordinary."

After Mamatey's death, John Krafcik of New York City became president until his death on January 28, 1928. Vice President John Simko of Chicago, Ill., served the remainder of his term. In 1930, George Tomascik, Wilkes-Barre, first American-born Slovak was elected to the presidency. He resigned on March 22, 1934. His term was served out by Vice President Attorney Adam Poliak of Chicago, Ill.

In 1934, Nicholas Kovac of Bridgeport, Conn., became president. Kovac died in office on March 11, 1937. His term of office was served out by John Pankuch until the 1937 convention in Hazelton, Pa., when Vendel S. Platek of Chicago, Ill., was elected president. Platek was reelected at the three succeeding conventions, held in New York, N.Y., Youngstown, Ohio, and Chicago, Ill. Platek resigned the presidency to assume presidency of the 1st Federal Savings and Loan Association of Homestead, Pa., a $50 million institution. He was succeeded by Paul C. Kazimer, who served 3 months and, owing to his other duties, resigned. Kazimer was succeeded by Joseph Saladiak, who served until the Cleveland, Ohio, convention in 1954, when John H. Pankuch, the present supreme president, was elected. John H. Pankuch is a product of American Slovak fraternalism. He was born in Cleveland, Ohio in 1896, served with U.S. Armed Forces during World War I, and lost a son during World War II. He is the only American Slovak to serve in the same office, in which he was preceded by his late father, John Pankuch, well-known publisher, who served as president of the organization.

Gov. Nelson A. Rockefeller, of New York State, in his message to the convention, sent to President John H. Pankuch, states: "The convention of the National Slovak Society is an event to be greeted with wide respect. It affords the privilege of extending a hearty welcome to all delegates from other States.

"Our neighbors of Slovak origin are among our treasured fellow citizens. Their presence among us has added to the material progress and also to the culture of our country."

U.S. Senator KENNETH B. KEATING, of New York, in his welcome letter stated: "It is with the deepest sense of pleasure that I extend my warm personal greetings to the officers and members of the National Slovak Society of the U.S.A., on the occasion of your 23d regular convention.

"Since its founding more than 72 years ago, the story of your outstanding organization is a story of humanity and patriotism, and is a true and admirable reflection of the inspiring traditions of the great Slovak people. Those traditions have been nobly exemplified by the actions of your society in making brotherhood a living and meaningful response to the cares and needs and problems of your fellow men. To countless numbers this exemplary concern has brought light where there was darkness, and hope where there was despair. I would cite in particular the splendid work you have accomplished not only in assisting Slovak immigrants to make the difficult adjustment to a new nation and a new way of life, but also in presenting to America the true and shining image of the Slovak spirit and heritage."

And U.S. Senator JACOB K. JAVITS, of New York, in extending his greetings, stated: "Your society is making an important contribution to the vitality of America. I commend your humanitarian efforts through the years to provide comfort and assistance to Slovak immigrants, helping them integrate with dignity into our heterogenous society. Freedom is the great force in our Nation and in the world today, and few people understand its true meaning more than the Slovak Americans. Americans of Slovak descent have played a significant role in the progress and security of our Nation, and will continue to do so, as long as outstanding fraternal organizations such as the National Slovak Society, maintain their vigor and spirit of brotherhood."

Joseph Rattay, of New Rochelle, N.Y., general chairman of the convention committee, has expressed confidence that this will be the most important convention in the history of the society.

The National Slovak Society during its 72 years of existence has made a splendid record of great achievements and the American Slovaks, numbering over 2 million, salute this "father of American Slovak fraternalism" on this its 23d convention in New York City and wish it further success and Godspeed.

THE CURTIS PUBLISHING CO.

Mr. CAPEHART. Madam President, within the past several days I received a copy of the latest fiscal report of the Curtis Publishing Co., of Philadelphia. Carried in that report is a statement of impressive and important magnitude by the new management which recently assumed control of one of our most eminent and revered publishing firms. In this statement, entitled the "Curtis Commitment," management pledges itself to a dedicated and unswerving endorsement and support of the competi-

tive enterprise system, and the direction of all its facilities and endeavors toward that goal. It is indeed gratifying to know that a great organization such as the Curtis Publishing Co., with its access to millions of our people, is so unwaveringly a part of an economic system which must stand as "one of modern man's greatest achievements." I wholeheartedly commend this statement to my colleagues, and to all Americans, and ask for unanimous consent to insert its full text in the RECORD.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

A COMMITMENT

The Curtis Publishing Co. is committed to the goal of becoming the voice and conscience of the competitive enterprise system, which is the foundation of a progressive economy and a democratic way of life. The editorial weight of the Curtis magazines will be applied unstintingly in this undertaking, and through text and photographic treatment we will present the voice and opinions of leaders of this country, this hemisphere, and the entire Western World in speaking out on this subject.

It is our conviction that the competitive enterprise system represents one of modern man's greatest achievements, and that it provides the framework not only for our economic well-being but also for the preservation of individual rights and the protection of minorities.

The pages of our magazines will provide a forum for all of the voices of the marketplace, including those of labor, business, politics, government, and education, as well as those which speak for social forces and for the family group.

This commitment is pledged without reservation. The American Home, Ladies' Home Journal, and Holiday will reflect this commitment in editorial matter specifically aimed at their respective audiences, but it will be the Saturday Evening Post which will carry most forcefully the banner and the concept of the competitive enterprise system.

This is the Curtis commitment to which this company is now unswervingly dedicated.

SOVIET EXPORTS TO CUBA

Mr. CAPEHART. Madam President, 100 Russian chartered ships carrying cargo and nobody knows what else are on the way to Cuba.

This, Madam President, is not rumor. It is an official announcement from Tass, the official Russian news agency.

The official Russian announcement was published by the New York Herald-Tribune today in an article from Moscow by Mr. David Miller.

So heavy have become the Russian shipments to Cuban ports that foreign ships are being chartered under the hammer and sickle to carry the load.

Tass says this has been going on since 1957, 2 years before the Communist Dictator Castro took over, which may explain what a lot of people wondered about where Castro got his support for the Castro revolution.

How long, Madam President, do we continue to "examine", as President Kennedy has promised, the Soviet intervention in Cuba—the establishment, in fact, of a Communist beachhead 90 miles from American shores?

How long are we going to stand for the flagrant violation of the Monroe Doctrine?

So that the facts may be made a matter of record, I ask unanimous consent to include in my remarks the article by Mr. Miller from Moscow.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

RED FLOW TO CUBA

(By David Miller)

Soviet exports to Cuba have increased so much that foreign ships are now being pressed into service to handle the cargoes, Tass news agency reported last night.

Ships from West Germany, Norway, and Greece are loading in Leningrad. An Italian ship is being loaded at Novorossisk on the Black Sea. A Lebanese ship and a Liberian ship are in Odessa. A West German ship is ready to leave Riga.

The ships, all of 7,000 to 13,000 tons displacement, are under Soviet charter to carry industrial equipment, flour, paper, and fertilizer to Cuba, according to a Tass report from Odessa. The ships will bring back raw Cuban sugar.

In reporting the departure for Cuba yesterday of 5,000 tons of grain and a floating 100-ton dock crane, Tass noted:

"This 6,000-mile-long shipping line is known to Soviet vessels since 1957.

"Hundreds of thousands of tons of Soviet export cargo have been transported to Cuba by sea—metal and grain, automobiles and tractors, building materials, oil and mining equipment.

"A marine ministry official told Tass the volume of Soviet-Cuban maritime shipment this year will be double over last year's."

Tass added:

"In any big port of the U.S.S.R., one will see today ships which are to sail for the Cuban shores * * * some 100 Soviet ships are converging on the ports of Havana, Santiago, and Cienfuegos."

The steamship *Ivan Polzunov* is about to sail from Leningrad with cars, canned food, and geological prospecting equipment.

The diesel vessel *Usolye* will leave Odessa with 5,000 tons of agricultural fertilizer for Cuban agricultural cooperatives.

The 10,000-ton diesel ship *Okhotsk* will leave the Far Eastern port of Nakhodka early next month with timber and rice-harvesting and grain-harvesting combines.

CIVIL RIGHTS LEGISLATION

Mr. CAPEHART. Madam President, today marks the fifth anniversary of the Civil Rights Act of 1957, the first civil rights law enacted by the Congress in more than 80 years previous to that date.

That law, designed to protect the voting rights of American citizens regardless of color, race, religion, or national origin was approved under the Eisenhower Republican administration. Specifically, this act directed the Commission on Civil Rights to investigate allegations in writing under oath or affirmation that certain citizens of the United States are being deprived of their right to vote and to have that vote counted by reason of their color, race, religion, or national origin; to study and collect information concerning legal developments constituting a denial of equal protection of the law under the Constitution; and to appraise the laws and policies of the Federal Government with respect to equal protection of the laws under the Constitution.

This law was followed, under the same administration, by the Civil Rights Act of 1960 which further strengthened the 1957 act by giving power to the courts to name special voting referees when it finds evidence that discrimination against Negroes exists, with the referees, under court's jurisdiction, being able to take appropriate steps to insure that qualified Negroes are able to register and vote. We are witnessing today the results of this law enabling qualified Negro voters to register and vote.

This 1960 strengthening law also provides schooling for children of servicemen whenever desegregation disputes lead to the closing of local schools in addition to providing criminal penalties for interference with court desegregation orders. It further made possible for the Federal Bureau of Investigation to enter cases involving bombings of schools, churches, and synagogues. And finally, it provided that voting records must be preserved for 22 months for possible Federal inspection.

Madam President, we Republicans who took every major action in Civil Rights from the Emancipation Proclamation from the 1860's to the 1960's are happy to welcome the action taken by this administration on the poll tax, the first such civil rights action taken by a Democrat administration.

Madam President, I think it is most fitting for us to commemorate this fifth anniversary of the Civil Rights Act of 1957, for it was the first major step in implementing the inalienable right of all American citizens to vote and take an active part in American political life.

REVENUE ACT OF 1962

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business.

Without objection, the Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing, en bloc, to the committee amendments on page 41, line 18, and page 42, lines 4 to 10.

Mr. CLARK. Madam President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Pennsylvania will state it.

Mr. CLARK. Is this merely a routine request, one which will not make it impossible for me later to oppose the committee amendment to insert the words "or associated with"?

The PRESIDING OFFICER. The Senator is correct.

Mr. CLARK. May I be recognized and then yield for the purpose of having the request repeated?

The PRESIDING OFFICER. The Chair has laid before the Senate the unfinished business and has stated the question. The Senator from Pennsylvania may proceed with his remarks.

Mr. CLARK. I thank the Chair.

My position is consistent with the position I took on June 20, 1960, when my

amendment to impose rigorous restrictions on expense account deductions was adopted by the Senate by a vote of 45 to 39.

In opposing the committee amendment now pending, I am taking a less drastic position than the one taken by a majority of the Senate only 2 years ago.

At the outset I should state that my opposition to the pending amendment does not mean that I do not earnestly believe that what we did in 1960, with the help of my good friend, the junior Senator from Louisiana [Mr. LONG], we should do again. It merely means that for present purposes I share the views of the Senator from Tennessee [Mr. GORE] and the Senator from Illinois [Mr. DOUGLAS] that the House language is infinitely preferable to the language of the Finance Committee amendment.

Mr. LONG of Louisiana. Madam President, will the Senator from Pennsylvania yield?

Mr. CLARK. I yield.

Mr. LONG of Louisiana. As one who defended the Senator's position in the conference, and voted with him, and actually opposed the conference report, let me say that in my judgment what the Senate has here is far more severe than what we had in conference. This provision would say that if a businessman and his wife entertain a client and his wife at dinner—a client who might be a very major client, and one whose business might be most important to the businessman—he could deduct only the cost of the meal of the client, but not the cost of the meal of the wives.

Our position a year ago was that he could deduct the cost of the meals of all four of them. So our position then was far more generous in this area.

Furthermore, according to the staff estimate, this amendment would bring in an additional $85 million, which is a great deal of money.

Mr. CLARK. The Senator from Louisiana is certainly entitled to his opinion. In the next few minutes I shall endeavor to persuade him—openminded as he always is—that he is incorrect both in his recollection of what we did in 1960 and in his interpretation of the effect of this committee amendment—although I fear that at the end of my effort, we still may have to disagree.

Mr. LONG of Louisiana. I am no better expert on the amendment than is the Senator from Pennsylvania. He is the best expert of what he had in mind when he offered his amendment. But I think I know more about what the committee meant when we put the amendment in this bill.

Mr. CLARK. Since the Senator from Louisiana has raised the point, let me state, in brief and general terms, what the Senate did in June of 1960, in connection with the business-expense deduction. At that time, by a vote of 45 to 39, we provided that no deduction shall be allowed for any expense paid or incurred for entertainment, except that expenses paid or incurred for food or beverages for the primary purposes of providing an opportunity to advance the trade or business of the taxpayer may be deducted. We also prohibited all gifts exceeding in value $10; and we also prohibited the payment of dues or initiation fees in social or athletic or sporting clubs or organizations. So I submit that the amendment we adopted in 1960 was really more drastic than the House language, which those of us who oppose the committee amendment are presently advocating.

Madam President, I turn now to the three little words in the committee amendment—"or associated with"—just three little words. They are all that the Finance Committee added to the basic expense-account provision contained in the House version of the bill. But what a whale of a difference those three little words make. By using them as a vehicle by means of which to write into its report more lax standards for entertainment deductions from those in the House version of the bill, the Senate Finance Committee would continue to permit, in my opinion, the great bulk of the abuses in the entertainment area which presently exist to continue unabated. By inserting these three little words, the majority of the Senate Finance Committee have very effectively, in my opinion, robbed the House version of the bill of most of its effectiveness. By using this slight statutory modification as an opening wedge, the committee in its report has, in my opinion, destroyed the simple, but effective, rule which the House developed after 18 months of strenuous effort in this very difficult, technical, and troublesome area.

The House version poses as a test for the deduction of entertainment expenses the requirement that the expenses, in addition to meeting the requirements of the present law and with certain stated exceptions, be "directly related to the active conduct of the trade or business."

The report of the House Ways and Means Committee explains that under this test the taxpayer is required to show more than a general expectation of deriving some income at some indefinite future time from the making of the entertainment-type expenditure. The House Committee report states that the bill would not allow a deduction for entertainment expense when there is little or no possibility of conducting business affairs or carrying on discussions relating thereto—such as when the taxpayer is absent from the activity or when the group entertained is large or when substantial distractions exist—for example, at the Kentucky Derby.

These basic guidelines, as laid down by the House, are clear and understandable for the taxpayers and for the revenue agents, alike. In my opinion, they will go a long way toward eliminating the abuses in connection with expense accounts.

I would go further; I would go as far as the Senate went in 1960—as far as the administration originally requested last year. But certainly we can improve the bill immeasurably by rejecting the committee amendment and returning to the House language. Enactment of the House provision would end many unwarranted tax benefits enjoyed by our long-standing and ever-expanding expense-account aristocracy.

Madam President, I have often deplored the fact that it is impossible to reproduce cartoons in the CONGRESSIONAL RECORD. I have presently pending before the Committee on Rules and Administration a resolution which would lift the face of the CONGRESSIONAL RECORD, and perhaps would make it more readable, so that, therefore, perhaps it would be of greater influence in the formulation of public opinion across the country. Would it not be a wonderful thing, Madam President, if we could have Herblock's cartoons reproduced in the CONGRESSIONAL RECORD?

This digression comes to my mind because of a wonderful cartoon I remember seeing in the New Yorker magazine 4 or 5 months ago. It showed two baldheaded, rather portly businessmen sitting in a cocktail bar, sipping martinis; and one said to the other, "Why, the expense-account deduction is just as American as blueberry pie." This is what I fear would be the position to which we would be giving our blessing if we were to accept the committee amendment.

I hold in my hand a cartoon published in June, 1960, in the Washington Post. It shows a rather portly businessman, smoking a rather long cigar, at a cocktail table, and accompanied by a young lady of uncertain appearance. Two empty martini glasses stand on the table. In the background is a palm tree and a beautiful new moon. The gentleman in question is saying to the waiter—whose expression I can only describe as a leer—"Two more glasses of food."

Again, Madam President, I do wish it were possible to have cartoons reproduced in the CONGRESSIONAL RECORD.

Mr. LONG of Louisiana. Madam President, will the Senator from Pennsylvania yield for a question?

Mr. CLARK. I am happy to yield to my friend, the Senator from Louisiana. I have enjoyed many a good meal in New Orleans, but at my own expense.

Mr. LONG of Louisiana. Will the Senator show me where in this bill that cartoon would be applicable? In other words, will he show me where the committee amendment would permit the man to entertain that lady and deduct that expense?

Mr. CLARK. I shall be happy to do so, but first I would prefer to complete my speech. If the Senator wants to reiterate the question at the conclusion of my speech, I shall be glad to meet him head-on, but I would like to get on with my speech.

Mr. LONG of Louisiana. While he is at it, I would like to have him support his statement that a safari to Africa can be allowed by the committee report, because it cannot be. It is expressly prohibited. I would like to have him show how there can be a business deduction for Olivia DeHaviland's gifts to her household servants. The Senator should not give misleading examples. I know better than that, but the Senator should not use such examples, because this type of thing is forbidden by the law, and the

committee amendment expressly prohibits it.

If the Senator will use examples showing that this is allowed, I will debate it with him, but he should not use illustrations on which we have gone along with him in excluding from the bill such deductions.

Mr. CLARK. The Senator is coming perilously close to violating rule XIX, section 4, of the Senate Rules, but I shall not call him on it. If he will do me the courtesy of remaining for the remainder of my speech, I shall be glad to debate it with him.

Madam President, these three little words "or associated with" have injected a new breath of life into this expense account society of specially privileged taxpayers by allowing deductions for entertainment expenditures, such as trips to horseraces and entertainment at nightclubs. Through its committee report language interpreting what expenses are associated with the active conduct of a taxpayer's trade or business, the Finance Committee, in my opinion, has reopened the Pandora's box of expense account living which the House clamped shut by the "directly related" test.

Under the Finance Committee test as explained in the committee's report, it is abundantly clear that the good life, at Government expense, continues virtually unaffected. To illustrate—and now I ask for the attention of my friend from Louisiana—I ask him which of these actual cases described in the detailed and revealing study of entertainment abuses submitted to the Congress by the Secretary of the Treasury, and some of which are discussed in the supplemental views of the Senator from Illinois [Mr. DOUGLAS], would be affected one iota if the Finance Committee amendment is approved.

First, I call to the attention of the Senators from Louisiana and Florida the case of a corporation engaged in manufacturing which was allowed to deduct $991,665 in 1959 for yachts, club dues, shipboard conventions, hunting and fishing trips and parties. Do my friends seriously think that, under the "or associated with" amendment of the Finance Committee, these expenditures, which have already been allowed, would, if repeated, be rejected?

Mr. LONG of Louisiana. Every one of them would be affected.

Mr. CLARK. Every one of them would be affected?

Mr. LONG of Louisiana. By the committee amendment. They would also be affected to the disadvantage of the taxpayer.

Mr. CLARK. The Senator says "affected." That is a big word. Does the Senator mean they would be disallowed?

Mr. LONG of Louisiana. In part. Some in whole; some in part.

Mr. CLARK. The Treasury, of course, disagrees.

Mr. LONG of Louisiana. It does not disagree entirely. It disagrees in part.

Mr. CLARK. Will the Senator explain?

Mr. LONG of Louisiana. Every one of these examples has to meet the primary purpose test and has to be documented by proof on the part of the taxpayer, not his unsupported statement.

Mr. CLARK. The Senator is getting into accounting. I am talking about substantive law.

Mr. LONG of Louisiana. The Senator himself offered an amendment a couple of years ago that put the primary purpose test in there. One has to establish that the primary purpose of the entertainment was to get business. Everyone of those deductions must meet the primary purpose test.

Mr. CLARK. But the primary purpose test applies only to entertainment facilities, and it is, in turn, modified by the "or associated with" test.

Mr. LONG of Louisiana. The words "or associated with" are the cause of the difference between the House and the Senate committee reports; but one must look at the Senate committee report to see what we mean by the words "or associated with." The words "or associated with" carry out the primary purpose test.

Mr. CLARK. Then what is the purpose of the words? Why not strike them out if they are meaningless?

Mr. LONG of Louisiana. The words are here for this reason: The House committee wrote the language "unless the items are directly related to the active conduct of the trade or business."

Mr. CLARK. What is wrong with that?

Mr. LONG of Louisiana. That language would have been satisfactory from the point of view of most of those concerned about this matter if the committee report had included in its meaning the general rule that an item is deductible if it is directly related to the active conduct of the trade or business. Then there follow certain specific exceptions of what are allowed in any event. Those are very limited and restricted exceptions.

It was intended, I believe, by the House when it adopted the language "directly related to"—which, incidentally, has the same meaning as the words "or associated with"—that certain entertainment would be permitted which met the primary purpose test. That is what the language was intended to mean, but when the committee report was reached on the House side, the best we could arrive at was that the taxpayer was not permitted to deduct anything under the general rule. The general rule was so restricted by the House committee report that there was nothing allowed under the general rule but the specific exceptions.

Mr. CLARK. The Senator is entitled to his opinion, but I do not read the House committee report the way he does. If the House committee report does not say what the Senator thinks it says, then it seems to me it more than strengthens our view that we do not need the words "or associated with" and that they should be eliminated.

Mr. LONG of Louisiana. The primary difference in what we are talking about is the manner in which the two committee reports were drafted. One cannot find much to argue about in the difference between the words "directly related to" and "or associated with."

Mr. CLARK. Why is the Senator arguing about them? Why do we not take the House version?

Mr. LONG of Louisiana. Because we prefer the Senate version. We require everybody to meet the primary purpose test. If a taxpayer can show, for example, that he entertained and that the primary purpose of it was to get business, and he can document it and prove it, we prefer that he be able to deduct the expense, even though it might be entertainment at a night club or a country club. We feel that if he can show that the principal purpose was to establish a business relationship, and he has documentation more than his unsupported statement to back it up, and the entertainment was not lavish or extravagant, it should be allowed.

Mr. CLARK. Under the circumstances.

Mr. LONG of Louisiana. Surely, under the circumstances.

Mr. CLARK. That is the joker there—under the circumstances.

Mr. LONG of Louisiana. If I were a New York lawyer and a client who was giving my firm a lot of business, let us say $200,000 a year in fees, showed up in New York with his wife, I would expect to take him to a show, if he and his wife cared to go. Unfortunately, the committee report would not allow me to deduct for the cost of the meal or a ticket for his wife——

Mr. CLARK. Why should it?

Mr. LONG of Louisiana. If one feels it helps him in his business to entertain the man, and that if he does not, his competitor is going to entertain him, that becomes necessary entertainment in my opinion. That may not be the opinion of the Senator from Pennsylvania.

Mr. CLARK. No, not at all. Under the standard for which I contend, the competitor would not be entitled to entertain the customer, either. No one would be provided entertainment, except at his own expense.

I have always paid for my own entertainment. I am sure my friend from Louisiana pays for his own entertainment. Why should anybody else get away with something we do not permit ourselves to get away with?

Mr. LONG of Louisiana. If I entertain someone, directly related to business, I think I am entitled to deduct the expense, and I will deduct it.

Mr. CLARK. Does the Senator undertake to deduct business expenses for liquor and food, in connection with his own salary? I do not.

Mr. GORE. Madam President, will the Senator yield?

Mr. CLARK. I do not wish to take the privilege away from my friend from Louisiana, if he wishes to continue the colloquy.

Mr. LONG of Louisiana. I think I am entitled to a deduction, if I provide a meal for a graduating class from a school in Louisiana which is passing through town.

Mr. CLARK. Surely, but not for champagne, which, under the circumstances, might be considered appropriate.

Mr. LONG of Louisiana. Frankly, I cannot afford champagne for them, so that does not come into the picture.

With regard to facilities, the committee report is drafted to provide that if a yacht is used less than 50 percent for business purposes the person involved cannot deduct 5 cents of the expense. However, if a man has a boat and he uses it more than 50 percent for business purposes, and if he can support that by more than his own assertion, if he can prove it by records and evidence, and can satisfy the people from the Internal Revenue Service—who are hard people to satisfy, as the Senator knows—that it was used more than 50 percent for business purposes, then he should be able to deduct that portion of the expense of the yacht which was used for business purposes. He still would have to pay for the part used for social purposes. That is far more strict than existing law.

Mr. CLARK. I take it, at the end of this colloquy, my friend's answer to my question—which I will restate, "Does the Senator believe that under the committee amendment a corporation engaged in manufacturing would no longer be allowed to deduct $991,665 for yachts, club dues, shipboard conventions, hunting and fishing trips and parties?"—is, "Perhaps so; perhaps not; perhaps in part but certainly not in whole."

Mr. LONG of Louisiana. It might be permitted to deduct some of that cost.

Mr. CLARK. I thank the Senator.

Mr. GORE. Madam President, will the Senator yield?

Mr. CLARK. I am happy to yield to my good friend from Tennessee.

Mr. GORE. Like the senior Senator from Pennsylvania, the junior Senator from Tennessee is perfectly content to have the distinguished junior Senator from Louisiana entertain whatever views he desires with respect to the propriety of expense accounts, their use and the tax deduction therefor. I am sure the Senator from Pennsylvania is not in any way arguing with the right of our friend from Louisiana to entertain the views he holds.

Mr. CLARK. Certainly not, including the right to entertainment. But, of course, the Senator realizes that the net result is that Uncle Sam picks up 52 percent of the check.

Mr. GORE. I think there are two wrongs involved in the expense account abuse, at least. Perhaps there are more than two, but there are two very specific wrongs. One is the fact that the taxpayer is discriminated against. Another is the fact that the stockholders of many of the corporations are being bilked by the abuse of expense accounts by corporate "insiders."

Mr. CLARK. The Senator is quite correct.

Mr. GORE. So two groups of people are suffering severely, the stockholders and the taxpayers.

There is another element to which the President devoted a good deal of attention in his message to the Congress. That relates to the moral fiber of our country, to a sense of fairness in our tax laws and its importance to our society and to the system of taxation we have, which essentially depends upon voluntary compliance.

Mr. CLARK. I share the Senator's view that this is a great moral issue which we are debating today.

Mr. GORE. I am not sure that the third element is not more important than the first two, in the long run.

Mr. CLARK. The Senator may well be correct.

Mr. GORE. Is not the parliamentary situation as follows: The President and the Secretary of the Treasury recommended that the Congress deal vigorously with this abuse and do so in a manner to eliminate it, and the Treasury Department testified at great length in this regard?

Mr. CLARK. Let me interrupt the Senator to say that I am perfectly willing to admit on the floor, for the record, that I have had the assistance of Treasury Department officials in preparing the speech I am now making. They did not write it, but I had their help in its preparation.

Mr. GORE. There are very competent men serving in the Treasury Department.

The House passed a bill, did it not, which was not as stringent, which was not as effective, which was not as rigid, as the President and the Secretary of the Treasury had recommended?

Mr. CLARK. The Senator is correct.

Mr. GORE. Is it not also true that the House Committee on Ways and Means submitted a report on the bill which it reported to the House, and which the House subsequently passed, which states the clear, concise, effective, and understandable legislative intent of the language of the bill?

Mr. CLARK. That is my own strong view. I gather the Senator from Louisiana feels the House Ways and Means Committee did not intend the language in its own report.

Mr. GORE. Is it not true that the Senate Committee on Finance has recommended that an amendment be attached to the bill passed by the House which would weaken the bill and in some respects make it even worse than present law?

Mr. CLARK. The Senator is an able and valuable member of the Senate Committee on Finance and has made a far greater study of this question than I have been able to make, but my own investigation confirms what the Senator has stated.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. CLARK. I am happy to yield.

Mr. LONG of Louisiana. Will the Senator show me where in the report—which, after all, interprets the language—there is anything which would make the law more favorable to the taxpayer than existing law?

Mr. CLARK. I am not talking about the report. I am talking about the words "or associated with." I am making my whole speech in the endeavor to try to convince the Senator from Louisiana and other Senators that these three little words would destroy a large part of the House bill and its intent, as well as the President's intent.

Mr. LONG of Louisiana. It seems to me in a way ungracious for the President to give the most lavish parties in the history of America and then to come out with the statement that a man should not be able to deduct the cost of the entertainment of a man and his wife for business. The President and the First Lady give parties Cleopatra would have been honored to be invited to attend.

Mr. CLARK. I refuse to yield further in that regard. If the Senator wishes to criticize the President of the United States in extravagant terms on the floor of the Senate, that is his right, but I will be no party to that.

Mr. LONG of Louisiana. Let me say to the Senator that I am not criticizing the President. There is nothing immoral about the parties he is giving. I think they are a credit to America.

Mr. CLARK. What makes the Senator think the President does not pay for them out of his own pocket?

Mr. LONG of Louisiana. For one thing, we give him our own Federal money with which to pay for them. How much do we allow him? I believe it is about $50,000 a year, for which he does not have to account. I voted that he would not have to account for it.

Mr. GORE. Madam President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am happy to yield.

Mr. GORE. Official entertainment by the President of the United States of distinguished foreign visitors, or citizens and officials of our Government or of other governments, is one thing, while abuse of an expense account to disguise personal expenditures with business association, about which the President complained—and those were his words—is an entirely different thing. It is the latter subject with which the pending amendment deals.

Mr. CLARK. In my opinion, the junior Senator from Tennessee has placed his finger on the clear fallacy in the argument of the junior Senator from Louisiana.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. CLARK. I yield to the Senator from Louisiana.

Mr. LONG of Louisiana. The point I am getting to is that businessmen find it necessary to entertain in their businesses.

Mr. CLARK. Only because of the customs built up under present law.

Mr. LONG of Louisiana. I do not agree with that statement.

Mr. CLARK. Let us agree to disagree and let me get on with my speech.

Mr. LONG of Louisiana. I should like to again ask the Senator the question he has not yet answered. Wherein does the bill before the Senate fail to tighten up on present law? The statement has been made that in some respects it would give the taxpayer a break that he is not getting under present law. Wherein does that statement occur in the bill?

Mr. CLARK. My entire speech is intended to show instance after instance in which improper deductions would be permitted under the committee amendment. I have just given the Senator one

instance, and he has refused to give me a categorical answer. He has said, "Maybe yes, maybe no; perhaps; who knows?"

I have about six additional instances in which the expenses would be claimed as a deduction under the committee amendment.

Mr. LONG of Louisiana. Compared to present law?

Mr. CLARK. Yes. All the references in the Finance Committee report to the deductibility of goodwill expenditures may make it easier as a matter of fact for a taxpayer to prove his case under the bill than under present law.

Mr. LONG of Louisiana. I told the Senator that in no instance would a taxpayer get any better break than he gets under present law. I believe if the Senator will look at every one of those cases, he will find that in every instance the taxpayer would be worse off than he would be under present law. What we have sought to do is to eliminate abuses, but we have also sought to leave legitimate and necessary entertainment expenses incurred in the course of business as a deduction for businessmen. I think we should do that.

Mr. GORE. Madam President, will the Senator yield?

Mr. CLARK. In just a moment. The Senator from Louisiana is entitled to his opinion, but the RECORD will show that I completely disagree with his position, and so does the Treasury Department of the United States. The loophole opened by the committee language is far broader than he has indicated.

Mr. GORE. I know the Senator wishes to proceed with his speech——

Mr. CLARK. I am happy to yield.

Mr. GORE. Does not the Senator think that a legislative endorsement, acceptance, and condonement of many o the expense account abuses which would be made possible by the Senate amendment, and particularly with the majority committee report interpretation of the amendment, would do serious and lasting damage to the sense of fairness that the American people have or ought to have and hope to have with respect to our tax system? Does not the Senator think that that would constitute a serious attack upon the moral fiber of our tax law?

Mr. CLARK. I do indeed. I will say to my friend from Tennessee what I have had occasion to say on the floor several times during the last 9 months.

The Senate is losing its hold on the American people. The Senate, by many of the actions which it has taken since January, has tended to bring itself into disrepute with the American people. The Senate is living in a past which is gone. Our rules, procedures, practices, and customs are entirely out of touch with the modern world. I would dislike to think that our morals and ethics are also out of touch with the high standards which a Christian nation should maintain. I very much fear that if we should take the action which is contemplated, we would be subjected justly to criticism for having lowered moral standards.

Madam President, I return to my task of endeavoring to persuade my good friends from Louisiana and Florida that the amendments which they are supporting would indeed open up or perpetuate, as the case may be, glaring loopholes through which wealthy taxpayers and large corporations could obtain business expense deductions which, under normal ethical standards, should not be permitted, and which in effect would deprive the U.S. Treasury of scores of millions of dollars annually which, in my opinion, the Treasury should be permitted to collect.

I turn to my next example, which is that of a taxpayer engaged in the insurance business, who is allowed to deduct $97,500 for meals, lodging, transportation, entertainment, tickets, books, and gifts; the amount covered $6,000 for rental of an apartment, and more than $30,000 for food, beverages, and other entertainment. I ask my friends whether those deductions would not again be approved under the committee amendment, in part at least, perhaps in major part—if those three little words were inserted in the pending measure.

I note no reply, so I go on to the third example, which is that of a manufacturer who was allowed to deduct more than $34,000 spent on liquor, football tickets, parties, and a speedboat. The expense for liquor alone totaled $13,750. I ask again whether that expenditure could not be justified on the ground that it was associated with a legitimate business enterprise.

Again I hear no reply.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. CLARK. I am happy to yield to my friend from Louisiana. I had hoped that we would make a little legislative history—and that he would remain in the Chamber to do so—to show that all these business deductions would be rejected under the tough bill which he says the committee wrote. I note so far that he has been unwilling to do so.

Mr. LONG of Louisiana. Can the Senator tell me whether that very item would be directly related to the conduct of a trade or business?

Mr. CLARK. I think it would be highly unlikely that an expenditure of $13,750 for liquor alone, unless the man was in the whisky business and was giving out samples of Old Crow, or something, would be directly related.

Mr. LONG of Louisiana. Do I correctly understand the Senator to say that under those circumstances he believes the expenditure would be directly related to the conduct of business?

Mr. CLARK. It would be allowed under present law but disallowed under the House bill. The committee language, if anything, as my friend from Tennessee has said a while ago, would weaken present law.

Mr. LONG of Louisiana. The Senator has made that statement. I am waiting for him to produce the first shred of evidence that would indicate that the present law would be weakened in any respect so far as expense allowances are concerned. The estimate of the Treasury Department is that we would tighten on the present law by $60 million a year. Our estimate and our staff's estimate is that we would tighten the present law by $85 million a year.

But I have yet to see the Department of the Treasury or one of our staff arrive at the conclusion which the Senator from Tennessee and the Senator from Pennsylvania seem willing to accept—that there is a single case in which a taxpayer would get a better break than he does under present law.

Mr. CLARK. The Senator is taking a position which is quite peripheral to my main argument. The Senator from Tennessee is quite competent to defend his own position, with which I tend to agree. What I am trying to persuade my friend from Louisiana and what I am trying to persuade the Senate is that under the proposed committee amendment, the three little words "or associated with," would permit grave expense account abuses which would not be permitted if we went back to the language of the House bill.

The Senator wanted to discuss the $13,000 that some corporation deducted for expenses for liquor. It would be necessary to look at the specific situation involved in every one of these expenditures to determine what portion of the expenditure a corporation would have a right to deduct. The primary burden would be on the taxpayer to fill out that return.

I believe we have pretty well narrowed down the difference of opinion between us. However, let me restate the case. A manufacturer was allowed to deduct more than $34,000 spent for liquor, football tickets, parties, and a speedboat. In the opinion of the Senator from Pennsylvania he should not be entitled to deduct 1 cent for liquor, not 1 cent for football tickets, not 1 cent for parties, and certainly not 1 cent for a speedboat. I believe this narrows the issue between us.

Mr. LONG of Louisiana. I believe we understand what we are talking about. There are some of us—that is, the majority of the committee—who feel that under certain circumstances a businessman should be able to deduct some of these expenses.

Mr. CLARK. I shall now turn to my next example.

Mr. BUSH. Madam President, will the Senator yield?

Mr. CLARK. I yield.

Mr. BUSH. Why would the Treasury permit the deduction of that kind of thing under present law?

Mr. CLARK. It is my understanding that present law permits the deduction of "ordinary and necessary" business expenses, and that court interpretations have stretched that test so far that examples of the type that I have given have been allowed under those court decisions. I do not think they should be allowed; neither does the President of the United States. In each instance the President of the United States has stated that if we accept the language which I recommend it would be impossible to take these deductions in the future. That is my whole point.

Mr. BUSH. I fully agree with the Senator that that type of deduction is absolutely beyond the pale. I cannot understand why existing law would permit such deductions to be taken.

Mr. CLARK. I am not a great tax lawyer, although I did practice a little tax law before I came to the Senate. I do not agree with these court interpretations, but they stand, and the Treasury is bound by them.

Mr. BUSH. Does the Senator say that the examples he is giving are the result of court interpretation?

Mr. CLARK. I must be a little more sophisticated. Many result from Treasury rulings based on court interpretations. Each one did not necessarily represent a court ruling itself. I believe that the most outrageous case of all is the African safari case, with which I am sure my friend from Connecticut is familiar.

Mr. BUSH. I thank the Senator.

Mr. LONG of Louisiana. Madam President, will the Senator yield?

Mr. CLARK. I yield.

Mr. LONG of Louisiana. Does not the Senator know that we have expressly said that African safari type of thing is over with and would no longer be permitted as a deduction?

Mr. CLARK. I hope the Senator is correct.

Mr. LONG of Louisiana. We cited it as an example of the kind of thing we wanted to have prohibited from the standpoint of a deduction being taken for it.

Mr. CLARK. Fine.

Mr. LONG of Louisiana. The Senator admits that at least in that respect the committee is right and the committee did what he wants it to do.

Mr. CLARK. No. The committee report does not prohibit a deduction for a safari. It merely says the safari is not "advertisement"—it is entertainment. If the taxpayer shows it was "associated with" a business purpose, I assume it would still be deductible. The new words "associated with" may open a loophole from which other abuses may spring in the future.

Mr. LONG of Louisiana. The Senator has yet to produce his first shred of evidence that that would be the case, other than the unsupported statement of the Senator from Tennessee.

Mr. CLARK. The Senator's interpretation of the word "evidence" is different from mine. My whole speech is competent and relevant evidence in opposition to the amendment.

Mr. LONG of Louisiana. The Senator has yet to produce his first example in which a person would be paying more taxes under the amendment than he was paying before.

Mr. CLARK. I will not argue further with my friend from Louisiana. I have produced 3 examples. My friend does not agree with me on those examples. I believe we should let the Senate decide whether he is right or I am right.

Mr. SMATHERS. Madam President, will the Senator yield?

Mr. CLARK. I yield.

Mr. SMATHERS. The examples which the Senator from Pennsylvania has cited, and which he apparently obtained from the examples which the Secretary of the Treasury brought to us and put in the record, are examples on which we agree with him.

Mr. CLARK. Some were related there, and some were brought to my attention later.

Mr. SMATHERS. They are pretty bad examples. The unfortunate fact is that under present law the Secretary of the Treasury settled 60 of those 69 examples. He agreed to do that under present law. The Senator from Connecticut [Mr. BUSH] asked how it was possible that this could be done under present law. In the years 1958, 1959, 1960, and 1961, the Treasury Department agreed to these settlements. Then representatives of the Treasury Department came to us and said this ought to be stopped. We agreed. That is what we have attempted to do in the bill. We have tried to see to it that only legitimate business expenses will be allowed.

Mr. CLARK. If the Senator will permit me to continue now, I shall be glad to yield to him later.

I believe that for the benefit of our friend from Connecticut we ought to point out that most of these rulings of the Treasury Department were made in large part during the Eisenhower administration, which took a somewhat different view of the expense account situation than does the Kennedy administration.

Moreover, I believe that in justice to the Treasury Department I should make the statement, to which I suspect my friend from Florida and my friend from Connecticut will agree, that the Treasury Department has in its employ very able, competent, and honest tax lawyers, and that the Department would be highly unlikely to settle such cases out of court, unless the legal opinion from its attorneys was to the effect that the case should not be taken to court, because the Government would lose it.

Mr. SMATHERS. Madam President, I agree with the latter part of the Senator's statement. With respect to the policy that was followed under previous administrations, I believe that most members of the committee believe that the Internal Revenue Service is rather bipartisan in its actions. I have not noticed—and I hope it never occurs—that whether a man is a Democrat or a Republican determines whether he will prosecute a case with vigor; or how he will prosecute an individual case.

The second point the Senator makes is exactly right.

Mr. CLARK. I agree that until one reaches the top of the department the administration of the department is clearly bipartisan, and it clearly attempts honestly to interpret the present law. However, I suggest that it does make some difference who the Secretary of the Treasury is and who the Under Secretary of the Treasury is, and what their background in business or otherwise may have been; and it makes a difference as to how competent and able civil servants at a lower level interpret the law.

Mr. SMATHERS. I would like to leave that point for just a moment and ask the Senator a question. I refer to page 27 of the report:

> Your committee's bill adds a new provision to the code (sec. 274), which disallows, in whole or in part, certain expenses which would be fully deductible under present law. The requirements imposed by this bill are in addition to the requirements for deductibility imposed by other provisions of existing law, which must be met by the taxpayer before this new provision becomes operative.

In other words, what the committee tried to do—and I believe the Senator will agree—was to provide that, as tough as existing law is, by reason of various court decisions, loopholes have opened up. There is no question about that in the minds of the majority members of the committee. We have tried to close them. Whether we have entirely succeeded is a debatable matter. That is what the Senator is debating now.

We are placing additional requirements in the law, to make it more difficult for people to abuse the tax law. We would like the Senator to understand that we are just as much opposed to sin as he is.

Mr. CLARK. The Senator may be even more opposed to sin than I am.

Mr. SMATHERS. Perhaps so. If that were true, it would be a great compliment to me. In any event, I would like the Senator to know that the purposes and intentions of the majority of the committee were good and pure. We did not want to go to the extent of saying that the legitimate businessman, in providing legitimate entertainment which is directly related to his business—as is the case in the House bill, on which we eased up—should not be permitted to deduct such legitimate expenses, if those expenses were directly related to or associated with his business.

Under those circumstances, we think a deduction would be permitted. The Treasury would agree that the proposal is a tightening up measure, because it is said it would bring in $60 million additional; whereas the committee staff, which is usually a better estimator than the Treasury, believes it would bring in $85 million in additional revenue.

Mr. CLARK. I believe the difference of opinion between the Senator from Florida and myself has narrowed down to the fact that he considers legitimate certain things that I think are illegitimate.

Mr. KERR. Madam President, will the Senator yield?

Mr. CLARK. I am happy to yield.

Mr. KERR. The Senator is referring to legislation?

Mr. CLARK. I believe the rule is that we should face the Chair.

Mr. KERR. I did not make an affirmative inquiry of the Senator. I thank him for assuming the responsibility of the Chair.

Mr. CLARK. Madam President, I turn to my next example, which is a case in which a taxpayer was allowed a deduction of $115,000 for entertainment and gifts.

Let me digress to say to the Senator from Louisiana [Mr. LONG] that I am in accord with him that gifts having a value in excess of $25 are eliminated by the

House bill as well as by the Senate bill; but that is not what we are arguing about. Olivia de Havilland would no longer be permitted to deduct the value of her gift above $25, as she was under the previous law. But what we are concerned with are the three little words, "or associated with."

Among the $115,000 expenses which were permitted to be deducted by the particular taxpayer to whom I have referred were $7,500 spent at a resort hotel; $5,400 for food, liquor, and cigars for his office and farm; and $8,700 cash to officers of his closely held corporation for entertainment.

Another case is one of a beverage manufacturer who claimed and was allowed a deduction of $10,963 for entertaining at the Kentucky Derby.

I ask the Senator from Louisiana and the Senator from Florida whether, in their opinion, expenses incurred in entertaining at the Kentucky Derby, or the Army-Navy football game, or the Orange Bowl or Cotton Bowl football games would still be permitted to be deducted under the committee bill. I do not ask them to answer me if they do not believe they should.

Mr. LONG of Louisiana. Yes, if the expenses are directly related to or are associated with the conduct of one's business. I assume that a taxpayer could take one of his better business clients, or a client with whom he had a good reason or a supportable reason to expect he had a reasonable chance of doing business to a football game, or even to the Kentucky Derby, but not on a vacation; that would be out. The Treasury would have to decide whether such a trip was a vacation trip or was a trip for the purpose of entertaining a client, for the primary purpose of obtaining business. If the latter, the taxpayer would be able to deduct the expense of entertaining his friend at the Kentucky Derby.

The committee report spells out the kind of entertainment of clients and their wives for which deductions would not be allowable, so far as the expense of entertaining wives was concerned, because it was felt that the entertainment was not sufficiently related to or associated with the conduct of the business to permit the deduction of the expense for entertaining the wife. Based on the present practice, I should say that the taxpayer would be permitted to deduct about half of what he had been deducting.

Mr. CLARK. I thank the Senator from Louisiana for his candid answer.

Mr. GORE. Madam President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am happy to yield.

Mr. GORE. The distinguished junior Senator from Louisiana has just answered as the RECORD will show. I should like to point out that the committee report gives a very lucid interpretation of the words "or associated with." I invite the Senator's attention to page 26 of the report. I shall begin to read from about the 19th line from the top of the page. What I shall read is the part of the committee's report which describes the meaning of this language:

> By your committee's amendment an alternative rule is added to the House bill under which expenses for entertainment, amusement, or recreation (with respect to both activities and facilities) also will be deductible to the extent that such expenses are associated with the active conduct of a trade or business.

I digress to say that we shall now see a new interpretation in the following sentence:

> This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill——

I digress again to say that later, at another part of the report, we find very amusing and interesting language with respect to "goodwill." But to continue to read:

> This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation——

Mr. CLARK. I ask the Senator to continue from there, because I think the next words are really quite critical.

Mr. GORE. I should like to stop, first, and inquire of the Senator from Pennsylvania, who is a learned lawyer, what is a "reasonable expectation"?

Mr. CLARK. As the Senator from Tennessee, who is a learned lawyer himself, knows, we have, in many a jury case, tried to persuade a jury that an individual had or had not exercised a reasonable degree of care when crossing a street. I do not believe we have ever come to any positive legal definition of that word. I should say that the phrase "reasonable expectation" is as wide as all outdoors.

Mr. GORE. It would leave the Internal Revenue Service almost helpless in enforcing the law and eliminating expense account abuses.

Mr. CLARK. Certainly there is no clearly defined standard.

Mr. GORE. But the remainder of the sentence makes it worse.

Mr. CLARK. Much worse.

Mr. GORE. It reads: "and shows a reasonable expectation of deriving some income"——

Mr. CLARK. "Or other benefit."

What does that mean?

Mr. GORE. I raise the question: How much is "some"?

Mr. CLARK. And what is the meaning of "other"?

Mr. GORE. What are "other benefits"? What kind of benefit? A social benefit? A political benefit? Physical recreation?

Mr. CLARK. Perhaps an invitation to attend the Kentucky Derby next year on the expense account of the man whom he took to the Kentucky Derby this year.

Mr. GORE. Perhaps that would be a reasonable expectation of "benefit."

Mr. CLARK. It would certainly be another benefit.

Mr. GORE. Perhaps one could reasonably expect such reciprocity.

Mr. CLARK. It would be courteous to do so.

Mr. GORE. Now I shall read to the Senator the next sentence:

> If he meets this test—

I digress to say that I do not believe it is much of a test.

I really think that is stretching the word "test" beyond anything I have even seen it applied to——

> If he meets this test, the expenditure will be considered to be associated with the active conduct of his trade or business.

I ask the distinguished Senator from Pennsylvania to utilize his imagination, and see whether he can conjure up and can suggest to me some personal recreation, entertainment, enjoyment, or amusement from which I could have a reasonable expectation of getting some income or some other kind of business that would not be deductible under this so-called test.

Mr. CLARK. My imagination fails me utterly, and I am completely incapable of conjuring up such an example.

Mr. GORE. Yet in the face of messages from the President of the United States and in the face of the abuses and scandalous conduct that we know are widespread, the Senate is asked to adopt this amendment with this interpretation of it printed and on the desk of every Senator. Fortunately for the Senate, the legislative intent is spelled out.

I thank the Senator from Pennsylvania for yielding to me.

Mr. CLARK. Madam President, I thank my friend, the Senator from Tennessee, for his helpful interjection.

Mr. LONG of Louisiana. Madam President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am glad to yield to my friend, the Senator from Louisiana.

Mr. LONG of Louisiana. I thank the Senator from Pennsylvania.

I would suggest that the Senator from Pennsylvania and the Senator from Tennessee turn to page 28, paragraph 3, of the committee report, where the following language will be found:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer. Where goodwill generated by the expense is vague or where the possibility of the expenditure resulting in the production of income is remote, no deduction will be permitted. For instance, under present law a taxpayer may deduct expenses of entertaining buyers and others associated with his trade or business even though at the time he does the entertaining he already has more business than he can handle. Under your committee's amendment, however, no deduction will be allowed because, with a large backlog of unfilled orders, such entertainment ordinarily cannot be regarded as being associated with efforts to produce income.

Mr. CLARK. "Ordinarily."

Mr. LONG of Louisiana. And elsewhere in the report there is also language which shows that the committee

is aware of situations in which people reciprocally entertain one another, and that also is disallowed.

Mr. GORE. Madam President, will the Senator from Pennsylvania yield again to me?

Mr. CLARK. I am glad to yield.

Mr. GORE. Now we have an example—one as to which the authors of the majority report exercise their imagination almost beyond belief; the distinguished junior Senator from Louisiana has just read it. The one example given—the one he has cited—of a situation in which this amendment would not permit a deduction is the fanciful situation in which a businessman has such a large backlog of unfilled orders that "such entertainment cannot ordinarily be regarded as being associated with efforts to produce income."

Incidentally, I do not think such entertainment expenses are deductible even under present law.

I am sure that the distinguished Senator from Pennsylvania, who is a distinguished lawyer, is acquainted with the case of *James Schultz,* 16 Tax Court 401.

Mr. CLARK. I regret to state that I am not as erudite in this subject as is the Senator from Tennessee. The Schultz case has escaped my observation.

Mr. LONG of Louisiana. Will the Senator inform us who won the Schultz case?

Mr. GORE. Since we have this wonderful example of the exercise of a fertile imagination, one example of a deduction which would not be allowed—that of a businessman with such a large backlog of unfilled orders that by no stretch of the imagination could he increase his business or enlarge his plant or produce more income or receive any other benefit to his business from such an expense—and since that is cited as an example of a deduction which would not be permitted, I point out that it would not be permitted under existing law—if such a fanciful situation has any semblance of reality.

Mr. LONG of Louisiana. It was cited as just an example of the purpose here.

Mr. GORE. Can the Senator from Louisiana cite another?

Mr. LONG of Louisiana. The Senator from Tennessee can think of any number of examples.

Mr. GORE. No, I cannot.

Mr. LONG of Louisiana. I believe it covers the case to which the Senator from Tennessee referred—one in regard to which he believes the entertainment would be of benefit to the taxpayer next year.

Incidentally, Mr. Schultz, the little watchmaker, won his case against the Government. But next time he could not win it—not under this committee report. Next time, he will be just another little redskin who has hit the dust.

The Treasury has estimated that by means of this amendment it will collect $60 million that it is not obtaining now from the taxpayers; but our estimate is that it will collect $85 million.

Mr. CLARK. I suggest that not many redskins would hit the dust under the provisions of this committee amendment.

Mr. LONG of Louisiana. $85 million worth of redskins will hit the dust.

Mr. CLARK. Of course the Senator from Louisiana is entitled to place his own interpretation in regard to the redskins—whether they represent Washington in the football arena or elsewhere.

Madam President, to return to my presentation, let me state that each year deductions in the amount of huge sums of money are allowed to taxpayers in connection with the operation and maintenance of yachts and boats.

One manufacturer was allowed to deduct $253,000 for the expenses of a yacht. Another was allowed to deduct $112,000 for such expenses, as well as an additional amount of $362,000 for a ranch, a hunting lodge, a night club, and other similar expenses. A company in the business of selling fuel was allowed $93,000 as a deduction for a yacht. A fuel production company was allowed a deduction of $23,000. An automobile dealer was allowed a deduction for the expenditure of $22,000. A cake and cookie bakery was allowed to deduct $66,000 for a yacht on which to entertain supermarket and chainstore buyers and branch managers.

In one really fascinating case—and, Madam President, I think this is the best one of all; this is really something—a mortician was allowed a deduction of $26,495 for yacht expenses, to entertain visiting undertakers, clergymen, and for meetings of employees.

These are only a few of the thousands of cases in which every form of luxurious living is indulged in by the few, at the expense of the many—the many nonbusiness and small business taxpayers who are not privileged or who on ethical grounds do not choose to deduct the cost of their personal enjoyment, in computing their tax liability.

I ask whether the results of any of the cases I have described would be different under the provisions recommended by the Senate Finance Committee. I have struggled in vain to find in the bill or in the committee's report anything which would assure me that the picture would be changed.

Practically all business expenditures have been blessed by the committee. It would indeed be an unimaginative businessman who could not justify a deduction of such expenses by him, either on the ground that they were for the creation of goodwill or on the ground that they were for the maintenance of goodwill. Neither can I find a specific guideline with teeth in it which tells the taxpayer with clarity that he cannot deduct an item, or tells a revenue agent with directness that he can disallow it.

A mass of generalities is thrown on the world. Everybody is left to flounder in them as best he can.

As the junior Senator from Louisiana said on the floor a few moments ago, this is really stretching the word "test" far beyond the bounds of reasonableness.

Perhaps the supporters of the Finance Committee will point to the language of the committee report that no deduction will be allowed for entertainment expenses "which under the circumstances in which they are incurred are lavish or extravagant."

My friend, the Senator from Louisiana, an able member of the Finance Committee, has already done it.

At first glance, this might appear to be of some help. However, when one tries to apply such a test, he soon finds he is wrestling with a mirage—an unproductive exercise, I add parenthetically; for what is lavish or extravagant under the circumstances? Does the circumstance that one taxpayer is wealthy entitle him to throw a bigger cocktail party than one who is less wealthy? If he lives in New York, can he run up a bigger bill than if he lived in Altoona, or Bethlehem, or Allentown, or any one of the urban communities in my Commonwealth, where businessmen are trying, just as hard, to get and to keep business as are those in New York, or Miami, or New Orleans?

Do we look to the volume of sales of a corporation in making this determination? Can a General Motors dealer take more than a Chevrolet dealer in a middle-sized town? If a business is operating at a loss, does the expense become lavish and extravagant? Must a business in a small town entertain on a more conservative scale than a similar business in a big city? Is this fair? If entertainment, as many in the business community would have us believe, is the highroad to business success, does not the "lavish and extravagant" test freeze the competitive position of the large taxpayer as against the small one, keeping the little fellow down?

Equally as important as these basic considerations of fairness and equity are the practical ones of application by Government officials of the new so-called rules of the taxpayers and their administration.

What standards are to be followed? Is it not apparent from the vagueness of these so-called tests that each revenue agent will, depending upon his personal background of frugality or extravagance, apply his own ethical and moral personal standards, leading quickly to a hopeless lack of uniformity, which no doubt will have to be resolved many years later by the courts?

If these rather gloomy consequences which I have just outlined are not to follow, then is it not incumbent upon the proponents of the Finance Committee measure to state affirmatively, in support of their amendment, more precisely what they mean? Is it not apparent that any rule in this area, to be workable, must utilize some form of dollar limits? For example, if tickets to a musical comedy at $30 apiece are lavish, is it not incumbent upon the committee to indicate at what point they lose their lavish character? Would it be at $20 a ticket, $10 a ticket, or $2 a ticket? Or are $2 tickets only those limited to parimutuel systems at racetracks?

What about football games? Are speculators' tickets on the 50-yard line at the Army-Navy game at Philadelphia out of the question?

The Senator from Illinois [Mr. DOUGLAS], in his dissenting report, raises a

number of pertinent questions along this line. I ask unanimous consent that an excerpt from the views of the Senator from Illinois be printed in the RECORD at this point in my remarks.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

If the circumstances involve a taxpayer accustomed to entertaining in an elaborate and expensive style, can they be held to be "lavish" under the circumstances? When does a yacht become an extravagant expenditure? When it is 60 feet in length? 100 feet in length? Would these criteria vary with the income (or expected income) of the taxpayer? Would a resident of Miami Beach, Fla., be entitled to a bigger and more expensive yacht than a resident of Providence, R.I.? Would a beach home with eight rooms be a lavish facility? What about one with 30 rooms? Would a corporate president be entitled to drink champagne whereas a vice president could have only a whisky highball and a proprietor of a country grocery store only ordinary corn liquor?

Mr. CLARK. What I have said so far might give one the impression that adoption of the House provision would mean that all tax deductions for the pleasant things of life had been taken away. This is very far from the truth, indeed. In seeking to restore the House version, I do not ask that all businessmen should lead a Spartan existence. The House bill still permits continuation of business entertainment in the most important areas where it is the normal, everyday business custom.

First of all, the usual type of entertaining business associates through meals at restaurants and hotels is not disturbed. This would include expenditures for the consumption of alcoholic beverages. I am no prohibitionist, but I think everyone should pay for his own liquor. This expenditure, even though it is used purely to build goodwill, and even though no business is actually discussed, is still deductible. This covers the most significant portion of goodwill entertainment conducted in this country.

This means also, for example, that the costs involved in attending or inviting guests at banquets of business or professional groups are also left undisturbed.

Personally, I would disturb them.

Next, the deductibility of costs associated with business conventions is also largely unaffected. Thus, travel expenses for the purpose of the convention continue to be deductible. Of course, the cost of meals and liquor and lodging at the convention is also deductible. The deductibility of expenses of hospitality rooms—in other words, cocktail suites—to entertain at conventions to build goodwill is specifically continued by the House report, as under present law.

Personally, I would discontinue them.

Is it not clear, when the liberal treatment of wining and dining business associates and the generous rules with respect to conventions are taken into account, that, as the Senator from Illinois [Mr. DOUGLAS] points out, the House provision "strikes only at the high, wide, and fancy living and indulgences in personal pleasures which all taxpayers ought to pay for themselves without Government subsidy"?

I agree with the Senator from Illinois [Mr. DOUGLAS].

Let me point out to many of my business friends in Pennsylvania that the House bill does not affect the restaurant business, but it does curb deductions for items like trips to the Kentucky Derby and after-hours nightclub life.

I am proud to say that the Senate, recognizing the seriousness of the expense account problem and its destructive effect upon the morale of most taxpayers, passed in 1960 a measure I sponsored which was in some respects even more stringent than the one contained in the House bill. The provision which we approved in 1960 would have denied a deduction for all entertainment expenses with one exception—the cost of business meals. In addition, expenses for gifts would have been disallowed, subject to a $10 annual limitation for each recipient and social club dues would have been completely disallowed. However, the conferees quickly kicked this amendment out of the compromise reported back to both bodies. They said they wanted to give the Internal Revenue Service another opportunity to improve the expense account picture by administrative measures.

Therefore, nothing was done.

Now comes the President of the United States to ask us to legislate, because administrative action is inadequate. This is what he said:

In recent years widespread abuses have developed through the use of the expense account. Too many firms and individuals have devised means of deducting too many personal living expenses as business expenses, thereby charging a large part of their cost to the Federal Government. Indeed, expense account living has become a byword in the American scene.

Then the President sent to Congress language far more stringent than that adopted by the House of Representatives, which in turn was substantially more stringent than what the committee would have us accept in the Senate today.

As evidenced by the provision which it adopted this year, the House has now changed its views and has moved closer to the views of the Senate in 1960. I suggest, Madam President, that it would be sad, indeed, now that the House has come around to our view, if the Senate now were to jettison this major accomplishment and be the body responsible for a great step backward in the development of our tax laws. I urge restoration of the House provisions and accordingly the defeat of the committee amendment.

Madam President, I yield the floor.

The PRESIDING OFFICER. What is the pleasure of the Senate?

Mr. LONG of Louisiana. Madam President, the committee amendment dealing with the deduction of entertainment expenses would relieve somewhat the unreasonably extreme interpretation of the House provision. At the same time the committee amendment drastically would tighten the rules of existing law which, in some cases, may have been abused.

I supported the amendment of the Senator from Pennsylvania several years ago. I supported his amendment on the principle that there were abuses in regard to entertainment allowances and that the laws in respect to such abuses should be tightened. I fought in conference to try to bring back something in that regard.

As one who supported the amendment, it was my feeling that we could not tell exactly how far the amendment would go. I knew there were some abuses, and I felt that the subject deserved some consideration. I was sorry at the time that we could not bring back from conference something to correct the abuses. I was not wedded to any particular version or tightening-up method. I thought some way should be devised to tighten the law with respect to abuses, but I was one of those who, in an effort to tighten the law with respect to abuses, also wished to allow legitimate business expenditures for necessary entertainment expenses in connection with a person's business.

The committee amendment would tighten the rules relating to deductions for entertainment expenses to the tune of $85 million a year. Let me make that point clear. $85 million, or more, in new taxes would be collected each year as a direct result of the committee bill.

I have challenged anyone to show—though I have not heard a response—that there is any instance in which a taxpayer would get any break he is not already getting, insofar as anything which is in existing law is concerned. The taxpayer would have to pay more. Every example cited has been one in which the taxpayer would gain no advantage from the bill. This should quiet the fears of those who state that the committee amendment would do nothing.

The committee amendment would do quite a bit.

It would deny deduction for entertainment, amusement, or recreation expenses which are not "directly related to or associated with the active conduct of a trade or business." Now, let me tell Senators what a taxpayer would have to show to convince a revenue agent that his claimed deduction meets this test. He must show that he had a clear business purpose for making the expenditure. He must show that the "predominant purpose" of the expense was to further his trade or business. But even this would not entitle the taxpayer to a deduction. No, he must show more. He must prove—I repeat, prove—by evidence corroborating his own testimony the business purpose of the expense, the business relationship to the taxpayer of the person entertained, the time and place, and the precise amount expended. Failure to prove any one of these points will cost him not a part of his claimed deduction, but all of it.

This is a marked strengthening of the existing law. But the committee amendment would not stop there.

It would point out in clear, unambiguous terms the types of expenses which may not be deducted under any circumstances. Under the committee amendment, no deductions would be allowed

for entertaining a customer's family. That would tighten the existing law.

Under the committee amendment, no deductions would be allowed when the entertainment cannot increase business. That would tighten the existing law.

Under the committee amendment, no deductions would be allowed for expenses for entertainment which is against public policy or which violates public morals. That would add new teeth to the existing law.

Under the committee amendment, no deduction would be allowed for partly social—partly business expenditures. No, only the purely business expenses which are "directly related to or associated with the active conduct of a trade or business" could ever be deducted. That would add new rules to existing law.

Under the committee amendment, no deduction would be allowed for vacations of any sort. That would strengthen existing law.

Under the committee amendment, no deduction would be allowed for expenditures which are either lavish or extravagant under the circumstances. That is to be made clear.

Under the committee amendment, no deduction would be allowed for facilities which are not used primarily for business purposes. Again, new teeth would be added to existing law.

Under the committee amendment, no deduction would be allowed for facilities which are used primarily for business purposes when the taxpayer fails to establish that the expense with respect to the facility is "directly related to or associated with" his trade or business. I have already shown what the taxpayer must go through to establish this fact. This would tighten the existing law.

Under the committee amendment, no deduction would be allowed for facilities used for vacation purposes. This would be an improvement over the existing law.

Under the committee amendment, no deduction would be allowed for club dues when family use exceeds business use. This would tighten existing law.

Under the committee amendment, no deduction would be allowed for hunting safaris to Africa. These are deductible under existing law.

The safari to Africa is one of the six examples I have heard cited over and over again on the Senate floor. No deduction would be allowed for that.

Another of the horrible examples cited was the giving by a movie actress of jewels to one of her servants; $25 could be deducted.

Under the committee amendment, no deduction would be allowed for Bermuda or Las Vegas or Miami Beach vacations. They are deductible under existing law.

Under the committee amendment, no deductions would be allowed for "call girls." They are claimed as deductions under existing law.

We wish to make clear that nothing of that sort is permitted.

Under the committee amendment, no deduction would be allowed for wives who accompany husbands on business trips. Under existing law expenses for wives have been allowed.

Under the committee amendment, no deduction would be allowed for wedding parties, honeymoons, or fancy debuts. Expenses for such purposes were claimed on tax returns under existing law.

Under the committee bill, no deduction for gifts to any person of more than $25 would be allowed. Under existing law, there is no limit. This would tighten existing law.

Madam President, these are merely examples of what the committee amendment does. I submit that what the committee amendment would do is what the House committee sought to do. I quote from the House report:

> The committee agrees that abuses in this or any other area of the tax law should not be tolerated, but it does not believe that complete disallowance of such expenses, as recommended by the President, is the proper solution to the problem.

Yet, the House committee report then proceeded to weave a virtually complete disallowance rule. I quote again from the House report:

> If the expenditure is for entertainment which occurs under circumstances where there is little or no possibility of conducting business affairs or carrying on negotiations or discussions relating thereto, the expenditure will generally be considered not to have been directly related to the active conduct of business. Thus, the absence of the taxpayer or his representative from the entertainment activity ordinarily indicates that the entertainment was not directly related to the conduct of the taxpayer's trade or business.

Madam President, I ask, What entertainment expenses would be allowable under this language?

It was to get away from the harsh, unyielding rule of the House provision that the committee added three words to the House bill. Those three words are, "or associated with".

The addition of those three words, together with the interpretation given them by our committee report, would permit legitimate business entertainment expenses incurred for legitimate business purposes to be deducted if the taxpayer could satisfy the requirements I have already explained.

The addition of these three words together with the interpretation given them by our committee report permits legitimate business entertainment expenses incurred for legitimate business purposes to be deducted if the taxpayer satisfies the requirements I have already explained. At the same time these three words enable us to prevent and eliminate abuses where they occur.

The President has said that business entertainment expenses "confer substantial tax-free personal benefits to the recipients. In other cases," he says "deductions are obtained by disguising personal expenses as business outlays."

Let me read a provision of the Internal Revenue Code which makes it clear that personal expenses are never deductible.

Section 262 of the Internal Revenue Code of 1954 provides as follows:

> Except as otherwise expressly provided in this chapter, no deduction shall be allowed for personal living or family expenses.

Personal expenses which may have been "disguised as business outlays" under existing law, will be disallowed under the committee amendment. This will be so for several reasons.

First, the expense must be shown to be directly related to or associated with the active conduct of a trade or business.

Second, the taxpayer must establish and prove by evidence other than his own testimony the business relationship of the person entertained, the time and place of the entertainment, and the amount expended. In other words he must disclose to the tax collector all the facts and circumstances surrounding the claimed deduction. If it is a disguised personal expense, it will be detected and disallowed. If there is fraud, there may also be criminal penalties. I am convinced the committee amendment stops the types of abuse described by the President.

Now let me say more about "disguised expenses." Under existing law many expenses for entertainment are deducted as "advertising," "cost of goods sold," "selling expenses," "miscellaneous." Under the committee amendment entertainment expenses, if they are to be deductible at all, are to be deductible only as an "entertainment expense" to which the committee bill will apply.

Moreover, as I have demonstrated, no longer can a taxpayer "contend"—as the Senator from Tennessee stated last night—that his yacht was used for business purposes and get a deduction. No. He must show a great deal more. I have already described these other features. In addition, no taxpayer will ever be able to "settle" with the income tax people for any claimed entertainment expense deduction. The "settling rule" is overruled by the committee bill, and no deduction will be allowed for any expense which the taxpayer proves and establishes his right to deduct.

It may be that under the existing law there may be cases of "you entertain me and I will entertain you." That will not be possible under the committee bill.

Reading from page 36 of the report—

> However, under this exception, it will not be possible to deduct luncheon expenses of a so-called reciprocity luncheon group under which a group of businessmen frequently lunch together and alternate in paying the check (and claiming it as a business expense deduction). This practive is not connected with a trade or business but is a personal or social expenditure which is not deductible under existing law.

It has been said a taxpayer must meet precisely the same tests todays as would be provided by the committee bill. This is erroneous; this is wrong. The tests of this bill are in addition to the "ordinary and necessary" rules of existing law. In no case are they in lieu of the present rules. In every case they would add to the current law new tests which also must be met by the taxpayer if his claimed deduction is to be allowed.

Now let me point out the circumstances which would be taken into account in determining whether expenditures are lavish or extravagant. The circumstances are specified in the statute—reading from page 44 of the Senate bill—

> The taxpayer [must] substantiate by adequate records or by sufficient evidence cor-

roborating his own statement (A) the amount of such expense or other item, (B) the time and place of the travel, entertainment, amusement, recreation, or use of the facility, or the date and description of the gift, (C) the business purpose of the expense or other item, and (D) the business relationship to the taxpayer of persons entertained, using the facility, or receiving the gift.

Add to these the possibility or probability that the entertaining will produce new business and we have the circumstances.

Note that these circumstances have no relation to whether the taxpayer is wealthy; or to where he lives.

Madam President, that would depend upon the circumstances of the particular case. Those who have opposed the provisions of the committee bill have in some cases stated quite explicitly that they would permit no entertainment expenses. As one Member of this body, I know that businessmen do have entertainment expenses. They must be claimed. Otherwise a person would pay an income tax at a higher rate than he should. In some instances the Government already takes 80 to 90 percent of a taxpayer's income. The taxpayer must therefore be permitted to deduct for expenditures which he must make in order to remain in business.

I know of cases in which businessmen have felt that if they could not entertain, they could not compete. Some of them are going to find it necessary to entertain in order to obtain business and attract business away from their competitors, even though they do have to pay taxes on the money spent for entertainment, and regardless of whether it is deductible or not deductible.

The point was made on the floor of the Senate by the Senator from Tennessee that a corporation might be victimized because entertainment might be done at corporate expense. The corporation would be victimized if the corporation's executives did not entertain. The business of that corporation would go to its competitors, so that over a period of time the corporation would lose a great deal of its business.

I have made a statement about the President. I do not reflect on him or his wife. The President of the United States and the First Lady are two of the best entertainers in the entire United States of America. They give the best parties in America. If anyone gives any better parties, I would be curious to know who it is. The President happens to be a very wealthy man. However, I hope that we shall see to it now and forever that even if the President of the United States should happen to be a poor man, he could entertain as his guests visitors to our country, outstanding citizens, foreign diplomats or government officials, on the same general standard that is expected of other nations on this earth.

We provide many millions of dollars for our ambassadors to entertain all over the world. The President tells us that the amount is not adequate. We must try to spread our influence and generate good will in competition with the Soviet bloc and other nations throughout the world, in order to carry out the purposes of our Nation's foreign policy.

If the President recognizes the necessity of such expense and asks for more money for entertaining at our French Embassy and other embassies, and if the President and the First Lady can be among the most gracious entertainers in the world, I believe we should recognize some of the business people in our Nation and allow them a deduction for the expense of entertainment.

Some of the expenses are necessary. Businessmen either entertain and keep their business or competitors entertain over a period of time and take the business away. The expense will remain whether or not we allow it as a tax deduction. But in a nation in which the income tax rate is as high as 90 percent, it seems only fair that a businessman should be entitled to deduct his required and necessary expenditures in order to stay in business or to get business. To allow him less than that, in view of a 90-percent income tax rate for the highest bracket of income, would, in the judgment of this Senator, be extremely unfair.

For that reason I urge that the Senate go along with the committee report. In my judgment the committee went too far. To me it seemed an outrage in some respects. To cite one example: If a taxpayer is trying to do business with a client who is his main source of business, and that man comes to town, he invites the man to dinner. If the taxpayer did not entertain the client over a long period of time, he might lose the business to a competitor who otherwise would seek to entertain the man. If the client should say, "I am sorry, my wife is with me. I cannot go because I do not want to leave my wife in a hotel room," it seems to me that it would be rather unreasonable to refuse the taxpayer the right to deduct the expense of a meal for his principal customer's wife.

Yet the committee would deny him that. It seems to me that is going too far. To go further and to seek to completely disallow necessary entertainment expenses under the restrictive rules the committee would impose seems to me to be most unreasonable and unfair. I hope the Senate will not go beyond what the committee has recommended.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG of Louisiana. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SMATHERS. Madam President, I feel that the committee amendment which was reported by a substantial majority of the Committee on Finance is essential unless we are to adopt the unreasonable philosophy that legitimate business expenses for legitimate business purposes are to be arbitrarily disallowed as a deduction.

I do not believe, and I do not think most members of the Committee on Finance believe, that businessmen as a whole are crooks. They do not believe that all businessmen are out to beat the Government willfully and deliberately. They do not believe that all businessmen are willful and determined chiselers. They do not believe that all businessmen are endeavoring to evade the responsibility of carrying their fair share of the burden or obligation of paying for the operation of the Government.

On the other hand, most members of the Committee on Finance realize that there are and have been some abuses with respect to expense account deductions in the business community and elsewhere. These are the kinds of abuses which the Committee on Finance has endeavored to stop. While we want to stop the abuses, at the same time we desire, if at all possible, to continue the practice of permitting legitimate businessmen to deduct legitimate business expenses.

Under the House bill as interpreted by the House committee report, virtually no entertainment expense would have been deductible unless it were an expense described in a specific exception to the general rule. In other words, under the House bill, the general rule was a disallowance rule, pure and simple. It provided that all expenses were to be disallowed, but permitted the taxpayer to make a few minor exceptions. It was the feeling of the Committee on Finance that this practice would be too harsh. In an effort to catch the violators of the law, the committee felt that the report which was written by the Treasury in support of the House bill went too far in its purpose to catch the rats and instead burned down the barn. We did not believe the barn should be burned down.

So, unlike the House bill, the committee amendment permits the taxpayer to continue to deduct certain entertainment expenses if he clearly demonstrates a close association between the expenditure and a trade or business or profession.

The majority of the Committee on Finance believe that a closer relationship should be required than that which is required under present law. We believe that is necessary if we are to eliminate the abuses which the Secretary of the Treasury and others have called to our attention.

I am not aware that any member of the Committee on Finance or, for that matter, any other Member of the Senate, condones the type of abuses which Senators who will oppose our amendment will continue to talk about—Bermuda vacations, Alaskan hunts, and safaris to Africa. No one desires or expects that practice to continue.

We do not believe that Senators who oppose our amendment have a first mortgage on virtue. We do not believe that they are the only ones who are against sin. We believe we are just as much against sin and just as much against abuses of the tax law as they are; but we do not go to the length to which they go in contending that the law should not permit legitimate businessmen to take legitimate business deductions.

I do not believe that the only way to prevent abuse is to condemn each and

every American taxpayer who finds it appropriate or necessary to resort to business entertainment in order to market his product or service.

We know that various businessmen react differently to competitive pressures. Some cut prices; others provide fringe benefits to buyers, such as more attractive packaging or better servicing; still others advertise more extensively.

Business entertaining is nothing more or less than a form of advertising. However, it is a form of advertising which is particularly suitable to small, new, and struggling businesses, in which personal contact with potential customers or clients may be far more fruitful than a hundred newspaper or magazine advertisements. No one has yet suggested that deductions be allowed for expenses of other forms of advertising.

Last night, and again this morning, the able Senator from Louisiana [Mr. LONG] stated that a legitimate business deduction made it possible for a small businessman to compete with a very rich businessman. If no legitimate business deductions are to be allowed, then, of course, the man who has a big business which earns a great sum of money can entertain and pay for the entertainment himself because he has the money to do so. But the small businessman, who is trying to increase his business and put it into the category of a business can compete only if he has a legitimate expense account.

Legitimate deductions for business entertainment have become an integral part of our way of life. The committee amendment is designed to outlaw the abuse of the entertainment expense deduction.

Let me describe some of the respects in which the committee amendment makes provision for legitimate business entertainment deductions.

Mr. LONG of Louisiana. Madam President, will the Senator from Florida yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. Before the Senator discusses that point, does he not see some inconsistency in the administration asking us, on the one hand, to provide more money so that our ambassadors to foreign countries may entertain in foreign lands, but, on the other hand, to provide for a complete disallowance of entertainment expense incurred by American businessmen in an effort to improve their business? We are asked to provide more money for ambassadors to entertain, so as to protect and further the interests of the United States in foreign affairs; but we are also asked to withdraw any allowance whatsoever for legitimate business entertainment by American businessmen.

Mr. SMATHERS. I agree with the able Senator from Louisiana. The distinguished Senator from Tennessee [Mr. GORE], a leading opponent of the amendment proposed by the Committee on Finance, believes that further restrictions should be imposed upon deductions of expenses for business entertainment. Still, the administration is asking for more money for ambassadors for entertainment purposes overseas. Evidently it is felt that such entertainment has some benefit, because the taxpayers are asked to pay for it.

If that is true with respect to our oversea operations, I am sure that we should not deny a legitimate businessman in the United States the right to make legitimate business-expense deductions. So I completely agree with the able Senator from Louisiana.

I return to the point in regard to what the amendments and report of the Senate Finance Committee do. We are tightening up—I wish to repeat that again and again—the law, as compared to what it is at the present time. The committee's bill will not permit a deduction for any entertainment expense which is not directly related to or associated with the active conduct of a trade or business.

The Senator from Tennessee makes much of the words "or associated with," and asks where they come from. I am not certain just where they come from, except that I may say that when we said to the staff of the Treasury Department that we did not like the language included by the House, and that we wanted a provision a little less severe than the one in the House version of the bill, and when we asked them what they would suggest, they suggested the words "or associated with." I have a sneaking suspicion that it would be found that the same individual in the Treasury who helped prepare the expense-account message for the President is responsible for those words. I noted last night that the words "or associated with" were used in the President's speech; and the Treasury has supplied us with the same words. So perhaps the same one who helped prepare the President's speech also helped prepare this part of the report; and he is an employee of the Treasury Department of the United States.

Mr. LONG of Louisiana. I believe the President said he recommended a complete disallowance of all these expenses, although some of them were related to or associated with the conduct of the taxpayer's business.

Mr. SMATHERS. Yes; that is correct.

Mr. LONG of Louisiana. The House said it would allow the expenses if they were directly related to the conduct of the business. But after the House passed the bill and it came over to the Senate, we said we did not object to that language, but we thought the report was too tough.

Mr. SMATHERS. The Senator is correct.

Mr. LONG of Lousiana. So we wrote our own report, and included a few words to explain our meaning. We took the rest of the President's language; in addition to the words "directly related to," we took the words "or associated with"—so as to read, "directly related to or associated with the conduct of the trade or business."

Mr. SMATHERS. The Senator's statement is correct.

Mr. LONG of Louisiana. So, in effect, the President implied that it is difficult to justify disallowing entertainment expenses directly related to or associated with the conduct of a trade or business.

Mr. SMATHERS. Yes.

Mr. LONG of Louisiana. In other words, the House adopted half of the President's language, and we took the rest of it.

Mr. SMATHERS. Yes; and I am certain that is where the words came from. They are an effort on our part to stop the gross abuses which have been described in the RECORD and were described by the Secretary of the Treasury when he was before the committee, and yet not to go so far as to prevent legitimate businessmen from taking legitimate business-expense deductions. That is our purpose.

Under this amendment, no deduction will be allowed if the facts in the case indicate that no business could result from the entertainment; and under this amendment no deduction will be allowed for entertainment expenses of a nature which are against the public policy. We read some rather colorful language about things which would not be allowed. The able Senator from Tennessee asked, last night, "Where did the language about these illustrations come from?" We included them because we knew that if we did not, the able Senator from Tennessee and his cohorts would point out such examples, and would do so in such a way that it would seem to appear that we were advocating sin or illegality; and we did not wish to be put in such a position.

Furthermore, when an expense is for entertainment of both business and social guests, there will be no deduction for expenses attributable to the social guests.

Today that is a great area of abuse—situations in which a businessman entertains some of his business friends and also entertains some of his social friends. Under the bill as reported by the committee, the only deduction which such a businessman would be eligible to take would be the costs of entertaining his business friends. He would not be eligible to take a deduction for the costs of entertaining his social guests.

Furthermore, no deduction whatever for any sort of vacation would be allowed. However, under existing law, deductions can be taken for vacations to Bermuda or to Miami Beach, even though during the vacation business was transacted on only 1 or 2 days. Nevertheless, under present law the expenses of the entire vacation can be claimed as a deduction. The Finance Committee says that is going too far; and the bill, as reported to the Senate, would stop that practice.

There will be no deduction for any entertainment expenses which the circumstances indicate are either lavish or extravagant. It will be for those in the Bureau of Internal Revenue to decide what expenses come in that category. But when someone says those in the Bureau of Internal Revenue will suddenly become generous, all I can say, in reply, is that one who takes that position must not have had much experience in recent years with the Bureau of Internal Revenue.

No deduction will be allowed for entertainment expenses relating to facilities, such as yachts—Senators should bear this point in mind, for I am sure that in a minute or so they will hear about the facts, all over again—and no deduction will be allowed for entertainment expenses relating to other facilities, such as hunting lodges or fishing camps, unless it is clearly established that the facility was used primarily for direct business purposes.

Mr. GORE. Mr. President, will the Senator from Florida yield?

The PRESIDING OFFICER (Mr. METCALF in the chair). Does the Senator from Florida yield to the Senator from Tennessee?

Mr. SMATHERS. I am happy to yield to my able friend from Tennessee.

Mr. GORE. Several references have been made—particularly by the junior Senator from Louisiana [Mr. LONG], and also, I think, by the junior Senator from Florida [Mr. SMATHERS]—or several statements have been made that the report specifically provides that a deduction for the expenses of a safari to Africa, such as the one indulged in by the Sanitary Farms Dairy, Inc., would not be allowed.

But now I find, according to the report, that, in fact, that is not the case. If the Senator from Florida will turn to page 28 of the committee report, and will read the paragraph carefully, he will see that an incorrect interpretation has been given.

I should like to know whether the junior Senator from Florida still insists that the committee report would prevent the deduction of the expenses of a safari to Africa.

Mr. SMATHERS. I do not know of any businessman who could do it; I do not know of any businessman who is in the business of catching lions or alligators or buffaloes. But if there were one who was in the business of catching lions or alligators or buffaloes, and if he were on a safari for that purpose, and if that was his business, I suppose he could deduct those expenses. But I think the total implication is crystal clear—that they cannot be deducted unless the safari is directly related to his business.

Mr. GORE. The Senator is dodging the question.

Mr. SMATHERS. No; I am not. I say that I do not know of any businessman who could do that. Does the Senator from Tennessee know of any businessman in Tennessee who could justify, as a business expense, the expense of going to Africa? I do not know of any who could.

Mr. GORE. Mr. President, the Senator from Florida is a very good lawyer; and he knows that one way to avoid a question is to ask another one. But it has been repeatedly stated that, among the other things that the report would rule out as not deductible, would be the expenses of a safari to Africa, such as was indulged in by one taxpayer. However, I find that the committee report does not say that.

Mr. SMATHERS. The Senator from Tennessee well knows we are making legislative history here.

Mr. GORE. Well, the Senator is trying to make it with this report.

Mr. SMATHERS. Certainly it was the intention of the Finance Committee, and it is the intention of every Senator I know of here on the floor—certainly it is the intention of the Senator from Louisiana, the Senator from Virginia, the Senator from Oklahoma, and the other Senators who are supporting this amendment—to be certan that no businessman can have a vacation on a safari in Africa, when there is no reason that any reasonable man could possibly see to deduct it. We do not want him to be able to, and we think that is what the report says.

Mr. GORE. I will not press the Senator except this one more time. The statement was made on the floor of the Senate last night and today at least six or eight times that the committee report would deny deductibility of the cost of a safari to Africa. Now I ask the Senator, Does his report say that or does it not?

Mr. SMATHERS. It does that in every instance where a man would try to claim that that safari had a relationship to his business, and he could not deduct it otherwise. We do not go so far as the Senator would like to have us go—that, whatever a man's business is, he cannot have any business deductions. That is what the Senator from Tennessee really wants. We do not subscribe to that. We do not believe there are many people who can take a safari or trip to hunt lions, tigers, rhinoceroses, and alligators in Africa, and claim, and show it is a business deduction. We do not think they should have been permitted to claim it before, and we certainly do not think it can be done under the present language.

Mr. GORE. After conferences with the staff, I am sure that neither of my two distinguished friends will any longer insist that the statements they have been making with respect to the celebrated case are factual.

Mr. SMATHERS. On the contrary, we could not accept that statement.

Mr. GORE. Very well.

Mr. SMATHERS. The Senator from Tennessee is entitled to his conclusion.

Mr. GORE. The Senator from Florida does not have to accept it, but I carefully note that he is not still saying it.

Mr. SMATHERS. We are saying what I hope we have been saying, and that is, one cannot take a deduction for a vacation; vacations are totally and completely eliminated as bases for tax deduction.

Mr. GORE. I will challenge the Senator on that a little later.

Mr. SMATHERS. Very well, challenge me a little later. What we are saying is that, unless a man can demonstrate that a safari is directly related to or associated with his business, he obviously cannot take that deduction. We do not believe there are very many business men who can do it.

Mr. GORE. Will the Senator yield further?

Mr. SMATHERS. I yield.

Mr. GORE. The Senator has got to the point. He says "if associated with" the business, it would be deductible. Now I ask him to turn to page 26 of the report. Then we see what the test of "associated with" is. If the Senator will read with me beginning in the middle of the second paragraph:

> This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation—
>
> Whatever that is—
>
> of deriving some income—
>
> However much that is—
>
> or other benefit—
>
> Whatever that is——

Mr. SMATHERS. Finish the sentence—"to his business."

Mr. GORE (continuing):

> benefit to his business as a result of the expenditure.

Mr. SMATHERS. That is right.

Mr. GORE. So the Senator has said that if a safari to Africa met this test, it would be deductible. Yet the Senate has been told at least six times in previous debate that under no conditions will it be deductible.

Mr. SMATHERS. If the Senator will turn to page 28 of the report, he will see this language:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer.

The Senator always tries to prove his case by reading half of the language.

Mr. GORE. I have read the definition of "associated with" and I have read the test prescribed by the majority report. The Senator cannot dodge his own report, bearing his own name, by saying I read a part of it. I read it all.

Mr. SMATHERS. But the Senator did not read what is on the next page:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer.

Mr. GORE. Will the Senator go on and read the one highly imaginary example that his report gives? It is laughable.

Mr. SMATHERS. That is a matter of opinion of the Senator from Tennessee. I have not been able to convince the Senator from Tennessee for a long time, and apparently I have no hopes this time.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. LONG of Louisiana. In the Sanitary Farms Dairy case, where a man took a safari to Africa, he did not claim it as an entertainment expense. Even under existing law the man could not deduct the expense as entertainment.

Mr. SMATHERS. That is correct.

Mr. LONG of Louisiana. As the law stands now, if a man takes a vacation and brings a client with him, we have fixed it so he cannot deduct that vacation expense. We say he cannot take it as an advertising expense. He has to claim it as an entertainment deduction, and as an entertainment deduction it was not allowed under existing law and will not be allowed under the proposed law. We say no deduction can be made for anything extravagant.

On page 30 of the report we say:

In example A, no deduction would be allowed under your committee's bill because a vacation trip for a customer and his wife is not "directly related to the active conduct of the taxpayer's trade or business."

So the point is that the man probably could not have claimed the expense of a safari to begin with as an entertainment expense. He might have claimed it as a vacation. But we outlaw that, knowing that he must claim it as an entertainment expense, which we say cannot be allowed as an advertising expense, where it would have been allowed.

I would have said that, under the facts of the Sanitary Farms Dairy case, the man could not have claimed the expense of the safari to Africa. As the Senator from Florida has said, if his profession had been that of a big game hunter, he might have claimed it, but under the facts of the Sanitary Farms Dairy case, he could not have claimed it.

Mr. SMATHERS. I thank the Senator.

When we write these provisions, we expect that reasonable men will give the language a reasonable interpretation. We do not expect the language to be quartered and stretched to unreasonable conclusions. We expect the Internal Revenue Service to be permitted to collect all the taxes they can, with our help, and we do not expect them to permit a man to go to Africa, at lavish expense, and charge it as a business expense. We do not want them to. That is why we put this language in the report.

There will be no deduction for any expense relating to facilities which are used for vacation purposes.

There will be no deduction for any expenses relating to facilities which are lavish or extravagant.

There will be no deduction for any club dues unless the club is used primarily for business purposes.

In determining whether a facility or a club is used primarily for business purposes, use of the facility by the taxpayer's family, if any, will be counted as nonbusiness use.

Under the bill, although deduction for entertainment expenses is restricted, such expenses will not be disallowed merely because they are incurred for the purpose of generating business good will.

Good will has long been recognized as a legitimate business practice. Thus where the purpose of the expenditure for good will shows a clear relationship to the business, it will and should continue to be deductible.

However, on the other hand, when good will generated by the expense is vague or when the possibility of the expenditure resulting in the production of income is remote, no deduction for this purpose would be permitted under the committee's bill.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I would prefer to wait until I conclude my remarks, and then I shall be happy to yield.

Mr. GORE. I was very generous in yielding to the Senator last night.

Mr. SMATHERS. The Senator was. He is always generous. I am sorry I even hesitated for a moment. I am delighted to yield to my friend.

Mr. GORE. The Senator has told us again, flatfootedly, that no vacation expense could be deductible. Does the Senator still say that?

Mr. SMATHERS. Yes. We say that certainly the language, as we wrote it, as we intend it, and as we think it would be enforced, provides that there will be no vacation deductible as a business expense.

Mr. GORE. Would that apply to travel expense?

Mr. SMATHERS. It would not apply to travel expense. People may come to Washington, D.C., to see the Senator from Tennessee. They may go to a cattle show or something. If those people are in the cattle business and they take that travel for business purposes they can take the expense as a business deduction, and they should. We are not talking about that.

Mr. GORE. Suppose a taxpayer travels to Miami for a 5-day safari on the beach.

Mr. SMATHERS. I would think he would be pretty intelligent, to start with. I wish it were possible that he could take a deduction. Of course, being objective about it, since I represent not only Miami Beach and Florida but also indirectly the other States, I know we could not permit people to go there solely for a vacation and to deduct the expense as a business expense. If a person goes there for some business reason and can establish that, he could deduct the expense.

Under the bill which was reported and the amendment the committee approved, the person would have to prove it. No longer would the situation be the same as it has been, when the taxpayer could say, "I was there on business." He would have to prove it. If he went there on business, obviously, he would be entitled to take the travel expense as a business expense.

Mr. GORE. If the Senator will turn to page 43 of the bill, I am sure he will see what I mean. I wish to read subsection (c):

TRAVELING.—In the case of any individual who is traveling away from home in pursuit of a trade or business or in pursuit of an activity described in section 212, no deduction shall be allowed under section 162 or section 212 for that portion of the expenses of such travel otherwise allowable under such section which, under regulations prescribed by the Secretary or his delegate, is not allocable to such trade or business or to such activity.

I ask the Senator to take note of the next sentence. I am sure the Senator can perceive it:

This subsection shall not apply to the expenses of any travel away from home which does not exceed one week or where the portion of the time away from home which is not attributable to the pursuit of the taxpayer's trade or business or an activity described in section 212 is less than 25 percent of the total time away from home on such travel.

I have pointed out to the Senator another loophole, which he said was not in the bill.

Mr. SMATHERS. I say first to the able Senator from Tennessee that this particular provision, to which he has now made reference, is not one of the provisions to which he has previously objected, or to which he has objected until this very moment. This is one of the provisions now in the law, as I understand, and also in the House bill. It is one of the provisions which the Senator is supporting, because he is supporting the House bill. That is the first point I wish to make.

Mr. GORE. I point out to the Senator that I have not said I am supporting the House bill. I am trying to forestall Senators from making that bill worse. What I wish to offer later are the recommendations by the President and the Secretary of the Treasury to stop the expense account cheating.

Mr. SMATHERS. We are all for that.

Mr. GORE. The amendment pending would make the House bill worse.

Mr. SMATHERS. We want to stop any cheating, too. I will ask the Senator a question. Is the Senator against all deductions for business expense?

Mr. GORE. Of course not.

Mr. SMATHERS. I am glad to hear the Senator say that.

Mr. GORE. Why does the Senator ask such a question?

Mr. SMATHERS. Because it has been my impression, after listening to the Senator for the last couple of days, that he finally had arrived at the position of wishing to allow no expenses as business deductions, legitimate as well as illegitimate. The Senator says that is not the case.

Mr. GORE. It is not.

Mr. SMATHERS. I am happy to hear him say that.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield.

Mr. LONG of Louisiana. Was not the Senator on the floor when the Senator from Pennsylvania, who is associated with the Senator from Tennessee in this effort, made clear that he wants to cut out all allowances for any entertainment expense whatever?

Mr. GORE. I want to support the President's recommendations, to eliminate the tax deductions for entertainment. That is one way to stop the abuse. The House did not go that far, but the House did a fairly good job, and the Senate committee amendment would wreck the House bill and permit many of the abuses which now exist.

Mr. SMATHERS. I think the Senator now is making clear what we have

suspected all along. The Senator from Tennessee does not think that even the House bill is strong enough.

Mr. GORE. Of course not.

Mr. SMATHERS. Neither does the Senator from Pennsylvania.

Mr. GORE. Neither does President Kennedy.

Mr. SMATHERS. The Senator's colleague from Pennsylvania apparently would go so far as to eliminate all business expense deductions. I do not say that with reference to the Senator from Tennessee.

Mr. GORE. If the Senator means he thinks I would like to eliminate tax deductions for entertainment, he is correct. If the Senator means he thinks I would like to eliminate all business deductions, for attending business conventions, for making business trips, for expenses in the pursuit of business, then he is utterly wrong. I cannot conceive by what reason he could have arrived at such a conclusion.

Mr. SMATHERS. Only by what the Senator says. That was the only reason.

Mr. GORE. I have said nothing which would justify such a conclusion.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield.

Mr. LONG of Louisiana. Does not the Senator recognize that the President has said just about what the Senator from Tennessee is saying; that he understands there is some need for business entertainment, but there have been abuses, so one way to be sure that there is no abuse is to eliminate it all, to cut it all out?

Mr. SMATHERS. It would be much easier that way.

Mr. GORE. But the Senator from Louisiana does not want to cut any of it out.

Mr. LONG of Louisiana. The Senator yielded to me.

Once again what we see is that the program of those who oppose the committee amendment is the program of burning the whole barn down. They are not satisfied with what the House did. They feel that the only way to be sure the rats are out of the barn is to burn down the barn, and then they will know there are no rats in the barn.

Mr. SMATHERS. The Senator is correct.

Mr. LONG of Louisiana. The President recognized that there was a legitimate basis for entertainment expenses, directly related to or associated with the taxpayer's business. But the President recommends that we ought to tell a businessman he cannot entertain, even though the President recognizes, more than anybody else, that our ambassadors have to entertain, and wants the Congress to provide money for it—millions and millions of dollars. Our friend from Tennessee has been voting for that kind of expense, with the money provided by the taxpayers. It is not merely a deduction, but it is an appropriation of money so that our ambassadors can entertain at our expense.

Mr. SMATHERS. Overseas.

Mr. LONG of Louisiana. Yes, overseas. This is entertainment of foreigners at our expense, though some do not wish to permit businessmen to entertain Americans at their own expense and to deduct it as a legitimate expense of doing business.

Mr. SMATHERS. I thank the Senator from Louisiana. I agree with him completely.

Mr. President, these new rules will strengthen existing law and will prevent abuses of the deduction privilege.

No longer will a taxpayer be able to claim deduction for such unrelated expenses as costs of his daughter's social debut or of her wedding reception, about which we have heard a great deal and no doubt will hear a great deal more. We have tried to eliminate all that sort of thing.

No longer will he be able to purchase a yacht, fishing camp or hunting lodge and simply charge its cost off as a deductible expense on the flimsy excuse, "It's for business."

No longer will lush facilities on tropical island paradises to which favored customers and their families may be sent for long winter vacations be deductible.

These are all improvements over the existing law. I cannot emphasize too strongly that existing law is to be modified by this bill only in one direction, and that is that it is to be made tighter.

If an expense is not deductible under existing law, it will never become deductible under this bill. On the other hand, if it is deductible under existing law, this bill will come into operation and may disallow all or a part of the claimed amount.

Mr. President, I repeat that statement. If an expense is not deductible under existing law it will never become deductible under this bill. On the other hand, if it is deductible under existing law, this bill will come into operation and may disallow all or a part of the amount which has been claimed as a business deduction.

The bill not only provides tighter rules for determining what business entertainment expenses may be deductible but also eases substantially the administrative difficulties of making the determination.

The bill requires the taxpayer who claims a deduction for entertainment expenses—or for travel or gift expenses—to clearly establish his right to the deduction by proof other than his own statements which may largely be self-serving. He must claim and prove the amount of the deduction. He must show the circumstances under which the entertainment occurred. He must identify the person entertained and must show the business relationship between that person and a trade or business.

By these requirements, the taxpayer must reveal to the tax collector all the information he needs to make a determination with respect to any claimed entertainment expense.

If the taxpayer fails to establish his proof, then there will be no deduction allowed.

Existing law which permits a partial deduction, even in the absence of substantiating evidence, is overruled by this bill. This eliminates one of the most flagrant abuses of existing law; that is, the fraudulent practice of claiming deduction for more expenses than were actually incurred and maintaining no records. In these cases the taxpayer knows that he will be allowed some deduction and the more he claims the more he will be allowed. The committee bill says that in such cases there will be no deduction whatsoever.

Now let me illustrate the type of entertainment expenses which will be allowed as a deduction under the committee amendment, but which were considered to be "high living" under the House bill. I quote from the committee report:

> Where the taxpayer conducts lengthy negotiations with a group of business associates and that evening the group goes to a nightclub, theater, or sporting event for relaxation, such entertainment expenses are regarded as directly related to the active conduct of business. Moreover, if a group of business associates with whom the taxpayer is conducting business meetings comes from out of town to the taxpayer's place of business to hold substantial business discussions, the entertainment of such business guests prior to the business discussions also is directly related to the conduct of the business. Similarly, if in between business meetings at a convention the taxpayer entertains his business associates attending such meetings, such expenses will be allowable.

Mr. President, I stress and emphasize that the committee bill is designed to prevent abuse. It is not designed as was the House bill, to disallow all deductions.

The committee bill would compel taxpayers to weigh carefully the advantages entertainment may bring to their business when only a portion of the entertainment expense may be deductible.

If the expense is reasonable, the purpose legitimate and the business relationship clearly established and proven, the expense, or a part of it, may be deductible.

On the other hand, those who have been "living high" on expense accounts will find that the costs of their high living have gone up and that the American taxpayers no longer will participate with him in paying the bill.

It is estimated that the full year revenue effect of the committee amendment will bring into the Treasury some $85 million.

The tighter rules in this bill, while preventing abuse, should not discourage business transactions which create the profits upon which our Treasury must rely for income tax receipts.

I believe the committee amendment represents a fair, logical approach to a problem we all feel should be solved.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield to the Senator from Tennessee.

Mr. GORE. The Senator has made another statement which I challenge. He has said that the businessman must prove something. What was it the Senator said?

Mr. SMATHERS. If the Senator does not remember what I said, I do not know how he can ask me a question about it.

Mr. GORE. I remember the purport of the Senator's statement. The Senator informed the Senate a moment ago

that the expense would not be deductible unless a businessman could show a clear business connection. Have I accurately quoted the Senator?

Mr. SMATHERS. The language of the bill is that the businessman must show that the expense actually has some direct relationship to or association with his business.

Mr. GORE. The Senator did not use that word a moment ago.

Mr. SMATHERS. That is the word. I have said over and over—and I repeat it to the Senator now—that that is what we are talking about.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I am happy to yield, but I wish to point out to the Senator that in Tennessee there is an expression among cattlemen with respect to insects called "nits." Nits get on the cows, and one must go around among the animals and pick the nits off. It is called "nit-picking."

I would appreciate if the Senator would not pick up one or two phrases or sentences in the report out of context and would instead listen to what we are saying we are trying to do. What we intend to do—and what we want to do—is to eliminate the same abuses that the Senator is talking about. He has said he does not wish to destroy the right of a businessman to take legitimate business deductions—even entertainment—in cases in which the businessman can show that the expenses have a direct relationship to or are associated with his business. That is exactly what we are trying to do.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I yield.

Mr. GORE. Has the Senator ever heard of the parable of the man who thought he saw a mountain but instead saw a gnat in his eyebrow?

Mr. SMATHERS. I have heard the parable.

Mr. GORE. We are talking about three seemingly innocent words. They are not nits. Those words are, "or associated with." That is what the Senator seeks to add to the bill. He has given an interpretation of what those words mean in his report. I should like to read to the Senator how definite it is.

Mr. SMATHERS. How many times has the Senator read that statement and put it into the RECORD in the past 24 hours?

Mr. GORE. I wish to read it to the Senator.

Mr. SMATHERS. Then I must come back and read the second paragraph below it and knock all that out. So we will be back where we started from. The Senator will make a speech in a minute. He can read it then, and we will read the succeeding paragraph.

Mr. GORE. The succeeding paragraph does not eliminate the paragraph to which I referred.

Mr. SMATHERS. Language appearing on the following page does.

Mr. GORE. Oh, no.

Mr. SMATHERS. The Senator has said that he wishes to eliminate abuses. We do eliminate the abuses. We do not presume that every businessman is a crook. We do not presume that every businessman is seeking willfully and intentionally to beat the Federal Government. We believe that there are legitimate purposes on the part of legitimate businessmen. As the Senator from Louisiana has said, we have as sincere a desire to eliminate abuses as he does. But we do not want to burn down the barn, because we think the barn is valuable.

Mr. GORE. How many strawmen must the Senator set up? How many times must he burn the barn down? Let us talk about the meaning of the three words—"or associated with." That is the loophole that the committee amendment would write into the law—a loophole that would permit continued expense account abuse and provide a tax deduction for it.

Mr. SMATHERS. That is the Senator's opinion. We shall have an opportunity to vote on the question. He did not obtain support for his position in the Finance Committee. I doubt if he will obtain support for it on the floor of the Senate.

Mr. GOLDWATER. Mr. President, I compliment the Committee on Finance for the excellent work they have done on this section. There is no question that there are abuses in this field. I know that there have been abuses over the past, and no doubt they have increased over the past few years. The bill that came from the House of Representatives is very unrealistic, in that it strikes out all deductions. The distinguished Senator from Tennessee [Mr. GORE], in his enthusiasm, would amend the bill with the result that we would have the same language in the Senate bill.

Let us face the fact that it is the graduated income tax, more than anything else, which has caused these abuses. I can remember when I was in business—and these problems no doubt have multiplied since then—in order to get a man to take a higher position than he then held, it was often necessary to meet his demands, which might take the form of an automobile, expense free, or might include membership in a country club, or a carte blanche expense account in restaurants around the country. Such a man would not be interested in stepping out of a $20,000 a year job into a $30,000 a year job, in light of the increased income tax that he would have to pay, resulting in very little substantial increase in actual income.

So, much as businessmen disliked doing these things, they had to resort to deductions in order to get the people they wanted and needed.

I would suggest to the Committee on Finance, when they meet next year on the President's proposal to change the income tax laws, that the graduated income tax might be one item they could examine. However, in the meantime, in order that business might continue and not be hamstrung by the restrictive legislation which the House has suggested and by the restrictive tax laws which are now on the books, the Senate would be very wise to adopt the provision which the Senator from Florida has so ably outlined on the floor of the Senate, and allow business to proceed, even though it must operate under present tax laws.

I again compliment the committee on the fine work it has done. I recognize what the Senator from Tennessee says, that there are excessive abuses in this field. I have decried them continuously. I do not like the situation. However, that is what we are confronted with. I do not like these abuses, but there they are.

No matter how the language is written, some businessmen are going to take advantage of loopholes in the law. It does not make much difference how the law reads, as long as we have on the books the graduated income tax, these loopholes will be taken advantage of—loopholes through which people will be able to crawl.

I again compliment the Senator from Florida.

Mr. GORE. Mr. President, will the Senator from Florida yield so that I may ask a question of the Senator from Arizona?

Mr. SMATHERS. I yield.

Mr. GORE. The Senator from Arizona has said that the House bill would eliminate all deductions for entertainment and business expenses.

Mr. GOLDWATER. I said it was highly restrictive.

Mr. GORE. The Senator used the word "all." However, to clarify the RECORD, if the Senator will refer to page 45 of the bill and turn to page 36 of the report, he will find that nine specific exceptions are made to the general rule on disallowances. He will find that in both the House bill and in the Senate bill deductions are possible for business meetings, food and beverages for employees, expenses treated as compensation. We turn now to page 46, where we find reimbursed expenses, recreational, et cetera; expenses for employees, and so forth. I shall not read all of them. There are nine exceptions which are contained in both the House bill and in the Senate bill.

It is not about those legitimate deductions for legitimate business purposes that I complain. I complain about the addition of these three little words "or associated with" in the Senate bill, and the interpretation and the legislative intent given them by the committee report, which opens the door so wide as to invite abuse.

Mr. GOLDWATER. I do not agree with the Senator's interpretation of those three words. I do agree with his intent. I wish that he had a better way of getting at it. I do not agree that these three words are a door opening, as he holds them to be.

Mr. GORE. Has the Senator read and studied the majority report?

Mr. GOLDWATER. I have read it. I cannot say that I have studied it. I have had other things to do.

Mr. GORE. I suggest that the Senator, before he reaches a conclusion, study the report. It is the report which provides the legislative intent and thus the legal effect and meaning of these three little words.

Mr. GOLDWATER. I have read the report. I do not agree with the Senator from Tennessee. That is a matter of debate. I am in perfect agreement with what he is trying to do. I have said so repeatedly in the years gone by. I do not believe that the elimination of these three words will do what he hopes will be done. I am in sympathy with what the Senator is trying to do.

Mr. GORE. The Senator is not in sympathy with what I am trying to do if he holds that view.

Mr. GOLDWATER. The Senator can interpret my words in any way he wishes. I disagree with his interpretation. I repeat that I am in sympathy with what he is trying to do.

Mr. SMATHERS. Mr. President, I am grateful to the Senator from Arizona for his comment. Rather than that these three little words are opening the door, we must remember that according to the staff estimate these three little words, in addition to what else we have done, will bring $85 million additional into the Treasury. I do not see how we can say it is a bigger loophole, when we are collecting more money.

I yield the floor.

Mr. GORE. Mr. President, will the Senator yield?

Mr. SMATHERS. I have yielded the floor.

The PRESIDING OFFICER. The question is on agreeing, en bloc, to the amendments on page 41, line 18, on page 42, line 4 and line 7.

Mr. GORE. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The yeas and nays have been ordered, and the clerk will call the roll.

Mr. GORE. Mr. President, the Senate is about to vote upon an extremely important issue.

The PRESIDING OFFICER. The Senator from Tennessee will suspend until the Senate is in order.

The Senator from Tennessee may proceed.

Mr. GORE. The Senate is about to vote upon an extremely important issue. Let no one mistake the clarity of the issue. The situation presented is one which has an interesting history. The widespread abuse of expense accounts has developed over a period of years. Many of these abuses have been contested in the courts.

The PRESIDING OFFICER. The Senate will be in order.

Mr. BUSH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BUSH. What is the question before the Senate?

The PRESIDING OFFICER. The question is on agreeing, en bloc, to the committee amendments on page 41, line 18, and on page 42, lines 4 and 7.

Mr. GORE. Many of the expense account abuses have been contested by the Government in the courts, but in many of these instances the Government has lost the cases under present law. The abuses have become so widespread that in a state of the Union message, the President of the United States called attention to the abuses in dramatic language.

The President:

> The slogan "It's deductible," should pass from our scene.

The President further said:

> Deductions are obtained by disguising personal expenses as business outlays.

I shall not quote the President's message further. I quote it to this extent only to illustrate that this pattern of abuse, this pattern of tax avoidance, this pattern of disguising personal expenses as business outlays, reached such proportions as to be treated in a state of the Union message by the President of the United States.

Then the Secretary of the Treasury testified before committees of the Congress and submitted scores of examples of unconscionable abuses. He recommended measures to stop such abuses, which the President said affected the country's sense of fairness. I quote one more sentence from the President's message:

> This is a matter of national concern, affecting not only our public revenues, our sense of fairness, and our respect for the tax system, but our moral and business practices, as well.

What has been the response of Congress, the legislative branch of the Government, which is supposed to speak the voice of the people? The action has been slow. But finally the House of Representatives passed a bill, not dealing with this problem as vigorously and effectively as the President and the Treasury Department had requested and recommended; but the bill of the House and the House report on the bill are fairly good. The House bill does not end all the abuses I have cited. The House bill specifically provides nine exceptions to the general rule, and expenditures in accordance with those exceptions, which can be found on page 45 of the bill, are deductible under either the House bill or the Senate committee bill.

The House report undertook to spell out its legislative intent clearly and specifically to prevent loopholes for avoidance. As I have said, I do not think—and it is not only my opinion—that the House bill dealt with this subject with sufficient vigor and effectiveness. That is my opinion not only of the terms of the bill, but of the terms of the report, as well. But that question is not now before us. Later it may be that an amendment will be offered to substitute for the House action the recommendation of the President and the Secretary of the Treasury. But that is not before the Senate now.

What is before the Senate? It is an amendment offered by the Committee on Finance, accompanied by a report of the committee specifying the interpretation and the legislative intent of that amendment. It is that amendment and that report which are the subject at issue at the moment. What is the amendment? It is to add the words "or associated with." What is the legal effect of those words, and why did the committee approve the amendment? Why is it suggested and offered to the Senate? Fortunately, we need not rely upon anyone's imagination, anyone either for or against the amendment, because the committee has submitted a report which tells us the meaning of these innocent-sounding little words.

If Senators will read briefly with me, I shall set forth the meaning. I turn to page 24 of the committee report, under the heading:

> IV. Disallowance of Certain Entertainment, Etc., Expenses.

I shall not read the prefatory paragraphs but come instead to the last paragraph on page 25, where we really begin to find in the committee report the interpretation of this language:

> Your committee's bill to a considerable degree retains the basic structure of the House bill.

I call the attention of the distinguished chairman of the committee to the language on the bottom of page 25 of the committee report, which is:

> Your committee's bill to a considerable degree retains the basic structure of the House bill.

I shall not interrogate the chairman; I appreciate his attention. But notice that the language does not say that the committee's bill retains the meaning and effect of the House bill; it "retains the basic structure of the House bill."

What is the structure of a bill? I read further:

> However, the effect of the principal provision (the disallowing of a deduction for certain entertainment expenses) has been modified.

Why did the committee modify it? We are told in the report. Senators can read why. A copy of the report is on every Senator's desk. There can be no misunderstanding of the issue upon which we are about to vote. What is the purpose of the three words? I read:

> To permit the deduction of expenses for goodwill where a close association is established between the expense and the active conduct of a trade or business.

Mr. President, a little later I shall illustrate how the definition of those terms reflects an interesting meaning and an untoward meaning and effect.

Now I read—and I ask Senators to follow my reading—from page 26, beginning at the top of the page:

> The report of the Committee on Ways and Means made it clear that the House bill was not designed to disallow completely deductions for entertainment, amusement, or recreation expenses, but rather it was intended to eliminate abuses.

That is correct, and I think that is what the Senate should try to do.

I read further:

> Under the general rule, no deduction would be allowed for any such expenses except to the extent that such expenses are directly related to the active conduct of a trade or business.

Why should they be deductible unless they are in fact directly related to the active conduct of a trade or business?

I read further:

Despite the clear language of the House bill and the stated intent of the provision, considerable uncertainty and confusion as to the actual effect of the House draft has been created by the interpretation given this language in the House committee report. It in effect interprets the proposed statutory language to disallow a deduction for any expense for entertainment, amusement, or recreation unless the expense is described in one of a series of specific exceptions to the general rule.

Those specific exceptions are liberal and generous. Senators will find them on page 26 of the report or on page 45 of the bill—nine of them. But apparently those who prepared this majority report were not satisfied with that.

I read further:

Where the expense is covered by an exception, the rules of existing law would continue to govern the deductibility of the expense.

Mr. President, what is wrong with that? Nothing that has been set forth in the paragraph I have read about the House report describes anything harsh. Indeed, it describes a situation which I think permits liberal deductibility—more liberal than I think is justified. Nine specific exceptions are set out, and then there is the general rule.

But listen to the next paragraph of the majority report:

To eliminate the harshness—

Mr. President, what harshness? What harshness has been described in the House committee report?

Mr. BUSH. Mr. President, will the Senator from Tennessee state the page from which he is reading?

Mr. GORE. I am reading from page 26 of the report. I had completed reading the first paragraph, which describes the report of the House Ways and Means Committee; and I had just begun to read the second paragraph, which I shall now read:

To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary. Despite amendment of the House bill your committee has made certain that entertainment expense abuses are eliminated.

But it does not state how that would be done; it does not give a definition of an abuse.

I continue to read:

By your committee's amendment an alternative rule is added to the House bill—

Now, Mr. President, we begin to get to the point. Not being satisfied with the generosity of the report of the House Ways and Means Committee, this amendment is offered in an attempt to alleviate what is alleged to be harshness; therefore an alternative is provided:

By your committee's amendment an alternative rule is added to the House bill under which expenses for entertainment, amusement, or recreation (with respect to both activities and facilities) also will be deductible to the extent that such expenses are associated with the active conduct of a trade or business.

Mr. President, here are the words "associated with," and these words are not difficult for the American people to understand. This is a simple issue. It is an issue between right and wrong. This is an issue about which much will be heard in the future.

What is the meaning of the words "associated with"? The report states that—

Expenses for entertainment, amusement, or recreation (with respect to both activities and facilities) also will be deductible to the extent that such expenses are associated with the active conduct of a trade or business. This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill without regard to whether a particular exception applies.

What is goodwill, Mr. President? How definite is that? What kind of goodwill? With whom? Where? How? Of what nature? But, the committee report states:

This new language—

What new language is referred to? The three little words "or associated with." What does the new language mean? We are told here:

This new language will permit deduction of expenses for entertainment, amusement, or recreation—

What kind of recreation? Athletic? Intellectual? Travel? Therapeutics? No definition is given.

What kind of amusement? What kind of entertainment? But if there is an expense for any of this purpose, however indefinite, it is deductible, if you please, Mr. President, if it is for the purpose of maintaining goodwill—whatever that is.

I continue to quote:

without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation—

What is expectation? What is a reasonable expectation? A reasonable expectation of what?

of deriving some income—

How much? Where? In what manner? Under what conditions? When? Some income.

I continue to quote:

or other benefit—

What kind? Social? Financial? Political? Healthful? Cultural? Matrimonial? What benefit? Other benefit.

to his business as a result of the expenditure.

Mr. President, listen to the following sentence, which refers to this rigid requirement, this language that is offered to relieve the alleged harshness.

What is the next sentence?

If he meets this test—

Test? Test.

the expenditure will be considered to be—

What?

associated with—

"Associated with"—that is the amendment. That is what is pending.

And if a taxpayer, according to this report, makes an expenditure for entertainment, recreation, or amusement, with respect to either activities or facilities, to maintain goodwill, from which he has some reasonable expectation, at some time, somewhere, somehow, of receiving some income, in some amount, in some manner, of some quality, or some other benefit—whatever that is—then it is considered to be "associated with" his trade or business.

Yet the Senate of the United States is asked to vote to approve this amendment with this interpretation on every Senator's desk. Ah, Mr. President, I may be endowed with more than an ordinary share of self-confidence. However that may be, I am confident that if 99 of my colleagues would give me their attention for 20 minutes, this amendment would not be adopted by the Senate.

Unfortunately, it is not my privilege to reach very many of my colleagues by speech, but the issue is joined. I have stated it clearly. The Senate is not required to rely upon my interpretation of the words "associated with." I have just read what the committee report says they mean.

The amendment would open the gate wide. It would provide for a continuation of the pattern of abuse of expense accounts and tax avoidance.

Adoption of this amendment would subvert the effort for tax reform to eliminate this pattern of abuse, avoidance, evasion, and concealment which the President of the United States thought of such proportions as to ask, in a state of the Union message, that the Congress take forthright action to eliminate it.

Mr. President, I do not wish to detain the Senate further. I have stated the issue.

Mr. KEFAUVER. Mr. President, will the Senator yield?

Mr. GORE. Before yielding, I wish to correct one statement that my distinguished colleague, the junior Senator from Florida [Mr. SMATHERS], made. He said that this amendment would increase revenue. As a matter of fact, these three little words are estimated by the Treasury to reduce revenue to the Government, as compared with the House bill, by at least $40 million a year. Mind you, Mr. President, the Secretary of the Treasury estimated that if those abuses were completely eliminated, the revenue to the Government would be increased by $250 million.

I yield to my senior colleague from Tennessee.

Mr. KEFAUVER. I wish to ask my colleague, who has given this problem much study, a question about it. I know the consideration he has given to it.

I had understood that in the state of the Union message and in other messages the President expressed his feeling that the expense account loophole was one of the big gaps which ought to be closed, at least to a considerable extent, and that it was being abused. Does the Senator feel that the three words involved, instead of closing the loophole, would open the gap wider so that there would be more abuse than before, or at least so that there might be more?

Mr. GORE. I cannot say that the three words would open the gap wider than the present law. Even with the

words in the bill, the bill would provide one test with respect to facilities which would be of some help. Overall, I believe that the writing of the amendment into law, along with the interpretation which accompanies it, would make the situation worse than present law, because it would give legislative endorsement to and would constitute legislative condonement of widespread abuse, the scandalous avoidance of taxes.

Mr. KEFAUVER. Did I correctly understand that the President, through the Secretary of the Treasury, has opposed the inclusion of these three words, generally on the grounds the Senator has so forcefully set forth in the Senate today?

Mr. GORE. I have read into the RECORD the message of President Kennedy. There is on the desk of each Senator a statement by the Secretary of the Treasury.

I do not have a statement by either with respect to the three words "or associated with," because those have recently been reported and recommended as an amendment by the Senate Finance Committee. Certainly the adoption of the amendment would be 180° contrary to the recommendation by the President and the Secretary of the Treasury.

Mr. KEFAUVER. I think my colleague is to be commended for pointing out the further loophole the three words would make in the tax bill, which has a purpose of closing gaps and also increasing revenue to our Nation. I commend the Senator. I shall certainly vote against the inclusion of the words.

Mr. GORE. I thank my colleague.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. CARROLL. I commend the able Senator. I have listened to his speech today. I have read his remarks on this subject. I should like to ask a question or two, if he will permit me to do so.

Mr. GORE. I yield for a question.

Mr. CARROLL. The purpose of the President's message, as I understand it, and of the action taken by the other body, is to strengthen existing law with reference to the subject matter of the Senator's remarks.

Mr. GORE. Without which, the President advised the Congress, the abuses could not be eliminated.

Mr. CARROLL. I further understand that the abuses in a sense arose out of court interpretations. It is not that the court is in favor of the abuses, but the abuses occur because of the looseness of existing law.

I read to the Senator a portion of section 162 of the 1954 Code.

> There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

That is the wording of the law. The court decisions interpreting that wording have made it nearly impossible for the Treasury Department to draft appropriate legislation to tighten up on what some of us believe to be loopholes, inequitable and unconscionable and not satisfactory to the American public.

The President has spoken. The House of Representatives has spoken in the endeavor to change the basic law. As I understand the remarks by the able Senator from Tennessee, what he seeks to do is do no less than the House of Representatives did when it passed the tax bill some time ago.

Mr. GORE. I seek to defeat an amendment which would wreck the House bill.

Mr. CARROLL. That was my understanding. The House bill really would tighten up the law?

Mr. GORE. To a commendable degree. Not as much as I would prefer, but to commendable degree.

Mr. CARROLL. Do I correctly understand that if we accept the committee amendment, in a sense it would pull the rug out from under that which the House has done?

Mr. GORE. It would wreck the bill so far as correcting expense account abuses is concerned.

Mr. CARROLL. I intend to support the position taken by the able Senator from Tennessee. I am confident other Members of this body who understand the issue will do the same. I join the Senator in saying that if all Senators have a clear comprehension of this issue, they will want to go on record as trying to stop what I consider to be abuses as a result of enormous loopholes in the tax law, which give great benefit and, as I was going to say, comfort to people who would have no right to these sorts of deductions under a fair and equitable tax code.

Mr. GORE. I thank the Senator.

Mr. CARROLL. I thank the able Senator from Tennessee.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. PROXMIRE. Is it not true that the position taken by the President of the United States in the state of the Union message was for the elimination of the deduction for entertainment expenses and club dues?

Mr. GORE. Completely. That is not the question now before the Senate, though I would like to see it done.

Mr. PROXMIRE. I understand that. Is it not true, therefore, that it is perfectly obvious the administration position, as described by the President in his state of the Union message, is in support of the position of the Senator from Tennessee in opposition to the committee amendment, in view of the fact that the committee amendment would open up this abuse which the President so clearly described in his message?

Mr. GORE. That is correct.

Mr. PROXMIRE. So it is very hard for anyone by any logic to conclude anything other than that the position of the administration is in support of the position so ably, eloquently, and brilliantly taken by the Senator from Tennessee.

Mr. GORE. Well, I concur in the Senator's reference to the administration's position. I must demur from concurring in the Senator's generous remarks with respect to me.

I thank the Senator.

Mr. MORTON. Mr. President, I submit an amendment to the pending bill and ask that it may be printed and lie on the table. I shall speak with respect to it tomorrow.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

JAILING OF MINISTERS IN ALBANY, GA.

Mr. JAVITS. Mr. President, I am anxious to allow the Senate to vote, and I shall not detain the Senate, but I have something on my mind which concerns me and which I think ought to concern the country very much. It is the report which appears in this morning's press, which is of course verified, that 75 ministers of religion have been jailed in Albany, Ga. Fourteen pastors, Mr. President, are religious leaders from my own State of New York.

Mr. President, where are we living? I think that is the question which all Americans must answer. Where are we living?

This is not a matter of building a street or a road, or of putting in a sewer, which are local matters. We all understand that.

This is a matter of the Constitution of the United States and the freedom of any American citizen to go into any town or city in the United States and to get the benefit of protection there as a citizen of the United States. That is what this "United States" is all about.

If we are outsiders in Albany, Ga., then everyone in Albany, Ga., is an outsider in New York City, Chicago, and Los Angeles. That may be very uncomfortable. We could dismember our country upon that theory. Yet that is the theory on which the United States apparently, without enough of a vocal protest to make itself heard in Albany, Ga., is allowed to operate.

The situation has become intolerable and beyond anyone's endurance when 75 ministers of religion are arrested on a new theory of defeating the effort to break segregation in Albany, Ga., through mass arrests, which is yet to be passed upon by the courts. I do not think there is any question that it ought to be enjoined as running counter to the Constitution of the United States; nonetheless, it is one thing to be in court and another thing to have the Nation express its conscience. That is what is needed now.

There could be no more eloquent speech of protest against this un-American and inhuman performance than a news report of the bare facts. I beg the Senate's indulgence while I read from the New York Times, a very reliable newspaper, merely the bare facts, nothing else, not embellished in any way:

> Chief of Police Laurie Pritchett charged the demonstrators with congregating on the sidewalk, disorderly conduct, and failing to obey his commands to disperse. They were held in lieu of $200 cash bonds each and jailed here and in nearby Leesburg.
>
> The story continues:
>
> This afternoon—

Which was yesterday, the 28th—

they—

Meaning these clergymen and lay religious leaders—

marched by twos to the city hall, where Chief Pritchett and 20 patrolmen were waiting.

The demonstrators stood for a while in silence. One policeman remarked to another, "Is everybody bashful? Ain't nobody gonna' say nothing?"

Then the Reverend Norman C. Eddy of East Harlem Protestant Parish in New York asked the Reverend John W. P. Collier of Israel Memorial A.M.E. Church in Newark, N.J., to read from the Scriptures.

"WHATSOEVER A MAN SOWETH"

Mr. Collier chose from the Sixth Chapter of Galatians: "For whatsoever a man soweth, that he shall also reap."

As he finished, Chief Pritchett stepped forward and said, "All right, Reverends, what's your purpose?"

After he had repeated the question several times, Mr. Eddy replied, "our purpose is to offer our prayers to God."

The chief then urged them to return home "in the name of decency."

Mr. President, is that ironic—in the name of decency, to stop appearing.

The article continues:

Rabbi Richard Israel of the Hillel Foundation at Yale University then stepped forward and read the 114th Psalm from "Prayers for Special Occasions."

He completed the psalm. Chief Prichett moved forward and said, "Again, I'm asking you to disperse. This is the last and only time that this command will be given."

The group stood fast.

"All right," said the chief, "put them in jail."

The demonstrators were herded into a side door of the building in twos and threes and relieved of their Bibles and other possessions.

The story goes on—

After most of those arrested had been booked, a policeman emerged from the jail wearing a false beard and a skullcap that belonged to Rabbi Israel, and paraded through the first floor offices of the city hall.

Mr. President, consider such a shameful performance in any city or town in the United States of America as the one I have read. I ask all Senators who expressed such high indignation against the Supreme Court's decision on prayer in the public schools to consult their conscience on that one. Where are their voices now? Are they aroused over the fact that ministers of religion are treated like common criminals? Why? Because they dared to stand upon a street, pray, and invoke the blessing of the Deity so that, in their view, even if they are wrong, American citizens may have their fundamental rights.

As a Senator of the United States and a representative of 17 million people, I say that such a situation is absolutely outrageous and disgusting. If our Government does not assert its majesty to put a stop to things like that, very serious doubt will be raised as to the effectiveness and power of the National Government to protect the rights of citizens under the Constitution of the United States anywhere in our country.

Mr. President, the description sounds to me like that of a whisky rebellion. That is how serious I think it is. As the story points out, it is becoming so shameful as to be intolerable in the eyes of all the people of our country. Indeed, I can hardly understand how the Governor of Georgia and the local authorities can themselves endure that kind of performance.

Mr. President, endemic in it, and at the bottom of it, is the fact that the Congress has never given the necessary power to the Attorney General of the United States to start suit in any of those cases. He is sitting around in court waiting to file briefs amicus curiae, not knowing whether the court will or will not allow him to do so, since he has no authority and no power, apparently, to go into court himself and even start a suit in a Federal court in order to deal with a situation which, in my opinion, is making the United States not only look ridiculous in the eyes of the world but look unjust and apparently unable to protect the very basic and fundamental rights of its own citizens—in this case ministers of religion—who are doing what? Seeking to pray upon a public street.

Mr. President, it seems to me that in most cities of our country prayer would be encouraged. There are prayer meetings in many cities. An effort is made to use the streets exactly for that purpose—to encourage the practice of religion among the population. In Albany, Ga., people are being jailed because they have the temerity to do it, though they are ministers of religion.

It seems to me that we do not have to embellish the situation. We only need to read the report. That is more than adequate to demonstrate a situation which, in my view, is becoming intolerable in the eyes of the country and under our Constitution.

Mr. RUSSELL. Mr. President, I just entered the Chamber. I did not hear all the remarks of the Senator from New York. However, I did hear his concluding remarks. I assume that he was engaged in one of his typical political forays into the State of Georgia from the floor of the Senate.

Someone told me that in this morning's issue of the New York Times there was an announcement that some Negro assemblywoman in New York who had been a Democrat, abandoned that party and organized headquarters for the Senator from New York in his bid for reelection. I am sure there is no connection whatever between that announcement and the position of the Senator on the floor of the Senate. I notice that he becomes more and more vehement as we approach November in his denunciation of a situation about which he knows nothing and cares only for the political mileage that might be involved.

It is very easy to denounce people in another section of our country. No one more deeply regrets or has suffered more anguish from the unfortunate events that are occurring in Albany, Ga., than have the people of that community. There is not a better city or a higher class of citizenry to be found anywhere in the United States than in the little city of Albany, Ga. It is one town in which there was never the slightest restriction on the right of colored citizens to go to the polls to vote. It is one town in which colored citizens have operated businesses and accumulated money. Considering some of the other cities in which such a campaign might have been launched to force the policemen of the city to take action, I cannot understand why Albany, Ga., was selected. I have never been able to understand that. But it was. The people there are confronted with this fact and with a very serious condition.

When the President of the United States made his remarks concerning Albany at his press conference, I said that it was unfortunate that he had undertaken to intervene in the situation there, because such intervention would cause many publicity seekers and sensationalists all over the United States to move into Albany.

I do not say that every one of the latest adventurers, or even most of them, are from New York. I do not know whether they are members of the club that has been organized by the Negro assemblywoman for the political benefit of the Senator from New York or not. I assume that perhaps most of them are. But I do not say that every one of them, without exception, would fall into that category. Most all of them are the type of people who have experienced frustrations of one kind or another, who have never seen their names in the press except to read that the Reverend Joe Doaks married this couple or the Reverend Joe Doaks conducted the last exercise at the cemetery.

They went to Albany, Ga., and violated the ordinances of that city. If they had done it, under the same circumstances, in New York City, they would have been arrested. The chief of police asked them four times to move and stop blocking traffic. They did not do so.

The amazing thing to me, Mr. President, is that when we approach election time, those who have shouted from the housetops that these disputes should be settled in the courts and left to the courts for decision, now take a different attitude, and now say that any means justifies the end, and that they will violate any and all laws with which they do not agree.

These people were asked four times to stop blocking traffic and to move on. They refused to do so. They came there to be arrested, and they were arrested. From what I know of the incident I say they should have been arrested. According to press reports, the Senator from New York has sent a telegram to Albany saying that he would be very glad to go down there.

I can understand his position. I can tell the Senator, that if he does go to Albany, Ga., he will be safe. He will be able to walk on the streets of that city, in any section of it, in the daytime or at night, without any fear of violence being committed upon his person.

I dare say the distinguished Senator from New York would not dare to venture into Central Park in New York City after midnight unless he had a large

police escort with him. He would not dare go on West 94th Street in New York City after nightfall unless he had a large police escort to protect him.

I feel that I owe some obligation to say a word in behalf of the honest, God-fearing people who have been generous to me in times past, and who are the peers of any people represented by the Senator from New York or by any other Member of the Senate.

About a week ago I saw a picture in a New York newspaper showing five or six policemen, wearing steel helmets, crouching and trying to get behind an automobile to avoid the crockery, bricks, and other materials that were being showered upon them from the upstair floors of a building. Nothing like that occurs in Albany, Ga. When people come down there, even if they happen to be sent there by a New York Senator or anyone else, to try to create a situation of lawless chaos, the police department of that city does its duty and arrests them. But it protects them from any violence.

Therefore, I say the Senator would be much safer in carrying on his campaign by going to Albany, Ga. I again assure him that he could walk the streets of that town day or night, and he would be protected; no one would harm him. On the other hand, there are areas in New York City where he would not dare to go out after dark, because he knows he would be mugged and his life placed in peril.

I realize, of course, it is regrettable that three influential metropolitan newspapers are able to call the tune for the other media of communications in this land. I realize that they distort headlines, to influence fairminded men who do not live in the areas where these incidents take place. The press has tried to use the incidents at Albany, Ga., to heap calumny on a people who deserve better treatment.

I notice that the distinguished Senator from New York does not comment on any of the serious racial incidents that have taken place in New York City. It may be that the white people there have been completely cowed.

I have not heard him raise his voice against incidents which have very recently occurred at Cairo, Ill., where a number of members of the Negro race apparently tried to go to a public place, to which objection was made. I believe they tried to go into a skating rink, or a similar place of amusement which was frequented principally by white people. In the violence and fighting that followed many were injured.

This is the kind of beam in the eye criticism to which we have been subjected for so many years. Many people cannot see anything wrong unless it is reported by biased critics of the South.

From what I have heard of the extremely provoking incidents in Albany, Ga., I can feel nothing but pride in the police department of that city in the exercise of remarkable restraint while discharging their duty to preserve order. When a mob of Negroes gathered in the city on one occasion and hit them with beer cans and rocks and spat on them, the police did not break the skin of one of the members of that mob. They conducted themselves with dignity in enforcing the ordinances of the city, which have not been declared to be invalid by any court. They have done their best to keep out any disorderly element or prevent situations from arising that might lead to violence.

The same newspaper, the New York Times, which carried the news of today, of 75 persons going to Albany, Ga., demanding to be arrested and succeeding in having their demand met—reported that the Ku Klux Klan had asked for a permit to parade through the city of Albany, and that the request was denied. The Klan was told that its members would be arrested if they paraded without permission of the city commission.

Whether or not the television cameras which may have been covering the incidents in Albany, Ga., will show it or not, or the reporters for the wire services and the press, I know that the people of Albany, Ga., have in this situation handled themselves with admirable restraint.

I noticed the other day that in an area not too far from the State of New York, a mass meeting was held. The promoter was quoted as saying that he would have 15,000 telephone calls made to Governor Hughes of New Jersey by the people in that community. He said that he could have 18 million calls made to the White House about the situation in this country. I do not believe he would get all those calls through to the President personally though two or three would probably be put through if the callers identified themselves as being the Reverend Luther King.

However, it amused me when I heard on the radio that morning that one white youth had undertaken to walk around the place where the meeting was being held, and he had written on a board that he had attached to a stick, "White people have rights too." Of course he was immediately arrested and hustled off to jail.

I do not know whether it was because he was accused of some profanation or other heresy, but I note that the distinguished Washington Post, which published the news article in its entirety, did not mention the motto inscribed upon the card. So I suppose they assumed that that was obscene language that should not find its way into the press.

But the people of Albany, Ga., are still so old-fashioned that they think white people have some rights, too. Their officials will continue to enforce the ordinances of the city of Albany which are the law of the land so far as Albany is concerned, because they have not been stricken down by any court. These officials will continue to do so without regard to those who make a complete 90 degree turn-about in 15-minutes from pointing a finger at the South, and saying, "You must do these things relating to your school system, your public systems of all kinds, and indeed your private enterprises, because it is the law of the land. The Supreme Court has so written"; but, at the same time, defending a course of conduct by men who do not feel under the slightest compulsion to obey any law they personally regard as unfair. These men have made this exact statement over the radio and the television, and have repeated it time and again, even though the press has not always carried their statements and some of the more biased commentators have not related these statements because to do so might tarnish the attitude of public opinion they wish to create.

It may be profitable to undertake to have one rule of law for those whom one favors, and another rule of law for those whom one disapproves. That is becoming more popular in this country. It has always been so with demagogues.

But as for me, Mr. President, and as for the people of Albany, Ga., we will endure all of this abuse and calumny in the secure knowledge that it either is largely brought forth for some ulterior political purpose or that it grows out of complete ignorance or malice and prejudice against the white people of the South.

Mr. JAVITS. Mr. President, first, I welcome this debate. I think it is very healthy. The distinguished senior Senator from Georgia is a very eminent Senator. He enjoys great distinction in this body, and he deserves it. But, Mr. President, that does not still me, nor does it disquiet me. I welcome it.

Mr. RUSSELL. I can assure the Senator I thought he would welcome it. Perhaps the Senator from Georgia would have done better to restrain himself.

Mr. JAVITS. Mr. President, I should like to observe the rules. If the Senator from Georgia desires me to yield, I shall yield. But I will not be interrupted except under the rules of the Senate. Does the Senator desire me to yield?

Mr. RUSSELL. No; but I hope the Senator will in the future regard the rule he has just laid down.

Mr. JAVITS. The Senator from New York does not remember any occasion—he may be in error—upon which he interrupted another Senator without asking that Senator to yield. If the Senator from Georgia does not mind my saying so, whatever may be his seniority, I am a Senator from New York. I feel that my rights upon the floor of this Chamber are just as sacred as those of any other Senator, whoever he may be. I shall assert them until the people of my State remove me from this Chamber.

Mr. President, I should like to pay my respects to one myth; and if I do nothing else today, I hope Senators will at least pay attention to this. It is the myth that people like myself are engaged in the civil rights effort because we are seeking to get the Negro vote. I would not deal with that subject in so sophisticated a Chamber on anything but the most realistic grounds. So I propound to Senators and to the country this question: The State of New York has a population of 17 million. It has a Negro population of not more than 1,700,000, or thereabouts. Let us assume that everything I do—because, after all, we lawyers are accustomed to assumptions—is neatly calculated to win their support.

In the State from which the Senator from Georgia comes there is a very large number of Negroes, but there is also a very large number of whites. I should say, drawing on my memory, that the proportion is not less than 3 to 1—not less than that. If the Senator from Georgia espouses, as he does, and very ably, the cause of segregation as being the right kind of social order, then I ask Senators: Who is trying to please a greater proportion of his voters by the position which he adopts? If that be the test of politics, who is playing the most politics? I, in New York, which has a population at least 90 percent whites? Or those Senators who are arguing so devotedly for their cause, which I respect, and I respect their sincerity. I have never questioned it. I have never said it is politics to appeal to 75 percent of their people, according to their own statements, because they say the overwhelming majority of their people are absolutely in favor of these policies. I will let Senators and will let the country judge that.

Now as to the case itself: I am not inveighing against the people of Georgia. I do not inveigh against the people of any State or against any Senator from any State. I have never done so, and I never would. That is demagoguery, and I hope never to be guilty of that. If I am, I do not belong here.

But I am inveighing against the processes of our country which we in Congress create, which are seriously deficient in this respect. If the Senator from Georgia had heard me, he would have heard me say that that was one case on which I am not passing mild judgment on anybody, whether the chief of police or the people of Albany, Ga. Their own consciences will determine that. I have only argued that it is shameful and intolerable that the processes of our country, which we create, are so inadequate that there is no provision to deal with a situation like this, and which, to my eyes, and I think to the eyes of millions of other Americans, seems so very difficult and strange that we cannot resolve it in some better way than by means of arresting 75 persons, most of whom are members of the clergy.

That is all I argue. If I did not make it clear before, I wish to make it clear now. I am talking to Senators in respect to our responsibility. Our job is to see that we have a government of law that is able to come abreast of major problems. I say we are seriously deficient when we let a situation like this go on and on, foster it, and let it become exacerbated, because apparently we do not think the laws have come abreast of it. That is all I argue; nothing else.

The second point is that it is said most of these people come from New York. That is not so. I said when I began that I generally try to give my facts to the Senate, just as does the distinguished Senator from Georgia. Fourteen of those persons came from my State. The rest came from other States. Indeed, five of them, according to the newspaper report, are Georgians. Others are from New Jersey, Connecticut, and other States.

Finally, as to my crying out against segregation or discrimination anywhere else, perhaps the Senator from Georgia has not heard me, but I have always done that in just as vigorous a way. Indeed, I wrote a book about it, entitled "Discrimination—U.S.A." Anyone is welcome to read it. I will welcome any evaluation which will find that I did not lay on with an even hand in the North, South, East, or West, so far as I count at all.

I have made only one point. I make it again. I make it advisedly. I feel that in the section from which I come, as well as in the North, in the Middle West, and the West, the public climate supports efforts to do away with this national scourge of segregation and discrimination, and many laws are on the statute books which are designed to do away with them.

I have been in certain Southern States where, unfortunately, I believe the whole social organization, the whole public climate, the whole body of law are exactly the other way. Indeed, in this very morning's newspaper, I read that the Department of Justice has instituted a suit to declare invalid certain statutes of one of the sovereign States of the South because they are laws which result in segregation exactly to the contrary of what the Department of Justice thinks, and I think and believe the majority of Congress thinks, is the law of the land according to the Constitution of the United States.

Finally, some effort was made to compare this situation with the situation of crime or delinquency upon the streets of New York. Let us remember that the population of New York is 8 million, so we do have a fair proportion of crime and delinquency and difficulty, as does every other great city; as does, I hazard, any great city in the South, whether Atlanta, Birmingham, or one of the other great cities of that region. But we get along pretty well, nonetheless; and I move around New York with the other 8 million in a reasonable degree of security.

But what does that have to do with the case?

As President Eisenhower has said in what I consider a very eloquent statement, the most secure place is the tomb. It is very secure; one cannot possibly be hurt there. But is that the criterion? Is that the answer to injustice or violations of constitutional rights or any other inherent difficulty in the organization of our society? Of course, we know it is not. That is an irrelevant argument. It is nice to invoke it in order to make some kind of case, but I do not think it means anything in this particular respect.

To sum up, Mr. President, let me say that I have always stated, and I now repeat, that I have the highest respect for the sincerity and the good faith of the Senators from the South, and especially the Senator from Georgia [Mr. RUSSELL], under whom I work on a very important committee. If I needed anything to enable me to appraise at the very highest level his integrity and his sincerity, that would be it.

Neither do I challenge the action of the people of Georgia. They are doing what their consciences dictate. I am directing my fire—if you will—at the intolerable situation existing in an American community where something that is happening is most discreditable, it seems to me, to our entire Nation, and reflects on the laws of the United States, under which, in my view, we have not come abreast of the processes which will enable us to deal with this particular subject. It is an opportunity in a most dramatic way—I refer to the incident which recently took place at Albany, Ga.—to demonstrate that thesis.

That is the sum total of my view. I feel very strongly about that. I think the key civil rights measure which we have constantly avoided is one dealing with the power to go into court—the very measure which I think is needed more than any other single measure in this whole field. If we needed a dramatic—indeed, a violent—illustration of that, I think it is this new technique for breaking the drive against segregation, which has been developed in Albany, Ga.—the new technique of mass arrests for violations of a municipal ordinance, which can then be claimed, as my distinguished colleague has stated, as the law of the land and the law for Albany, Ga., until it is upset.

But it seems to me that in the meantime all our legal processes are held up to ridicule, when one realizes that we do not have machinery to protect citizens of the United States—not citizens of Georgia; and the Constitution makes that distinction—and that we do not have the necessary means to cope with a situation which, I say again—I say it unilaterally—is intolerable, and I think it should be intolerable to the country.

Mr. RUSSELL. Mr. President, in the course of my remarks, I omitted to say that the Mayor of the city of Albany, Ga., had met time and again with the Albany members of these demonstrators and had urged them to go into the Federal courts and bring a proceeding, so that the courts could determine if any of these ordinances to which they object were invalid and which were valid, and there determine what the rights of the respective races were. He begged them to go into the courts. But when they refused to do it, and insisted upon a course of lawlessness to enforce their demands, he refused to meet further with them.

Mr. President, heretofore those who have been so active in championing the so-called civil rights movement have spent all their time denouncing those who would not comply with the orders or decisions of the courts. But now they seek to defend those who defy the courts and the law.

Mr. President, I merely wish to say, further, that the Senator from New York indicated that someone tried to keep him from speaking on the floor of the Senate; and he said he had the duty and the right to speak, and that he would speak when he pleased.

Mr. President, no one would defend him more earnestly than I would in the exercise of that right, although I disagreed almost completely with all that

he said. But even if I disagreed as to his exercise of that right, I would know better than to attempt to keep the Senator from New York from speaking; I am more aware of my own limitations than is anyone else, and I realize that the entire Senate could not keep the Senator from New York from speaking as often as he sees fit; and I have no complaint to make because of the fact that he sees fit to speak quite often.

Mr. President, I doubt very much that colloquies of this kind serve any very useful purpose. Perhaps I should not have made any statement whatever on this subject. But when I walked into the Chamber and heard some of the remarks the Senator from New York made, I felt that patience as a virtue had been worn completely threadbare, and that in common justice and common decency to the patriotic American citizens of my State I should inveigh against the campaign of misrepresentation to which they have been subjected.

The press that has cried out that everyone should follow the court decisions because they were the law now says, when it comes to the case of Albany, Ga., that almost one-half of the citizens, because they are Negroes, have the right to determine for themselves whether they will obey the law. That is the kind of injustice and the kind of unfairness the people of the South have come to expect. We realize we have not the media of communication to get a true picture of conditions before the American people. But we are human, and we resent such contemptible mistreatment and mistatements and inconsistency in dealing with one section of this country.

Mr. President, we have nothing to apologize for. In the 100 years that have elapsed since Appomattox, when one considers the disadvantages with which the people of the South have had to contend, living for years under Federal bayonets, and always under the threat of the legal processes of the Federal Government and the Department of Justice, whether during Republican administrations or during Democratic administrations, they have come farther from the ashes and have done better with a great problem than have any other people in all of human history.

History does not record, anywhere in its annals, and I defy anyone to bring forth an instance of it—another case where two races so nearly equal in number were so quickly transformed from the relationship of master and slave to the relationship of those who stand equal before the law. And all that development occurred despite those many years when our people were in abject poverty. Even during those periods, the white people of the South taxed themselves, in their poverty, and did more to bring forward the Negro race than has ever been accomplished anywhere else under the canopy of Heaven in the same period of time. That progress has continued. So we have no apologies to make.

We do resent our tormentors and detractors. I suppose that if we were perfect, if we could ever expect to be, we would look upon them with the compassion of the only Man who is said to have possessed perfect compassion, and would say, "Forgive them, for they know not what they do." But we know they do know what they are doing and we know they should be more honest than to twist, misrepresent, and distort our people while closing their eyes to conditions on their own threshold.

Mr. TALMADGE. Mr. President, Albany, Ga., has been much in the news in recent months, and many persons seeking to profit from the situation there have not hesitated to exploit it.

One of the groups leading this exploitation is the Congress of Racial Equality, otherwise known as CORE. This organization conducts classes to train recruits to go out over the Nation to provoke incidents and get themselves arrested.

A few days ago one of its principals announced he was going to Europe to hold a press conference. The only reason I can possibly think of for going that far to hold a press conference is that the individual hoped to be able thereby deliberately to damage the United States of America in the eyes of some areas of the world.

Mr. President, I make the charge that some of the groups fomenting strife in Albany, Ga., are there for the specific purpose of damaging this country in foreign relations. In that regard I think it significant to note that 9 out of the 16 members of CORE's national advisory committee have records of identification or affiliation with subversive organizations or causes.

Of course, Mr. President, those of us who have the honor to represent States of the South in this body have long since ceased to be surprised at Senators from certain areas of the country who make a practice of attempting to discredit our region. It does, however, seem somewhat inconsistent for these same Senators not to express similar concern about conditions in other areas of the country.

Right here in Washington in recent weeks a Congressman's secretary, kneeling in prayer in a church of her faith on Capitol Hill was stabbed 11 times. Yet we heard none of these Senators raise his voice to decry the heinous nature of that crime.

Day after day we read about rapes, murders, and crimes of violence here in the District of Columbia. Yet these self-righteous Senators never raise their voices about the reign of terror in Washington.

It seems to me, the junior Senator from Georgia, Mr. President, that, if these Senators are opposed to crime, this is a very fertile area in which their influence is both needed and wanted.

Let me say, in conclusion, that the arrests made in Albany, Ga., have been for violation of city ordinances, particularly those dealing with regulation of traffic and public parades and demonstrations. As my senior colleague pointed out, those who have been arrested would be arrested in any other city of America for doing what they did.

We have recently seen the Supreme Court of the United States deny the right of prayer to pupils in the public schools of New York.

If the distinguished senior Senator from New York [Mr. JAVITS] is so interested in citizens having the right to pray, it seems to the junior Senator from Georgia that he should be seeking that right for students in his State, rather than advocating its exercise in violation of the law by meddling outsiders in the middle of the public streets of Albany, Ga.

THE 46TH SESSION OF THE INTERNATIONAL LABOR CONFERENCE

Mr. McNAMARA. Mr. President, I recently returned from Geneva, Switzerland, a city often associated in the minds of the American people with East-West tensions and their frustrating international negotiations. Happily, my experience was both constructive and stimulating.

I served as congressional adviser to the American delegation at the 46th session of the International Labor Conference, the principal body of the International Labor Organization. It was a privilege to join in an international effort to better the conditions of work and life. Much has been done by this distinguished organization: much remains to be done. Nearly 50 years ago, when I first became an apprentice at an hourly wage of 9 cents, I was fortunate enough to work an 8-hour day. Millions of workers have not yet reached this condition.

The International Labor Organization is doing practical work for world peace. Its aims are high, therefore its task is long. It would construct a floor under the conditions of life and labor throughout the world by establishing international standards and by direct technical assistance. Adequate conditions of work and living lessen the unrest born of poverty that imperils peace in so many parts of the world today. Every working man, but particularly he who is voiceless, exploited, and unprotected, has a powerful unseen friend in this organization. The United States works within few international organizations that affect the daily lives of so many with such a powerful potential in international affairs. Consider, for example, the newly emerging nations of the world, where working men often are pioneers of political development. It behooves us, as a nation, to cherish, support, and actively participate in ILO activities, which parallel our own efforts and ideals.

The main task of the International Labor Conference is to draft international minimum social and labor standards that are then subject to ratification by member states. It is a strenuous activity. Because it is a constructive and continuing activity it does not, like disaster, catch the public eye. I watched delegates from nearly 100 nations work, teach, and learn in considering practical questions related to social security, vocational training, prohibition of unguarded machinery, and the 40-hour week.

This conference was for me a remarkable demonstration of our kind of democracy at work in an international forum.

I was struck by the basic similarity between its proceedings and those of our own distinguished body. Both reflect the fundamentals of democratic procedure—the expression of individual interest, the conflicts of those interests, and the achievement of consent through rational argument and compromise. It has been said that the case for democracy is that it accepts rational and humane values as ends, and proposes as the means of realizing them the minimum of coercion and the maximum of voluntary assent: that the chief virtue of democracy is that, with all its faults, it still provides the most favorable conditions under which man can maintain his dignity and practice his morality. No words of mine could more accurately describe the activities of the 46th International Labor Conference.

A number of Communist delegates appear in this free market place of ideas. Often they bear proposals designed to destroy it. They will not, indeed they cannot, do so. They are forced to operate within the democratic procedures long and firmly established by the Conference, and approved by the overwhelming majority of member nations. Communist representatives at the Conference work in unnatural surroundings. Free world representatives do not. The natural advantage provided the American delegation by the democratic framework of the Conference was evident in the widespread influence of our delegation among the many non-Communist nations represented there.

Our delegation was, of course, tripartite, made up of representatives from Government, labor, and employer organizations who in turn were backstopped by advisers. I am especially proud of the close and harmonious working relationships established between them. Although each has a primary and legitimate interest to represent, each expressed a constant concern for the overall American position.

Each morning before beginning the long day's work at the Palace of Nations the U.S. delegation sat down together to discuss the work of the ILO and to try, where possible, to arrive at a common policy and strategy. The exchange of ideas and the advice generated at these meetings was invaluable to every member of the group. It increased the individual and overall effectiveness of our delegation. There were not enough hours in the day for the work of the members of our delegation. Our mission, though badly undermanned, made every effort to contact as many as possible of more than 1,000 delegates attending the conference this year.

In the give and take of the working sessions, with their inevitable political overtones, our delegates performed admirably. The able leader of the American delegation, Mr. George L-P Weaver, Assistant Secretary of Labor for International Affairs, actively coordinated the complex American activities and effectively rebutted attacks, some of them personal, made upon him by Soviet bloc countries. I was particularly impressed by the eloquent and intelligent sallies directed by the American worker representatives against the state of enslaved trade unionism of Communist countries. The contribution of the employer representatives proved to be strong and useful. On many issues worker and employer representatives formed a united front within the American delegation.

Change is the law of life. "The dogmas of the quiet past," said Lincoln, "are inadequate to the stormy present. The occasion is piled high with difficulty and we must rise to meet the occasion. As our case is new, so we must think and act anew." The International Labor Organization, born to promote change, is itself on the brink of change. Member nations and the staff of the organization will join together next year to consider the adequacy of ILO programs and the adjustment of the ILO to our rapidly changing, revolutionary world. This could be a momentous occasion in the history of the ILO. Worker, employer, and Government representatives must seriously consider the new complexities in their work arising from the admission of so many newly independent countries. The Organization has become increasingly involved with the problem of how to meet the needs of less developed countries. For representatives of new nations, the ILO is a forum of great prestige. More than that, it is an organization whose interests and activities can meet their most urgent needs. They aspire to greatness but they lack the means to achieve it. The ILO presents an unparalleled opportunity for the delegates from the industrialized nations to instruct while aiding, and for the less developed nations to learn while doing.

Mr. President, I hope that this body, my distinguished colleagues in both Houses of the Congress of the United States, will increasingly support and endorse the efforts of our Government in this immensely practical and useful undertaking. As a practical beginning, I urge the Department of State to review its advisory support for the American delegation with a view to expanding it. Our delegation this year, excellent though it was, was not sufficiently manned to exert the proper amount of influence at the Conference. We need as strong a representation as we can possibly get.

I was proud to work at Geneva with the earnest and distinguished members from the Government, employers and workers groups, who gave of their time and effort so freely and effectively at the International Labor Conference. In their united action and in their independent stands, they provided a practical demonstration of our democracy in action in a forum where it could be seen to the best effect.

CONTINUING APPROPRIATIONS FOR THE FISCAL YEAR 1963, AND FOR OTHER PURPOSES—JOINT RESOLUTION

Mr. HAYDEN. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate proceed to the consideration of House Joint Resolution 864.

The PRESIDING OFFICER. The joint resolution will be stated.

The CHIEF CLERK. A joint resolution (H.J. Res. 864) that the joint resolution of July 31, 1962 (Public Law 87–564), is hereby amended by striking out "August 31, 1962" and inserting in lieu thereof "September 30, 1962."

The PRESIDING OFFICER. The question is on agreeing to the request of the Senator from Arizona.

The request was agreed to; and the Senate proceeded to consider the joint resolution.

Mr. WILLIAMS of Delaware. Mr. President, I have no objection to the consideration of the joint resolution. I objected to its consideration this morning, but since then I have spoken with the conferees on the legislative appropriation bill with respect to the item about which I had inquired, namely, the sending of junk mail by Members of Congress. That item will come before the conference committee tomorrow, and I have been assured that the conferees will consider it. Therefore, I have no objection to the joint resolution.

The PRESIDING OFFICER. The question is on the third reading and passage of the joint resolution.

The joint resolution (H.J. Res. 864) was ordered to a third reading, was read the third time, and passed.

OCEANOGRAPHIC ACT OF 1962

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S.901) to advance the marine sciences, to establish a comprehensive 10-year program of oceanographic research and surveys, to promote commerce and navigation, to secure the national defense, to expand ocean, coastal, and Great Lakes resources, to authorize the construction of research and survey ships and laboratory facilities, to expedite oceanographic instrumentation, to assure systematic studies of effects of radioactive materials in marine environments, to enhance the public health and general welfare, and for other purposes, which were, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Oceanographic Act of 1962".

SEC. 2. (a) It is hereby declared to be the policy of the United States to develop and maintain a coordinated, comprehensive and long-range national program in oceanography. In furtherance of this policy the humanitarian and economic welfare of the United States and the national security require that adequate provision be made for continuing, systematic research, studies, and surveys of the ocean and its resources, and of the total marine environment.

It is further declared to be the policy of the United States to implement the national program through the balanced participation and cooperation of all qualified persons, organizations, institutions, agencies, or corporate entities, whether governmental, educational, nonprofit, or industrial.

(b) It is the purpose of this Act to carry out and effectuate the policies declared in subsection (a) of this section.

SEC. 3. (a) The Office of Science and Technology (hereinafter referred to as the "Office") established by Reorganization Plan Numbered 2 of 1962 shall establish a

national program of oceanography. In order to insure that the greatest possible progress shall be made in carrying out this national program, the Office shall issue a statement of national goals with respect to oceanography, which shall set forth methods for achieving those goals and the responsibility of the departments, agencies, and instrumentalities of the United States to carry out the national program on an integrated, coordinated basis.

(b) The national program of oceanography established in accordance with subsection (a) of this section may be revised from time to time as the Office determines necessary.

(c) In establishing the national program of oceanography and in revising such program the Office shall consult with all interested departments, agencies, and instrumentalities of the United States, as well as capable non-Federal institutions and industries where appropriate.

SEC. 4. (a) There is hereby established in the Office the position of Assistant Director for oceanography. The Assistant Director shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of $19,000 per annum.

(b) The Assistant Director shall perform such duties and exercise such powers in carrying out this Act as the Director of the Office shall prescribe.

SEC. 5. (a) The Director is authorized to appoint an Advisory Committee for Oceanography to consist of seven members.

(b) The Advisory Committee shall meet at the call of the Director. The Advisory Committee shall review the national program of oceanography and revisions thereof and may make recommendations with respect thereto.

SEC. 6. The Director shall report annually during the month of January to the President and the Congress. Such report shall contain the following:

(1) The general status of oceanography.

(2) The status of research, development, studies, and surveys conducted (directly or indirectly) by the United States in furtherance of oceanography, together with application of such research, development, studies, and surveys.

(3) A detailed analysis of the amounts proposed for appropriation by Congress for the ensuing fiscal year for each of the departments, agencies, and instrumentalities of the Government to carry out the purposes of this Act.

(4) Current and future plans and policies of the United States with respect to oceanography.

(5) Requests for such legislation as may be necessary to carry out as rapidly as possible the purposes of this Act.

SEC. 7. As used in this Act the term "oceanography" includes, but is not limited to, the acquisition, assembling, processing, and dissemination of all scientific and technological oceanographic and related environmental data, including, but not limited to, physical, geological, biological, fisheries, hydrographic and coastal survey, meteorological, climatological, and geophysical data.

And to amend the title so as to read: "An Act to provide for a comprehensive, long-range, and coordinated national program in oceanography, and for other purposes."

Mr. MAGNUSON. Mr. President, I move that the Senate disagree to the amendments of the House of Representatives, request a conference thereon with the House of Representatives, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. SMATHERS, Mr. ENGLE, Mr. BARTLETT, Mr. BUTLER, and Mr. KEATING conferees on the part of the Senate.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had agreed to the amendments of the Senate to the bill (H.R. 7278) to amend the act of June 5, 1952, so as to remove certain restrictions on the real property conveyed to the territory of Hawaii by the United States under authority of such act.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 3327. An act to make eligible for assistance under the public facility loan program certain areas where research or development installations of the National Aeronautics and Space Administration are located;

H.R. 1388. An act for the relief of Tai Ja Lim;

H.R. 5532. An act to amend chapter 137, of title 10, United States Code, relating to procurement; and

H.R. 10743. An act to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER (Mr. HICKEY in the chair). The question is on agreeing to the committee amendment in section 4, on page 41, line 18, after the word "to", to insert "or associated with"; on page 42, line 4, after the word "to", to insert "or associated with"; in line 7, after the word "to", to insert "or associated with".

The yeas and nays have been ordered on the amendment.

Mr. KERR. Mr. President, I ask unanimous consent that the rollcall, under the yeas and nays ordered on the amendment, start in 7 minutes.

The PRESIDING OFFICER. Is there objection?

Mr. GORE. Mr. President, reserving the right to object——

The PRESIDING OFFICER. Objection is heard by the Senator from Tennessee.

Mr. GORE. Mr. President, reserving the right to object, will the Senator reserve to me, in case I desire to use them, 2 minutes?

Mr. KERR. Mr. President, I make a unanimous-consent request that the vote on the amendment start in 9 minutes, the last 2 of which will be assigned to the Senator from Tennessee [Mr. GORE].

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. KERR. Mr. President, the motion before the Senate is to insert on pages 41 and 42 the words "or associated with" in three places. Those words were inserted in the House bill by the Senate Finance Committee for a very specific purpose. On page 41 of the bill, beginning in the statement concerning section 274, "Disallowance of Certain Entertainment, Etc., Expenses" are these words:

> No deduction otherwise allowable under this chapter shall be allowed for any item * * *
>
> With respect to an activity which is of a type generally considered to constitute entertainment, amusement, or recreation, unless the taxpayer establishes that the item was directly related to the active conduct of the taxpayer's trade or business.

A little further over in the section, beginning on page 45, is a list of specific exceptions to the application of subsection (a), which I have just read, and those specific exceptions cover most of page 45, page 46, page 47, and down to and through line 6 on page 48.

The House report makes an absolute nullity of the language on page 41, which is a general statement of the activities generally considered to constitute entertainment, amusement, or recreation directly related to the active conduct of the taxpayer's trade or business.

The House report is so strict that it makes a nullity of that part of the bill.

As the Secretary of the Treasury told our committee, he could not think of anything that could be deductible under these conditions other than those things listed in the bill on the pages I have referred to as specific exceptions to the application of the subsection.

The Senator from Tennessee told us a little while ago that the Senate is asked to approve this amendment, which is the insertion of the words "or associated with," and that by so doing we would approve the language in the report.

The choice actually is between the language of the two reports.

The Senator from Oklahoma asked the Treasury Department to provide some words which could be inserted in the bill without changing the meaning of it, so that the strict report on the House bill would be in conference. These were the three words which were provided.

In the writing of the report by the staff of the Senate Finance Committee, it is the opinion of the Senator from Oklahoma that they went too far, but it is also the opinion of the Senator from Oklahoma that the language in the House report does not go far enough.

Therefore, Mr. President, if the language is approved, the subject will be in conference. If the language proposed by the Senate committee is disapproved, then, according to the statement of the Senator from Tennessee [Mr. GORE], we would thereby approve the language of the House bill, in accord with a House committee's very strict report.

I am sure that if Senators would read that report, they would not wish to approve it. Therefore, I urge the Senate

not to disagree to the committee amendments, for the very simple reason that the only way we can take to conference a provision which will permit us to agree on a middle ground, between the report of the House committee and the report of the Senate committee, is to keep these three words in the bill and to arrive at an adjustment in conference.

In reality there is no difference, when we note that the item either was directly related to the active conduct of the taxpayer's trade or business or was associated with the active conduct of the taxpayer's trade or business. The meaning of the language is almost identical. The difference is in the two reports.

I assure the Senate that the difference can be adjusted in conference, provided the amendment of the committee is agreed to; and I urge that that be done.

I ask unanimous consent to have printed in the RECORD at this point a statement in respect to this question.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The original recommendations of the Treasury included the following:

1. Disallowance in full of expenses for business entertainment, such as expenditures for entertaining guests at nightclubs, theaters, country clubs, prizefights, and on hunting and fishing trips.

2. Disallowance of expenditures attributable to a yacht, hunting lodge, fishing camp, resort property, or other facility of a type generally used for pleasure, recreation, entertainment, etc., if primarily used for such purposes. Deduction for company cafeterias and dining rooms on the business premises would not be disallowed. Expenditures for automobiles, airplanes, apartments, and hotel suites would be disallowed to the extent used for pleasure, recreation, entertainment, etc.

3. Disallowance of cost of gifts except where annual cost per recipient does not exceed $10.

4. Disallowance in full of dues or fees of social, athletic, and sporting clubs.

5. Disallowance of expenditures for food and beverages except expenditures for food and beverages furnished to employees on the business premises, expenditures for food and beverages furnished as part of business meetings (but limited to $4 to $7 per day per individual), and expenditures for food and beverages included in travel.

6. Disallowance of expenditures for transportation, meals, and lodging attributable to traveling away from home except for cost of transportation allocable to the business and except for cost of meals and lodging not in excess of $32 per day.

The Treasury estimated that these recommendations would increase revenues by at least $250 million per year.

This reflects the disallowance of some $625 million of expenditures.

On this basis, the Senate Finance Committee provision, which would increase revenues by $85 million, involves the disallowance of some $210 million of expenditures on business travel, gifts, and entertainment.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. KERR. Mr. President, how much time remains?

The PRESIDING OFFICER. One and one-half minutes.

Mr. KERR. They belong to the Senator from Tennessee.

The PRESIDING OFFICER. That is the share remaining to the Senator from Oklahoma.

Mr. KERR. Then I yield to the Senator from New York.

Mr. JAVITS. I merely wish to tell the Senator that I have inventoried this question with the committee on Federal taxation of the New York State Society of Certified Public Accountants. Their analysis of existing law would, in my view, sustain the Senator's position. I intend to vote that way. If the Senator will allow me, I should like to ask unanimous consent to include my exchange of correspondence in the RECORD.

Mr. KERR. Mr. President, I thank the Senator from New York for his observations, and I make that request.

There being no objection, the correspondence was ordered to be printed in the RECORD, as follows:

JULY 25, 1960.

GENTLEMEN: During the Senate consideration of the Public Debt and Tax Rate Extension Act of 1960, an amendment was adopted which would have prohibited the deduction for tax purposes of most business entertainment expenses. This amendment was stricken out in the conference between the two Houses and there was substituted for it a new section calling for studies by the Joint Committee on Internal Revenue Taxation and the Internal Revenue Service relating to this problem.

During the debate on this provision, I stated to Senator JOSEPH CLARK of Pennsylvania, the sponsor of the original amendment, that I would ask a number of leading public accounting firms in New York about this question, which has become a matter of major concern—it is claimed to be a multimillion-dollar tax loophole. My particular interest lies in the determination of a fair and equitable way of dealing legislatively and administratively with the ordinary deduction as necessary business expense of entertainment, gifts, dues, or initiation fees in nonprofessional organizations and similar items in order to avoid excesses and abuse.

In view of the respected position of your committee in the public accounting field, I would very much appreciate having your views and suggestions on this important economic issue.

Best wishes.

Sincerely,

JACOB K. JAVITS,
U.S. Senator.

OCTOBER 11, 1960.

DEAR SENATOR JAVITS: This is in answer to your letter of July 25, 1960, addressed to the committee on Federal taxation of the New York State Society of Certified Public Accountants, dealing with the deduction for tax purposes of business expenses for entertainment, gifts, dues, or initiation fees in nonprofessional organizations and similar items (all of which are, for purposes of brevity, hereinafter referred to as entertainment expenses). We regret very much our delay in answering, which was attributable to the time required to coordinate the views of our committee on this important question.

In considering the problem of entertainment expenses, one basic concept must be kept clearly in mind. There is no specific provision in the Internal Revenue Code dealing with entertainment expenses beyond that applicable to other business expenses. Such expenses are presently deductible under section 162 of the Code which allows "as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business." Therefore, under the statute as it exists, only those entertainment expenses which are ordinary and necessary in a taxpayer's business may be deducted. It should also be noted that, in litigated cases, the courts have, generally speaking, applied this principal stringently. They have required the taxpayer to prove that the expenses were incurred, and that such expenses were necessary in the business and had a proximate relationship to the production of income. The portion of particular entertainment expenses applicable to the taxpayer personally has been disallowed.

Where deductions have been based on estimates of expenses, even though of a type which is difficult or impossible to prove exactly, only small portions have been allowed. A case such as the famous African safari deduction which has received so much publicity simply does not represent the treatment generally given by the courts in this area. Incidentally, in fairness to the Tax Court judge who decided that case, an objective scrutiny of the facts indicates that it was a borderline situation. The Internal Revenue Service has acquiesced in the decision but narrowly limited its application.

It is clear, then, that entertainment expenses are deductible only if they meet the same ordinary and necessary tests which apply to all business deductions. If any such expenses are deducted which do not meet the tests, but are nevertheless not detected by the Internal Revenue Service, we do not believe it is proper to state that a tax loophole exists. The problem in such a case is not to be found in the law, but in its enforcement. The same comment can be applied to many other provisions of the Code which are difficult to enforce, such as the deduction for dependents and the taxability of dividends and interest on bank accounts and other sources.

Since the same legislative and judicial tests apply to entertainment expenses as to other business deductions, any legislative limit on the deductibility of such expenses should have some justification. It is not enough to say that a loophole exists. If tax avoidance exists in this area, it is because of the difficulty of enforcement and not because of the statute itself, and such enforcement difficulties are equally applicable to many other tax provisions. It is true that expenses which are contrary to law are not deductible. But other expenses, such as kickbacks by opticians to doctors and administrative expenses of illegal businesses have been held to be deductible by the courts. If an entertainment expense is contrary to law, such as the purchase of liquor in a dry State, it is not deductible under the so-called public policy rule.

It is probable that some elements of what, for want of a better term, we will call public morality has influenced thinking in this area. It is not difficult to be incensed at the thought of a group of businessmen being entertained at a nightclub or taken to the Kentucky Derby on tax-deductible expense accounts. But once again, we submit that the matter is one of enforcement and not a "loophole" in the law itself.

It has been our experience that the large majority of entertainment expense situations which are properly looked on as abuses do not meet the ordinary and necessary tests and should be, and very often are, disallowed on examination.

On the other hand, a great many taxpayers incur perfectly legitimate entertainment expenses which are completely in keeping with ethical standards and are both required by business needs and are modest in proportion to the business involved. We sincerely believe that it would be unfair and unjustified to change the law to the detriment of these taxpayers because of the pub-

licity given to abuses in claiming deductions which are improper under current law. You should be interested in knowing that excessive deductions in this regard by closely held corporations are not only disallowed to the corporation but also taxed to the individual accountable for the expenditures. This double impost, frequently as much and more than 100 percent in total, acts as a substantial deterrent.

In summary, we believe that the present law does not require change. As already interpreted by the courts, it gives the Internal Revenue Service adequate weapons with which to combat excesses and abuses. Any additional statutory limitation would operate unfairly against entertainment expenses which meet the statutory requirements. It would apply tests different from those applicable to all other types of business expenses.

It would be helpful for us to comment briefly on the administrative problems and practices affecting entertainment expenses. There is no doubt that the proper enforcement of the law as we have outlined it creates a great deal of work for the Internal Revenue Service. In addition to the detection of abuses, there are many honest differences of opinion between revenue agents and taxpayers or their representatives as to whether an expense is "ordinary and necessary." The Service's job would, therefore, be made much simpler if the deductibility of entertainment expenses was limited or eliminated completely. Of course, the same statement can be made of all of the other deductions permitted by the Internal Revenue Code. Thus, the necessity of checking on dependent and charitable contribution deductions also imposes a burden on the Service. Nevertheless, if the present statute is proper, as we think it is, the administrative burdens flowing from it are another inevitable function of government in this complicated society of ours. Similar illustrations abound in the tax field. The excess profits tax, for example, was certainly as complicated and burdensome on administrative officials as any other revenue statute we can imagine, yet it was used in both World War II and the Korean war.

As a second example, the entire concept of long-term capital gains is probably responsible for more serious tax litigation than any other problem area, yet it is not contemplated that capital gain taxation be eliminated.

As a matter of actual practice, we know that the Internal Revenue Service is well aware of the abuses in the entertainment expense area, and is constantly striving to make its audit procedures as effective and as far reaching as possible. For the past couple of years, questions about reimbursed expenses have appeared on individual income tax returns, and 1960 tax returns will solicit additional information from employers. On the audit level, revenue agents are constantly being pressed to analyze and seek substantiation of entertainment expense deductions, even to the point where taxpayers with legitimate deductions may consider themselves as being overly harassed. As accountants dealing with this problem continuously, we assure you that the steps being taken by the Service are getting and will continue to get results. Furthermore, by words and action, the Service has indicated that it will continue to improve its practices and procedures until it has eliminated abuses in the deduction of entertainment expenses.

For all of the above reasons, we are of the opinion that the present statute is satisfactory and need not be changed to deal specifically with entertainment expenses, and that the administration of the statute by the Internal Revenue Service is good and getting better all the time.

We appreciate your inviting our views and hope they are of some help to you. If we can be of any further assistance to you in this matter, please do not hesitate to call on us.

Very sincerely,

COMMITTEE ON FEDERAL TAXATION.
ARTHUR DIXON.

OCTOBER 28, 1960.

DEAR MR. DIXON: Thank you for your letter of October 11, 1960, expressing the views of the committee on Federal taxation of the New York State Society of Certified Public Accountants with respect to entertainment and gift deductions.

I have read your comments most carefully, and you may be sure that I appreciate the careful study and consideration that went into them. I believe that the accounting profession is performing an important public service in its continued concern with problems such as these, and I assure you that I too shall continue to follow most carefully the progress of the Internal Revenue Service's enforcements policy.

Best wishes.

Sincerely,

JACOB K. JAVITS,
U.S. Senator.

Mr. KERR. Mr. President, I yield the floor.

Mr. GORE. Mr. President, this is a remarkable situation. Neither the chairman of the Finance Committee, the distinguished senior Senator from Virginia [Mr. BYRD], nor the Senator in charge of consideration of the bill, the ranking majority member of the committee, the distinguished senior Senator from Oklahoma [Mr. KERR] has defended the committee report, which gives the legislative intent—the committee's intent—and, therefore, legal effect to the pending amendment. Indeed, the senior Senator from Oklahoma has told the Senate that the Senate committee report goes too far.

That does not resolve the issue. The report is on the desk of each Senator. It gives the meaning of the words "or associated with." This is what we shall vote upon. We are asked to vote to approve the language, and to leave it to the tender mercies of the conference committee to do something, of which we are not sure.

That does not resolve the issue. Senators must vote, when the roll is called, upon the pending amendment with the meaning given to it by the report which is on the desk of each Senator.

Mr. President, the issue is serious. It goes to the heart of the question of whether we wish to move toward the correction of widespread abuses of expense accounts or whether we wish to permit them to continue.

Mr. MILLER. Mr. President, I rise in support of the committee amendment, which adds the phrase "or associated with" to the phrase "directly related to" in describing the kind of entertainment, amusement, or recreation expenses that are deductible. To delete this phrase, as the opponent would do, leaving the deductibility of such expenses governed solely by the test of whether or not they are "directly related to" the trade or business would be far too harsh and would be unnecessary in light of the present state of the tax law.

It is readily apparent to anyone who has had experience in business that there are types of expenses for entertainment, for example, which have no direct relationship to making a sale or obtaining a contract or effecting a transaction, but which have a powerful effect on promotion of good will and obtaining of business out of which additional income will be derived on which taxes will be paid. For example, I know of one small businessman who annually gives a Christmas party for the children of poor families in his community. The good will that this has generated among the people of the community has had a beneficial effect on this taxpayer's business down through the years. In fact, the party has become such an annual event that if he were to discontinue it now, it is possible that his business would fall off.

The standard of "ordinary and necessary" is still applicable to the deductibility of these expenses. Their disallowance by a careful revenue agent means that the taxpayer then has the burden of proving that they are ordinary and necessary. This is a heavy burden. Between it and the legislative history of this amendment as set forth in the report of the Committee on Finance, I do not foresee abuses such as those which we have occasionally read about in the newspapers. Sound enforcement of the tax laws by the Internal Revenue Service, aided by the very strong language contained in the committee's report, is all that is needed. I therefore hope that the Senate will accept this amendment by the committee.

Mr. BUSH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BUSH. Will the Presiding Officer clarify the vote which is about to be taken?

The PRESIDING OFFICER. The question is on agreeing en bloc to the committee amendments on page 41, line 18, and page 42, lines 4 and 7. The language is italicized on those pages.

Mr. BUSH. A "yea" vote is a vote for the committee amendments?

The PRESIDING OFFICER. A "yea" vote is a vote for the committee amendments. A "nay" vote is a vote against the committee amendments.

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. BIBLE] is absent on official business.

I further announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Alaska [Mr. GRUENING], and the Senator from Missouri [Mr. SYMINGTON] are necessarily absent.

On this vote, the Senator from Alaska [Mr. GRUENING] is paired with the Senator from Missouri [Mr. SYMINGTON]. If present and voting, the Senator from Alaska would vote "nay," and the Senator from Missouri would vote "yea."

Mr. KUCHEL. I announce that the Senator from Maryland [Mr. BUTLER],

the Senator from New Hampshire [Mr. MURPHY], and the Senator from Wisconsin [Mr. WILEY] are necessarily absent.

If present and voting, the Senator from New Hampshire [Mr. MURPHY] would vote "yea."

The result was announced—yeas 54, nays 39, as follows:

[No. 223 Leg.]

YEAS—54

Aiken	Goldwater	McCarthy
Allott	Hartke	McClellan
Beall	Hayden	Metcalf
Bennett	Hickenlooper	Miller
Bottum	Hickey	Mundt
Byrd, Va.	Holland	Pearson
Cannon	Hruska	Prouty
Capehart	Javits	Randolph
Carlson	Jordan, N.C.	Robertson
Cotton	Jordan, Idaho	Saltonstall
Curtis	Keating	Scott
Dirksen	Kerr	Smathers
Dodd	Kuchel	Smith, Mass.
Eastland	Lausche	Stennis
Ellender	Long, Mo.	Thurmond
Ervin	Long, La.	Tower
Fong	Magnuson	Williams, N.J.
Fulbright	Mansfield	Young, N. Dak.

NAYS—39

Bartlett	Gore	Moss
Boggs	Hart	Muskie
Burdick	Hill	Neuberger
Bush	Humphrey	Pastore
Byrd, W. Va.	Jackson	Pell
Carroll	Johnston	Proxmire
Case	Kefauver	Russell
Chavez	Long, Hawaii	Smith, Maine
Church	McGee	Sparkman
Clark	McNamara	Talmadge
Cooper	Monroney	Williams, Del.
Douglas	Morse	Yarborough
Engle	Morton	Young, Ohio

NOT VOTING—7

Anderson	Gruening	Wiley
Bible	Murphy	
Butler	Symington	

So the committee amendments on pages 41 and 42 were agreed to, as follows:

In section 4, on page 41, line 18, after the word "to", to insert "or associated with"; on page 42, line 4, after the word "to", to insert "or associated with"; in line 7, after the word "to", to insert "or associated with".

Mr. KERR. Mr. President, I move that the Senate reconsider the vote by which the amendments were agreed to.

Mr. SMATHERS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I now ask unanimous consent that the Senate consider the amendment designated as the sixth amendment, to be followed by the fourth amendment. The sixth amendment is found on page 385, line 1, through line 6 on page 386, and has to do with the treatment of certain charitable contributions for the purposes of part 1.

The amendment designated as the fourth amendment is the withholding amendment. I ask this unanimous consent after having consulted both sides.

Mr. ROBERTSON. Mr. President, reserving the right to object, I could not follow the statement of the numbers of the amendments. I shall speak briefly in support of the committee's action in eliminating the withholding section. Would the unanimous-consent agreement preclude my recognition for a few minutes to discuss that part of the bill?

Mr. KERR. Not at all.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Mr. President, I understand that the unanimous-consent request of the Senator from Oklahoma has been agreed to and that the Senate will consider, first the so-called sixth amendment, and that then the amendment designated "fourth" will be considered. The fourth amendment is the withholding amendment.

The PRESIDING OFFICER. The Senator is correct.

Mr. KERR. Mr. President, I yield to the Senator from Illinois.

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I am not sure how much debate there will be on the withholding amendment. Is it anticipated that there will be a vote on that amendment tonight?

Mr. MANSFIELD. So long as the question has been raised, it is my hope that there will be a vote on the two amendments to which the Senator in charge of the bill has called the attention of the Senate, and other amendments as well. However, that is something which is within the discretion of the Senate as a whole.

ORDER FOR ADJOURNMENT

It is the intention to have the Senate meet at 10 o'clock tomorrow morning.

At this time I ask unanimous consent that when the Senate adjourns tonight—which may be late—it adjourn to meet at 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. I should like to state further that it is anticipated that the Senate may well be in session on Saturday, because it does not appear at the moment that action on the tax bill will be completed at that time. If the Senate meets on Saturday, it will be to consider the tax bill and the independent offices appropriation bill.

Mr. SMATHERS. Mr. President, if consideration of the tax bill is concluded by Friday night, will it then be the majority leader's intention to bring the Senate back on Saturday to take up the appropriation bill, or may we have Saturday off?

Mr. MANSFIELD. If any carrot is to be held before Members of the Senate, I am not the one who will hold it. If the Senate completes consideration of the bill on Saturday, it will go over until Tuesday. If it does not finish on Friday, it will meet on Saturday. If the Senate meets on Saturday it will go over until Tuesday.

Mr. DIRKSEN. Is that the stick, instead of the carrot?

Mr. MANSFIELD. It is neither a stick nor a carrot.

Mr. MAGNUSON. Mr. President, I wonder if it would be possible to take up the independent offices appropriation bill on Friday night after consideration of the tax bill is concluded?

Mr. MANSFIELD. If it is concluded; otherwise it will be taken up on Saturday.

Mr. MAGNUSON. Does the Senator mean after midnight?

Mr. MANSFIELD. After midnight or before, depending on the circumstances.

Mr. MAGNUSON. The Senator from Washington has a very important engagement in the State of Washington on Saturday, and intended to leave here Saturday morning, whether it be 1 or 3 or 5 or 6 o'clock in the morning. If the Senate could conclude consideration of the tax bill, could the independent offices bill be taken up at that time?

Mr. MANSFIELD. Yes; but again I remind the Senator that his skilled leadership and profound generalship are needed here on the floor of the Senate at this time to put through this very important legislation.

Mr. MAGNUSON. That is what I would call a gold carrot.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. DIRKSEN. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield to the Senator from Illinois.

Mr. DIRKSEN. Would it be in order to ask for the yeas and nays on both of the amendments to which reference has been made?

Mr. KERR. Before the Senator makes that request, let me say that I am of the opinion that there is grave doubt as to whether the yeas and nays will be asked for on the amendment of the Senator from Utah, which would merely give the donor of a charitable contribution the right to spread the effective period of it for deduction purposes over more than 1 year. I should like to inquire if Senators will ask for the yeas and nays on that amendment.

Mr. DIRKSEN. I withdraw my request at this time. I can ask for the yeas and nays when the withholding amendment is reached.

Mr. KERR. I do not believe the yeas and nays will be asked for. However, my opinion is not binding upon the Senate.

The PRESIDING OFFICER. The committee amendment will be stated.

The CHIEF CLERK. At the top of page 385, it is proposed to insert a new section, as follows:

SEC. 22. CHARITABLE CONTRIBUTIONS MADE FROM INCOME ATTRIBUTABLE TO SEVERAL TAXABLE YEARS.

(a) TREATMENT FOR PURPOSES OF PART I OF SUBCHAPTER Q.—Section 1307 (relating to rules applicable to part I of subchapter Q) is amended by adding at the end thereof the following new subsection:

"(e) ELECTION WITH RESPECT TO CHARITABLE CONTRIBUTIONS.—In the case of an individual who elects (in such manner and at such time as the Secretary or his delegate prescribes by regulations) to have the provisions of this subsection apply, an amount received or accrued to which this part applies shall be reduced, for purposes of computing the tax liability of the taxpayer under this part with respect to the amount so received

or accrued, by an amount equal to that portion of (1) the amount of charitable contributions made by the taxpayer during the taxable year in which the amount is so received or accrued which are allowable as a deduction for such year under section 170 (determined without regard to this part), as (2) the amount received or accrued to which this part applies is of the adjusted gross income for the taxable year (determined without regard to this part). In any case in which the taxpayer elects to have the provisions of this subsection apply, no portion of the amount to which this part applies shall, for purposes of computing the limitation on tax under this part, be taken into account for purposes of computing the limitation under section 170(b)(1) for the taxable year in which the amount to which this part applies is received or accrued."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to amounts received or accrued in taxable years beginning after December 31, 1961.

Mr. BENNETT obtained the floor.

Mr. KERR. Mr. President, as I understand, the Senate is ready to adopt the committee amendment.

Mr. BENNETT. Mr. President, so far as I am concerned, I do not desire to make a speech. If the Senate is willing to adopt the amendment, I shall be happy to yield the floor.

Mr. GORE. Mr. President, will the Senator from Utah yield?

Mr. BENNETT. I am happy to yield.

Mr. GORE. The reason why I asked that this amendment, together with four others, which are really riders on the bill, be reserved for separate action was that I did not feel that these particular amendments, which do not relate to the subject matter of the bill, should properly be adopted en bloc as committee amendments. But I have no objection to the committee amendment.

Mr. BENNETT. Mr. President, so far as I know, there is no objection. Under those circumstances, I am perfectly willing to ask for action on the amendment.

The PRESIDING OFFICER. Is the Senator from Utah speaking of the committee amendment?

Mr. BENNETT. I refer to the committee amendment which has been reported, or which has been stated by the clerk, to insert a new section at the top of page 385 and continuing on page 386.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 385.

The amendment was agreed to.

Mr. KERR. Mr. President, I move that the action by which the committee amendment was agreed to be reconsidered.

Mr. BENNETT. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD. Mr. President, what is the pending business?

The PRESIDING OFFICER. Amendment No. 4 will be stated.

Mr. KERR. That is the withholding tax amendment.

Mr. WILLIAMS of Delaware. Mr. President, on this amendment I ask for the yeas and nays.

The PRESIDING OFFICER. First, the amendment will be stated.

The CHIEF CLERK. On page 307, after line 8, it is proposed to strike out:

SEC. 19. WITHHOLDING OF INCOME TAX AT SOURCE ON INTEREST, DIVIDENDS, AND PATRONAGE DIVIDENDS.

(a) IN GENERAL.—

(1) AMENDMENT OF SUBTITLE C.—Subtitle C (relating to employment taxes and collection of income tax at source) is amended by redesignating chapter 25 as chapter 26 and by inserting after chapter 24 the following new chapter:

"CHAPTER 25—COLLECTION OF INCOME TAX AT SOURCE ON INTEREST, DIVIDENDS, AND PATRONAGE DIVIDENDS

"Subchapter A. Interest.
"Subchapter B. Dividends.
"Subchapter C. Patronage dividends.
"Subchapter D. General provisions.

"Subchapter A—Interest

"Sec. 3451. Income tax collected at source on interest.
"Sec. 3452. Interest defined.

"SEC. 3451. INCOME TAX COLLECTED AT SOURCE ON INTEREST.

"(a) REQUIREMENT OF WITHOLDING.—Except as otherwise provided in this chapter, every person who pays interest shall deduct and withhold on such interest a tax equal to 20 percent of the amount thereof.

"(b) PAYEE UNKNOWN.—If the withholding agent is unable to determine the person to whom the interest is payable, the tax under this section shall be deducted and withheld at the time payment of the interest would be made if such person were known.

"(c) CROSS REFERENCES.—

"(1) For credit, against income tax of the recipient of the income, of amounts deducted and withheld under this section, see section 39.

"(2) For special rules as to credit or refund of such amounts, see sections 3484, 3485, 3486, 3487, and 3505.

"(3) For exemption from requirement of deducting and withholding on certain interest paid to certain persons, see section 3483.

"SEC. 3452. INTEREST DEFINED.

"(a) GENERAL RULE.—For purposes of this chapter, the term 'interest' means—

"(1) interest on evidences of indebtedness (including bonds, debentures, notes, and certificates) issued by a corporation with interest coupons or in registered form, and, to the extent provided in regulations prescribed by the Secretary or his delegate, interest on other evidences of indebtedness issued by a corporation of a type offered by corporations to the public;

"(2) interest on deposits with persons carrying on the banking business;

"(3) amounts (whether or not designated as interest) paid by a mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, or similar organization, in respect of deposits, investment certificates, or withdrawable or repurchasable shares;

"(4) interest on amounts held by an insurance company under an agreement to pay interest thereon;

"(5) interest on deposits with stockbrokers;

"(6) interest on obligations of the United States; and

"(7) in the case of a non-interest-bearing obligation of the United States—

"(A) issued on a discount basis, and

"(B) having a maturity date more than one year from the date of issue,

the amount by which the amount paid on surrender or redemption exceeds the issue price.

"(b) EXCEPTIONS.—For purposes of this chapter, the term 'interest' does not include—

"(1) interest on obligations described in section 103(a) (1) or (3) (relating to interest on certain governmental obligations);

"(2) any amount paid by—

"(A) a foreign government or international organization,

"(B) a foreign corporation not engaged in trade or business within the United States,

"(C) a nonresident alien individual not engaged in trade or business within the United States, or

"(D) a partnership not engaged in trade or business within the United States and composed in whole or in part of nonresident aliens;

"(3) interest on deposits with persons carrying on the banking business paid to a person described in paragraph (2) (B), (C), or (D);

"(4) any amount paid by one corporation to another corporation, if both corporations are members of the same affiliated group which filed a consolidated return for the preceding taxable year of the affiliated group;

"(5) interest subject to withholding under subchapter A of chapter 3 (sec. 1441 and following, relating to withholding of tax on nonresident aliens and foreign corporations) by the person paying such interest, or which would be so subject to withholding by such person, but for the fact that it is not treated as income from sources within the United States;

"(6) any amount on which the withholding agent is required to deduct and withhold a tax under section 1451 (relating to tax free covenant bonds), or would be so required but for section 1451(d) (relating to benefit of personal exemptions);

"(7) to the extent provided in regulations prescribed by the Secretary or his delegate, any amount payable with respect to deposits in school savings accounts; and

"(8) any amount described in subsection (a) (2), (3), or (7) paid to a State or a foreign government or international organization (other than any amount described in subsection (a)(3) paid in respect of a transferable certificate or share).

"(c) EXEMPTION FOR UNITED STATES.—The Secretary may authorize exemption from the tax imposed by section 3451 for any amount paid by the United States or any wholly owned agency or instrumentality thereof to the United States or any wholly owned agency or instrumentality thereof if the Secretary determines that the imposition of the tax with respect to such amount will cause a burden or expense which can be avoided by granting the tax exemption.

"Subchapter B—Dividends

"Sec. 3461. Income tax collected at source on dividends.
"Sec. 3462. Dividend defined.

"SEC. 3461. INCOME TAX COLLECTED AT SOURCE ON DIVIDENDS.

"(a) REQUIREMENT OF WITHHOLDING.—Except as otherwise provided in this chapter, every person who pays a dividend shall deduct and withhold on such dividend a tax equal to 20 percent of the amount thereof.

"(b) PAYEE UNKNOWN.—If the withholding agent is unable to determine the person to whom the dividend is payable, the tax under this section shall be deducted and withheld at the time payment of the dividend would be made if such person were known.

"(c) AMOUNT OF DIVIDEND UNKNOWN.—If the withholding agent is unable to determine the portion of a distribution which is a dividend, the tax under this section shall be computed on the entire amount of the distribution.

"(d) CROSS REFERENCES.—

"(1) For credit, against income tax of the recipient of the income, of amounts deducted

and withheld under this section, see section 39.

"(2) For special rules as to credit or refund of such amounts, see sections 3484, 3485, 3486, 3487, and 3505.

"(3) For exemption from requirement of deducting and withholding on dividends paid to certain individuals, see section 3483.

"SEC. 3462. DIVIDEND DEFINED.

"(a) GENERAL RULE.—For purposes of this chapter, the term 'dividend' means—

"(1) any distribution by a corporation which is a dividend (as defined in section 316); and

"(2) any payment made by a stockbroker to any person as a substitute for a dividend (as so defined).

"(b) EXCEPTIONS.—For purposes of this chapter, the term 'dividend' does not include—

"(1) any amount paid in the stock, or rights to acquire the stock, of the distributing corporation if the distribution is not includible in gross income of the recipient under the provisions of section 305 (relating to distributions of stock and stock rights);

"(2) any distribution to the extent that, under chapter 1—

"(A) the amount thereof is treated by the recipient as an amount received on the sale or exchange of property, or

"(B) gain or loss to the recipient is not recognized;

"(3) any amount which is includible in gross income as a taxable dividend by reason of the provisions of section 302 (relating to redemptions of stock), 306 (relating to dispositions of certain stock), 356 (relating to receipt of additional consideration in connection with certain reorganizations), or 1081(e)(2) (relating to certain distributions pursuant to order of the Securities and Exchange Commission);

"(4) any amount paid by one corporation to another corporation, if both corporations are members of the same affiliated group which filed a consolidated return for the preceding taxable year of the affiliated group;

"(5) an amount which—

"(A) is subject to withholding under subchapter A of chapter 3 (sec. 1441 and following, relating to withholding of tax on nonresident aliens and foreign corporations) by the person paying such amount, or

"(B) would be subject to withholding under such subchapter A by the person paying such amount but for—

"(i) the fact that it is attributable to income from sources outside the United States, or

"(ii) the fact that the payor thereof is excepted from the application of section 1441(a) by the provisions of section 1441(c);

"(6) any amount paid by a foreign corporation not engaged in trade or business within the United States;

"(7) any amount described in section 1373 (relating to undistributed taxable income of electing small business corporations); and

"(8) amounts paid pursuant to the terms of a lease entered into before January 1, 1954, if under such lease the shareholders of the lessor corporation are entitled to such amounts without deduction for any tax which any law of the United States might require to be deducted and withheld on the payment of dividends.

"Subchapter C—Patronage dividends

"Sec. 3471. Income tax collected at source on patronage dividends.

"Sec. 3472. Amounts subject to withholding.

"SEC. 3471. INCOME TAX COLLECTED AT SOURCE ON PATRONAGE DIVIDENDS.

"(a) REQUIREMENT OF WITHHOLDING.—Except as otherwise provided in this chapter, every cooperative to which part I of subchapter T of chapter 1 applies which pays an amount described in section 3472 shall deduct and withhold on such amount a tax equal to 20 percent of such amount.

"(b) PAYEE UNKNOWN.—If the withholding agent is unable to determine the person to whom the amount is payable, the tax under this section shall be deducted and withheld at the time payment of the amount would be made if such person were known.

"(c) CROSS REFERENCES.—

"(1) For credit, against income tax of the recipient of the income, of amounts deducted and withheld under this section, see section 39.

"(2) For special rules as to credit or refund of such amounts, see sections 3484, 3485, 3486, 3487, and 3505.

"(3) For exemption from requirement of deducting and withholding on amounts paid to certain individuals, see section 3483.

"SEC. 3472. AMOUNTS SUBJECT TO WITHHOLDING.

"(a) GENERAL RULE.—Except as otherwise provided in this section or section 3483, the amounts subject to deduction and withholding under section 3471 are—

"(1) the amount of any patronage dividend (as defined in section 1388(a)) which is paid in money, qualified written notices of allocation (as defined in section 1388(c)), or other property (except nonqualified written notices of allocation as defined in section 1388(d)), and

"(2) any amount, described in section 1382(c)(2)(A) (relating to certain nonpatronage distributions), which is paid in money, qualified written notices of allocation, or other property (except nonqualified written notices of allocation) by an organization exempt from tax under section 521 (relating to exemption of farmers' cooperatives from tax).

"(b) EXCEPTIONS.—The provisions of section 3471 shall not apply to—

"(1) any amount paid by one corporation to another corporation, if both corporations are members of the same affiliated group which filed a consolidated return for the preceding taxable year of the affiliated group;

"(2) an amount which—

"(A) is subject to withholding under subchapter A of chapter 3 (sec. 1441 and following, relating to withholding of tax on nonresident aliens and foreign corporations) by the person paying such amount, or

"(B) would be subject to withholding under such subchapter A by the person paying such amount but for the fact that it is attributable to income from sources outside the United States; and

"(3) any amount paid by a foreign corporation not engaged in trade or business within the United States.

"(c) EXEMPTION FOR CERTAIN CONSUMER COOPERATIVES.—A cooperative which the Secretary or his delegate determines is primarily engaged in selling at retail goods or services of a type that are generally for personal, living, or family use shall, upon application to the Secretary or his delegate, be granted exemption from the tax imposed by section 3471. Application for exemption under this subsection shall be made in accordance with regulations prescribed by the Secretary or his delegate.

"(d) DETERMINATION OF AMOUNT PAID.—For purposes of this subchapter, in determining amounts paid—

"(1) property (other than a written notice of allocation) shall be taken into account at its fair market value, and

"(2) a qualified written notice of allocation shall be taken into account at its stated dollar amount.

"Subchapter D—General provisions

"Sec. 3481. Liability for return and payment of withheld tax.

"Sec. 3482. Return and payment by United States.

"Sec. 3483. Exemption certificates.

"Sec. 3484. Refund of tax to individuals.

"Sec. 3485. Refund of tax to States, tax exempt organizations, etc.

"Sec. 3486. Refund of tax to corporation.

"Sec. 3487. Credit for tax withheld on corporation.

"Sec. 3488. Obligation sold between interest payment dates.

"Sec. 3489. Presumption.

"Sec. 3490. Definitions.

"SEC. 3481. LIABILITY FOR RETURN AND PAYMENT OF WITHHELD TAX.

"(a) GENERAL RULE.—Every person required to deduct and withhold any tax under this chapter shall, on or before the last day of the first month following the close of each quarter of his taxable year, make a return of the tax required to be deducted and withheld during such quarter and pay the tax to the officer designated in section 6151. The withholding agent shall be liable for the payment of the taxes required to be deducted and withheld under this chapter, and shall not otherwise be liable to any person for the amount of any such payment.

"(b) TAX PAID BY RECIPIENT.—If the withholding agent, in violation of the provisions of this chapter, fails to deduct and withhold any tax under this chapter, and thereafter the tax against which such tax may be credited is paid, the tax so required to be deducted and withheld shall not be collected from the withholding agent; but this subsection shall in no case relieve the withholding agent from liability for any penalties or additions to the tax otherwise applicable in respect of such failure to deduct and withhold.

"(c) CROSS REFERENCE.—

"For limitation on the use of Government depositaries in the collection of taxes deducted and withheld under this chapter, see the last sentence of section 6302(c).

"SEC. 3482. RETURN AND PAYMENT BY UNITED STATES.

"If the withholding agent is the United States the return of the tax deducted and withheld under this chapter may be made by an officer or employee of the United States having control of the payment of the amount subject to withholding, or appropriately designated for that purpose.

"SEC. 3483. EXEMPTION CERTIFICATES.

"(a) GENERAL RULES.—

"(1) INDIVIDUALS UNDER 18.—Any individual may file with any withholding agent an exemption certificate on which he certifies the date of his birth. If such a certificate is filed, all amounts payable by such withholding agent to such individual, on and after the effective date for such certificate and before the beginning of the calendar year during which the certificate indicates that he will attain age 18, shall be exempt from the requirement of deducting and withholding under this chapter.

"(2) INDIVIDUALS OVER AGE 17.—Any individual may file with any withholding agent an exemption certificate in which he certifies—

"(A) that he will have attained age 18 before the close of the calendar year for which such certificate is filed, and

"(B) that he reasonably believes that he will not (after the application of the credits against tax provided by part IV of subchapter A of chapter 1, other than the credits under sections 31 and 39) be liable for the payment of any tax under chapter 1 for each of his taxable years any portion of which is included in the period for which such certificate will be in effect.

If such a certificate is filed, all amounts payable by such withholding agent to such individual during the period such certificate is in effect shall be exempt from the requirement of deducting and withholding under this chapter. Except as may otherwise be provided in regulations prescribed by the Secretary or his delegate, an exemption certificate filed by an individual described in this paragraph shall remain in effect only for the period beginning on the effective

date of such certificate and ending at the close of the calendar year in which such period begins.

"(3) TAX EXEMPT ORGANIZATIONS.—

"(A) Any organization (other than a cooperative described in section 521) which is exempt from the tax imposed by chapter 1 may file with any withholding agent who pays amounts described in section 3452(a)(2), (3), or (7) an exemption certificate on which it certifies that it is such an organization. If such a certificate is filed, all amounts described in section 3452(a)(2), (3), and (7) payable by such withholding agent to such organization on and after the effective date for such certificate shall (except as provided in subparagraph (B)) be exempt from the requirement of deducting and withholding under this chapter.

"(B) An exemption certificate filed by an organization under subparagraph (A) shall cease to be effective on the thirtieth day after the day on which the withholding agent, with whom such certificate was filed, is notified by either the organization or the Secretary or his delegate that the organization is no longer exempt from the tax imposed by chapter 1. If an organization ceases to be exempt from such tax, it shall, within the time specified in regulations prescribed by the Secretary or his delegate, so notify each withholding agent with whom it has an exemption certificate in effect.

"(b) EXCEPTIONS AND SPECIAL RULES.—

"(1) CERTAIN EXCEPTIONS.—This section shall not apply to any amount—

"(A) described in section 3452(a)(1) (relating to interest on evidences of indebtedness),

"(B) described in section 3452(a)(3) paid in respect of a transferable certificate or share, or

"(C) described in section 3452(a)(6) (relating to interest on obligations of the United States).

"(2) SERIES E BONDS, ETC.—In the case of transactions involving the redemption of one or more obligations described in section 3452(a)(7) (relating to certain obligations of the United States issued on a discount basis), a separate certificate shall be filed with respect to each such transaction.

"(3) NOMINEES, CUSTODIANS, AND JOINT OWNERSHIPS.—Under regulations prescribed by the Secretary or his delegate, the exemption provided by subsection (a) may be extended, in a manner consistent with the other provisions of this section, to—

"(A) amounts (other than amounts described in section 3462(a), relating to dividends) paid through nominees;

"(B) amounts paid to custodians; and

"(C) amounts paid jointly to 2 or more individuals.

"(4) EFFECTIVE DATE OF CERTIFICATE.—Any exemption certificate under this section shall take effect on such day as is specified in accordance with regulations prescribed by the Secretary or his delegate.

"(5) FORM AND CONTENTS OF CERTIFICATE AND NOTICE.—Any exemption certificate under this section, and any notice under subsection (a)(3)(B), shall be in such form and contain such information as the Secretary or his delegate may by regulations prescribe.

"(c) CROSS REFERENCE.—

"For penalty for filing fraudulent certificate, or for failing to provide notice, under this section, see section 7205.

"SEC. 3484. REFUND OF TAX TO INDIVIDUALS.

"(a) GENERAL RULE.—Except as provided in subsection (e), the tax deducted and withheld under this chapter with respect to amounts received by an individual during any quarter (other than the fourth quarter) of his taxable year (together with any tax so deducted and withheld on amounts which were received by him during any prior quarter of such year and with respect to which no allowable claim for refund has been filed under this section) shall, to the extent such tax does not exceed his refund allowance as of the time the claim for refund is filed, be promptly refunded to him as an overpayment of tax. A refund of tax shall be made under this section only if the amount claimed and allowable equals or exceeds $10.

"(b) REFUND ALLOWANCE.—For purposes of this section, the refund allowance of an individual as of the time the claim for refund is filed is an amount equal to the excess, if any, of—

"(1) an amount equal to 22 percent of—

"(A) the total of the deductions which, on the basis of facts existing at the time the claim for refund is filed, such individual would be allowed for the taxable year under section 151 (relating to deductions for personal exemptions), plus

"(B) in the case of an individual who, at the time the claim for refund is filed, reasonably expects that he will be allowed a credit under section 37 (relating to retirement income) for the taxable year, the amount which, at such time, such individual reasonably expects to be the amount of his retirement income (as defined in section 37(c) and as limited by section 37(d)) for the taxable year, less

"(C) the amounts (other than amounts on which tax is required to be deducted and withheld under this chapter) which, at the time the claim for refund is filed, such individual reasonably expects to be includible in his gross income for the taxable year; over

"(2) the amounts of tax with respect to which an allowable claim for refund has been previously filed under this section during taxable year.

For purposes of paragraph (1)(C), an individual who files more than one claim for refund under this section for any taxable year may use the estimate for the preceding claim for such year unless, at the time he files the claim, he reasonably expects the amounts referred to in paragraph (1)(C) to exceed such prior estimate by more than $100.

"(c) MARRIED INDIVIDUALS.—For purposes of subsections (a), (b), and (d), married individuals shall be treated as an individual if, at the time the claim for refund is filed, they reasonably expect that they will file a joint return for the taxable year in which such claim is filed.

"(d) TIME FOR FILING CLAIM.—Not more than one claim may be filed under this section by any individual during any quarter of his taxable year. A refund of tax deducted and withheld on amounts received during a taxable year shall be made under this section only if claim therefor is filed on or before the last day of such taxable year.

"(e) INDIVIDUALS NOT ELIGIBLE FOR REFUND.—No claim for refund may be filed under this section by—

"(1) any individual (other than an individual referred to in paragraph (2) or (3)) unless, at the time the claim for refund is filed, he reasonably expects that his gross income for the taxable year will not exceed $5,000;

"(2) any married individual unless, at the time the claim for refund is filed, he reasonably expects that the aggregate gross income of such individual and his spouse for the taxable year will not exceed $10,000;

"(3) a head of a household (as defined in section 1(b)(2)) or a surviving spouse (as defined in section 2(b)) unless, at the time the claim for refund is filed, he reasonably expects that his gross income for the taxable year will not exceed $10,000; or

"(4) any child, unless, at the time the claim for refund is filed, he reasonably expects that no deduction would be allowed for him under section 151(e)(1)(B) for the taxable year of his parent (or parents) beginning with or within the calendar year in which the claim for refund is filed.

"(f) CROSS REFERENCE.—

"For credit or refund of amounts not refunded under this section, see section 39.

"SEC. 3485. REFUND OF TAX TO STATES, TAX-EXEMPT ORGANIZATIONS, ETC.

"(a) GENERAL RULE.—In the case of a person which is—

"(1) the United States or a State,

"(2) an organization (other than a cooperative described in section 521) which is exempt from the tax imposed by chapter 1,

"(3) a foreign government or international organization, or

"(4) a foreign central bank of issue,

if the tax deducted and withheld under this chapter with respect to amounts received by such person during any calendar quarter exceeds the credit, if any, claimed by and allowable to such person under section 3505 (relating to credit against employment taxes) for such quarter, the excess (together with any such excess for any prior quarter of the same calendar year with respect to which no refund has been claimed and allowed under this section) shall be promptly refunded or credited to such person as an overpayment of tax. In the case of a person to which paragraph (4) applies, the amount which may be refunded or credited under this section shall not exceed the amount of tax deducted and withheld under section 3451 on interest paid on obligations of the United States which are not held for, or used in connection with, the conduct of commercial banking functions or other commercial activities.

"(b) CROSS REFERENCES.—

"(1) For period of limitation for filing claim under this section, see section 6511.

"(2) For presumed date of payment for purposes of (A) period of limitation, see section 6513(b), and (B) allowance of interest on overpayments, see section 6611(d).

"SEC. 3486. REFUND OF TAX TO CORPORATION.

"(a) GENERAL RULE.—If the tax deducted and withheld under this chapter with respect to amounts received by a corporation (other than a corporation described in section 3485(a)) during any quarter (other than the fourth quarter) of its taxable year exceeds the amount claimed by and allowable to such corporation under section 3487 as a credit against its liability for tax under this chapter for such quarter, the excess (together with any such excess for any prior quarter of the same year with respect to which no refund has been claimed and allowed under this section) shall be promptly refunded or credited to such corporation as an overpayment of tax. A refund of tax shall be made under this section only if claim therefor is filed after the close of the period covered by the claim and on or before the last day of the taxable year.

"(b) CROSS REFERENCE.—

"For credit or refund of amounts not refunded under this section, see section 39.

"SEC. 3487. CREDIT FOR TAX WITHHELD ON CORPORATION

"(a) GENERAL RULE.—Any tax deducted and withheld under this chapter with respect to amounts received by a corporation (other than a corporation described in section 3485(a)) during a taxable year shall, to the extent not claimed and allowable as a credit or refund to the corporation under section 3486, be allowed, under regulations prescribed by the Secretary or his delegate, as a credit against (but not in excess of) the tax for which such corporation is liable under this chapter in respect of amounts paid by it during such year.

"(b) DIVIDENDS AND PATRONAGE DIVIDENDS PAID DURING TAXABLE YEAR.—For purposes of determining the credit allowable to any corporation under subsection (a), a dividend, or amount subject to withholding under section 3471, paid by it may be considered as having been paid during the taxable year—

"(1) in the case of a personal holding company, if treated as paid during such taxable year under section 563(b),

"(2) in the case of a regulated investment company, if treated as paid during such taxable year under section 855(a),

"(3) in the case of a real estate investment trust, if treated as paid during such taxable year under section 858(a), or

"(4) in the case of a cooperative described in section 1381(a), if paid during the payment period (as defined in section 1382(d)) for such taxable year.

"(c) SPECIAL RULE FOR CORPORATIONS WHICH ARE MEMBERS OF AN AFFILIATED GROUP.—To the extent and subject to such conditions as may be provided in regulations prescribed by the Secretary or his delegate, the tax deducted and withheld under this chapter with respect to amounts received by a corporation which is a member of an affiliated group which filed a consolidated return for the preceding taxable year of the affiliated group may, for purposes of this section, be treated as tax deducted and withheld under this chapter from any corporation which is a member of the same affiliated group.

"SEC. 3488. OBLIGATION SOLD BETWEEN INTEREST-PAYMENT DATES

"For purposes of any credit or refund provided in section 3484, 3485, 3486, or 3487, in the case of an obligation which is sold or exchanged between interest-payment dates the amount required to be deducted and withheld on the interest at the end of the interest-payment period shall be treated in the manner provided in section 39(c).

"SEC. 3489. PRESUMPTION.

"For purposes of establishing that any person is entitled to a credit or refund of any tax required to be deducted and withheld under this chapter with respect to amounts received by such person, the correct amount of such tax shall, in the absence of evidence to the contrary, be presumed to have been so deducted and withheld.

"SEC. 3490. DEFINITIONS.

"For purposes of this chapter—

"(1) PERSON.—The term 'person' includes the United States, a State, a foreign government, and an international organization.

"(2) STATE.—The term 'State' includes a State, the District of Columbia, a possession of the United States, any political subdivision of any of the foregoing, and any wholly owned agency or instrumentality of any one or more of the foregoing.

"(3) FOREIGN GOVERNMENT.—The term 'foreign government' includes a foreign government, a political subdivision of a foreign government, and any wholly owned agency or instrumentality of any one or more of the foregoing.

"(4) NONRESIDENT ALIEN.—The term 'nonresident alien individual' includes an alien resident of Puerto Rico."

(2) CLERICAL AMENDMENTS, ETC.—

(A) The heading for subtitle C is amended to read as follows:

"SUBTITLE C—EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX AT SOURCE"

(B) The table of chapters for subtitle C is amended by striking out the last line and inserting in lieu thereof the following:

"CHAPTER 25. Collection of income tax at source on interest, dividends, and patronage dividends.

"CHAPTER 26. General provisions relating to employment taxes and collection of income taxes at source."

(C) The table of subtitles under the heading "Internal Revenue Title" at the beginning of the Internal Revenue Code of 1954 is amended by striking out the third line and inserting in lieu thereof the following:

"Subtitle C. Employment taxes and collection of income tax at source."

(D) The heading for chapter 26 (as redesignated by paragraph (1) of this subsection) is amended to read as follows:

"CHAPTER 26—GENERAL PROVISIONS RELATING TO EMPLOYMENT TAXES AND COLLECTION OF INCOME TAXES AT SOURCE"

(b) CREDITS AGAINST INCOME TAX FOR TAX WITHHELD.—

(1) ALLOWANCE OF CREDIT.—Part IV of subchapter A of chapter 1 (relating to credits against tax) is amended by inserting after section 38 (added by section 2 of this Act) the following new section:

"SEC. 39. TAX WITHHELD ON INTEREST, DIVIDENDS, AND PATRONAGE DIVIDENDS.

"(a) GENERAL RULE.—Under regulations prescribed by the Secretary or his delegate, the tax deducted and withheld under chapter 25 (relating to withholding at source on interest, dividends, and patronage dividends) shall be allowed, to the recipient of the amount with respect to which such tax was deducted and withheld, as a credit against the tax imposed by this subtitle for the taxable year in which such amount is received.

"(b) SPECIAL RULE FOR DEPENDENT CHILDREN.—If—

"(1) the taxpayer for his taxable year is entitled to a deduction under section 151(e)(1)(B) with respect to a child, and

"(2) such child had, for the calendar year ending with or within the taxpayer's taxable year—

"(A) gross income of less than $600, and

"(B) no wages (as defined in section 3401(a)) with respect to which withholding was required under chapter 24,

then, under regulations prescribed by the Secretary or his delegate, the taxpayer shall be entitled to the credit provided by subsection (a) with respect to amounts received by such child during such calendar year, but only if such child has not filed any claim for credit or refund of any portion of the tax deducted and withheld with respect to such amounts.

"(c) APPORTIONMENT OF CREDIT.—For purposes of subsection (a), if an obligation is sold or exchanged between interest payments dates—

(1) so much of the amount required to be deducted and withheld on the interest at the end of the interest-payment period as is properly allocable to that part of such period which ends on the date of the sale or exchange shall be treated as an amount deducted and withheld from the transferor on the date of the sale or exchange, and

"(2) so much of such amount as is properly allocable to that part of such period which begins on the day after the date of the sale or exchange shall be treated as an amount deducted and withheld from the transferee.

"(d) LIMITATIONS.—The credit provided by subsection (a) shall not be allowed—

"(1) REFUND TO INDIVIDUALS.—To any individual with respect to any amount of tax allowed him as a refund under section 3484.

"(2) CREDIT OR REFUND TO STATES, ETC.—To any person with respect to any amount of tax allowable to such person as a credit or refund under section 3485 or as a credit under section 3505.

"(3) CREDIT OR REFUND TO CORPORATIONS.—To any person with respect to any amount of tax allowed such person as a credit or refund under section 3486 or as a credit under section 3487.

"(4) CERTAIN DEPENDENT CHILDREN.—To any person with respect to any amount of tax which has been claimed and is allowable as a credit to such person's parent by reason of the provisions of subsection (b).

"(5) NOMINEES, ETC.—To any person with respect to any amount of tax allowed such person as a credit under section 1444(b)."

(2) COMMON TRUST FUNDS.—Section 584(c) (relating to the income of participants in the fund) is amended by adding at the end thereof the following new paragraph:

"(3) TAX WITHHELD AT SOURCE ON INTEREST, DIVIDENDS, AND PATRONAGE DIVIDENDS.—In any case where tax under chapter 25 is deducted and withheld on any amounts received by a common trust fund, for purposes of any credit or refund provided in section 39 or 3505, or chapter 25, such tax shall, in accordance with regulations prescribed by the Secretary or his delegate, be considered as having been deducted and withheld proportionately from each participant."

(3) ESTATES AND TRUSTS.—Section 642(a) (relating to special rules for credits and deductions in the case of estates and trusts) is amended by adding at the end thereof the following new paragraph:

"(4) TAX WITHHELD AT SOURCE ON INTEREST, DIVIDENDS, AND PATRONAGE DIVIDENDS.—In any case where tax under chapter 25 is deducted and withheld on any amounts received by an estate or trust, for purposes of any credit or refund provided in section 39 or 3505, or chapter 25, such tax shall, in accordance with regulations prescribed by the Secretary or his delegate, be considered as having been deducted and withheld from each beneficiary in an amount which, when added to the amounts paid, credited, or required to be distributed to him, equals the amounts which would have been paid, credited, or required to be distributed to him in the absence of chapter 25. Any tax under chapter 25 which is deducted and withheld on amounts received by the estate or trust shall be considered as withheld from such estate or trust to the extent it is not considered as withheld from a beneficiary under the provisions of the preceding sentence."

(4) TECHNICAL AMENDMENTS.—

(A) Section 164(b)(1) (relating to deduction denied in the case of certain taxes) is amended by—

(i) striking out the word "and" at the end of subparagraph (B);

(ii) striking out the comma at the end of subparagraph (C) and inserting "; and"; and

(iii) adding after subparagraph (C) the following new subparagraph:

"(D) the tax withheld at source under chapter 25 (relating to collection of income tax at source on interest, dividends, and patronage dividends),".

(B) Section 874(a) (relating to allowance of deductions and credits to nonresident alien individuals) is amended by striking "31 and 32" and inserting in lieu thereof "31, 32, and 39".

(C) Section 1314(c) (relating to inapplicability of part II of subchapter Q of chapter 1 of subtitle A to taxes imposed by subtitle C) is amended by striking "employment taxes" and inserting in lieu thereof "employment taxes and collection of income tax at source".

(D) Section 6211(b)(1) (relating to rules applicable in determination of deficiency) is amended by striking "31" and inserting in lieu thereof "31 or 39".

(E) The table of sections for part IV of subchapter A of chapter 1 is amended by striking out "Sec. 38. Overpayments of tax." and inserting in lieu thereof:

"Sec. 38. Investment in certain depreciable property.

"Sec. 39. Tax withheld on interest, dividends, and patronage dividends.

"Sec. 40. Overpayments of tax."

(c) INTEREST AND DIVIDENDS PAID TO NONRESIDENT ALIENS, ETC.—

(1) WITHHOLDING RATE.—

(A) Section 1441 (relating to withholding of tax on nonresident aliens) is amended by

adding at the end thereof the following new subsection:

"(e) TREATIES.—In the case of amounts described in section 3452(a) (relating to interest) section 3462(a) (relating to dividends), and section 3472(a) (relating to patronage dividends), the tax required to be deducted and withheld under subsection (a) shall not by reason of the provisions of any treaty be less than 20 percent of such amounts."

(B) Section 1442 (relating to withholding of tax on foreign corporations) is amended by adding at the end thereof the following new sentence: "In the case of amounts described in section 3452(a) (relating to interest), section 3462(a) (relating to dividends), and section 3472(a) (relating to patronage dividends), the tax required to be deducted and withheld under the preceding sentence shall not by reason of the provisions of any treaty be less than 20 percent of such amounts."

(2) NOMINEES, ETC.—Subchapter A of chapter 3 (relating to withholding of tax on nonresident aliens and foreign corporations) is amended by adding at the end thereof the following new section:

"SEC. 1444. INTEREST AND DIVIDENDS PAID TO NOMINEES; CREDITS TO WITHHOLDING AGENTS.

"(a) WITHHOLDING OF TAX BY PAYOR.—Under regulations prescribed by the Secretary or his delegate, every person who pays amounts subject to withholding under chapter 25 and who has been notified by a payee thereof that the payee is a nominee required to deduct and withhold on such amounts under section 1441 or 1442 shall, in lieu of the nominee, deduct and withhold from such amounts paid to the nominee the tax required to be deducted and withheld under section 1441 or 1442, in the same manner as if such amounts were paid by such person directly to the beneficial owner thereof.

"(b) CREDITS TO WITHHOLDING AGENTS.—In the case of any person who is required to deduct and withhold tax under section 1441 or 1442 in respect of amounts received by him during any calendar year on which tax was deducted and withheld (or, in the case of amounts described in section 39(c)(1), was treated as deducted and withheld) under chapter 25, the taxes so deducted and withheld (or treated as deducted and withheld) under chapter 25 shall, under regulations prescribed by the Secretary or his delegate, be allowed as a credit against (but not in excess of) his liability for the year in respect of the taxes imposed by sections 1441 and 1442."

(3) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 3 is amended by adding at the end thereof the following:

"Sec. 1444. Interest and dividends paid to nominees; credits to withholding agents."

(d) CREDIT FOR STATES AND TAX EXEMPT ORGANIZATIONS.—

(1) ALLOWANCE OF CREDIT.—Chapter 26 (general provisions relating to employment taxes and income tax withheld at source) is amended by adding at the end thereof the following new section:

"SEC. 3505. SPECIAL CREDIT IN CASE OF STATES OR TAX-EXEMPT ORGANIZATIONS.

"(a) GENERAL RULE.—In the case of a person which is a State (as defined in section 3490(2)) or which is an organization (other than a cooperative described in section 521) which is exempt from the tax imposed by chapter 1, the tax deducted and withheld under chapter 25 with respect to amounts received by it during any calendar quarter shall be allowed, under regulations prescribed by the Secretary or his delegate, as a credit against (but not in excess of) such person's liability (after the adjustments, if any, provided for in sections 6205(a) and 6413(a)) for such quarter in respect of the taxes imposed by chapter 21 (Federal Insurance Contributions Act) and by chapter 24 (collection of income tax at source on wages). Such credit shall be allowed only if claim therefor is made, in accordance with such regulations, at the time of the filing of the return with respect to the taxes under chapter 21 and chapter 24 for such quarter.

"(b) OBLIGATIONS SOLD BETWEEN INTEREST-PAYMENT DATES.—For purposes of this section, in the case of an obligation which is sold or exchanged between interest-payment dates, the amount required to be deducted and withheld on the interest at the end of the interest-payment period shall be treated in the manner provided in section 39(c).

"(c) CROSS REFERENCE.—

"For refund under chapter 25, see section 3485."

(2) TECHNICAL AMENDMENTS.—

(A) Section 3502 (relating to nondeductibility of taxes in computing taxable income) is amended by adding at the end thereof the following new subsection:

"(c) The tax deducted and withheld under chapter 25 shall not be allowed as a deduction in computing taxable income under subtitle A either to the person deducting and withholding the tax or to the recipient of the amounts subject to withholding."

(B) The table of sections for chapter 26 is amended by adding at the end thereof the following:

"Sec. 3505. Special credit in case of States or tax exempt organizations."

(c) OTHER TECHNICAL AMENDMENTS.—

(1) DECLARATION OF ESTIMATED INCOME TAX BY INDIVIDUALS.—Section 6015(a) (relating to declaration of estimated income tax by individuals) is amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof "and amounts on which tax is required to be deducted and withheld under chapter 25.".

(2) ADJUSTMENT OF TAX; UNDERPAYMENT.—

(A) Subsection (a)(1) of section 6205 (relating to special rules relating to assessment of employment taxes) is amended by striking out "or 3402 is paid with respect to any payment of wages or compensation," and inserting in lieu thereof "3402, 3451, 3461, or 3471 is paid with respect to any payment of remuneration, interest, dividends, or other amounts,".

(B) Subsection (b) of such section is amended by striking out "or 3402 is paid or deducted with respect to any payment of wages or compensation" and inserting in lieu thereof "3402, 3451, 3461, or 3471 is paid or deducted with respect to any payment of remuneration, interest, dividends, or other amounts".

(C) The heading for such section is amended to read as follows:

"SEC. 6205. SPECIAL RULES APPLICABLE TO CERTAIN TAXES UNDER SUBTITLE C."

(D) The table of sections for subchapter A of chapter 63 is amended by striking out

"Sec. 6205. Special rules applicable to certain employment taxes."

and inserting in lieu thereof

"Sec. 6205. Special rules applicable to certain taxes under subtitle C."

(3) USE OF GOVERNMENT DEPOSITARIES.—Section 6302(c) (relating to use of Government depositaries) is amended by adding at the end thereof the following new sentence: "The Secretary or his delegate shall not require the deposit under this subsection of any tax deducted and withheld under chapter 25 (relating to collection of income tax at source on interest, dividends, and patronage dividends) in a Government depositary before the last day prescribed in section 3481 for payment of the tax."

(4) EXCESSIVE WITHHOLDING.—Section 6401 (b) (relating to excessive withholding) is amended to read as follows:

"(b) EXCESSIVE WITHHOLDING.—If the amounts allowable as credits under section 31 (relating to credit for tax withheld at source under chapter 24) and section 39 (relating to credit for tax withheld on interest, dividends, and patronage dividends under chapter 25) exceed the taxes imposed by chapter 1 against which such credits are allowable, the amount of such excess shall be considered an overpayment."

(5) ADJUSTMENT OF TAX; OVERPAYMENT.—

(A) Subsection (a)(1) of section 6413 (relating to special credit and refund rules applicable to certain employment taxes) is amended by striking out "or 3402 is paid with respect to any payment of remuneration," and inserting in lieu thereof "3402, 3451, 3461, or 3471 is paid with respect to any payment of remuneration, interest, dividends, or other amounts,".

(B) Subsection (b) of such section is amended—

(i) By striking from the heading of such subsection the words "OF CERTAIN EMPLOYMENT TAXES"; and

(ii) By striking out "or 3402 is paid or deducted with respect to any payment of remuneration" and inserting in lieu thereof "3402, 3451, 3461, or 3471 is paid or deducted with respect to any payment of remuneration, interest, dividends, or other amounts".

(C) The following new subsection is added at the end of such section:

"(c) CROSS REFERENCES.—

"For special refunds or credits of tax withheld on interest, dividends, or patronage dividends under chapter 25, see sections 3484, 3485, 3486, 3487, and 3505."

(D) The heading for such section is amended to read as follows:

"SEC. 6413. SPECIAL RULES APPLICABLE TO CERTAIN TAXES UNDER SUBTITLE C."

(E) The table of sections for subchapter B of chapter 65 is amended by striking out

"Sec. 6413. Special rules applicable to certain employment taxes."

and inserting in lieu thereof

"Sec. 6413. Special rules applicable to certain taxes under subtitle C."

(6) OVERPAYMENT NOT DEDUCTED AND WITHHELD. Section 6414 (relating to income tax withheld) is amended by striking "chapter 3" and inserting in lieu thereof "chapter 3 or 25".

(7) TIME TAX CONSIDERED PAID.—Section 6513(b) (relating to time tax considered paid) is amended by adding at the end thereof the following new sentences: "For purposes of section 6511 or 6512, any tax deducted and withheld under chapter 25 which is allowable under section 39, 3484, 3485, or 3486 as a credit against tax or as a refund of an overpayment (or an amount treated as an overpayment) of the tax imposed by chapter 1 shall, in respect of the person entitled to such credit or refund, be deemed to have been paid by him on the last day prescribed for filing the return (determined without regard to any extension of time for filing such return) of tax under chapter 1 for his taxable year in which the amount subject to withholding under chapter 25 is received by him or, if such person has no taxable year, on the fifteenth day of the fifth calendar month following the close of such person's annual accounting period within which such amount is received by him. In the case of an amount allowable as a credit under section 39(b) to the parent of a child, such amount shall, if claimed by the parent, be deemed to have been paid on the last day for filing his return (determined without regard to any extension of time for filing such return) for his taxable year which begins with or within the calendar year in

which amounts subject to withholding under chapter 25 were received by the child."

(8) FAILURE TO PAY ESTIMATED INCOME TAX.—

(A) INDIVIDUALS.—Subsections (c) and (f) of section 6654 (relating to failure by individual to pay estimated income tax) are amended to read as follows:

"(c) APPLICATION OF SECTION IN CASE OF WITHHELD TAXES.—For purpose of applying this section—

"(1) the estimated tax shall be computed without any reduction for amounts which the individual estimates as his credits under section 31 (relating to tax withheld at source on wages) and section 39 (relating to tax withheld on interest, dividends, and patronage dividends): and

"(2) the amount of the credits allowed under section 31 and 39 for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amount shall be deemed paid on each installment date (determined under section 6153) for such taxable year unless the taxpayer establishes the dates on which all amounts were actually withheld (or in the case of amounts described in section 39(c)(1), were treated as withheld), in which case the amounts so withheld shall be deemed payments of estimated tax on such dates.

"(f) TAX COMPUTED AFTER APPLICATION OF CREDITS AGAINST TAX.—For purposes of subsections (b) and (d), the term 'tax' means the tax imposed by chapter 1 reduced by the credits against tax allowed by part IV of subchapter A of chapter 1, other than the credits against tax provided by section 31 (relating to tax withheld on wages) and section 39 (relating to tax withheld on interest, dividends, and patronage dividends)."

(B) CORPORATIONS.—Section 6655 (relating to failure by corporation to pay estimated income tax) is amended—

(i) by striking out the period at the end of subsection (e)(2)(B) and inserting in lieu thereof ", other than the credit against tax provided by section 39 (relating to tax withheld on interest, dividends, and patronage dividends)."; and

(ii) by redesignating subsection (f) as subsection (g) and inserting after subsection (e) the following new subsection:

"(f) APPLICATION OF SECTION IN CASE OF TAX WITHHELD ON INTEREST, DIVIDENDS, AND PATRONAGE.—For purposes of applying this section—

"(1) the estimated tax shall be computed without any reduction for the amount which the corporation estimates as its credit under section 39 (relating to tax withheld on interest, dividends, and patronage dividends); and

"(2) the amount of the credit allowed under section 39 for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amount shall be deemed paid on each installment date (determined under section 6154) for such taxable year, unless the corporation establishes the dates on which all amounts were actually withheld (or in the case of amount described in section 39(c)(1), were treated as withheld), in which case the amounts so withheld shall be deemed payments of estimated tax on such dates."

(9) PENALTY FOR FILING FRAUDULENT EXEMPTION CERTIFICATE.—Section 7205 (relating to fraudulent withholding exemption certificate or failure to supply information) is amended by adding the following new sentence at the end thereof: "Any person who willfully files an exemption certificate with any withholding agent under section 3483, on which the certification is known by him to be fraudulent or to be false as to any material matter, or who is required to file a notice under subsection (a)(3)(B) of section 3483 and who willfully fails to provide such notice in the manner, at the time, and showing the information required under such subsection (a)(3)(B), or the regulations prescribed thereunder, shall, in lieu of any penalty otherwise provided, upon conviction thereof, be fined not more than $500, or imprisoned not more than 1 year, or both."

(10) OFFENSES WITH RESPECT TO COLLECTED TAXES.—The last sentence of section 7215(b) (relating to offenses with respect to collected taxes) is amended to read as follows: "For purposes of paragraph (2), a lack of funds existing immediately after the payment of wages or amounts subject to withholding under chapter 25 (whether or not created by the payment of such wages or amounts) shall not be considered to be circumstances beyond the control of a person."

(11) DEFINITION OF WITHHOLDING AGENT.—Section 7701(a)(16) (defining the term "withholding agent") is amended by striking out "or 1461" and inserting in lieu thereof "1461, 3451, 3461, or 3471".

(f) EFFECTIVE DATES.—

(1) GENERAL RULE.—Except as provided in paragraph (2), the provisions of this section shall apply in the case of interest and dividends paid on or after January 1, 1963.

(2) SPECIAL RULES.—

(A) In the case of transferable obligations described in paragraph (1) or (6) of section 3452(a) of the Internal Revenue Code of 1954, the provisions of this section shall apply only to interest paid with respect to interest payment periods commencing on or after January 1, 1963.

(B) The provisions of this section shall apply to amounts described in section 3472 of such Code paid on or after January 1, 1963, with respect to patronage occurring on or after the first day of the first taxable year of the cooperative beginning on or after January 1, 1963.

And, in lieu thereof, to insert:

SEC. 19. REPORTING OF INTEREST, DIVIDEND, AND PATRONAGE DIVIDEND PAYMENTS OF $10 OR MORE DURING A YEAR.

(a) RETURNS REGARDING PAYMENT OF DIVIDENDS.—Section 6042 (relating to returns regarding corporate dividends, earnings, and profits) is amended to read as follows:

"SEC. 6042. RETURNS REGARDING PAYMENTS OF DIVIDENDS AND CORPORATE EARNINGS AND PROFITS.

"(a) REQUIREMENT OF REPORTING.—

"(1) IN GENERAL.—Every person—

"(A) who makes payments of dividends aggregating $10 or more to any other person during any calendar year, or

"(B) who receives payments of dividends as a nominee and who makes payments aggregating $10 or more during any calendar year to any other person with respect to the dividends so received,

shall make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(2) RETURNS REQUIRED BY THE SECRETARY.—Every person who makes payments of dividends aggregating less than $10 to any other person during any calendar year shall, when required by the Secretary or his delegate, make a return setting forth the aggregate amount of such payments, and the name and address of the person to whom paid.

"(b) DIVIDEND DEFINED.—

"(1) GENERAL RULE.—For purposes of this section, the term 'dividend' means—

"(A) any distribution by a corporation which is a dividend (as defined in section 316); and

"(B) any payment made by a stockbroker to any person as a substitute for a dividend (as so defined).

"(2) EXCEPTIONS.—For purposes of this section, the term 'dividend' does not include—

"(A) to the extent provided in regulations prescribed by the Secretary or his delegate, any distribution or payment—

"(i) by a foreign corporation, or

"(ii) to a foreign corporation, a nonresident alien, or a partnership not engaged in trade or business in the United States and composed in whole or in part of nonresident aliens; and

"(B) any amount described in section 1373 (relating to undistributed taxable income of electing small business corporations).

"(3) SPECIAL RULE.—If the person making any payment described in subsection (a)(1)(A) or (B) is unable to determine the portion of such payment which is a dividend or is paid with respect to a dividend, he shall, for purposes of subsection (a)(1), treat the entire amount of such payment as a dividend or as an amount paid with respect to a dividend.

"(c) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every person making a return under subsection (a)(1) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the person making such return, and

"(2) the aggregate amount of payments to the person as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a)(1) was made. No statement shall be required to be furnished to any person under this subsection if the aggregate amount of payments to such person as shown on the return made under subsection (a)(1) is less than $10.

"(d) STATEMENTS TO BE FURNISHED BY CORPORATIONS TO SECRETARY.—Every corporation shall, when required by the Secretary or his delegate—

"(1) furnish to the Secretary or his delegate a statement stating the name and address of each shareholder, and the number of shares owned by each shareholder;

"(2) furnish to the Secretary or his delegate a statement of such facts as will enable him to determine the portion of the earnings and profits of the corporation (including gains, profits, and income not taxed) accumulated during such periods as the Secretary or his delegate may specify, which have been distributed or ordered to be distributed, respectively, to its shareholders during such taxable years as the Secretary or his delegate may specify; and

"(3) furnish to the Secretary or his delegate a statement of its accumulated earnings and profits and the names and addresses of the individuals or shareholders who would be entitled to such accumulated earnings and profits if divided or distributed, and of the amounts that would be payable to each."

(b) RETURNS REGARDING PAYMENT OF PATRONAGE DIVIDENDS.—Section 6044 (relating to returns regarding patronage dividends) is amended to read as follows:

"SEC. 6044. RETURNS REGARDING PAYMENTS OF PATRONAGE DIVIDENDS.

"(a) REQUIREMENT OF REPORTING.—

"(1) IN GENERAL.—Except as otherwise provided in this section, every cooperative to which part I of subchapter T of chapter 1 applies, which makes payments of amounts described in subsection (b) aggregating $10 or more to any person during any calendar year, shall make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(2) RETURNS REQUIRED BY THE SECRETARY.—Every such cooperative which makes payments of amounts described in subsection (b) aggregating less than $10 to any person during any calendar year shall, when required by the Secretary or his delegate, make a return setting forth the aggregate

amount of such payments and the name and address of the person to whom paid.

"(b) AMOUNTS SUBJECT TO REPORTING.—

"(1) GENERAL RULE.—Except as otherwise provided in this section, the amounts subject to reporting under subsection (a) are—

"(A) the amount of any patronage dividend (as defined in section 138(a)) which is paid in money, qualified written notices of allocation (as defined in section 1388(c)), or other property (except nonqualified written notices of allocation as defined in section 1388(d)),

"(B) any amount described in section 1382(c)(2)(A) (relating to certain nonpatronage distributions) which is paid in money, qualified written notices of allocation, or other property (except nonqualified written notices of allocation) by an organization exempt from tax under section 521 (relating to exemption of farmers cooperatives from tax), and

"(C) any amount described in section 1382(b)(2) (relating to redemption of nonqualified written notices of allocation) and, in the case of an organization described in section 1381(a)(1), any amount described in section 1382(c)(2)(B) (relating to redemption of nonqualified written notices of allocation paid with respect to earnings derived from sources other than patronage).

"(2) EXCEPTIONS.—The provisions of subsection (a) shall not apply, to the extent provided in regulations prescribed by the Secretary or his delegate, to any payment—

"(A) by a foreign corporation, or

"(B) to a foreign corporation, a nonresident alien, or a partnership not engaged in trade or business in the United States and composed in whole or in part of nonresident aliens.

"(c) EXEMPTION FOR CERTAIN CONSUMER COOPERATIVES.—A cooperative which the Secretary or his delegate determines is primarily engaged in selling at retail goods or services of a type that are generally for personal, living, or family use shall, upon application to the Secretary or his delegate, be granted exemption from the reporting requirements imposed by subsection (a). Application for exemption under this subsection shall be made in accordance with regulations prescribed by the Secretary or his delegate.

"(d) DETERMINATION OF AMOUNT PAID.—For purposes of this section, in determining the amount of any payment—

"(1) property (other than a qualified written notice of allocation) shall be taken into account at its fair market value, and

"(2) a qualified written notice of allocation shall be taken into account at its stated dollar amount.

"(e) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every cooperative making a return under subsection (a)(1) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the cooperative making such return, and

"(2) the aggregate amount of payments to the person as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a)(1) was made. No statement shall be required to be furnished to any person under this subsection if the aggregate amount of payments to such person as shown on the return made under subsection (a)(1) is less than $10."

(c) RETURNS REGARDING PAYMENT OF INTEREST.—Subpart B of part III of subchapter A of chapter 61 (relating to information returns) is amended by adding after section 6047 (as added by section 7(f) of this Act) the following new section:

"SEC. 6048. RETURNS REGARDING PAYMENTS OF INTEREST.

"(a) REQUIREMENT OF REPORTING.—

"(1) IN GENERAL.—Every person—

"(A) who makes payments of interest (as defined in subsection (b)) aggregating $10 or more to any other person during any calendar year, or

"(B) who receives payments of interest as a nominee and who makes payments aggregating $10 or more during any calendar year to any other person with respect to the interest so received.

shall make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(2) RETURNS REQUIRED BY THE SECRETARY.—Every person who makes payments of interest (as defined in subsection (b)) aggregating less than $10 to any other person during any calendar year shall, when required by the Secretary or his delegate, make a return setting forth the aggregate amount of such payments and the name and address of the person to whom paid.

"(3) OTHER RETURNS REQUIRED BY SECRETARY.—Every corporation making payments, regardless of amounts, of interest other than interest as defined in subsection (b) shall, when required by regulations prescribed by the Secretary or his delegate, make a return according to the forms or regulations prescribed by the Secretary or his delegate, setting forth the amount paid and the name and address of the recipient of each such payment.

"(b) INTEREST DEFINED.—

"(1) GENERAL RULE.—For purposes of subsections (a) (1) and (2), the term 'interest' means—

"(A) interest on evidences of indebtedness (including bonds, debentures, notes, and certificates) issued by a corporation in registered form, and, to the extent provided in regulations prescribed by the Secretary or his delegate, interest on other evidences of indebtedness issued by a corporation of a type offered by corporations to the public;

"(B) interest on deposits with persons carrying on the banking business;

"(C) amounts (whether or not designated as interest) paid by a mutual savings bank, savings and loan association, building and loan association, cooperative bank, homestead association, credit union, or similar organization, in respect of deposits, investment certificates, or withdrawable or repurchasable shares;

"(D) interest on amounts held by an insurance company under an agreement to pay interest thereon; and

"(E) interest on deposits with stockbrokers and dealers in securities.

"(2) EXCEPTIONS.—For purposes of subsections (a) (1) and (2), the term 'interest' does not include—

"(A) interest on obligations described in section 103(a) (1) or (3) (relating to interest on certain governmental obligations);

"(B) to the extent provided in regulations prescribed by the Secretary or his delegate, any amount paid by or to a foreign corporation, a nonresident alien, or a partnership not engaged in trade or business in the United States and composed in whole or in part of nonresident aliens; and

"(C) any amount on which the person making payment is required to deduct and withhold a tax under section 1451 (relating to tax-free covenant bonds), or would be so required but for section 1451(d) (relating to benefit of personal exemptions).

"(c) STATEMENTS TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS FURNISHED.—Every person making a return under subsection (a)(1) shall furnish to each person whose name is set forth in such return a written statement showing—

"(1) the name and address of the person making such return, and

"(2) the aggregate amount of payments to the person as shown on such return.

The written statement required under the preceding sentence shall be furnished to the person on or before January 31 of the year following the calendar year for which the return under subsection (a)(1) was made. No statement shall be required to be furnished to any person under this subsection if the aggregate amount of payments to such person as shown on the return made under subsection (a)(1) is less than $10."

(d) PENALTIES FOR FAILURE TO FILE INFORMATION RETURNS.—Section 6652 (relating to failure to file certain information returns) is amended to read as follows:

"SEC. 6652. FAILURE TO FILE CERTAIN INFORMATION RETURNS.

"(a) RETURNS RELATING TO PAYMENTS OF DIVIDENDS, INTEREST, AND PATRONAGE DIVIDENDS.—In the case of each failure to file a statement of the aggregate amount of payments to another person required by section 6042(a)(1) (relating to payments of dividends aggregating $10 or more), section 6044(a)(1) (relating to payments of patronage dividends aggregating $10 or more), or section 6048(a)(1) (relating to payments of interest aggregating $10 or more), on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid (upon notice and demand by the Secretary or his delegate and in the same manner as tax), by the person failing to so file the statement, $10 for each such statement not so filed, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000.

"(b) OTHER RETURNS.—In the case of each failure to file a statement of a payment to another person required under authority of section 6041 (relating to certain information at source), section 6042(a)(2) (relating to payments of dividends aggregating less than $10), section 6044(a)(2) (relating to payments of patronage dividends aggregating less than $10), section 6048(a)(2) (relating to payments of interest aggregating less than $10), section 6048(a)(3) (relating to other payments of interest by corporations), or section 6051 (d) (relating to information returns with respect to income tax withheld), on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid (upon notice and demand by the Secretary or his delegate and in the same manner as tax) by the person failing to so file the statement, $1 for each such statement not so filed, but the total amount imposed on the delinquent person for all such failures during the calendar year shall not exceed $1,000.

"(c) ALCOHOL AND TOBACCO TAXES.—

"For penalties for failure to file certain information returns with respect to alcohol and tobacco taxes, see generally, subtitle E."

(e) PENALTIES FOR FAILURE TO FURNISH STATEMENTS TO PERSONS WITH RESPECT TO WHOM RETURNS ARE FILED.—Subchapter B of chapter 68 (relating to assessable penalties) is amended by adding after section 6677 (as added by section 7(g) of this Act) the following new section:

"SEC. 6678. FAILURE TO FURNISH CERTAIN STATEMENTS.

"In the case of each failure to furnish a statement under section 6042(c), 6044(e), or section 6048(c) on the date prescribed therefor to a person with respect to whom a return has been made under section 6042(a)(1), 6044(a)(1), or 6048(a)(1), respectively, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid (upon notice and demand by the Secretary or his delegate and in the same manner as tax), by the person failing to so furnish the statement,

$10 for each such statement not so furnished, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed $25,000."

(f) TECHNICAL AMENDMENTS.—Section 6041 (relating to information at source) is amended—

(1) by striking out, in subsection (a) thereof, "(other than payments described in section 6042(1) or section 6045)" and inserting in lieu thereof "(other than payments to which section 6042(a)(1), 6044(a)(1), or 6048(a)(1) applies, and other than payments with respect to which a statement is required under the authority of section 6042(a)(2), 6044(a)(2), 6045, 6048(a)(2), or 6048(a)(3))"; and

(2) by striking out subsection (c) thereof.

(g) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart B of part III of subchapter A of chapter 61 is amended—

(A) by striking out

"Sec. 6042. Returns regarding corporate dividends, earnings, and profits."

and inserting in lieu thereof

"Sec. 6042. Returns regarding payments of dividends and corporate earnings and profits.";

(B) by striking out:

"Sec. 6044. Returns regarding patronage dividends."

and inserting in lieu thereof

"Sec. 6044. Returns regarding payments of patronage dividends.";

and

(C) by adding at the end of such table the following:

"Sec. 6048. Returns regarding payments of interest.".

(2) The table of sections for subchapter B of chapter 68 is amended by adding at the end thereof the following:

"Sec. 6678. Failure to furnish certain statements."

(h) EFFECTIVE DATES.—

(1) DIVIDENDS AND INTEREST.—The amendments made by this section shall apply to payments of dividends and interest made on or after January 1, 1963.

(2) PATRONAGE DIVIDENDS.—The amendments made by this section shall apply to payments of amounts described in section 6044(b) of the Internal Revenue Code of 1954 made on or after January 1, 1963, with respect to patronage occurring on or after the first day of the first taxable year of the cooperative beginning on or after January 1, 1963.

Mr. WILLIAMS of Delaware. Mr. President, on this amendment I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Am I correct in understanding that the yeas and nays have been ordered on the committee action in striking out the provision for the withholding of tax on dividends and interest?

The PRESIDING OFFICER. The yeas and nays have been ordered on the committee amendment which strikes out the withholding tax portion of the bill.

Mr. DOUGLAS. I thank the Chair.

Mr. ROBERTSON. Mr. President, I support the action of the committee in striking out the provision to withhold taxes on income from dividends and interest. I am pleased that the Committee on Finance has stricken this provision from the proposed Revenue Act of 1962. As I indicated to the Senate on May 16 of this year, I oppose the dividend and interest withholding provisions of the original legislation. Accordingly, I support the committee action to delete this feature of the bill.

There is no doubt in my mind, as I remarked last May, that the "extension of withholding to cover interest and dividends would not be advisable at this time." Today, I continue to favor the principle of withholding of income taxes on wages and salaries, just as I did with respect to the tax bill of 1943, of which I was a joint author. That legislation inaugurated the 20-percent witholding plan on wages and salaries that I had previously endorsed. Yet, as I said several months ago, I believe that withholding on interest and dividends at this time is impractical, unnecessary, and unwise.

In my earlier remarks I pointed out:

The question now at issue is not whether income from dividends and interest is taxable. This income has been taxable for many years. Nor is there any question about the authority of the Internal Revenue Service to collect taxes, whether on income from dividends, interest, salaries, wages, or other sources. Everyone should pay his fair tax share.

The question now before us relates solely to methods of preventing avoidance of tax on income from dividends and interest. In that respect I see no need at this time for withholding as a solution to the problem.

The net effect of the withholding provision, as I indicated before, would "apply across the board to dividend and interest recipients, without regard to their past record for conscientious and accurate income reporting. Admittedly, the proposal is designed solely to catch tax evaders. But its sweeping rules apply with equal force to the most conscientious and meticulously careful taxpayers—and, even much worse, to hit persons of small incomes, those who are not taxpayers."

As a matter of principle, withholding on wages and salaries represents a much different matter from withholding on dividends and interest. I remarked earlier:

Withholding on wages and salaries consists of deductions from current income derived from gainful employment. Withholding on dividends and interest potentially covers a much wider spectrum of the population, by including recipients who may or may not be gainfully employed. It is one thing to withhold from income derived from rendering current services. It is another thing to withhold income derived as a return on capital saved from the rendering of past services.

In another respect, the proposal to withhold on dividends and interest is not identical to our present withholding system on wages and salaries. I stated previously:

Wage withholding was a collection technique and a necessary step in placing income tax collections on a current basis. This dividend and interest withholding proposal appears to be designed simply as a weapon to catch nonreporters of taxes, and it would operate by treating every dividend and interest recipient as though he were a tax evader. This is repugnant to the traditions of our income tax as a self-assessing system.

The isolated cases of underreporting or nonreporting, I believe, do not of themselves justify the need for withholding. Instances of fraud and mistake, as I said before, are unfortunately likely to occur no matter what the method of revenue collection may be.

Generally, underreporting or nonreporting of taxable interest and dividend income suggest, as I declared earlier, "the need for more intensive public efforts to inform responsible taxpayers who are not yet completely aware that interest and dividends should be fully reported."

In that respect, I am pleased that the Senate Finance Committee adopted an amendment which I endorsed in my remarks of May 16. This amendment would require payers of dividends, interest, and patronage dividends to report to the Treasury all payments of $10 or more a year.

As I indicated before in recommending such a requirement:

Another step which I believe worthy of consideration would require designated payers of interest to report to the Treasury all interest payments as low as some minimum amount such as $50 or $10.

That is what I said last May; and now the committee has put that provision into the bill.

I also said:

This would extend reporting coverage to include substantially all recipients of income from dividends and interest. Dividend payments of $10 or more and interest payments of $600 or more are reported currently to the Treasury. With the computers and office machines now available, I am confident that when the taxpayer account number system goes into effect, all these reports can be assembled and classified readily and simply, and at relatively little expense.

I support, therefore, the committee's amendment as set forth in section 19 of the bill. It would make mandatory all reporting to the Treasury of cash or credited dividend, interest, or patronage dividend payments of $10 or more a year made on or after January 1, 1963; under present law, reporting in some cases is required only at the discretion of the Treasury. The amendment would require a uniform statutory reporting minimum of $10; now, the statutory or administratively determined minimum varies from $10 in the case of most dividend payments to $600 in the case of interest payments. The amendment would also require by statute that annual statements must be submitted to all recipients of such payments of $10 or more a year; under present regulations, reports only of dividends must be made to recipients as well as to the Treasury.

Stepped up reporting of dividends, interest, and patronage dividends should greatly increase the ability of the Treasury to collect all taxes payable on income from these sources. During the first full year that this requirement is

operative, the staff of the Joint Committee on Internal Revenue Taxation has estimated that it would result in a $275 million increase in revenue. More conservative estimates, made by the Treasury, are somewhat lower. I believe, however, that once the reporting requirement has been put fully into effect, and once automatic data processing enables information returns and tax returns to be matched readily, the revenue effect of this reporting requirement could be considerably larger.

Steps such as these toward publicizing dividend and interest payments and toward informing the public about its tax liabilities on such payments seem to me to be the proper approach. Withholding, on the contrary, would do just the opposite. As I pointed out several months ago, it would involve "virtually no reporting requirements imposed upon the withholding agents." The impracticality of the proposed withholding plan seems clear. I stated last May:

> Under the plan, persons withholding 20 percent from interest and dividend payments would not be required to give to the recipients of these payments any receipts or notices whatsoever of the amounts withheld from them. Furthermore, the withholding agents would not even be required to report to the Revenue Service the amounts withheld from each individual. Instead, they would merely report to the Government the gross amount withheld from everyone in the aggregate, leaving both the payees and the Revenue Service without a record of the amount withheld from each person.

Since the withholding proposal would not require detailed reports and records, it would tend to encourage fraudulent claims against the Treasury for overwithholding and for improper refund claims. I said last May:

> I do not see anything in the withholding mechanism which would permit a dividend or interest recipient to meet the burden of proof of establishing the amount withheld, if he has a tax dispute in court. Such a system would have no relationship to the wage withholding system, in which the withholding agent is required to furnish both the employee and the Government with a copy of the form W-2 showing the amount of the compensation and the amount of the tax withheld from it.

A further objection to the proposed withholding plan is that not all types of interest payments would be subject to withholding tax. Payments of interest on personal loans and on home mortgages, for example, would be excluded. The confusion arising about what dividend and interest payments had been withheld on, and about what payments had not been withheld on, would undoubtedly be considerable. In many cases, persons entitled to refunds might have a hard time finding out how much they paid or what was due them. The Internal Revenue Service, lacking any detailed information for each withholding transaction, might have equal difficulty in verifying claims for refunds.

In conclusion, Mr. President, I reiterate my opposition to withholding on dividends and interest at this time. I declared on May 16, in summarizing my remarks:

> I am convinced that we need a more comprehensive effort to inform taxpayers of their liabilities under the present tax laws. Such an effort would, I think, result in greatly increased tax collections. The widespread conviction among taxpayers that withholding on interest and dividends would represent a new tax imposed for the first time is, to my way of thinking, clear evidence of the need for giving more information to taxpayers.
>
> It seems to me quite clear that we will collect virtually all of the taxes due on interest and dividends if we can give clear and complete information to the taxpayers. I believe we should make every effort to do this before we engage in a new withholding program on interest and dividends with all the redtape, all the expense, all the refunds, all the trouble, and all the economic disadvantages which this withholding program would involve.

There is no doubt in my mind that everyone should pay his fair tax share. I am in favor of collecting taxes on dividends and interest, as well as on every other sort of income.

But, Mr. President, a provision to impose withholding on dividends and interest at this time seems unworkable, unneeded, and unsound.

Mr. DOUGLAS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

RESIGNATION OF ASSOCIATE JUSTICE FRANKFURTER AND APPOINTMENT OF ARTHUR J. GOLDBERG TO SUPREME COURT OF THE UNITED STATES

Mr. DOUGLAS. Mr. President, a few moments ago the President of the United States announced that Mr. Justice Frankfurter had resigned from the U.S. Supreme Court, and that he was appointing the Secretary of Labor, Hon. Arthur J. Goldberg, to fill the vacancy.

I think this is a magnificent appointment. I have known Mr. Goldberg for 30 years.

He is held in high esteem by all groups in Illinois. He has made a magnificent record as Secretary of Labor. He has shown that not only is he an able and competent lawyer, but that he is impartial in his judgments. I think the Supreme Court has had a most worthy replacement for Mr. Justice Frankfurter.

As the senior Senator from Illinois, as a long time personal friend of Secretary Goldberg, and as an admirer of President Kennedy, I say that this appointment does the administration great credit. I hope and believe that the nomination will be ratified by the Senate, and I predict for Mr. Goldberg a great career on the Supreme Court of the United States.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. PASTORE. I associate myself with the glowing remarks of the Senator from Illinois. They are well deserved. It has been my privilege and honor to have had frequent contacts with Mr. Goldberg. I have always viewed him to be a man of sterling character, integrity, and wisdom. He will be a fine addition to the Court.

I wish for him and his family many years of success and happiness.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. SMATHERS. I associate myself with the remarks of the Senator from Illinois with respect to the new appointment. It has been my happy privilege to know Secretary Goldberg very well during the past year and a half. I have been greatly impressed with his ability, objectivity, energy, and fairness. I cannot help believing that he will be a fine addition to the Supreme Court, and I congratulate him and his family.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that the Senator from Vermont [Mr. AIKEN] may be recognized for 2 minutes with the understanding that his remarks will appear at the end of my statement.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois? The Chair hears none, and it is so ordered.

Mr. AIKEN. Mr. President, once in a while our country enjoys a real bit of good fortune. In reading the ticker this afternoon I think today is one of our lucky days. I read that President Kennedy has announced his intention to appoint Arthur Goldberg to the Supreme Court to succeed the illustrious Justice Frankfurter, who is retiring.

In my opinion, Arthur Goldberg is one of the most conscientious public servants that our country has had. He is an able lawyer, devoted to his country, and a squareshooter all around. He will make a worthy successor to the great Justice Felix Frankfurter, who has had such a long and meritorious career on our Supreme Court. I know that Arthur Goldberg as a Justice of the Supreme Court will make a record of which we will all be proud.

I wish to take this occasion to extend to Arthur and to his wife Dorothy all the good things of life that they both so richly deserve.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. HART. Mr. President, will the Senator yield?

Mr. DOUGLAS. Mr. President, I yield to the Senator from Michigan, with the understanding that the remarks of the Senator will follow those of the Senator from Vermont and will be subsequent to my comments.

Mr. AIKEN. I was going to have my remarks segregated somewhat from the discussion on the pending bill.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. AIKEN. I apologize for using the word "segregated," but I could not think of another one.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. AIKEN. If I have the floor, I shall yield.

The PRESIDING OFFICER. The Senator from Illinois had yielded to the Senator from Vermont. Has the Senator from Vermont completed his discussion?

Mr. AIKEN. I have completed my statement.

Mr. HART. Mr. President, will the Senator from Illinois yield?

The PRESIDING OFFICER. To whom does the Senator from Illinois yield?

Mr. DOUGLAS. I do not believe the Senator from Vermont has finished his statement.

Mr. AIKEN. I had finished the statement. I had not taken my seat. If I am permitted to yield to the Senator from Colorado [Mr. CARROLL] or the Senator from Michigan [Mr. HART], I shall be glad to do so. Without objection, I will yield to the Senator from Colorado.

The PRESIDING OFFICER. Without objection, the Senator from Vermont yields to the Senator from Colorado.

Mr. CARROLL. Mr. President, I commend the able Senator from Vermont for a very fine statement. I desire to associate myself with his remarks. As a member of the Senate Committee on the Judiciary I listened very carefully to the President's press conference today. Of course, I have the highest regard for Justice Frankfurter, who has served his country long and well in a most distinguished and learned career. I thought the President's selection of Arthur Goldberg was outstanding. I know him personally. I have observed him as a lawyer, as an administrator, as a public servant. He has appeared before the Senate Committee on the Judiciary on several important occasions. I have followed his work as Secretary of Labor. His character, his public service, his ability, his integrity, his knowledge of the Constitution and the history of America commands the respect of the American people. He is a distinguished lawyer. I know he will do the excellent work that we all expect of him on the Supreme Court.

I thank the Senator from Vermont for his very fine remarks.

Mr. HART. Mr. President, whoever has the floor, I wish he would yield to me.

Mr. AIKEN. Without objection, I yield to the Senator from Michigan.

Mr. HART. Mr. President, the Senator from Vermont and the Senator from Colorado quite properly have responded to the announcement made by the President with respect to the appointment of Arthur Goldberg to the Supreme Court. I share the sentiments expressed by both Senators. I have a very deep conviction that as the record of that Court is written in the generations ahead, a very brilliant chapter will analyze the service on that Court by Arthur Goldberg.

Very little can be added to what I thought was the moving expression by the Senator from Vermont. Yet I believe that the resignation of Justice Frankfurter and the appointment of Arthur Goldberg should remind us that controversy is not foreign to the life of the Supreme Court. In recent years we have been inclined to think that for the first time it has become the center of controversy, and that if that is wrong, someone is at fault.

I am not quite old enough to remember vividly when Justice Frankfurter was nominated to the Supreme Court. However, I have read some of the comments that then were made. I remember some of the predictions on the course he would take on the bench. We know now that those predictions were wrong. Labels were applied to him then which are the reverse of the labels that have been applied now.

In making the appointment, the President has been properly guided by the ultimate assumption that the courts shall be available to each and all, and that in filling a vacancy on the Court, the President is not looking for a man who will consider it the duty of the Court to stamp automatically with approval every prior and earlier decision. Certainly that helps to insure justice, but it does not insure justice. Sometimes, with the passage of time, what appeared to be just and right in one generation later proved to be wrong in another generation.

I believe that Arthur Goldberg will be sensitive to both of these aspects of his Court role. As one member of the Judiciary Committee I shall be glad to give the Senator from Colorado [Mr. CARROLL] an opportunity to affirmatively vote for the confirmation of the nomination.

Mr. AIKEN. I wish not only to thank the Senator from Illinois [Mr. DOUGLAS] for yielding the time, and to say that the yielding has been worth while, but also to congratulate him on having such an able and distinguished constituent that the President has seen fit to choose Arthur Goldberg of Illinois to sit on the Supreme Court of the United States.

Mr. DOUGLAS. I thank the Senator from Vermont and the Senator from Michigan. This is one of those rare occasions when it is delightful to be interrupted in one's speech. Earlier this afternoon I had the pleasure of making the announcement that the President had appointed Mr. Goldberg, and expressing to the Senate my great pride in him as an individual, and my great pride in the President of the United States.

Since I am in a yielding and forgiving mood, I will be glad to yield to the Senator from Ohio, who, I believe, wishes to present an amendment. I do so with the understanding that all of these interruptions will be printed at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection it is so ordered.

SUBSIDIZATION OF MASS TRANSPORTATION SYSTEMS

Mr. LAUSCHE. Mr. President, pending on the calendar is a bill which contemplates the authorization of $500 million in grants over a period of 3 years as a subsidization to local governmentally operated mass transportation systems. That bill, while it deals substantially with commerce, was referred to the Banking and Currency Committee for consideration, and not to the Commerce Committee, where it properly belonged.

About a half-hour ago I had a talk with the chairman of the Commerce Committee, the Senator from Washington [Mr. MAGNUSON], telling him that I contemplated, if and when the bill is called up for consideration, moving that the bill be sent to the Commerce Committee for its attention and consideration.

The Senator from Washington—not only today, but also when the bill was sent to the Banking and Currency Committee—agreed with the Senator from Ohio that the bill deals primarily with subjects which are within the jurisdiction of the Commerce Committee.

The bill, as is known by Members of the Senate, contemplates making available $500 million as a subsidy to local governmentally operated transportation systems. The $500 million is a mere drop in the bucket of what the final cost will be if there is to be a subsidization to practically 1,300 privately and governmentally owned systems.

If that whole gamut of operations is to be covered—and in my opinion the ultimate result of the provisions will mean that all of them will have to be subsidized—in my judgment the amount needed will be not $500 million, but probably $12 to $15 billion.

Mr. President, the subject of which I speak is pertinent in connection with the general subject of discussion that has been taking place on the tax bill. It will be more pertinent when the tax bill of next year comes before the Senate. It will be pertinent because it foretells the complications that are to come when we decrease taxes but increase spending. Probably a dozen bills that are contemplated for consideration and that are pending entail expenditures in a sum, when placed face to face with the purpose of reducing taxes, which in the end will be calamitous to our whole system.

I make this statement so that the Senate will know in advance that when the new subsidy bill comes before this body, I shall ask that we abide by the rules and send the bill to the committee which, under the rules, legitimately has jurisdiction of it.

I yield the floor.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BURDICK in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SMATHERS. Mr. President, I rise in support of the committee amendment to substitute for withholding on dividends and interest a requirement for the reporting of dividend and interest payments.

As a member of the Senate Finance Committee which considered this proposal, and as one who has listened to thousands of words of testimony and received thousands of letters from constituents, I have found few individuals or organizations expressing any sentiment in favor of it.

I recognize, of course, that we must find a way which will enable the Treasury Department to collect all of the tax revenue due from these taxpayers.

Certainly, I would not favor the continuation of the existing situation in which the Treasury Department tells us that there is some $850 million to a billion dollars of tax due in the case of dividends and interest which presently is not being paid.

I agree that we must find a way to insure the payment of tax due on these dividends and interest. I do not believe it has been demonstrated, however, that withholding is the best procedure for assuring the collection of this tax.

Withholding has been presented to us as a simple and effective procedure for collecting the tax due on dividends and interest. The facts, however, do not bear this out. The statutory language included in the House bill which deals with withholding itself covers nearly 50 pages. But this is not the major consideration. The major consideration is the effect of a withholding tax law on the taxpaying public, on the businesses and banks paying dividends and interest to their savers and shareholders, and the administrative burdens imposed on the Internal Revenue Service.

First, let us look at it from the standpoint of the individuals receiving dividend and interest payments. A 20-percent withholding rate, as provided by the House bill, would be very burdensome to many taxpayers. This is indicated by the fact, which is substantiated by the Internal Revenue Service, that the average effective tax rate on adjusted gross income of those paying tax is 13.3 percent. This means, right to begin with, that a withholding rate of 20 percent for the average taxpayers means "overwithholding" to the extent of 6.7 percentage points. This is inevitable in a withholding system which does not take into account personal exemptions, itemized deductions, nor even the standard deduction, the retirement income credit, or the special exemption for the aged.

The House bill itself recognized that a flat 20-percent withholding would be too burdensome, and, therefore, provided an exemption certificate system.

This exemption certificate system, however, was much more limited in its application than is generally understood. It would be available for all individuals under age 18, but for those 18 or over the exemption certificates could be used only by those who are willing to certify before the beginning of the year that they do not expect to have any tax liability—I emphasize the words "any tax liability."

Those who expected to have $1 of tax liability, even though withholding exceeds by many times the amount of that tax liability, nevertheless would not be eligible to file exemption certificates.

Moreover, even those who are eligible to file exemption certificates under the House bill would have to file a separate certificate each year for each separate bank account or shareholding or patronage dividend even though the amount of income involved was only $5 or, for that matter, only 5 cents.

In many cases the Government would be unjustly enriched in these situations because the taxpayers, when the amounts were small, would be likely to neglect to file either the exemption certificates or to claim a refund at the end of the year.

For taxpayers with any tax liability, the quarterly refund was the only procedure provided by the House bill to restore overwithheld amounts before the end of the year.

This still would deprive the taxpayer of the use of his own funds for at least a portion of the year. It also would present him with the nuisance and worry of having to file a quarterly refund claim.

Only one refund claim could be filed by the taxpayer during any quarter. As a result, if he received dividend or interest income from more than one source and this income was paid to him at different times during the quarter, he would have to wait until after the receipt of the last income during the quarter before filing the refund claim—if he hoped to receive a refund with respect to this amount at that time.

As a result, if a taxpayer received income both early and late in the quarter, he would be deprived of the use of 20 percent of at least part of this income received for the entire 3-month period.

In addition, a period of time would elapse after the refund claim was filed before the Government returned the money to the taxpayer.

The Treasury Department has said that this could be done in 3 or 4 weeks. Personally, I would be inclined to doubt whether in practice it would actually be quite this soon. In any case, this can mean that the taxpayer would be deprived of the use of his own funds for a period of up to approximately 4 months. This, of course, could reoccur each quarter with respect to the income received in that quarter. As a result of this, the proposed withholding system would deprive taxpayers of the use of their own funds for living expenses for an average period of up to 4 months, or deprive them of the investment return on the average for up to the same 4-month period.

I should also point out that since for the fourth quarter of the year the regular refund provision would not be available, the taxpayer would have to claim the refund for this quarter on his regular tax return. The delay in this case might be still longer than I have indicated. This would be likely, because it probably would require additional time for the taxpayer to prepare his regular tax return since he would have to wait for his W–2 withholding slip from his employer—which probably would be well along in January—before filing his return.

The worry and concern involved in filing this quarterly refund claim for the small taxpayer can hardly be imagined. Filing an annual tax return is something he has gradually become accustomed to over a long period of time. In any case, the quarterly refund claim would be quite new to him.

On this he would have to list his exemptions and any retirement income credit he expects. Next, he would have to substract any nondividend or noninterest income he received. Then, for what would certainly appear to be an unknown reason to him, he would have to multiply what was left after this subtraction by 22 percent. Next he would have to list any dividend and interest income he received during the quarter, and determine 20 percent of this amount. The result then would be subtracted from the previous computation. While this would be all of the computing the taxpayer would have to do in the first quarter, if there were changes in the subsequent quarters he would have to go through the computations again and take into account, in addition to all that I have already mentioned, the amounts which had been refunded in prior quarters.

Another area of complexity for the taxpayer would be in filing his regular tax return. The complexity here involves the so-called gross-up procedure. This is the procedure whereby the taxpayer would be required to enter on his tax return the net interest or dividends received and then to increase this amount by one-fourth. Taxpayers would have difficulty in understanding why they should report more dividend or interest income than they received.

In addition, the instructions with the tax return would have to have detailed information indicating that some dividends and interest should be grossed up while others should not be.

This would make it necessary to have separate boxes on the tax return for dividends to be grossed up and dividends not to be grossed up, and for interest to be grossed up and for interest not to be grossed up.

Next, the taxpayer would have to figure out into which of the particular boxes he should place the type of interest or dividend income which he received. Interest income received from other individuals, for example, he would enter in the box where no gross-up was to be provided. Similarly, dividend income received from foreign corporations would

go in the box where no gross-up was to apply. Moreover, if he erred and got such dividends or interest in the wrong box on his return, there would be a windfall gain for the Government.

I believe it is abundantly clear that the exemption certificate and refund procedure that I have outlined above would be complicated.

These procedures would be sufficiently complicated to the point that those with small accounts would be unlikely to go to the bother of obtaining the necessary information to get their money back when no tax was owed.

It has been estimated that there are 79 million savings accounts in the Nation on which less than $5 would be withheld each year. This is wholly apart from the school savings accounts which would be specifically exempted from the House withholding provision.

It is quite likely that in a large proportion of these cases no tax would be due, but because of the complexity in obtaining an exemption certificate or quarterly refund the taxpayer would fail to get back the withheld amount due him. As a result, the Treasury would obtain a windfall gain and the taxpayers would suffer a windfall loss.

Still another problem presented for the taxpayer by the withholding provisions is the fact that the withholding system would interfere with the taxpayer's choice as to which funds he would accumulate and as to which funds he would use to pay his taxes.

Many individuals have embarked on planned savings programs whereby they intend to accumulate a certain fund of capital for a particular purpose such as retirement, a college education for their children, or for some other special purpose.

To accomplish this purpose they plan to set aside a given amount of money periodically so that at a given time this accumulation will reach a predetermined amount. Included in their calculation is a compounding of the dividend and interest income.

Moreover, some specialized funds are set up in such a manner as to make such an accumulation a permanent feature of their plan.

By withholding on dividends and interest, we would prevent the taxpayer from using his discretion in paying taxes due out of other funds such as current income. In this way, the withholding provision would penalize the saver with a planned saving program.

The scope of the problem for the payors of dividends and interest is indicated by the number of the various types of accounts or stock on which there would be withholding.

Savings and loan associations in 1961 had over 32 million savings accounts. Mutual savings banks had nearly 23 million such accounts. Credit unions have 12 million more. Commercial banks account for 62 million more savings accounts, and postal savings slightly over a million additional. In all, it has been estimated that there are some 130 million savings accounts in the Nation.

In addition, the House provision calls for withholding on policyholder dividends which are left to accumulate with the insurance companies. The House provision also applies to dividends of various corporations. There are 118 million policyholders in insurance companies, a large proportion of which undoubtedly will accumulate policyholder dividends. In the case of corporations generally, there are some 17 million shareholders in the country.

At the present time the relationship between these savers and stockholders and the payors frequently is an impersonal one, and the contact of the payors with these recipients of dividends and interest frequently is handled solely or primarily by the mails.

A withholding tax and the accompanying exemption certificates would force these payors into a much more extensive and elaborate correspondence, or contact with their savers and shareholders to inform them of the withholding tax, to answer their particular questions as to how it works in individual cases, and then to find out whether they wish to file an exemption certificate and to explain to them how this works.

The initial burden for the payors is an exceedingly heavy one, because in reality the payors, in order to keep their customers, must explain to them how the system works, and educate them as to how to claim quarterly refunds or file exemption certificates. This is not solely a one-shot proposition, however, as the exemption certificates, under the House bill, are annual, which will require a renewal of these contacts or correspondence each year.

In addition to this educational problem with interest and dividend recipients, the payors must also classify their savers or stockholders according to the circumstances surrounding their exemption or absence of exemption from withholding.

Since most payors of dividends and interest classify their accounts or stockholders on an alphabetical or numerical basis, this new classification will change almost completely the procedure they use. It will not be limited merely to two categories, those exempt and those not exempt.

The types of accounts will have to be segregated and placed under separate cantrols and at least include the following categories:

First. Accounts of individuals under 17 for which exemption certificates have been filed. A separate classification is needed in this case since these certificates expire automatically in the calendar year in which the individual reaches the age of 18.

Second. Individuals over 17 for whom temporary exemption certificates have been filed.

Third. Accounts for tax-exempt organizations.

Fourth. School savings accounts, since these are nonsubject to withholding.

Fifth. Accounts of States, municipalities, their agencies and instrumentalities.

Sixth. Accounts of nonresident aliens. As under existing law these accounts may have to be subdivided according to treaty rate in each case.

Seventh. All other accounts.

Additional problems will arise for the payors in their handling of trust accounts. The House withholding provision is silent as to the manner in which these accounts are to be handled thereby, apparently precluding the filing of exemption certificates in their case. Yet the beneficiary in any of these accounts might be a person who would otherwise qualify for the filing of an exemption certificate.

The administration of the proposed system of withholding on dividends and interest would be far from simple for the Internal Revenue Service.

The educational program which will have to be carried on by the payors must also be shared with the employees of the Internal Revenue Service. They, too, will be called upon in thousands of cases to explain why an individual is receiving 20 percent less than the amount expected, should the withholding provision be adopted.

The Internal Revenue Service would also be faced with the necessity of developing a new program for handling the quarterly refunds. It would undoubtedly require an entirely new and distinct unit in the Internal Revenue Service to handle these special refunds.

The Internal Revenue Service would also find its auditing problem considerably increased or else put up with numerous opportunities for tax avoidance. It would be required to follow through on the exemption certificates, in a large number of cases to make sure that the individuals involved really had no tax liability. Not to do so would be an invitation to file these exemption certificates even though tax was due. It would have to carefully check the returns of those who claimed quarterly refunds to make sure that the interest and dividend refunds were actually attributable to dividends or interest received.

Another check would be necessary to make sure that these refunds are properly reported on the final tax returns. A still further check would be necessary to be sure that there is no overlapping of the filing of exemption certificates with the claiming of quarterly refunds.

Frequently the statement is made "We have withholding on salaries and wages, why are dividends and interest recipients so much better that there should not be withholding on them?" There are, however, many differences which make a withholding system much less practical in the case of dividends and interest.

In the case of wage and salary withholding, it is possible to calculate quite closely the actual amount of tax owed by the individual involved. Here it is possible to take into account the number of his exemptions, as well as the 10-percent standard deduction.

On the other hand, the 20-percent withholding for interest and dividends provided by the House bill makes no al-

lowance for exemptions and no allowance for the standard deduction. In the case of dividends received it makes no allowance for the 4-percent credit or the $50 exclusion. In addition, the 20-percent rate itself is substantially over the average effective rate applying to individuals generally.

In the case of wage and salary withholding, the taxpayer normally deals with only one employer, with whom he comes in frequent contact, either directly or with the employer's agent.

In the case of dividends and interest, the recipient may deal with numerous corporations with which he never comes in contact, except through the mails.

Though the wage and salary withholding requires a large and complex collection system, the revenue yield of some $20 billion makes it more practical compared to setting up a similar but more complicated method where the aggregate amount involved would be less than one-twentieth of this amount.

The Finance Committee, for reasons such as those that I have outlined—and there are many others which I presume will be gone into later on in the debate—abandoned the idea of the withholding system and substituted procedures for improved dividend and interest reporting.

The committee amendment requires payors of dividends and interest to report both to the Internal Revenue Service and to the taxpayers receiving dividends and interest from any payor of $10 or more.

At the present time, payors of dividends report this information to the Treasury but most of them do not do so on an annual basis and no copies of this information are required to be sent to the taxpayer although it is understood that some do so on a voluntary basis.

In the case of interest no report is made to the Treasury unless the amount involved exceeds $600 per year per payor.

I am convinced that requiring reporting to the Internal Revenue Service of all dividend and interest payments of $10 or more, coupled with the requirement that this information also be presented to the taxpayer on an annual basis, will result in an immediate substantial increase in collecting the tax due on dividends and interest. In the long run, as the Internal Revenue Service automatic data processing system becomes effective, it should result in the collection of substantially as much as a withholding system.

On that point I should like to add that this morning's issue of the Wall Street Journal contained a story, apparently issued by the Internal Revenue Service, that the Service is rapidly installing and putting into effect the system of numbering accounts. Once the numbered account system is in operation, under the law the Internal Revenue Service would require the information to go out to the recipients of dividends and interest. When that program has been finally completed, which we believe will be within a year or 18 months, we believe the money due and owing to the Government will be paid.

One point should be made abundantly clear, and that is that the average taxpayer is honest and wants to report all income received for tax purposes.

I am not one of those who believe that all the savers and interest receivers and all dividend receivers in my State or, for that matter, any other State are crooks. I believe that in most instances those people would be willing to pay their taxes, but that the truth of the matter is they have not realized that they are supposed to pay a tax on some of their accumulations, particularly in savings accounts, when only $5 or $6 in interest is added in their passbook possibly on a yearly basis. I do not believe those people are willful tax dodgers. I believe that if they knew that they were supposed to pay a tax on their accumulations in most instances they would pay the tax.

I believe that the notification system would bring about this information on the part of the recipients of dividends and interest payments and that they in turn will then make the payments which are due and owing. Certainly with the system of notification and the processing of the numbering system, the IBM machines would be able to pick out very quickly the few persons who have received payments of dividends and interest and who have not reported them on their tax returns. It would be very easy to ascertain who has not paid his tax when we get this system working, and we expect that it will be working within the next year or 18 months.

The main reason why interest and dividends are not reported as income in the majority of cases is because of the fact that the taxpayer did not know this should be done. These individuals are not tax dodgers or tax evaders. If they had known that under our complex tax system they should have reported all interest and dividends received as income they would have done so. With the reporting system, as recommended by the Finance Committee, placed in effect this, in my opinion, will provide an effective means of making sure that all taxpayers report taxable income from whatever source received.

Let me list a few of the reasons why the reporting system will accomplish this objective:

First. In many instances the taxpayer does not know the actual amount of interest paid or credited to his account. Obviously, if the taxpayer does not know how much interest he has received, he cannot be at all accurate in reporting this income on his tax return. In the case of most savers, the dividends or interest which they earn on their account is not paid to them in cash, but rather is credited to their account balance. The only way a saver knows the exact amount of his interest or dividend income is to have this amount credited to his passbook. In the case of a substantial number of savers, passbooks are not presented to the financial institution for such crediting early enough in the year to provide them with this information. By sending form 1099 to these savers, this problem will be overcome and savers will be fully and properly informed as to the amount of dividends and interest credited to their accounts.

Second. Many savers and investors who do receive dividends and interest by check are not accustomed to maintaining accurate records regarding this type of income. Consequently, they may have forgotten the amount they received by the time they file their tax returns. By sending taxpayers form 1099, this problem will be eliminated.

Third. Treasury officials admit that ignorance on the part of the taxpayer that dividend and interest income is subject to Federal income tax has been a major contributing factor to the under-reporting. When corporations send this taxpayer an official income tax form stating the amount which he has received during the previous year and emphasizing the fact that this income is subject to tax and should be included as such in his tax return, this problem will be overcome.

Fourth. The saver or investor who in the past has deliberately failed to report his dividend and interest income no longer will be inclined to do so now that he knows that the Treasury has been notified as to the amount of this type of income that he has received.

The fact that there is a considerably higher percentage of corporate dividends reported on individual income tax returns than interest payments—92 percent versus 73 percent of the payments attributable to taxable individuals—undoubtedly is due to the fact that these individuals know the amount of their corporate dividends and know that the Treasury has been informed. By reducing the level of interest reporting from $600 to $10, it is only logical to assume that reporting of interest income will increase considerably.

It is clear that the installation of automatic data processing equipment, the tax numbering system, and an improved system for dividend and interest reporting can result in the virtual elimination of the loss of revenue resulting from the nonpayment of tax on dividend and interest income.

Let us not abandon these tools which are available and in their place hang the millstone of withholding around the neck of the American taxpayer. On four previous occasions the Senate has defeated this withholding proposal.

In my judgment and the judgment of the majority of the members of the Committee on Finance, and I believe it will be the judgment of the Senate again, this so-called withholding of interest and dividends proposal should be defeated.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point copies of the various complex forms, prepared by the Treasury Department, which would be used if the withholding provision were adopted.

There being no objection, the forms were ordered to be printed in the RECORD.

Exemption certificate, form No. 1

PROPOSED FORM

U.S. Treasury Department—Internal Revenue Service

EXEMPTION CERTIFICATE FROM WITHHOLDING ON DIVIDENDS AND INTEREST
File with payor named below. (See instructions on reverse side)

1. Identification Number (See instructions) xxx-xx-xxxx

2. TO: Name of Dividend or Interest Payor			3. FROM: Name of person claiming exemption		
Anytown Bank			John F. and Mary L. Smith		
Address (number and street)			Address (number and street)		
1412 Main Street			1000 Oak Street		
City, town, or post office	zone	State	City, town, or post office	zone	State
Anytown	12	Md.	Anytown	6	Md.

4. I certify that I am exempt from the withholding of tax on any interest or dividends that you may pay me on or after 1/1/62 (date) for the reason checked below:

(a) ☐ I will be under 18 years of age as of the close of the first calendar year for which this certificate is effective. Date of birth _____ (month day year)

(b) ☒ I will be 18 or over as of the close of the first calendar year for which this certificate is effective and reasonably believe that no tax liability will be due for my taxable year in which this certificate goes into effect.

(c) ☐ Tax exempt organization.

Sign here JOHN F. SMITH 11-26-62 (Signature and date) (If for husband and wife both must sign) MARY L. SMITH 11-26-62 (Wife's signature and date)

WITHHOLDING ON DIVIDENDS AND INTEREST

The attached forms illustrate how the quarterly refund system would operate for Mr. and Mrs. Jones, a retired couple both over age 65:

The Jones family receives the following income during 1963:

Mr. Jones:	
Dividends from General Motors (paid quarterly)	[1] $800
Social security benefits	1,200
Pension (all taxable)	1,200
Mrs. Jones:	
Dividends from General Electric (paid quarterly)	[1] 400
Joint income:	
Interest on savings account (paid quarterly)	[1] 2,000
Total	5,600

The Joneses expect to itemize deductions for the year and believe that they will have $1,000 of deductions.

As shown on the forms, the Joneses have a refund ceiling for the year of $440 and will receive quarterly refunds of $160, $160, and $120 respectively. They will claim a refund of $56 on their tax return for the year computed as follows:

Dividends and interest (less $100 exclusion)	$3,100
Pensions	1,200
Total	4,300
Less:	
Personal exemptions	$2,400
Itemized deductions	1,000
Total	3,400
Taxable income	900
Tax at 20 percent	180
Less 4 percent dividend credit	36
Balance	144
Credit for tax withheld	200
Refund	56

[1] Gross amount including tax withheld.

First quarter refund claim, form No. 2

PROPOSED FORM

INITIAL CLAIM FOR REFUND OF TAX WITHHELD FROM DIVIDENDS AND INTEREST OF INDIVIDUAL TAXPAYERS
File only one claim in each quarter. (See separate instructions.)

PLEASE PRINT →

1. Name John F. and Mary L. Jones
2. Your Identification Number xxx-xx-xxxx
3. Wife's Identification Number xxx-xx-xx...
Address (number and street) 964 Oak Street
(City, town, or post office) Anytown (zone) 6 State Md.
4. Claim covers period: from Jan. 1, 1963 to March 31, 1963

DIVIDENDS AND INTEREST RECEIVED FROM WHICH FEDERAL INCOME TAX WAS WITHHELD DURING PERIOD SHOWN IN ITEM 4

Name of Payor	Amount received after withholding
5. General Motors	$ 160.00
General Electric	80.00
First National Bank	400.00
6. Total	640.00
7. 25% of line 6 above. (Enter here and on line 8, page 2) →	160.00

U.S. Treasury Department—Internal Revenue Service

COMPLETE AND SIGN OTHER SIDE

—FRONT—

Tab Card 7⅜ x 3¼

REFUND COMPUTATION

8. Enter amount shown on line 7, page 1		$ 160.00
9a. Number of exemptions 4, multiplied by $600	2,400.00	
b. Estimated deductions: Standard or itemized	1,000.00	
c. Enter your estimated retirement income (see instructions)		
10. Total of lines 9a, b, and c	3,400.00	
11. Estimated income (except dividends and interest subject to withholding)	1,200.00	
12. Line 10 less line 11	2,200.00	
13. 20 percent of the amount on line 12		440.00
14. Refund claimed. Amount on line 8 or 13, whichever is smaller. (Refund will be made for this quarter only if claim amounts to $10 or more)		$ 160.00

I declare under the penalties of perjury that this claim has been examined by me and to the best of my knowledge and belief is true and correct.

JOHN F. JONES 4-1-63 (Signature and date)

MARY L. JONES 4-1-63 (If joint claim, BOTH HUSBAND AND WIFE must sign) (Wife's signature and date)

Second quarter refund claim, to be mailed to taxpayer by Internal Revenue Service, form No. 3

Proposed Form

CLAIM FOR REFUND OF TAX WITHHELD FROM DIVIDENDS AND INTEREST
FOR USE IN CLAIMING ADDITIONAL REFUND FOR 3-MONTH PERIOD BEGINNING APR. 1, 1963

PLEASE PRINT				
	Name * John F. and Mary L. Jones		Claim No. XXXX	A. Estimated refund ceiling for year * 440.00
	Address (number and street) * 964 Oak Street			B. Refunds previously made * 160.00
	City, town, or post office * Anytown	Zone 6	State Md.	C. Balance of estimated refund ceiling * 280.00

To claim your additional refund, please answer the following question and furnish the information required: Has there been any change in your income tax exemptions, estimated deductions, retirement income credit, or an increase of more than $100 in the other income amounts as reported in your original claim?

☐ Yes ☒ No

D. If "No", complete Schedule A on reverse and enter amount from line 3, Schedule A. $160.00
Your refund will be the smaller of Item C or D. Refund will be made for this quarter only if claim amounts to $10 or more.

E. If "Yes", complete Schedules A and B on reverse.

I declare under the penalties of perjury that this claim has been examined by me and to the best of my knowledge and belief is true and correct.

Sign here JOHN F. JONES 7-1-63 MARY L. JONES 7-1-63
(Signature and date) (If joint claim, BOTH HUSBAND AND WIFE must sign) (Wife's signature and date)

*Filled out by Internal Revenue Service.

SCHEDULE A.—DIVIDENDS AND INTEREST RECEIVED FROM WHICH FEDERAL INCOME TAX WAS WITHHELD DURING PERIOD COVERED BY THIS CLAIM

	Name of Payor	Amount received after withholding
1.	General Motors $160; General Electric $80 First National Bank	$ 240.00 400.00
2.	Total	640.00
3.	25 percent of line 2	160.00

SCHEDULE B.—REFUND COMPUTATION (Complete only if the question on the face of this form is answered "Yes.")

4a.	Number of exemptions _____, multiplied by $600		
b.	Estimated deductions: Standard or itemized		
c.	Enter your estimated retirement income (see instruction)		
5.	Total of items 4a, b, and c		
6.	Estimated income (except div. and int. subject to withholding)		
7.	Line 5 less line 6		
8.	20 percent of amount on line 7		
9.	Less: Amounts withheld on dividends and interest previously claimed		
10.	Balance of refund ceiling (Line 8 less line 9)		
11.	Refund claimed. Amount on line 3 or 10, whichever is smaller (Refund will be made for this quarter only if claim amounts to $10 or more)		$

Third quarter refund claim, to be mailed to taxpayer by Internal Revenue Service, form No. 3A

Proposed Form

CLAIM FOR REFUND OF TAX WITHHELD FROM DIVIDENDS AND INTEREST
FOR USE IN CLAIMING ADDITIONAL REFUND FOR 3-MONTH PERIOD BEGINNING JULY 1, 1963

PLEASE PRINT				
	Name * John F. and Mary L. Jones		Claim No. XXXX	A. Estimated refund ceiling for year * $440.00
	Address (number and street) * 964 Oak Street			B. Refunds previously made * $320.00
	City, town, or post office * Anytown	Zone 6	State Md.	C. Balance of estimated refund ceiling * $120.00

To claim your additional refund, please answer the following question and furnish the information required:

Has there been any change in your income tax exemptions, estimated deductions, retirement income credit, or an increase of more than $100 in the other income amounts as reported in your original claim? ☐ Yes ☒ No

D. If "No", complete Schedule A on reverse and enter amount from line 3, Schedule A $160.00
Your refund will be the smaller of Item C or D. Refund will be made for this quarter only if claim amounts to $10 or more.

E. If "Yes", complete Schedules A and B on reverse.

I declare under the penalties of perjury that this claim has been examined by me and to the best of my knowledge and belief is true and correct.

Sign here JOHN F. JONES 10-1-63 MARY L. JONES 10-1-63
(Signature and date) (If joint claim, BOTH HUSBAND AND WIFE must sign) (Wife's signature and date)

*Filled out by Internal Revenue Service.

SCHEDULE A.—DIVIDENDS AND INTEREST RECEIVED FROM WHICH FEDERAL INCOME TAX WAS WITHHELD DURING PERIOD COVERED BY THIS CLAIM

	Name of Payor	Amount received after withholding
1.	General Motors $160; General Electric $80 First National Bank	$ 240.00 400.00
2.	Total	$ 640.00
3.	25 percent of line 2	$ 160.00

SCHEDULE B.—REFUND COMPUTATION (Complete only if the question on the face of this form is answered "Yes.")

4a. Number of exemptions ____, multiplied by $600		
b. Estimated deductions: Standard or itemized		
c. Enter your estimated retirement income (see instructions)		
5. Total of items 4 a, b, and c		
6. Estimated income (except dividends and interest subject to withholding)		
7. Line 5 less line 6		
8. 20 percent of amount on line 7		
9. Less: Amounts withheld on dividends and interest previously claimed		
10. Balance of refund ceiling (Line 8 less line 9)		
11. Refund claimed. Amount on line 3 or 10, whichever is smaller (Refund will be made for this quarter only if claim amounts to $10 or more)		$

Annual statement of refunds to be furnished by Internal Revenue Service, form No. 4

Form (Aug. 1961)
U.S. Treasury Department
Internal Revenue Service
Address any inquiry to—
[Internal Revenue Service, Baltimore 2, Maryland.]

Claim Account No. XXXXXXXXXX

Refunds made this year $440.00

DETACH AND KEEP THIS STUB WITH THE RETAINED COPY OF YOUR INCOME TAX RETURN

Form (Aug. 1961)

STATEMENT OF REFUNDS MADE ON DIVIDENDS AND INTEREST
REFUND CLAIM ACCOUNT

Refund(s) of income taxes withheld from your dividend and interest in the amount indicated below were made to you during calendar year 1963.
Please attach this statement to your Income Tax Return, Form 1040, and file it with your District Director.

Your claim Account No. XXXX

Refund made this year $440.00

Name
John F. & Mary L. Jones

Address (Number and street)
964 Oak Street

City or town: Anytown
Zone: 6
State: Md.

DO NOT FOLD, STAPLE OR MUTILATE

Mr. SMATHERS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SMATHERS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LAUSCHE. Mr. President, I send to the desk an amendment which would delete section 18 from the pending bill, if and when it finally is included in it.

This amendment would delete section 18 of the bill, relating to inclusion of foreign real property in gross estate and substitutes for it a new provision which requires foreign real property acquired in contemplation of death to be included in the gross estate of a U.S. citizen or resident. The amendment will prevent the avoidance of the U.S. estate tax through the ownership of foreign real property and will do so in a manner which will not raise any constitutional issue. Under the amendment, any acquisition of foreign real property is prima facie deemed to have been made in contemplation of death and this places the burden on the estate to show that it was not so acquired if the U.S. estate tax is to be avoided.

I ask unanimous consent that the amendment may be printed.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

SUPPORT WITHHOLDING DIVIDENDS AND INTEREST AT SOURCE

Mr. DOUGLAS. Mr. President, we now move to one of the most important features of the bill—namely, the proposal of the Senate Finance Committee to eliminate the provisions for withholding at the source the tax already owed on dividends and interest, as a basic provision in connection with the income tax. On this question a vote "yea" will be to eliminate the withholding feature for dividends and interest; a vote "nay" will be to uphold the withholding feature for dividends and interest.

Mr. President, last year, when the President submitted his tax program to Congress, he included as one of its integral and most important parts—indeed, as the chief reform proposed—the provision for withholding on dividends and interest. That was embodied in the tax bill submitted by the President to the House of Representatives; and it was approved by the Ways and Means Committee, earlier this year, and was passed by the House.

It was eliminated from the House version of the bill by the Senate Finance Committee, by a vote of 12 to 5. The Senate is now being asked to uphold the committee's amendment, which is directly contrary to the President's recommendation.

A PRESIDENTIAL PROPOSAL

Only last week the President again declared himself on this subject; and the one feature of the tax measure which he singled out for comment was this one. He expressed the hope that Congress might retain the withholding provision. So there is no doubt that the President wants to have withholding of the tax already owed on dividends and interest, just as there now is withholding on wages and salaries.

I had hoped that voices more influential and more eloquent than mine would be raised in support of this proposal of the President. I had hoped that the senatorial leaders of my party might take the floor to defend the President's program. I admit that I have a certain feeling of sickness of heart when I look around this vast Chamber and find only three other Senators present, and find that many Senators who, in my judgment, should be speaking and working for the President are either absent from the floor or are working and speaking against this program.

As I have said, I personally feel somewhat unworthy to take on this burden; and I admit that one has moments of discouragement, particularly after the two defeats which we of the liberal bloc suffered, yesterday and today. Yesterday by a vote of 52 to 30, when the mangled version of the investment-credit provision was inserted in the bill; and only a few minutes ago, by the extraordinary vote of 54 to 39, when in opposition to the President the Senate opened wide the door for the continuation of the abuses in the field of expense accounts.

So the fact that many Members of the Senate have not answered the quorum call and the attitude of the leaders of my party on the floor of the Senate all make me realize that in all probability I am speaking in vain.

The question is whether one should stand up—in opposition to this powerful steamroller—to speak from a back bench in behalf of the President's program, when those who sit in the front benches and the seats of the mighty do not take the field to defend it.

PRESENT WAGE WITHHOLDING 20 YEARS OLD

Mr. President, 20 years ago, almost to the day, the Congress, while in the midst of World War II, imposed a withholding tax on wages and salaries. At that time,

great objection was voiced in Congress to that proposal. It was said to be unjust. It was said that it would deprive wage earners and salaried workers of income which they should keep until the end of the year. It was said to be unworkable administratively. It was said to place too great a burden upon employers, who would have to make the deductions. But it was passed; and it has now been the law for 20 years, and it is an integral part of our revenue system. From it are collected many billions of dollars, with comparative success.

WITHHOLDING A CENTURY OLD

Mr. President, the principle of withholding at the source is not a recent one. In 1862, in the midst of the Civil War, Congress passed an income tax, and it remained on the statute books for approximately 10 years. That income tax had as a feature the withholding of the tax on governmental salaries, both civil and military, and also the withholding of the tax on interest and dividends paid by railroads, banks, trust companies, and insurance companies—which were about the only types of corporations in the United States at that time. Thus, for 10 years, withholding at the source was an integral part of that first Federal income tax.

In 1871, under the corruption of the Grant administration, that income tax was repealed. An income tax was later passed in the 1890's, but was declared unconstitutional by the Supreme Court. But a constitutional amendment was ratified by the States in 1912 or 1913, and it permitted the Federal Government to levy an income tax. In 1913 the Federal Government again levied an income tax; and it is upon the foundation of that tax that we have now continued for 49 years.

WITHHOLDING PART OF 1913 INCOME TAX LAW

The basic administrative method in that first pre-World War I income tax was withholding at the source; and it was applied to wages, salaries, dividends, and interest. It was an across-the-board withholding system.

It was built not only on the experience which we had during the Civil War and the post-Civil War years, but it was also built upon the basic principle which had been embodied in the British income tax laws, of withholding at the source. This system has been in effect decade after decade in Great Britain, and it has worked very well.

In 1916, when the income tax law was revised, the withholding feature was eliminated. Then for 26 years wages and salaries and dividends and interest were reported by the recipients and taxes were paid on them by the recipients with no withholding at the source.

WITHHOLDING ON WAGES APPLIED AGAIN IN 1942

But in 1942, as I have said, the Congress of the United States applied withholding to wages and salaries, but did not apply withholding to dividends and interest.

The result has been that for 20 years we have operated under a system of withholding on wages and salaries, but not on dividends and interest.

I do not think it is necessary for me to point out that those who receive wages and salaries have, on the average, lower incomes than those who receive dividends and interest. The average salary of employed workers in manufacturing is a little under $100 a week. There is, however, some unemployment in the country. Therefore, I suppose the average salary received in manufacturing tends to be somewhat less than $5,000 a year. More than half the wage earners receive less than this amount.

So, in the main, it is the lower income groups which have their basic income tax withheld against them, and they can get a refund of the amount withheld in excess of the taxes they owed, but only at the end of the year. For a year they are deprived of the use of the money. I am informed that approximately 60 million wage and salary workers have their income tax withheld in this fashion. This is very interesting, for 37 million of them, or about 60 percent, file claims for refunds at the end of a year. The records show that these refunds are made within 3 to 4 weeks, and that the average amount of the refunds is $142.

There has been very little complaint against this type of withholding during the last 20 years.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. HARTKE. What happens to a wage earner who has had his taxes withheld, and has overpaid his taxes, if he does not make an application for a refund?

Mr. DOUGLAS. As I understand it, he is out of luck.

Mr. HARTKE. This is the story that is being told by people who would have their taxes on interest withheld. They say, "Suppose I do not make an application for refund?" Would they be in any worse position than wage earners who did not make applications?

Mr. DOUGLAS. Not at all. In fact, they would be better off, because as a group their incomes are higher.

In connection with dividends and interest, an automatic refund is provided after the first application.

Mr. HARTKE. So, if the withholding provision were retained, as was provided by the House, is it not a fact that persons who receive their income from dividends and interests would be in a better position than wage earners who worked for a living?

QUARTERLY REFUND

Mr. DOUGLAS. Yes, I am glad the Senator has pointed that out. The House provided for a quarterly refund in the case of dividends and interest, but there is only an annual refund in the case of wages and salaries. The recipients of dividends and interest would get their refunds quarterly, and not yearly. So the period of retention would be less for recipients of dividends and interest than it would be for salaried workers.

Mr. HARTKE. Is it not true that the person who works for a living would be denied the right to use money which was rightfully his during the entire period the Government had the money?

Mr. DOUGLAS. That is correct. That is what now happens.

Mr. HARTKE. That is the same type of approach and argument made against withholding of taxes on dividends and interest.

Mr. DOUGLAS. Yes. It is more severe in the case of wage and salary workers, not only because of the fact that they can only get refunds at the end of the tax year, whereas the recipients of dividends and interest would be able to get them quarterly, but also because, generally, the dividends and interest will be paid quarterly, and the quarterly due periods, under the Internal Revenue Service, would be closely coincident with the periods in which the dividends and interest would be paid to the recipients, so that, in all probability, there would be a loss, not for months, but for probably 3 or 4 weeks at the most.

Mr. HARTKE. And probably, at most, about 30 days.

Mr. DOUGLAS. That is correct. The Internal Revenue Service processes 37 million applications for refunds on wages and salaries, and pays them within 3 to 4 weeks; and there would be only about 2 million applications for refunds on dividends and interest, at the most.

ALMOST NO WAGE EVASION OR AVOIDANCE

Mr. President, let us notice what is the effect upon collections. There is virtually no evasion of income taxes in the case of the recipients of wages and salaries. Ninety-seven percent of the taxes on wages and salaries is collected. Only 3 percent is evaded or avoided.

But see what the difference is in the case of dividends and interest. In the case of dividends and interest approximately 11 percent of the dividends are not reported by the recipients and hence escape payment. In the case of interest, approximately 34 percent of all interest is not declared, and hence payment is avoided. As a result, the Treasury has estimated that for the fiscal year 1960 approximately $4,400 million of dividends and interest which was paid out was not reported. It is estimated that in the next fiscal year of 1963 this will amount to between $4.9 billion and $5.2 billion. In other words, on the combined figures, somewhere between 20 and 25 percent of the dividends and interest is not reported and at present no taxes are paid on it.

Of course, the amount of taxes which is thus evaded is very large. For the current year it is estimated to be $1,100 million. The failure to pay taxes on this amount means either that the rest of us must pay more to make up for those who do not pay at all or the deficit must be increased thus increasing the burden of society.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. CARROLL. I wish to ask the Senator from Illinois a question. It is an important question, and one that has bothered me a great deal. Will the Senator inform me as to whether the people

who evade taxes on interest payments have been broken down into groups? Are they small holders or large holders? As to those who evade taxes on dividends, are they large or small holders? What brackets do they fall into?

Mr. DOUGLAS. Of course, we cannot get those figures from the ordinary statistical reports of income because these statistical reports relate to those who pay their taxes.

The Internal Revenue Service, however, made two special studies on a total of approximately 6,000 to 8,000 cases of unreported income and found that 70 percent of the amount of dividends and interest not reported was received by individuals who had more than $10,000 a year of income.

In other words, on the basis of the samples of from 6,000 to 8,000 cases, 70 percent of the taxes which were not paid on dividends was from people having incomes of over $10,000 a year.

So in terms of amounts of evasion and avoidance, it is, in the main, the upper income group, and not the lower income group, which evades and avoids on dividends.

Mr. CARROLL. Mr. President, will the Senator yield further?

Mr. DOUGLAS. I am glad to yield.

Mr. CARROLL. Is there a difference between interest payments and dividends, with reference to the groups, on the breakdown?

Mr. DOUGLAS. We shall try to obtain the information. The Senator is asking a very important question.

Mr. CARROLL. I suggest to the able Senator from Illinois that this is one of the key issues which bothers many Senators.

When I was last home in Colorado I talked with many people who had savings in building and loan associations or in savings banks. Often they were not aware that the payments they received on their accounts were taxable income. They were holders of small accounts. They were not aware of the interest rates. The payments were included in their bank accounts. Often the interest amounted to only a very few dollars a year.

Mr. DOUGLAS. I understand.

Mr. CARROLL. I am very serious about this question. The answer to it will help me determine how I shall vote on this issue.

Would the Senator's proposal reach every little account? Would there be a breakoff point anywhere? Even schoolchildren have a little money in savings accounts. Would the income from their accounts be taxable?

Mr. DOUGLAS. The House bill would exempt juveniles under 18 years of age, and those of any age who are not taxable.

Mr. CARROLL. What was the last group?

Mr. DOUGLAS. Those who are not taxable. That means those whose incomes are less than the amounts which would be exempted.

In this connection I point out that the standard personal exemption is $600 per person for those under the age of 65, which would mean an exemption of $1,200 for a couple under the age of 65. However, there is a double exemption for those who are over the age of 65, so after a couple is over the age of 65 they have a $2,400 exemption.

Then there is a little known but very important retired income tax credit which roughly—and I put it roughly—amounts to the equivalent of a deduction of about $1,200 for each recipient over the age of 65 for income received from dividends, interest, rents, royalties, and pensions. So if there were a husband and wife each receiving $1,200 in these five categories this could be further deducted, and there would be another $2,400 deduction added on top of the first $2,400, making a total deduction of $4,800.

Then the couple could also take the 10-percent standard deduction. All of this means that if a couple received less than $5,300 in interest they would pay no income taxes whatsoever and they would be entirely exempt from withholding.

In addition, as we well know, in 1954 the Congress—I think inadvisedly but nevertheless actually—passed the 4-percent dividend credit and $50 exclusion. So if the holdings of the aged couple were in stocks, they could have an income of $6,100 before they would pay any income tax whatsoever, and everything under that amount would be exempt.

If that couple received, let us say, the full amount of social security, and $3,000 in interest, let us say at 4 percent, that would mean they would have capital holdings of $75,000. That would be exempt. In the case of dividends, at 4 percent to obtain $4,000 they would require capital holdings of approximately $100,000.

The idea that this would pinch the young and the old is wrong. The young would be completely exempt. Very few of those over the age of 65 would have any withholding applied against them.

Mr. CARROLL. I thank the able Senator for his explanation. This is very important, and it has not been as fully presented as it might have been.

Mr. DOUGLAS. I have tried to present this issue time after time on the floor of the Senate. But the country will not listen. The newspapers will not listen. The building and loan associations will not listen.

Mr. CARROLL. The explanation has also been presented on the floor of the other body, as I remember.

Mr. DOUGLAS. The Senator is correct.

Mr. CARROLL. I wish to ask the Senator from Illinois a question in this regard. Does the Senator from Illinois, in his proposal, seek to restore the measure to the state in which it was passed by the House of Representatives?

Mr. DOUGLAS. What I am trying to do is to retain the House provisions. The Finance Committee is trying to knock them out. I am defending the House provisions.

Mr. CARROLL. Mr. President, will the Senator yield further?

Mr. DOUGLAS. I point out that three-fourths of those who are over the age of 65 are now tax exempt.

Mr. CARROLL. Three-fourths of those who are over the age of 65 are now tax exempt?

Mr. DOUGLAS. Yes. Therefore, there would be absolutely no withholding applied to them, because they would not owe any income taxes.

Mr. CARROLL. Does the Senator know what percentage of those under 18 years of age would be subject to withholding?

Mr. DOUGLAS. All of those would be exempt. That is one of the provisions the House put in the bill. The House changed the original proposal of the President. Those under 18 would be exempted from withholding completely.

Mr. CARROLL. If I correctly understand the Senator's explanation, those over 18 years of age would be treated like anyone else, and would have a $600 exemption?

Mr. DOUGLAS. That is correct. It would be $1,200 for a couple, and $600 for each dependent. A man with a wife and three children would get an exemption of $3,000.

Mr. CARROLL. Does that refer to gross income or net income?

Mr. DOUGLAS. That would be a deduction from gross income.

Mr. CARROLL. Do we know what percentage of the people who earn less than $10,000 of gross income a year would be affected by the withholding provision?

Mr. DOUGLAS. We can obtain that information. Eighty percent of all the dividends are received by those whose incomes are more than $10,000 a year. This was shown in a table which I inserted in the RECORD, at page 16712, on Monday in the general speech I made.

Mr. CARROLL. Is that based upon testimony in the committee hearing record on the bill?

Mr. DOUGLAS. It is based on figures computed by the Office of Tax Analysis of the Treasury Department. It is derived, I suppose, from the statistics of income which are published regularly.

Mr. CARROLL. Is the statement the Senator has made supported by the hearings?

Mr. DOUGLAS. There was testimony in the hearings in that regard, and it was not challenged.

Mr. CARROLL. In the hearings before the Senate Finance Committee?

Mr. DOUGLAS. That is correct.

Mr. CARROLL. Will the Senator repeat that? It is a very significant fact.

Mr. DOUGLAS. Those having incomes of under $10,000 a year received only 20 percent of all the dividends. Those having incomes of over $10,000 a year received 80 percent of all the dividends.

Mr. CARROLL. Let us forget about the dividends for a moment and let us direct our attention to interest. What is the story relating to interest?

Mr. DOUGLAS. That can be seen in the table No. 2 which I submitted, on page 16712 of the RECORD. I have not figured that out in any close precision.

Mr. CARROLL. The Senator will not have to do so at this time.

Mr. DOUGLAS. The total amount of interest reported was roughly $4.4 billion. Of that amount, approximately $1.9 billion was received by those whose incomes were under $10,000. That amount would be roughly 40 percent of the interest. That figure means that those whose incomes were over $10,000 received 60 percent of the interest and 80 percent of the dividends.

Mr. CARROLL. That is the point I wish to make. The Senator has given us the breakdown on interest. What was the gross total on dividends?

Mr. DOUGLAS. I have given the figures on dividends.

Mr. CARROLL. I am not speaking about percentages. I have asked for the gross total. The Senator said that the figure on interest was $4.4 billion.

Mr. DOUGLAS. The total of dividends received was $9.7 billion. Of that amount, approximately $1.9 billion went to those receiving less than $10,000 a year, or 20 percent. Therefore, those receiving over $10,000 a year received $7.8 billion in dividends, or approximately 80 percent of all dividends. In other words, those receiving over $10,000 got 80 percent of the dividends and 60 percent of the interest.

Mr. CARROLL. I think this is a very important point. I ask the Senator to give us again the total gross in dividends.

Mr. DOUGLAS. The total amount paid in dividends was $9,714 million, which I treated in round numbers at $9,700 million.

Mr. CARROLL. What was the total gross on interest?

Mr. DOUGLAS. The total gross on interest received was $4,395 million, or in round numbers, $4,400 million. Those whose incomes were under $5,000 received $732 million; those whose incomes were from $5,000 to $10,000, received $1,145 million. The two groups together received $1,877 million, or roughly $1,900 million out of the $4,400 million, or roughly around 40 percent. Those with incomes of more than $10,000 received 60 percent.

Mr. CARROLL. As I understand it, those in the category of taxpayers receiving over $10,000 in income receive——

Mr. DOUGLAS. Eighty percent of the dividends went to those in the category of taxpayers receiving over $10,000.

Mr. CARROLL. In relation to interest, those in the category of taxpayers receiving an income of $10,000 and over received about 60 percent of the interest.

Mr. DOUGLAS. Again I point out that those are not people or returns, but the figures are in terms of dollars.

Mr. CARROLL. I understand.

Mr. DOUGLAS. Sixty percent of the dollar amount of interest goes to those with incomes of over $10,000, and 80 percent of the dividends goes to those with incomes over $10,000.

Mr. CARROLL. That analysis was prepared by whom?

Mr. DOUGLAS. By the Office of Tax Analysis of the Secretary of the Treasury.

Mr. CARROLL. And that analysis is contained within these reports?

Mr. DOUGLAS. I think the one on dividends is. The table on interest was prepared for me personally. I think it appeared in yesterday's RECORD for the first time, but it was supplied by the Treasury.

Mr. CARROLL. With reference to interest, is there any evidence contrary to that which the able Senator has presented?

Mr. DOUGLAS. No. I have great confidence in the Office of Tax Analysis, which has been operated under both the Republican and Democratic administrations. I have never known them to misrepresent facts.

Mr. CARROLL. I thank the able Senator. He has been very helpful to the junior Senator from Colorado.

DOUBLE STANDARD APPLIED

Mr. DOUGLAS. In the main, the major portions of dividends and interest are received by those with incomes of over $10,000 a year. They do not have withholding applied to them. The major portion of wages is received by those who have wages of less than $5,000 a year.

Therefore, there is a system applied to those in the lower income brackets which is not applied to those in the upper income brackets.

It is interesting that those with incomes of over a million dollars get 48 percent of their entire income from dividends. The percentage received from dividends rises as the income rises.

ETHICAL QUESTION AT STAKE

A fundamental and ethical question is involved. A certain system has been applied for 20 years to the lower income groups in the community. During those 20 years the upper income groups in the community have been exempt from this provision. The result has been gross evasion and avoidance of taxation, which in the current year will amount to nearly $5 billion of income not reported, and a loss on taxes of nearly a billion dollars a year.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. HARTKE. The Senator was discussing with the Senator from Colorado the question of the difference in the grades for the amount of income received from dividends and interest. Lest the colloquy be misinterpreted, and it could possibly be misinterpreted—is it true that those people have any special forgiveness of tax if they earn less than $10,000? Does the fact that it is $10,000 make any difference on their tax liability?

Mr. DOUGLAS. It is diminished by the degree of their exemption.

Mr. HARTKE. The point is, if they owe a tax, they owe it, whether it is above or below $10,000.

Mr. DOUGLAS. That is correct. Those with an income of over $10,000 have no more legal exemption from taxes than those who have income of under $10,000.

Mr. HARTKE. The people the Senator is talking about, if they owe taxes, owe them; and the matter we are talking about in connection with this legislation is how to collect taxes that are owed.

Mr. DOUGLAS. The Senator from Indiana is completely correct. I have mentioned on the floor that I have received 75,000 letters from constituents in my own State protesting against the withholding method of collecting taxes on dividends and interest. We analyzed a large sample of those letters, and we found that in one-third to one-half of the cases the writers spoke of withholding as though it were a new tax, as though dividends and interest were not now taxable. Of course, this is a gross misconception.

Dividends and interest are income, just as wages and salaries are income. They are subject to taxation. The extraordinary thing is that from one-third to one-half of the persons who corresponded with me thought that dividends and interest were exempt from taxation. The fact that they thought so was, to me, presumptive evidence that they were not now paying taxes on dividends and interest.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. CARROLL. May I ask the Senator from Illinois to repeat the figure that he has mentioned regarding the distribution of dividend payments?

Mr. DOUGLAS. It is that 80 percent of the dollar amount of dividends are received by those having incomes over $10,000.

Mr. CARROLL. We have been talking about the amount of money that is lost to the Government.

Mr. DOUGLAS. That is correct.

Mr. CARROLL. I voted yesterday for the 7-percent tax credit incentive to industry for capital expenditures. I noted that the Senator from Illinois did not join with me in that vote. This credit will increase industrial profits and dividends; I should like to know how the benefits will be apportioned.

Mr. DOUGLAS. I have tried to state that information. I will break it down a little further.

Mr. CARROLL. I do not mean my question to reflect upon any group.

Mr. DOUGLAS. I understand. In terms of dividends, about 7 percent of the dividends are received by those having incomes of less than $5,000; about 13 percent are received by those having incomes of from $5,000 to $10,000; about 80 percent, as I have said, of the dividends are received by those having incomes of more than $10,000.

Mr. CARROLL. Before the Senator leaves dividends and discusses interest, I should like to know whether there is willful evasion.

Mr. DOUGLAS. I shall discuss that subject later.

Mr. CARROLL. There is a tax loss from dividends, is there not?

Mr. DOUGLAS. Yes; 11 percent of the dividends paid out by corporations is not reported by the recipients. There is a gap of that proportion between the amounts which we can trace which are paid out by corporations and the amounts declared by individuals on their income tax returns.

Mr. CARROLL. Is there any estimate as to how much is lost in taxation?

In what categories do the individuals fall?

Mr. DOUGLAS. It is the high income groups, with respect to dividends; so it is hard to tell. But the amount is a very considerable percentage.

Mr. CARROLL. I want to support the principle of paying taxes, because I think an ethical question is involved. I am not for tax evasion. But I wish to ascertain at this time whether it is intended to reach down into the low income groups in order to make up for the money which will be lost due to the 7-percent tax credit?

Mr. DOUGLAS. The difficult point is that since nonpayers do not make returns, there are no returns upon which an estimate can be made with complete accuracy of the precise amounts of taxes, which are avoided or evaded by various income classes. The totals can be estimated.

Mr. CARROLL. Dollars and receipts can be estimated, but not groups. I think the Senator from Illinois understands what I am getting at.

Mr. DOUGLAS. I understand.

Let me discuss the question of who are the evaders and the avoiders, and whether such action is conscious or unconscious. No one quite knows, by income classes, who the evaders and avoiders are in the case of dividends. There is probably a more conscious avoidance in the case of dividends, and it is the more conscious the larger is the amount of interest and dividends received by the individual. However, I do not claim that all such avoidance or evasion is conscious. A very large proportion is not conscious. This largely comes about in the case of people who have only a small amount of money on deposit in savings and loan institutions or savings banks. They have credited to them quarterly an amount of interest. Unless that amount is transferred into a checking account or a separate savings account, it is automatically added to the capital. Therefore, many persons do not think of this as income at all, because they never spend it. But it is income, even if it is added to the capital. But not spending it, and not having it entered into individual checking accounts or separate savings accounts, they tend to disregard it.

Mr. CARROLL. Mr. President, will the Senator further yield?

Mr. DOUGLAS. I yield.

Mr. CARROLL. The Senator from Illinois has explained clearly the situation which I have found in Colorado. Many small taxpayers say they do not consider reporting their interest income. It is not reported; it is not included in their earnings. But legally it is income. Frankly, I do not know what the answer is.

Mr. DOUGLAS. The answer is that unconsciously they have not declared as income amounts which they have received and which have been automatically added to the capital which they already have.

I do not in the slightest accuse such people of bad faith; I simply say they received the income. Such income is taxable, provided it is not exempt under the exemption limits.

Mr. CARROLL. Of course, that is true. The Senator has said that such people do not consider those earnings as income, and thus have never reported it. They are not conscious violators or evaders. Most of the nonreporting is in the field of interest; some of it is in the field of dividends. Some persons have said, "I get only $10 in dividends; I have never paid any attention to reporting it."

My question is, How many such persons exist? We are willing to take the money from those people; but, as the Senator from Illinois says, we do not know, percentagewise, the number of such individuals from whom it is desired to recapture this money. Let us concentrate upon the big evaders if we can.

Mr. DOUGLAS. The two sample studies by the Treasury show that in the case of 6,000 to 8,000 returns, about 70 percent of the nonreported dividends were received by individuals having incomes of more than $10,000. In the nonreported interest group, approximately 30 percent of the interest was received by persons having incomes of less than $5,000; 40 percent by those having incomes between $5,000 and $10,000; 30 percent by those having incomes of more than $10,000. Therefore, in the case of nonreported interest 70 percent was received by persons having incomes above $5,000; in the case of nonreported dividends, 70 percent of the dividends were received by persons having incomes of above $10,000.

Mr. CARROLL. I thank the able Senator from Illinois for his patience in answering this series of questions. These are matters that bother every Member of the Senate who has received letters expressing concern over this withholding proposal from the people at home. Interest has been credited to their accounts and has been compounded year after year, and until now they have not thought of it as income.

Mr. DOUGLAS. That is correct. Let me make another point: Lower income groups, who have bought series E savings bonds, have paid let us say $75 for the bond, which after a period of time may be cashed for $100. When a person sells one of those bonds, he makes $25 in interest. But large numbers of people do not regard that interest as income; they regard it simply as a return of capital and therefore do not declare as income the difference between the price they paid for the bond and the price they received. This has also been a source of avoidance.

Yet I am certain that as to the large proportion of these people, too, the nonpayment of tax is unintentional and unconscious. But I emphasize that whether it is unintentional or unconscious, if the income is taxable, the tax should be paid.

I am not any more in favor of tax evasion by lower income groups than I am in favor of tax evasion by high income groups—although I think we shall see that the major portion of the evasion—as shown by these studies—seems to be in the groups with incomes above $10,000 a year.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield further to me?

Mr. DOUGLAS. I yield.

Mr. CARROLL. I was hopeful that we could establish a breakoff point above the really small amounts, and could get at the large evaders.

Mr. DOUGLAS. That would complicate the matter too much. The Senator from Oklahoma [Mr. KERR] once proposed, I believe, that those with incomes of less than $5,000 should not have anything withheld. But the mechanics of that would be difficult. As a matter of fact, the refunds would be quarterly, and generally would fall at times only a few weeks after the times when interest is paid, because the quarterly payments of the income tax are almost synchronous with the normal quarterly payments of dividends and interest—in other words, April 1, July 1, October 1, and January 1.

Mr. CARROLL. Mr. President, I thank the Senator from Illinois for his statement and for yielding to me, and for his patience.

IMMEDIATE REFUNDS

Mr. DOUGLAS. I thank the Senator from Colorado. He has been patient with me, rather than the other way around.

The Treasury has also declared its willingness to have any person go to a bank, claim a refund, and have the bank make the refund, and then pay the refund to the bank. As a matter of fact, Mr. Roth, of the Franklin National Bank, on Long Island, has offered to do just that.

I have in my hand an advertisement published in the New York Times, the Washington Post, and other newspapers. It reads as follows:

NOTICE

Additional expanded refund services when withholding of income tax on interest and dividends becomes law.

May 28 Franklin National announced refunds of withholding will be paid direct to its eligible savings depositors: At the bank's teller's windows, in cash, immediately, and without charge.

Now, Franklin National will also make the same refunds of withholding to its eligible depositors on their accounts with other banks, mutual savings banks, and savings and loan associations, and on dividends and interest on their securities as well.

No need to send refund claims to Washington and wait for checks from the Treasury.

If you are not subject to Federal income tax, Franklin National will also arrange for exemption from withholding.

We have 47 branches on Long Island; 2 branches in New York City in 1963; resources over $900 million; member FDIC.

THE FRANKLIN NATIONAL BANK.

Mr. Roth is a most public-spirited banker. Incidentally, I believe his bank is the 24th largest in the country, with assets of close to $1 billion. He is a highly successful banker. He had the courage to come before the committee and defend the proposed withholding. He and Mr. Shirley Tark, of Chicago, and a representative of a Michigan chain of banks, are about the only ones

who have had the courage to take that position, and I think they deserve great credit. I honor them.

Mr. CARROLL. Mr. President, if the Senator from Illinois will yield further to me, let me say that a banker in Colorado—he lives in a very small town, and his is a very small bank, with very small accounts—came to me and said, "If you institute withholding, it will cost us about $250 a month to keep the records, and our profits could not stand that."

I am not asking the Senator for an answer——

Mr. DOUGLAS. I can give the Senator an answer to that. All that the bank will have to do will be to deduct one-fifth of the amounts it pays out in dividends and interest to those who do not file exemption certificates. This can be done easily. They do not have to file with the Treasury the list of names, addresses, and amounts from which the 20 percent is deducted. They will not have to inform the individual depositors or shareholders that these amounts have been deducted. The institution will have to carry on only a minimum of reporting.

The Senator from Virginia [Mr. BYRD] will get them into much more trouble by means of his amendment, I can assure the Senator from Colorado.

Mr. CARROLL. Mr. President, if the Senator from Illinois will yield further, he knows that soon it will be September. So probably we shall be here for 2 or 3 weeks longer, and it may be October 1 before the session ends.

Mr. DOUGLAS. I hope not.

Mr. CARROLL. Judging from what I have heard today, that may be the case. I understand that the House of Representatives may not take up the foreign aid bill until September 19.

The Senator from Illinois is my great friend, and I consider him my mentor in most things.

Mr. DOUGLAS. Be careful.

Mr. CARROLL. Will we be able to return home and educate the people of our States in 30 days in regard to a program of this scope?

Mr. DOUGLAS. I doubt it.

Mr. CARROLL. Can we expect the people to understand easily the merits of this proposal?

Mr. DOUGLAS. I doubt it.

Mr. CARROLL. I am glad to have the Senator's comment.

Mr. DOUGLAS. I doubt whether we can do this, because of the publicity which has been issued by the building and loan associations, by the savings banks, and by the banking community in general.

Mr. CARROLL. Mr. President, I think the Senator from Illinois is morally and ethically and legally correct. I wonder that the administration did not give this proposal greater support. Why have we not heard more from the President?

Mr. DOUGLAS. The President made a statement last week.

Mr. CARROLL. I know; and I am for it. But there was no great effort made at the grassroots level. About the only voice I hear is that of the Senator from Illinois.

Mr. DOUGLAS. Telstar does not carry on the earth.

Mr. CARROLL. Certainly these taxation problems are most difficult of solution.

Mr. DOUGLAS. I think it might be well for those who run for election this year to realize that they may seal their death warrants if they voted for withholding. I think that is quite possible.

I do not deserve any special commendation for bravery, because I will not have to run for reelection until 1966. So it cannot be said that I am heroic in what I am doing. The voters will have 4 years either to forget what I did or to become educated about what I did. So I am not going to pin any roses on myself, and I am sure no one else will. I disclaim any heroism.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield again?

Mr. DOUGLAS. I am glad to yield.

Mr. CARROLL. I thank the Senator from Illinois for his patience. He has helped me develop in my mind a course of action. I say that withholding is bound to come—it is just and equitable.

The House provision impressed me and so did the President's position. In the words of a great historian, we are no longer confronted with a theory; we are confronted with a condition.

The able Senator from Illinois has helped me understand that condition, and I thank him for his courtesy and his great patience.

Mr. President, I intend to vote with the able Senator from Illinois in favor of collecting taxes, already existent, on dividends and interest payments by means of a withholding system.

Such a system is not new. It has been in use for 20 years collecting taxes on wages and salaries. It works well. It works fairly. It allows families to budget their tax payments throughout the year.

The extension of this withholding system to dividends and interest payments is natural and is needed. We have heard today of the hundreds of millions of dollars that are lost to the Government through unpaid taxes on dividends and interest payments. It is unjust to the majority of the American people who pay their taxes without complaint to allow this loss to continue.

I will vote, Mr. President, for this withholding proposal because I believe it is just.

We shall be defeated today, I know. This vote will be symbolic; for withholding will come.

The House of Representatives have endorsed the proposal; the President endorses it. The people, when they understand the issue, will support us.

I urge the President, as the only elected official who can speak for all the people, to take this matter to the country.

The people will support us as they always support a proposal that is fair, just, and necessary.

Mr. DOUGLAS. Mr. President, I wish to pose this simple ethical question: Is it not improper to withhold taxes on persons in the lower income groups who receive wages and salaries, and who pay in withholding 97 percent of their taxes, but to refuse to impose withholding on the recipients of dividends and interest, who receive higher incomes, but do not pay taxes on close to 25 percent of the total amount of dividends and interest received? That, I think, is the basic question.

One can talk all he wants to about dividends and interest being received in multiple accounts by individuals or about other false issues, but the fundamental, ethical contradiction will remain.

If we refuse to put in the bill a provision for withholding the tax already owed on dividends and interest, to be consistent we should go the full way and then take off the withholding on wages and salaries. The Senator from Illinois, if he is defeated on this proposal, will introduce an amendment to that effect. Then we shall see whether those who are opposed to withholding on dividends and interest insist on having that same system in effect for wages and salaries.

Mr. President, there is a great deal of money at stake here, somewhere around $1 billion a year. May I point out that the campaign of education which the Eisenhower administration promised in 1958, and which they tried to carry out, has not resulted up to date in any appreciable increase in collections. Thus far moral suasion and persuasion have failed to produce results.

It is true that, under the bill reported by the chairman of the Finance Committee last year, the automatic data processing system was begun, and the account number which one has under social security will be identical with the account number of his income tax return. So we shall now have a unified system. As the amounts of dividends and interest are reported, they will be recorded by the automatic computers under the account numbers of the individuals, and then they can be compared with the amounts the individuals declare as shown by his account number. Therefore, it is said by some persons that it removes the necessity for withholding.

In the first place, I should like to point out that, fully carried out, this means an enormous amount of redtape. As a matter of fact, the automatic data processing system, with the coordination of social security and tax symbols, does not collect a dollar of taxes in itself. It merely gives to the Internal Revenue Service information with which it can go out and try to collect the taxes. The Internal Revenue Service has said that in order for it to collect every dollar in taxes that was due, it would have to double the number of Internal Revenue agents, and that would cost about $200 million in extra money.

AUTOMATIC DATA PROCESSING NO SUBSTITUTE FOR WITHHOLDING

So automatic data processing is no substitute for withholding. As a supplement to withholding, it can be very valuable in getting at those in the upper income brackets whose taxes will be in excess of the basic 20 percent, and whose numbers, therefore, will be more limited, and who can then be followed up by the agents of the Internal Revenue Service.

Mr. President, I want to clarify some of the misconceptions that have been fostered.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. COOPER. Perhaps the matters about which I desire to question the Senator are those the Senator wants to clarify.

Mr. DOUGLAS. I could not have a more stimulating experience than to try to reply to the Senator from Kentucky.

Mr. COOPER. I have heard the Senator from Illinois speak on this subject at least twice before. I remember one evening session when he discussed the subject thoroughly and responded to the many arguments that were made against the withholding provision. I do not want to make such a long introduction to my questions, but I will cite my own experience. When this bill passed the House I studied it as best I could, in view of its great length, but I did direct my attention to the withholding provision—if not with the background in economic and fiscal affairs of the Senator from Illinois.

Mr. DOUGLAS. I may say that an expert was once defined as one who is a long way from home, and I do not pretend to be a real expert in this tangled field of fiscal policy and administration.

Mr. COOPER. I could understand the withholding provision clearly. For I knew withholding had been applied to wages and salaries, for years and today, against over 50 million taxpayers, I know this also from personal experience.

Mr. DOUGLAS. We all know about that.

Mr. COOPER. I know that $1 billion in revenues are lost annually; that we have large annual deficits; and yet there is the hope in which I share, that taxes can be cut. Yet in this fiscal situation, some people, whether through inadvertence or purposely, are failing to pay $1 billion annually in taxes, on dividends and interest. It seems to me reasonable that in this situation Congress should provide this way to collect these unpaid taxes. Believing this, I took my position favoring withholding months ago on a television program. As a result, I received 6,000 or 7,000 letters, some of them angry but most of them expressing concern and making inquiries that people have the right to make of me and Members of the Congress. I found from these letters that some persons thought withholding was a new tax, although the tax on dividends and interest has been in effect, substantially, since 1913. Is that correct?

Mr. DOUGLAS. That is correct.

Mr. COOPER. Some of the writers thought it was a capital levy.

Mr. DOUGLAS. A large proportion of my correspondents thought that, too.

Mr. COOPER. They thought it was a capital levy on bank and savings accounts of 20 percent.

Mr. DOUGLAS. That is right, whereas it is only a 20 percent tax upon interest and dividends. If a person has a deposit of $1,000, it is not a tax of 20-percent upon the $1,000, but 20 percent upon the interest. Assuming the interest to be 4 percent, it would be a tax of 20 percent upon $40, or $8.

Mr. COOPER. I understood that. I answered the letters and assured the writers that it was not a new tax, and certainly not a capital levy, and asked them to direct any further questions they had to me. I received several thousand more letters. Nearly every objection to withholding was presented in these letters. The Senator has answered these questions in his speech. But one question came from older people, of small means, and it was troubling: Would the withholding of interest work a hardship upon them by depriving them of the money that they had been accustomed to have and which they needed for housing, rent, food?

The Senator from Illinois has pointed out in his report, along with the Senator from Tennessee, that any overwithholding beyond actual taxes due, on this account would be true only for the first quarter, for application for the refund of any overwithholding could be made then, and any such amount refunded.

Mr. DOUGLAS. The application for the refund would be made in the first quarter of the year, but it would carry over automatically to the other quarters.

Refunds would be made quarterly, probably within 3 or 4 weeks.

Again I wish to emphasize that the quarterly period in which the taxes would be due, under the Internal Revenue Service system, would be approximately the quarterly period in which dividends and interest would be paid out by the institutions.

Mr. COOPER. That is correct.

Mr. DOUGLAS. I think the wording is "approximate synchronization" of the two periods.

Mr. COOPER. The Senator has pointed out that those under the age of 18 would not be subject to withholding on interest or dividends.

Mr. DOUGLAS. That is correct.

Mr. COOPER. Also, persons who did not believe they would incur tax liability could file requests for exemption and would not be subject to withholding.

Mr. DOUGLAS. That is correct.

Mr. COOPER. These exemptions are reasonable and more favorable than to wages and salaries. Am I correct?

Mr. DOUGLAS. The Senator is correct.

Mr. COOPER. It seemed to me, with these exemptions, withholding would deal with people who owe taxes and some people who have not paid the taxes they owe.

Mr. DOUGLAS. That is correct.

Mr. COOPER. I repeat, I think a part of the failure to pay has been due to inadvertence.

Mr. DOUGLAS. That is correct.

Mr. COOPER. And some of it has been purposeful.

I stand where I did months ago. The more I have studied the problem, I have come more strongly to the conclusion that withholding would not work a hardship on small taxpayers, and that in all justice to those who do pay their taxes an effort should be made to collect the taxes not being paid.

There is another question I should like to ask the Senator.

Mr. DOUGLAS. I shall be glad to try to answer.

Mr. COOPER. I have received letters from certain institutions, such as savings banks and others, saying that if the withholding system should be adopted it would cost more than the amount which would be collected. I know that could not be true, but if the Senator has not already put into the RECORD the facts as to the probable cost, I wish he would do so.

Mr. DOUGLAS. The cost to the Government is estimated under withholding to be about $19 million. The reports which the paying institutions would be required to make would be relatively simple. All they would have to do would be to forward to the Government one-fifth of the amount paid out in interest or dividends. That is all. They would not have to list the individuals who received those amounts, or the amounts given to individuals. They would not have to notify the individuals as to the amounts withheld.

The Senator from Virginia [Mr. BYRD] would require them to report to the Government the amounts paid to each individual and to notify the individual of this. I wish to give the Senator from Virginia credit for his proposal, because he offered it very honestly. Under his proposal there would be about 200 million pieces of paper that the institutions would have to send out, plus all the internal computing that would have to be done. This is what the banks and savings institutions asked for, and this is, very properly, what the Senator from Virginia [Mr. BYRD] would give them. His rugged honesty demanded that this be done. The institutions will rue the day when they proposed this method.

Mr. COOPER. In reading the Senator's report, I believe it estimated that the cost of withholding would be about $48 million annually—to collect the $650 to $850 million of unpaid taxes.

Mr. DOUGLAS. I do not think it would cost that much. To collect $650 million of the $850 million without a followup by agents would cost $19 million. To follow up with agents, to get the difference between the $650 million and the $850 million, would cost about $29 million more. These cost figures are based on the 1959 revenue gap figures of the Treasury.

Mr. COOPER. Forty-eight million dollars.

Mr. DOUGLAS. That is correct. The latter group would involve a relatively small number of cases.

Mr. COOPER. I believe the Senator has made the statement that if the reporting system which the committee recommends is adopted it would be necessary to employ hundreds, if not thousands, of additional employees to follow up on the reports, and collect the unpaid taxes.

Mr. DOUGLAS. The collecting force would have to be doubled.

Mr. COOPER. I believe an estimate has been made that it could cost as much as $400 million annually to collect $850 million under the reporting system, as compared to $48 million under withholding.

Mr. DOUGLAS. It would cost vast sums of money.

Mr. COOPER. I made my decision to support withholding, before the great campaign formed against it. I respect the opinion of those who oppose it. I respect those who have written me; for many of them have been quite concerned. I have been worried about letters I have received from older people—many 75, 80, or more. Many of them are people I know, who have been led to believe that this proposal would take from their savings money they need for bare existence. The letters have been difficult to answer, difficult to give assurance that their fears were unfounded. But they are unfounded.

I cannot escape the fact that over a billion dollars of taxes on dividends and interest are unpaid annually and should be collected. The taxes have been payable under the law since 1913. An effort ought to be made to collect them.

I have received letters from some businessmen who object very strongly to withholding. I respect them but I think their position is inconsistent with the position that the Congress should develop on sound fiscal position. They ask that Congress should cut expenditures and I agree. But there is another side to fiscal order. If we are to achieve fiscal balance there must be an honest and full payment of taxes.

Mr. DOUGLAS. I thank the Senator from Kentucky. His statement and his position are in thorough keeping with the nobility of purpose which we have observed in the Senator from Kentucky ever since he first came to the Senate many years ago. I believe he is absolutely correct. The same considerations have been largely those which have led me to the feeling that we should apply withholding across the board.

There is one factor which is sometimes ignored, and we might as well get it out on the table now. I refer to the fact that under the present method there is an automatic snowballing of the interest paid out by savings banks and the amounts paid out by savings and loans institutions to the capital accounts of recipients, and these amounts are then used by the institutions. To the degree that taxes are not paid on those amounts, there is an increase in the capital sum by that amount. In other words, there is a snowballing of existing capital rolling up at the rate of nearly 4 percent a year. If the taxes which are owed upon this are not paid, that means that the size of the annual increment through the snowballing is greater than it would be if the taxes were paid.

Therefore a part of the gross of savings institutions has come from taxes owed to the Government but not paid. We might as well recognize that. Since this is a real world, we also might as well recognize that while it is not the only reason, it is one of the reasons why the savings institutions are opposed to the withholding system. If we had withholding, the money collected by the Government in taxes owed to them would not be available for the automatic addition to capital. To that extent, the growth rate of those institutions would be slowed down.

The heads of some savings institutions tell me that very frankly. The question is, Should those institutions grow at the expense of the Federal Government by reason of receiving money which is really owed to the Federal Government? Should those institutions grow to this degree because of tax evasion or tax avoidance? That is perhaps a better way to put the question. I think if that question is raised, there can be only one answer. No institution has the right to grow on taxes owed but not paid. That is a morally indefensible position to take. If the issue were really known to the American people, I think the conclusion would be very clear.

I prepared a series of questions and answers which was printed at the conclusion of my remarks on Monday, and which I do not wish to insert again in the RECORD. Many of them have been covered. I wish to emphasize again that those over the age of 65 could receive $6,100 in dividends or $5,333 in interest before they owed any tax whatsoever. Hence there would be no withholding for them. Those under 18 would be specifically exempted. All but a small proportion of those over the age of 65 would be exempted. The burden of the evasion or avoidance comes from those with incomes over $10,000 a year.

I hope that Congress will have courage enough to stand behind the President in this matter. I hope I shall not be accused of self-righteousness by saying that I think that the issue is an ethical issue.

Last night before I went to sleep I turned, as I often do, to the Oxford Book of English Verse. I found there the poem of Matthew Arnold entitled "The Last Word." Since the Senator from Oklahoma set us a worthy precedent yesterday in quoting poetry, I hope he will not object, since he is not present, to my quoting better poetry than that which he quoted. It is a poem addressed to the man who takes an unpopular stand. As I remember, the poem starts like this:

Creep into thy narrow bed,
Creep, and let no more be said!
Vain thy onset! all stands fast.
Thou thyself must break at last.

Let the long contention cease!
Geese are swans, and swans are geese,
Let them have it how they will!
Thou art tired; best be still.

They out-talked thee, hissed thee, tore thee?
Better men fared thus before thee;
Fired their ringing shot and passed,
Hotly charged—and sank at last.

In the late hours last night, being somewhat fatigued by standing beside the Senator from Tennessee all day yesterday, I asked myself, "What is the use of resisting the combined leadership of both parties and the bipartisan political machine which dominates the Senate?" Then I thought of the last verse of that poem. I hope I shall not be accused of mock heroism. I am not up for election until 1966. By that time most voters will have forgotten the issue. Matthew Arnold concluded the poem with the following verse:

Charge one more, then, and be dumb!
Let the victors, when they come,
When the forts of folly fall,
Find thy body by the wall!

There will probably be political casualties as a result of this vote. I tried to warn some of my friends what was coming and I urged them to get out of town, because there is a good deal of merit to the statement that, "He who fights and runs away will live to fight another day."

But, Mr. President, sometimes we move forward by having issues squarely presented, having the roll called, and getting the issues crystalized. Then even though the steamroller goes over one, and the bodies pile up at the wall, the very piling up of the bodies permits others to scale the wall later.

I am as confident as that I stand here that in the long run withholding will be applied to dividends and interest as it now is applied to wages and salaries. It will inevitably come. But it will come more rapidly if we make the fight now than if we do not make the fight.

Mr. President, I yield the floor.

Mr. HUMPHREY. Mr. President, will the Senator yield before he yields the floor?

Mr. DOUGLAS. I shall be glad to. I yield to the Senator from Minnesota.

Mr. HUMPHREY. I want the Senator to know that he has more allies than he thinks. I believe the issue of withholding on dividends and interest is basic to the integrity of our tax laws. There was an honest disagreement among some of us over a proposal which did not satisfy all of my desires on tax legislation, but which long ago I felt I would support. That was the investment tax credit. I do not think it is the best form of tax legislation. I do not think it is as good as the consumer type of tax relief. I believe it might be of some help.

But the tax bill that was sent here by the administration was supposed to have some balance in it.

Mr. DOUGLAS. That is correct.

Mr. HUMPHREY. It was well understood that the investment tax credit was to be a sort of special tax privilege to American business. There is no doubt about that. It was allegedly designed to promote investment, to improve plant, and to increase efficiency of output. But the dividend and interest withholding provision was the one feature in the tax law that was supposed to bring what I would call morality to the tax law, a sense of fairplay, and bring in revenue.

Mr. DOUGLAS. That is correct.

Mr. HUMPHREY. I watched the development of the proposal relating to withholding of the tax on dividends and interest. Many years ago, when the Senator from Illinois and other Senators were submitting amendments on tax laws, one of the first amendments that was submitted was intended to bring some equity into the tax structure by imposing withholding of the tax on dividends and interest, as it operates on wages and salaries.

Mr. DOUGLAS. That was in 1951, when the Senator from Minnesota and the Senator from Illinois, newly arrived in the Senate, fought for a week on the floor of the Senate to get those provisions into the law.

Mr. HUMPHREY. We were not successful then. There are those who say that the Senator from Illinois and other Senators will not be successful now. I do not believe that is important at this stage. The House of Representatives passed a tax bill including a provision for the withholding of taxes on dividends and interest. I am not an expert on taxation. One cannot be all over the lot, so to speak, and it is therefore necessary for a Senator to rely on certain experts and certain procedures. However, I have long been convinced that if we are to have tax legislation which will tighten certain loopholes, and at the same time give an incentive, which in the real sense are benefits and privileges to a limited group in this country, by way of an investment tax credit, it is necessary to raise revenue through an equitable and honest and honorable procedure called withholding of the tax on dividends and interest.

I have listened to what the Senator from Kentucky said when he engaged in colloquy with the Senator from Illinois, with respect to all the information which has been going out throughout the land, to the effect that certain Senators will be caused a great deal of trouble and heartache.

People write to me to say, "What do you mean by saying that you are going to assess us 20 percent of our income?"

As the Senator from Kentucky has said, some people interpreted the provision correctly. However, most of the letters that I received said, "So you are going to put a new tax on us."

The Senator from Illinois has pointed out that the tax on dividends and interest has been with us since 1913.

Mr. DOUGLAS. Since 1913. And reports have been made by the recipients since 1916.

Mr. HUMPHREY. Yes. Some improvements have been made in the tax law. We have required corporations and others to report dividends to the Internal Revenue Service. I am not familiar with all the details of this particular provision in the bill. However, I have read the provisions very carefully during the days when we had caucuses on this subject. The Senator from Illinois remembers that there were several meetings of Senators in which this particular withholding provision was discussed. I shall support in this area what the President has asked for. I will try to support what the President has sent to us in the form of a tax program as best I can. I voted with the Senator from Illinois, the Senator from Pennsylvania, and other Senators on the expense account provision. The Senator from Tennessee sought to strike that provision from the committee bill, particularly the section that dealt with the "or associated with" language.

Soon we shall have before us the question of deciding upon the lobbying provision. I intend to vote with Senators who are supporting an amendment to strike that provision.

I assure the Senator from Illinois that we are doing the right thing in voting for the withholding of taxes on dividends and interest. I do not believe it would cost any Senator his seat in the Senate. Even if that were the case with respect to the Senator from Minnesota, I am sure the country could get along very well.

Mr. President, it is very difficult for me, when I go home, to face a worker in a factory or a department store and know that that person has income tax payments taken out of his paycheck every week. How long does he have to wait if there is a refund?

Mr. DOUGLAS. A full year.

Mr. HUMPHREY. A full year. Then we are told that we cannot vote to have withheld a tax on dividends and interest. If there were refunds under the bill——

Mr. DOUGLAS. They would come to the payer quarterly.

Mr. HUMPHREY. Every 3 months.

Mr. DOUGLAS. Generally only 3 or 4 weeks after the amount has been paid out.

Mr. HUMPHREY. I commend the Senator from Illinois, and I am proud to be on his side.

Mr. DOUGLAS. The Senator from Minnesota belongs on this side, and generally he is on our side. We welcome him back.

Mr. HUMPHREY. I knew that the Senator would feel that way when I came back. There have been only a few moments in my life when I have strayed from him, and each time it has caused me heartache and sadness.

Mr. CLARK. Mr. President, I commend the Senator from Illinois for the brilliant speech he has made in opposition to the pending amendment. I am also glad to note the fine support he has been given by the junior Senator from Tennessee, and now by the senior Senator from Minnesota.

I am not one of those who believe that bleeding political corpses will be piled up at the wall, and that that will happen to Senators who are up for reelection, because we oppose the committee amendment. I am up for reelection.

In my opinion there is absolutely no justification for striking the withholding provision from the House bill. I have been saying that for the past 6 or 7 months. I have received nearly 60,000 letters from constituents in my State opposing the withholding of the tax on dividends and interest.

I believe I received between 45 and 60 letters supporting the withholding. At least 6 months ago I wrote to my constituents who wrote to me—all 60,000 of them—telling them that I thought they were wrong and that I thought that the withholding of the tax on interest and dividends was a sound tax, wholly justifiable, and not a new tax, but one which had been on the books for a long while.

There are those who say that this proposal would cost me my reelection this fall. I do not believe so. Like the Senator from Illinois, I am not engaged in any mock heroics. I am not particularly proud of the fact that I am swimming upstream. I do not believe that those of us who are fighting a just battle for a decent equalization of the tax will be defeated. There are many times when, as the Senator from Illinois has said, it is a good thing to be licked.

Mr. DOUGLAS. But it should not be a steady diet, such as has been meted out to the liberals in the Senate during this session. Once in a while we want to win.

Mr. CLARK. Perhaps we shall be able to remedy the situation by the votes that will be cast on the first Tuesday after the first Monday in November.

I see in the Chamber the junior Senator from Illinois.

Mr. HUMPHREY. If the Senator from Pennsylvania will yield briefly, we may be able to enter into a unanimous-consent agreement to vote on the pending amendment tonight. We have talked to all Senators who are particularly interested. I have spoken to the Senator from Wisconsin [Mr. PROXMIRE], who had written a letter opposing any uanimous-consent agreement. However, he was more than willing that we should enter into such an agreement on this vital amendment. Will the Senator from Pennsylvania yield for that purpose?

Mr. CLARK. In a moment I shall be happy to do so.

The Senator knows that in my view the rules of the Senate ought to be drastically changed.

Mr. HUMPHREY. Yes.

Mr. CLARK. So that it would not be necessary to legislate by unanimous consent. There have been occasions in the past when I would not have yielded by unanimous consent because it is a good idea to point out to my colleagues in the Senate occasionally that the rules under which we are operating are ridiculous, and that if any Senator wanted to enforce them, the Senate would not be able to transact any business. I say to my friend the Senator from Minnesota, with whom I am almost always in accord, and to my good friend the junior Senator from Illinois [Mr. DIRKSEN], with whom I occasionally find myself in accord, that I shall not be contumacious in this regard, and that if they will yield me 10 minutes so that I can finish these relatively brief remarks, I shall be glad to agree to the unanimous-consent request.

I am glad to yield now so that the Senator may propose the unanimous-consent agreement, with the understanding that I will be yielded 10 minutes to say what I wish to say.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that 20 minutes on a side be allowed on this amendment and that at the conclusion of that time the Senate proceed to vote on the pending committee amendment, the time to be equally divided.

Mr. CLARK. Provided that I have 10 minutes before the unanimous-consent agreement goes into effect.

Mr. DIRKSEN. I shall be glad to yield 10 minutes to the Senator from Pennsylvania now.

Mr. HUMPHREY. That will be made a part of the agreement.

Mr. CLARK. My friends are their usual gracious selves.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. DIRKSEN. Mr. President, I now yield the 10 minutes to the Senator from Pennsylvania.

Mr. CLARK. I shall be everlastingly grateful to the Senator.

The President of the United States gave his reasons in support of his tax proposal at his press conference last May 9. Secretary of the Treasury Dillon amplified the President's views in extensive testimony before the appropriate legislative committees. Those views have not changed in substance with respect to the request for a withholding of the tax on dividends and interest.

The views of the Secretary of the Treasury and of the President can be summarized as follows:

First, the withholding of the tax on interest and dividends is necessary to prevent tax dodgers from cheating the Government out of $800 million a year. There is no other feasible way of stopping this widespread tax evasion. The suggestion that by buying five more business machines and making out more forms and sending the forms, as they are now being sent, to a warehouse in Kansas City will collect this tax, falls. If we were to retain an adequate number of additional Internal Revenue agents and their subordinates to make this tax effective without withholding, I think we would come pretty close to adding from 10 to 15 percent to the total number of Government employees, whom some of those who oppose the withholding tax already think are far too many.

My second point is that according to the President and the Secretary of the Treasury—and this is very clear indeed—this would not be a new tax. Dividends and interest have been subject to income tax since 1913. The President's proposal merely provides for collecting this old tax in the same way the same income tax on wages and salaries has been collected for many years: by withholding by the paying corportaion or financial institution.

I have never seen the slightest moral or ethical justification for saying to a person who works for his living, either as a white-collar or blue-collar worker, "We do not trust you. We are going to take your tax out of your wages or your salary before you get it, because we do not think you would pay your tax if we left it to you to do so"; and then to say to someone who does not work for a living, who lives on inherited income or perhaps on savings accumulated during a lifetime of work, "Oh, we trust you. We do not have to withhold tax from you. You are an honest citizen, but the man who works for a living cannot be trusted."

That attitude seems to me to be completely unethical and not morally sustainable.

Mr. CARLSON. Mr. President, will the Senator from Pennsylvania yield?

Mr. CLARK. Does the Senator from Kansas understand that I have only 10 minutes? The Senate is operating under a unanimous-consent agreement. I suggest that the Senator from Kansas ask for time, so that my remarks will not be curtailed.

Mr. CARLSON. I am most pleased, in accordance with a suggestion by the minority leader, to yield further time to the Senator from Pennsylvania.

Mr. CLARK. I thank the Senator from Kansas.

Mr. CARLSON. Does not the distinguished Senator from Pennsylvania believe there is some difference in the case of withholding of the tax on interest and dividends, since there would be no provision for deductions as a result of martial status and no deductions for dependents? Does the Senator really believe there would be withholding of taxes on wages if the withholding was the full 20 percent of the wages?

Mr. CLARK. I am perfectly prepared to have the same withholding provisions applied for dividends and interest as are applied with respect to salaries.

I honor my friend from Kansas. He is a friend of long standing. But I suggest to him that this distinction is a distinction without a difference, and frankly is a bit specious.

Mr. CARLSON. Does not the Senator agree that this proposal has never been considered or brought out in any pending legislation? The proposal is for a 20-percent withholding tax regardless of the amount to be taxed, with no deductions allowed?

Mr. CLARK. I understand; but, again, I do not believe that is a very convincing argument. I am sorry not to agree with the Senator from Kansas.

There will be no appreciable hardship on those who do not legally owe taxes. The procedures for exemption and for refund are more generous to the taxpayer than those which have worked well for years in the case of wages and salaries.

At the time I sent to my constituents the letter from which I have been quoting, I also enclosed a memorandum from the Treasury Department entitled "Withholding on Dividends and Interest—a Necessary and Fair Proposal."

That memorandum points out that most taxpayers pay their income taxes, but that millions of them do not, and that the withholding of taxes on interest and dividend payments is essential as a matter of simple fairness and is necessary to put a stop to widespread tax evasion.

Far from hurting the average taxpayer, withholding would help him by insuring that the Government would collect most of the $800 million in taxes on interest and dividends which are now being evaded each year—lost taxes which must be made up by heavier taxes on honest and conscientious people.

The withholding proposal has been grossly misrepresented and distorted by those who have their own selfish reasons for wishing to see it defeated. They have fostered widespread misunderstanding of the plan and have aroused baseless fears.

In my opinion, at least half, if not at least two-thirds, of the letters I received from my constituents opposing the proposal were based on misinformation which had been furnished them by corporations in which they held securities.

Withholding has been erroneously represented as imposing a hardship on indigent elderly couples. Under the present law, which gives people over 65 a double exemption and also a tax credit on retirement income, an elderly couple could have as much as $5,377 in income each year from social security and interest and be liable to no tax and no withholding at all. If a part of their income were from dividends, the total income could be even higher. To have this income completely free of taxes or withholding, the couple would be receiving the maximum social security benefit of $2,178 and interest income of $3,199. This couple, who would avoid withholding entirely, would need about $80,000 in savings deposits, earning 4 percent, to receive $3,199 in interest. So I suspect there have been many arguments made which simply do not stand the light of day in connection with the proposed legislation.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD the text of my letter to my constituents together with the enclosure furnished to me by the Treasury Department.

There being no objection, the letter and statement were ordered to be printed in the RECORD, as follows:

DEAR FRIEND: Thank you for your communication telling me of your views on President Kennedy's tax reform bill. I regret that I have been so swamped with mail on this proposed legislation that I am forced to use this form reply.

The President gave his reasons in support of his tax proposals at his press conference on May 9. Secretary of the Treasury Dillon amplified the President's views in extensive testimony before the appropriate congressional committees. Their views can be summarized as follows:

1. Withholding of the tax on interest and dividends is necessary to prevent tax dodgers from cheating the Government out of $800 million a year. There is no other feasible way of stopping this widespread tax evasion.

2. This is not a new tax. Dividends and interest have been subject to income tax since 1913. The President's proposal merely provides for collecting this old tax the same way the same income tax on wages and salaries has been collected for many years: by withholding by the paying corporation or financial institution.

3. There will be no appreciable hardship on those who do not legally owe tax. The procedures for exemption and for refund are more generous to the taxpayer than those which have worked well for years in the case of wages and salaries.

4. The burden on the paying institutions is not appreciably more onerous than in the case of wages and salaries. Banks and other financial institutions may well net a profit from the free use of the withheld funds for appreciable periods of time.

5. The other tax loopholes which the bill would close are all unfair favors to special classes of taxpayers who for years have been able to avoid legally their fair share of our national tax bill—thus imposing a heavier burden on those who are not in the special privilege category. Examples are: padded expense accounts, inadequate taxation of foreign income, foreign tax havens, unfair tax preferences to mutual savings banks, mutual insurance companies, and cooperatives.

6. The investment tax credit for new machinery and equipment is necessary to help American industry to retool and thus compete more successfully with the modern industrial plants of Western Europe, Japan and, to some extent, Soviet Russia.

7. It is important that the new revenue from closing tax loopholes should equal or exceed the tax loss from the investment credit. We must keep our fiscal policies sound if we are to avoid a run on the dollar and a disastrous deficit in our foreign trade accounts and balance of payments.

I am confident that if you give careful study to these seven points you will understand why President Kennedy's position is in the national interest. Of course the bill has not yet been reported from the Senate Finance Committee and may contain amendments which you may be sure I shall study carefully.

Sincerely yours,

JOSEPH S. CLARK,
U.S. Senator.

WITHHOLDING ON DIVIDENDS AND INTEREST—A NECESSARY AND FAIR PROPOSAL

Most taxpayers pay their income taxes but millions do not. Withholding of taxes on interest and dividend payments is essential as a matter of simple fairness and necessary to put a stop to this widespread tax evasion.

Far from hurting the average taxpayer, withholding will help him by insuring that the Government collects most of the $800 million in taxes on interest and dividends which are now being evaded each year—lost taxes which have to be made up by heavier taxes on honest and conscientious people.

There is no reason why those who receive all or part of their income from interest and dividends should not have their taxes withheld—as wage and salary earners have been for 20 years.

The withholding proposal has been grossly misrepresented and distorted by those who have their own selfish reasons for wishing to see it defeated. They have fostered widespread misunderstanding of the plan and aroused baseless fears.

These misconceptions deserve to be cleared up.

This is not a new tax. Withholding is merely a method of collecting taxes which are owed the Government but—because of ignorance or intentional deceit—are not now being paid. Dividends and interest are income and, as such, have always been subject to income tax.

Withholding will impose no hardship and little inconvenience on taxpayers. People who have such low incomes that they do not owe any taxes can easily prevent withholding by signing a simple form certifying that fact. Those under 18 can be exempted from withholding whether or not they owe any tax.

Elderly couples, widows, and others who may owe a little tax but less than the amount withheld, can get quarterly refunds by filling out a simple refund slip which will be available at banks, post offices, and other places. These refund slips can be filed at any time during a quarter after withholding has taken place. It is not necessary to wait until the end of the quarter. Internal Revenue will mail out quarterly reminders to refund claimants. The refunds will, in most cases, be received within a month—as they are now by the 37 million taxpayers who are overwithheld each year on their wages and salaries. Those who don't wish to bother with quarterly refunds will get them annually by filing their regular tax returns.

Withholding has been erroneously represented as imposing a hardship on indigent elderly couples. Under present law, which gives people over 65 a double exemption and also a tax credit on retirement income, an elderly couple could have as much as $5,377 in income each year from social security and interest and be liable to no tax—and no withholding—at all. If part of their income is from dividends, the total income could be even higher. To have this income, completely free of taxes or withholding, the couple would be receiving the maximum social security benefit of $2,178 and interest income of $3,199. This couple, which would avoid withholding entirely, would need about $80,000 in savings deposits, earning 4 percent to receive $3,199 in interest.

An elderly couple with full social security benefits and $1,000 more than this in interest income—$4,199 a year—would, however, fall into the much discussed overwithheld category. Their savings deposits would have to total about $105,000. The withholding each quarter would be $210—$160 more than necessary. Under the quarterly refund procedure, the couple would never be out of pocket more than $160, which is the first quarter's overwithholding. The quarterly refund from the first quarter would offset the overwithholding in the second and so on indefinitely. This $160 would earn only about $6 for an entire year if left in their savings account at 4 percent.

How can anyone say this is hardship? Such a couple is well-to-do by almost anyone's standards—and there are very few such couples. Most elderly people would not be subject to withholding at all.

The amounts overwithheld generally will not be large. For more than half the people entitled to refunds, the amount overwithheld will be less than $10 per year. The average refund of overwithheld wages and salaries in contrast, is $143—and wage and salary earners can collect their refunds only at the end of the year.

Withholding is necessary. A total of nearly $4 billion in dividends and interest—nearly 20 percent of the total—goes unreported on tax returns each year. Publicity campaigns aimed at increasing voluntary reporting have simply not worked. Internal Revenue has no way of checking many evasions, especially on interest payments, because only the large ones—$600 or more—have to be reported by the payors to the Government.

Withholding will pay for itself many times over. The estimated administrative cost of the withholding system is $19 million per year but $650 million in presently evaded taxes will be collected. Use of withholding to eliminate the many small and frequently unintentional evasions will free Internal Revenue agents to pursue the upper income bracket evasions which account for the difference between the $800 million in tax receipts now being lost and the $650 million withholding will bring in. These well-to-do evaders will, of course, be withheld 20 percent like everyone else—but they owe more than that.

Use of ADP, the suggested alternative to withholding, would cost more to do one-third of the job. Automatic data processing does not collect one penny in taxes. All it does is identify suspected tax evaders, who then have to be located and audited. Following up and auditing all evaders turned up by ADP would be literally impossible—there are 6 million taxpayers who have interest and dividend income and don't report any of it. At least an equal number—maybe more—report some, but not all, of their dividend and interest income. Just following up the biggest evaders, to recover $200 million in taxes, would cost the Government $29 million—half again the price of a withholding system that would collect more than three times that amount. The maximum additional tax that the Internal Revenue Service could collect effectively with ADP and a reasonable enforcement effort is $200 million. And even to accomplish only the $200 million increase in tax receipts would require an increase of over 3,000 in Internal Revenue's enforcement staff—a 55 percent jump in the number of office auditors presently employed and a 10-percent rise in the number of agents. In addition, use of ADP and enforcement personnel followups would require that business organizations make much more detailed and numerous reports to Internal Revenue than they do now—or would have to do under withholding. In addition, there is no ADP system fully in operation as of now—and won't be until 1966.

The system will be simple and convenient for payers of interest and dividends. They will make their payments of withheld taxes to the Government in one lump sum quarterly. They will not be required to keep detailed records of individuals to whom they make dividend and interest payments. In addition, they will be permitted to retain use of the withheld taxes for certain specified periods before they are turned over to the Government—a provision which will help offset the cost of withholding.

Withholding may involve some inconveniences, it is true. But the alternative is clear—continued lawless evasion of $800 million worth of taxes each year on nearly $4 billion of unreported interest and dividend income.

Honest taxpayers will support this proposal in justice to themselves and all others who now pay their full share of taxes.

Mr. CLARK. Mr. President, before I close, I should like to point out what seems to me to be the most outrageous tax chiseling which can be easily done unless there is a withholding of the tax. It has to do with wealthy individuals who own Government coupon bonds in denominations of $1,000 or more. Such an individual can, without fear of ever being caught, take from his safe deposit box once each 6 months his Government coupon bonds, clip the coupons, and take them to his bank, which will promptly cash them. The bondholder can then put the money in his pocket, never deposit it in his checking account, and never account for it in anyway, and he will never be caught. In my opinion, tens, if not hundreds, of millions of dollars of taxes are going down the drain through this one cheating device, day after day, years after year. But we never hear a word about it. All we hear about is the alleged inequity to some poor little citizen and his wife, who are usually living on a pension, and who, it is said, would be deprived of their honorable, just savings by having their savings account interest taxed.

There is a large smokescreen about this particular amendment. I think every Senator should appreciate the fact that when he votes to support the committee amendment, he will be voting to cheat the Government of the United States out of a minimum of $800 million a year.

I yield the floor.

Mr. BYRD of Virginia. Mr. President, the question of withholding the tax on dividends and interest engaged the attention of the committee for many months. Hundreds of pages of testimony were taken. The committee considered every phase of the proposal.

Two votes were taken in the committee. The result of the first vote was 10 to 5 in opposition to the withholding of tax on dividends and interest. The result of the second vote was 11 to 5 in opposition. So by a vote of more than 2 to 1, the members of the Committee on

Finance voted in opposition to the withholding plan.

Mr. President, House bill 10650 as it passed the House required withholding of tax from recipients of dividends and interest. The Senate Finance Committee amended H.R. 10650 by substituting a requirement that information returns be furnished to the Government and to recipients. The substitution was made because of the superiority of this procedure over withholding.

It is superior because it is less onerous on the taxpayer, less burdensome to the payors, avoids much of the administrative difficulties involved in the withholding scheme, will make a greater contribution to voluntary compliance, applies to recipients in all tax brackets, and is a more precise way of doing the job.

On the last point—that the furnishing of information returns is a more precise way of doing the job—the Secretary of the Treasury is in agreement. In answer to a question, raised by a member of the Committee on Ways and Means, as to whether information returns of payors coupled with data processing would not be a more precise way of doing the job, the Secretary, after stating his preference for withholding and after noting that information returns would pose an extra burden on payors, conceded:

> But you are certainly correct. It would be more precise if they did this.

The information return method is less onerous on the taxpayer. Under the withholding method, many individuals, both in the elderly category and among younger people, would have been faced with substantial hardship because of overwithholding. Even those who could have filed exemption certificates were required to state under penalty of perjury that they would expect to owe no tax for the coming year. Many conscientious persons who in fact turn out to owe no tax would feel that they could not sign such a statement before the year even commences; and, therefore, they would be effectively deprived of the use of the exemption certificate. Moreover, under the quarterly refund system of the withholding plan, there would be a delay of at least 3 or 4 weeks before the recipient could receive back the withheld amounts and many recipients would have to wait 3 or 4 months. This would deprive them of the use of their own funds as living expenses or as sources of investment during the interval. Moreover, the quarterly refund system of the withholding plan does not make allowance for the $50 dividend exclusion—$100 on many joint returns—or for the 4 percent dividend credit or for deductions where the taxpayer itemizes. Not only is the information reporting requirement less onerous to the recipient, but it is also a fairer and more just way for him to be treated. Many individuals whose dividends and interest would have been diminished by withholding might fail, through ignorance or otherwise, to file refund claims for overwithheld amounts. In such a case, under the withholding plan, these individuals would have been permanently deprived of their income.

While the exemption certificates and quarterly refunds would not resolve the hardship problems for the shareholder or depositor, they nevertheless would present many compliance problems for the corporate and bank payors of the dividends and interest. Corporations and banks would have to maintain two files of stockholders or depositors. Corporations would also have to be prepared to shift stockholders back and forth between these two files as shares are purchased and sold or as exemption certificates are issued or withdrawn. Moreover, under the withholding plan, special problems would arise when stock is sold just before a dividend date by someone who has filed an exemption certificate to someone who has not, if the stock certificate has not actually been delivered to the corporation before the dividend date. Moreover, in order to use exemption certificates at all, taxpayers would have to forgo the convenience of leaving stock in their brokers' names.

Under the information reporting provisions, banks and corporations have only one simple duty to perform: That is, they must furnish to the Government and to the recipient information regarding the amount of interest or dividends paid to the recipient. Not only is this far less burdensome than the duplicate recordkeeping required by withholding, but it provides a system for which the payers themselves have expressed a decided preference.

There would also have been serious administrative problems for the Internal Revenue Service under withholding, as a result of the use of exemption certificates and quarterly refunds. These could have led to substantial tax evasion. There was no assurance, for example, that only those who "reasonably expect no tax liability" could file exemption certificates. Moreover, these certificates would not have been easy to check, because many of them represent persons not required to file tax returns; so frequently there would be no returns to match them against.

Similarly, since the individual who would file a quarterly refund claim was not then required to submit proof of the receipt of dividend or interest payments, there was ample opportunity for tax evasion and fraud, as well as unintentional mistakes. These required checking in detail and comparison with the amount shown on final returns, if the purpose of the legislation was to be fully accomplished. In fact, it was entirely possible that some taxpayers might file exemption certificates, file quarterly refund claims, and still claim refunds on their final returns at the end of the year, all with respect to the same dividend or interest payment or with respect to no dividend or interest payment at all. While the Internal Revenue Service might have been able to control this form of tax evasion and unintentional errors, it would have required a very large enforcement effort.

Mr. President, the information reporting program approved by the Senate Finance Committee will make a greater contribution toward voluntary compliance than the withholding program would have made. Withholding would take too much money from the multitude of low income taxpayers and too little from the higher income taxpayers. The Treasury has estimated that 29 percent of the unreported interest income is being received by those with incomes under $5,000, and that 42 percent of the unreported interest is being received by those with incomes between $5,000 and $10,000. Thus, 71 percent of the unreported interest goes to those with incomes under $10,000. The Treasury also estimates that 29 percent of the unreported dividends is received by those with incomes under $10,000.

The 20-percent-withholding plan would require the lower income recipients of interest and dividends to file tax-exemption certificates if they are not taxable, and to file for refunds if subject to overwithholding, while at the same time there would be underwithholding on the higher income recipients. Many of those who would be subject to this underwithholding would, by mistake or with malice, assume that having been withheld on, they should pay no more. In the absence of information to the Government and reminders to the taxpayers, how much of this underwithheld tax would be forthcoming? Much less, in my opinion, than under a program where the Government is informed and the taxpayers are reminded that the Government is informed of the amount of interest and dividends these taxpayers had received, and where the taxpayers are reminded that the Government has the means of comparing its information with the taxpayers' tax returns.

The Finance Committee report states that the Treasury estimates that the withholding proposal would produce $780 million of revenue in a full year. It should be noted, however, that only $580 million of this amount is due to application of the 20-percent withholding. The additional $200 million would be realized only—to use the Treasury's words—

> If in addition to withholding there is an improvement in tax compliance by persons subject to individual income tax rates above the 20-percent bracket.

On the other hand, the estimate of revenue to be derived from the information return system is placed at $275 million by the staff of the Joint Committee on Internal Revenue Taxation, and at $240 million by the Treasury, with a negligible allowance in each case for the compliance improvement which would result from the Government's knowing how much dividends and interest the taxpayer had received and the taxpayer's knowing that the Government knew and had the means through automatic data processing and enforcement to do something about it—not only as regards the low-income taxpayer but for all taxpayers.

I believe that the information-return-data-processing-enforcement system will prove a stronger stimulation toward voluntary compliance than withholding of 20 percent of dividends and interest, and will increase the revenue from this source significantly above the estimated amounts.

Particularly is this true in view of the fact that, as the Secretary of the Treasury has stated:

Much of the nonreporting of interest and dividends is due to inadvertence, forgetfulness, and failure to keep records, particularly by taxpayers who receive a small portion of their incomes from such sources.

If the inadvertent and forgetful are reminded, they will pay; if the willful evader knows that the Government knows and intends to collect, he will be induced to pay.

Thus, the reporting of dividends and interest to the Government by the payors, along with statements to the taxpayers of amounts so reported, will greatly enhance the compliance program of the Internal Revenue Service. Even before the Senate Finance Committee approved this information return system, which will greatly strengthen the compliance program, the Commission of Internal Revenue stated during the appropriation hearings in January:

As a byproduct of the automatic data processing system * * * we have noted a trend of people just walking into our offices and making voluntary disclosures. * * * They said they have been reading about automatic data processing."

And in March he had this to say of automatic data processing:

Today we do not see any saving of personnel but we do see a big closing of the revenue gap which Senator BYRD referred to on the floor as a potential $5 billion figure. We think we will collect more money through our increased capability for identifying the sources of error.

For reasons I have given today, and also because the withholding scheme is impracticable and unworkable, as I attempted to demonstrate in my statement to the Senate on May 21, I believe the reporting provision in the Finance Committee bill is the proper solution to the underreporting problem.

Mr. THURMOND. Mr. President, the Senate Finance Committee's action in striking the House-passed provision of H.R. 10650 which would have established a system of withholding 20 percent on interest and dividend payments gives me a great deal of satisfaction. Had this provision been enacted into law, many complications and hardships would have resulted. This particular provision was requested to offset the loss of revenue which is estimated as a result of people who fail to adequately report and pay taxes on interest and dividends. I feel that the provision which the Committee adopted in lieu of the withholding system will adequately protect the interests of the Treasury without necessitating such a great administrative expense as the withholding proposal. This bill provides, in lieu of withholding, for the reporting of most interest, dividend, and patronage dividends of $10 or more per year. These reports must be made to the Government and to the recipients of the payments on an annual basis, and additional civil and criminal provisions are added to those in existence for failure to report unless there is a reasonable cause for that failure.

A system of taxation should be characterized by equitable application and simplicity of administration. The provision which was passed by the House and stricken by the Finance Committee would have been inequitable in its application. In order to achieve equity the administration of necessity would have been overly complicated. Many individuals would have been deprived of a portion of either dividends or interest in the periods of time in which they were sorely needed. To overcome this problem many solutions were advanced, such as quarterly refunds, exemption certificates, credits, and offsets. However, these solutions merely complicated the administration of the provision and would have resulted in increased expenses for the Government.

There has been much controversy over this withholding provision and the volume of mail which I have received has been staggering. The charge has been made that there was a deliberate plan to brand this as a new tax so that opposition to it would be much greater than normal. The mail which I have received reveals that the people understand that they are liable to the Government for taxes on dividends and interest, but do not wish to be deprived of the benefit of these funds when they will incur no tax liability for the year.

In view of the numerous difficulties and hardships which would have been created by the withholding provision, I gladly support the Finance Committee's position in deleting this section of the bill and inserting in lieu thereof a strengthened reporting system.

Mr. KEATING. Mr. President, I shall support the dividend and interest reporting plan proposed by the Senate Finance Committee.

The more people have talked about the administration's withholding proposal, the faster has its support dwindled. It is a true orphan in the world of high finance. Even its parents, the Treasury Department, have apparently turned away from it. Nothing remains for us to do but carry this motion.

This bill and all of the debate on withholding have shown that the objective of greater compliance in paying taxes owed on dividend and interest income can be achieved by far easier and more efficient means than by a giant, burdensome withholding system.

Automated tax processing and the new efforts recommended by the Senate committee to inform taxpayers as to their tax liability make a withholding system unnecessary under present circumstances. The Treasury Department has already ordered new automated equipment to keep records on income received and on revenues owed to the Government. Soon this machinery will enable the Department to isolate interest and dividend payments. I favor using these machines in connection with the committee reporting plan, rather than loading our taxpayers with an impractical withholding system that may fail anyway.

In the case of fairly well-to-do individuals, the withholding of 20 percent of all income from dividends and interest would make little difference. They would undoubtedly owe more than 20 percent in taxes on their dividend and interest income. But, I am worried about people of modest circumstances who would not understand how to file for refunds, people who do not owe any taxes at all, pension funds, trust funds, and tax-exempt charitable foundations. No matter how many exceptions you make, there will always be problems with a bookkeeping system as massive and inexact as that proposed by the administration.

An elderly couple with a limited interest and dividend income and a double deduction would be completely befuddled by a giant withholding system. If they delayed in doing the necessary paperwork to apply for a refund, there is always the chance that they would die and never be able to enjoy income rightfully due to them.

We must take every practical step to catch tax chiselers, but this "shotgun" approach is unfortunate and may not even work. Furthermore, it would hurt many people, especially retired persons and those of modest means who need their income promptly. The administration and the Senator from Illinois in this instance are using a Polaris missile to hunt for rabbits. Their plan would involve mountains of paperwork and in all likelihood would fail.

There are better ways to accomplish the objective here envisioned. The Senate bill is a feasible and logical alternative. With the new devices and equipment available to the Treasury, I am strongly in favor of using these more practical and less burdensome methods to see to it that taxes are paid—to the full extent which they are owed—on all dividend and interest income.

Mr. MILLER subsequently said: Mr. President, I intend to vote for the committee's amendment, which would strike from the bill the Kennedy proposal to withhold tax from interest and dividends. My reasons for opposing the Kennedy proposal and supporting the committee amendment were well outlined in the course of a radio interview carried on various Midwest stations last May, and I ask unanimous consent that the transcript of this interview be printed at this point in the RECORD.

There being no objection, the transcript was ordered to be printed in the RECORD, as follows:

RADIO INTERVIEW WITH SENATOR MILLER OF IOWA

ANNOUNCER. From the Nation's Capital, we bring you an interview with U.S. Senator JACK MILLER, of Iowa. Senator MILLER is a tax lawyer by profession. At one time he served as an attorney in the Office of the Chief Counsel, Internal Revenue Service, here in Washington. He has taught tax law, written numerous articles on taxation, and given lectures on various tax subjects throughout the United States. He formerly served as chairman of the Committee on Tax Problems of Farmers of the American Bar Association. The subject of the interview will be the President's proposal to withhold income tax on interest and dividends. Now, let's join the discussion.

BOB COAR. Well, Senator MILLER, this is a rather dry subject to some, but I think it would be most interesting to most of our taxpayers, particularly those who depend on small incomes from stocks and bonds and things of that sort, yet don't make a very large profit. I'd like you to tell us, if

you would, just what the President's proposal to withhold income tax on interest and dividends amounts to.

Senator MILLER. First, Bob, let me point out that this is just one of many proposals in this 224-page monstrosity known as the omnibus tax bill. The President's proposal on this withholding on interest and dividends is that the payor—whether it's a bank or a corporation which pays interest or dividends to a customer during the year—will withhold 20 percent of that as income tax, so that the recipient will receive only 80 percent of the interest and dividends. This is something like the withholding on wages, except that on withholding on wages there is no flat 20 percent of income tax withheld. There may be a very small amount, there may be a much larger amount, depending entirely upon the dependents and the exemption status of the taxpayer. But here it's a flat 20 percent of income tax that is withheld. I might point out that although the President of the United States has said that there have been letters coming into the White House complaining that this is a proposed new tax, I haven't received a single letter like that from the thousands of Iowans who have written to me. This is merely a withholding of the present tax in anticipation of what would be due at the end of the year.

Mr. COAR. Isn't the inference there, Senator MILLER, that some of our people aren't quite honest, and that includes a great many of them?

Senator MILLER. Well, the President has estimated that there's some $3 billion of interest and dividends that isn't getting on the tax returns and having tax paid on it, and that as a result from $600 to $800 million a year of income tax is being lost to the Federal Treasury. I think, however, that it isn't quite this simple. As a matter of fact, the statements by the President of the United States and by the Secretary of the Treasury constitute an unwarranted indictment against the integrity of the hundreds of thousands and millions of people who receive income from interest and dividends. You see, these people—most of them—are ready, willing and able to pay their income tax that is due, although I'll say there has been increasing resentment lately of the burden of taxes, particularly the burden that has been increasing due to some of these domestic nondefense spending programs of this administration. But the trouble is that many people who receive interest and dividends really don't understand the income tax consequences. Let me give you a few examples. There are hundreds of thousands of people who have savings accounts at banks and savings and loan associations. During the year there is a crediting of interest to those accounts, although the interest is not drawn out. A lot of these people think that until they draw out that interest, they don't have to report it on their income tax returns; whereas the tax law says that if you can pull that interest out of the account, that once it is credited, it's taxable income. Then some corporations pay out dividends, not out of accumulated profits or current earnings but out of capital or out of depreciation reserve, and there is no income tax owing on those dividends. And some dividends include some capital gain income on which only a portion of the income must have tax paid, and there is confusion on that. And then there is much dividend and interest income which is very small, maybe $2 or $3 or $5 or $10. Improper records are kept. This is not reported, not due to fraud but due to inadvertence. Then we have a $50 dividend exclusion. If you as an individual receive $45, you don't even have to pay any tax on that; you list it on your income tax return but then you subtract $50 away from it and you don't have any tax to pay. If you are a married couple and the stock is held in the joint names of the husband and wife, you have a $100 dividend exclusion. There are millions of people who receive only a few dollars in dividend income so there is no tax owing on that. And then, of course, you have millions of small savings accounts in the names of children and older and retired people, and while it's dividend income, many of these people don't even have to file an income tax return. So I don't think it is quite as simple as inferring—as the President and the Secretary of the Treasury have done—that we have millions of tax evaders running around here in the United States. That isn't true at all.

Mr. COAR. A certain amount of money is being missed, but it is most difficult to determine accurately what that amount is, isn't it?

Senator MILLER. There is no question but what there is some tax revenue being missed. The point is, I think that this $600 to $800 million of missed revenue is a gross overestimate, and I think that it has been overestimated in an effort to try to force this proposal through the Congress.

Mr. COAR. Well, now couldn't we correct that, Senator MILLER, by some change in the method of reporting these payments, or a reduction of our $600 allowance or exemption we get, the things we file normally with Internal Revenue?

Senator MILLER. The mere fact that there is missed revenue doesn't automatically lead you to this withholding scheme. As a matter of fact, under the present tax law, information returns have to be filed by people who pay interest or dividends of $600 or more. They have to make out a little information return slip at the end of the year and send in to the Internal Revenue Service. Ordinarily they send a copy to the taxpayer or to the recipient. Now it seems to me that we could expand this information return system and require that the payor of interest or dividends of say $10 or more during the year—or perhaps of any amount—will at the end of the year file an information return with the Internal Revenue Service listing the taxpayer's account number—you know, last year we authorized the use of these account numbers—and send an information copy of that return to the taxpayer. Now I am quite well satisfied that if people receive at the end of the year a statement from the bank or from the corporation saying "Dear Mr. So and So, you receive so much interest or so much interest was credited to your account during the year, or you receive so much in dividends and this amount of the dividends is taxable income"—with a copy of that going to the Internal Revenue Service, we are not going to have very much missed revenue.

Mr. COAR. Now that system that you recommend is a very simple one, considering that they are converting Internal Revenue almost to automation entirely, using computers and so forth, things that will automatically pull out the account number, and they can attach all of this information that you mention to it.

Senator MILLER. That's right. However, I want to make it clear that this is not going to happen overnight. Last year we authorized the Internal Revenue Service to equip itself with several of these very expensive and very complex computers which record this information on magnetic tapes and can store on one roll millions of items of information. It is going to take 2 or 3 years for all of these computers to become installed and ready to go. But when they are, the payor of interest or dividends by sending in the account number to the Internal Revenue Service will enable the Internal Revenue Service through these computers to match up all interest or dividends that are attributable to that account number so that they will know exactly how much interest and dividend income a particular taxpayer received.

Mr. COAR. Senator, is there a possibility, for example, of an elderly couple who jointly receive $90 as a small dividend from a piece of stock that they have held for years, having this 20 percent automatically taken out? How are they going to get that back? Will they have to write a letter to Internal Revenue or do they get it back?

Senator MILLER. Well, I want to be fair about this. The proposed law provides that people who do not expect to owe any tax can file an exemption certificate with the payor saying that they don't expect to owe any tax and, therefore, the payor does not withhold any tax on them. Also, in the case of individuals under 18 years of age, they can file an exemption certificate. But you can understand how you might estimate that you wouldn't owe any tax and I might estimate that I wouldn't owe any tax but you might be right and I might be wrong, I might owe some tax. And so it's going to be discriminatory between you and me. And then also, just visualize the millions of exemption certificates that are going to have to be filed. And they will have to be updated, and this will mean filing these millions of exemption certificates every year with the banks and the corporations, and having them processed. And when young people become over 18 then they have to file an exemption certificate or have to file a withdrawal of an exemption certificate. This is a horribly complex mechanism for giving people the benefit of not having to have this tax withheld. But I want to be fair about it and point out that there is a provision in here to cover that situation. But in my judgment is is a highly unworkable, complex burden upon the businesses and also upon those people on whom this tax burden would otherwise fall. Now there is another thing that ought to be brought out. If you expect to owe even $1 of income tax, then you can't file an exemption certificate and they are going to withhold 20 percent on your interest or dividend income. They say you can then file a claim for refund and you can do so every quarter during the year. And they say also that you will get your refund quite promptly. But I can also visualize a horrible administrative complexity here because there will be literally millions of these income tax refund claims being filed. It's going to cause a lot of these people who can't really understand how to make out these complicated claims for refund—it is going to cause them to go to the trouble of making them out; it is going to require a lot more Federal employees to process these. So while they do cover it, I think they cover it in a most unsatisfactory, complex way.

Mr. COAR. Is there a possibility, Senator MILLER, that the amount of money that is returned might all be eaten up by the administration of this plan, because, as you say, they will have to add probably thousands of employees to handle this tremendous amount of paperwork that is being added?

Senator MILLER. Well, I think you can say this—that the amount of income tax that will be lost to the Internal Revenue Service because of the extra expense of businessmen to implement this will probably be substantial; but on the other hand, if there is a lot of revenue that is being missed, the Federal Government expects to have a net take from this. They will lose some tax from the extra expenses that the businessmen will be allowed to deduct. But they expect to catch more revenue by having this withholding. But my point is that I think it is overestimated—this amount of leaking income—and furthermore, they can get it if they will put in a sensible information return system.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. SMITH of Massachusetts in the chair). Does the Senator wish to take the time for the quorum call out of the time remaining on the amendment?

Mr. MANSFIELD. Yes.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I yield back all the time on this side.

Mr. DOUGLAS. I yield back all the time on our side.

The PRESIDING OFFICER. All time having been yielded back, the question is on the amendment to strike out section 19 and insert new language. The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Is this a quorum call or a rollcall on a yea-and-nay vote?

The PRESIDING OFFICER. This is a yea-and-nay vote.

The Chief Clerk resumed the call of the roll.

Mr. DOUGLAS. Mr. President, a further parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Will the Chair state the question which is now before the Senate?

The PRESIDING OFFICER. The question is on the committee amendment beginning on page 307, after line 8, extending through page 369.

Mr. DOUGLAS. A further parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DOUGLAS. Am I correct in my understanding that the committee amendment would eliminate the withholding feature on dividends and interest embodied in the House bill?

The PRESIDING OFFICER. That is correct.

Mr. DOUGLAS. I thank the Presiding Officer.

The PRESIDING OFFICER. And insert new language.

Mr. MANSFIELD. Mr. President, a further parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Montana will state it.

Mr. MANSFIELD. Mr. President, is this amendment carried on page 17836 of the CONGRESSIONAL RECORD for yesterday, in the first column, as follows: "Fourth. The withholding committee amendment, on page 307, line 9, through page 369, line 19"?

The PRESIDING OFFICER. That is correct.

Mr. MANSFIELD. In other words, this is the withholding amendment?

The PRESIDING OFFICER. Yes.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Illinois will state it.

Mr. DIRKSEN. As I understand the situation, the amendment that is pending is a committee amendment to strike the withholding provision and to insert instead the so-called reporting provision?

The PRESIDING OFFICER. The Senator is correct.

Mr. DIRKSEN. And Senators who are for the amendment to eliminate the withholding provision should vote "yea"?

The PRESIDING OFFICER. That is correct.

Mr. DOUGLAS. Mr. President——

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DOUGLAS. This situation is becoming more complicated by the minute. I had understood that the motion was to strike the withholding provision on dividends and interest included in the House bill, and nothing more.

The PRESIDING OFFICER. No; and to insert new language to take its place, relating to reporting.

Mr. DOUGLAS. To insert new language on reporting?

The PRESIDING OFFICER. Yes.

The clerk will call the roll.

The Chief Clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). Mr. President, on this vote I have a pair with the Senator from Washington [Mr. MAGNUSON]. If he were present and voting he would vote "yea." If I were at liberty to vote I would vote "nay." Therefore, I withhold my vote.

Mr. HUMPHREY (after having voted in the negative). Mr. President, on this vote I have a pair with the Senator from Missouri [Mr. SYMINGTON]. If he were present and voting he would vote "yea." If I were at liberty to vote I would vote "nay." I withhold my vote.

I announce that the Senator from Nevada [Mr. BIBLE], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Arizona [Mr. HAYDEN], the Senator from Washington [Mr. MAGNUSON], and the Senator from Oregon [Mrs. NEUBERGER] are absent on official business.

I further announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Alaska [Mr. GRUENING], the Senator from Oregon [Mr. MORSE], and the Senator from Missouri [Mr. SYMINGTON] are necessarily absent.

On this vote, the Senator from Oregon [Mr. MORSE] is paired with the Senator from Alaska [Mr. GRUENING]. If present and voting, the Senator from Oregon would vote "nay," and the Senator from Alaska would vote "yea."

On this vote, the Senator from Washington [Mr. MAGNUSON] is paired with the Senator from Montana [Mr. MANSFIELD]. If present and voting, the Senator from Washington would vote "yea," and the Senator from Montana would vote "nay."

On this vote, the Senator from Minnesota [Mr. HUMPHREY] is paired with the Senator from Missouri [Mr. SYMINGTON]. If present and voting, the Senator from Minnesota would vote "nay," and the Senator from Missouri would vote "yea."

Mr. KUCHEL. I announce that the Senator from New York [Mr. JAVITS], the Senator from New Hampshire [Mr. MURPHY], and the Senator from Wisconsin [Mr. WILEY] are necessarily absent.

If present and voting, the Senator from New York [Mr. JAVITS], and the Senator from New Hampshire [Mr. MURPHY] would each vote "yea."

The result was announced—yeas 66, nays 20, as follows:

[No. 224 Leg.]

YEAS—66

Aiken	Fong	Mundt
Allott	Fulbright	Muskie
Beall	Goldwater	Pastore
Bennett	Hickenlooper	Pearson
Boggs	Hickey	Prouty
Bottum	Hill	Randolph
Bush	Holland	Robertson
Butler	Hruska	Russell
Byrd, Va.	Jackson	Saltonstall
Byrd, W. Va.	Johnston	Scott
Cannon	Jordan, N.C.	Smathers
Capehart	Jordan, Idaho	Smith, Maine
Carlson	Keating	Sparkman
Case	Kuchel	Stennis
Church	Lausche	Talmadge
Cotton	Long, Mo.	Thurmond
Curtis	Long, La.	Tower
Dirksen	McCarthy	Williams, N.J.
Eastland	McClellan	Williams, Del.
Ellender	Miller	Yarborough
Engle	Monroney	Young, N. Dak.
Ervin	Morton	Young, Ohio

NAYS—20

Bartlett	Gore	McNamara
Burdick	Hart	Metcalf
Carroll	Hartke	Moss
Clark	Kefauver	Pell
Cooper	Kerr	Proxmire
Dodd	Long, Hawaii	Smith, Mass.
Douglas	McGee	

NOT VOTING—14

Anderson	Humphrey	Murphy
Bible	Javits	Neuberger
Chavez	Magnuson	Symington
Gruening	Mansfield	Wiley
Hayden	Morse	

So the committee amendment on page 307, after line 8, was agreed to.

Mr. BYRD of Virginia. Mr. President, I move to reconsider the vote by which the committee amendment was agreed to.

Mr. MANSFIELD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MANSFIELD obtained the floor.

Mr. MANSFIELD. Mr. President, I yield to the Senator from Oklahoma.

Mr. KERR. Mr. President, I ask unanimous consent that I may have a colloquy with the Senator from Illinois [Mr. DOUGLAS] and the Senator from Tennessee [Mr. GORE] to obtain some information in which both I and other Senators will be interested in determining the course for the evening. I should like to have the attention of the Senator from Delaware [Mr. WILLIAMS] and the Senator from Virginia [Mr. BYRD].

Under our unanimous-consent agreement, the next amendment to be considered would be the second committee amendment, which would eliminate section 482 entirely from the bill. I should like to ask the Senator from Illinois [Mr. DOUGLAS] and the Senator from Tennessee [Mr. GORE] if they would be agreeable to skipping that amendment

and the third amendment and going to the fifth amendment, discussing those in order to see whether or not yea and nay votes would be requested on those amendments.

Mr. DOUGLAS. Mr. President, I should like to oblige my good friend the Senator from Oklahoma, but I hope he will adhere to the sequence laid out. When he does so, I wish to propose an amendment to the committee amendment.

Mr. KERR. We have unanimous consent to proceed with the sequence as set out in the RECORD. Unless changed by unanimous consent, that will be the procedure.

Mr. DOUGLAS. I must reluctantly object.

Mr. KERR. Then, Mr. President, I ask that the second committee amendment be stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. At the top of page 52 it is proposed to strike out all down to and including line 22 on page 57, the same being an amendment to section 482.

The committee amendment is, as follows:

At the top of page 52, to strike out:

"SEC. 6. AMENDMENT OF SECTION 482.

"(a) IN GENERAL.—Section 482 (relating to allocation of income and deductions among taxpayers) is amended by adding at the end thereof the following new subsection:

"'(b) SALES AND PURCHASES WITHIN A RELATED GROUP WHICH INCLUDES A FOREIGN ORGANIZATION.—

"'(1) IN GENERAL. In applying subsection (a) to sales of tangible property within a group of organizations—

"'(A) owned or controlled directly or indirectly by the same interests, and

"'(B) at least one of which is a domestic organization and at least one of which is a foreign organization,

the Secretary or his delegate may allocate the taxable income of the group arising from such sales in the manner set forth in paragraph (2). This subsection shall not apply with respect to any sale of tangible property for which the taxpayer can establish an arm's length price (within the meaning of paragraph (4)).

"'(2) METHODS OF ALLOCATION.—

"'(A) CONSIDERATION OF CERTAIN FACTORS.—Except as provided in subparagraph (B), the allocation referred to in paragraph (1) shall be made by the Secretary or his delegate by taking into consideration that portion of the following factors which is attributable to the United States and that portion thereof which is not attributable to the United States—

"'(i) assets of the group, to the extent used in the production, distribution, and sale of the property,

"'(ii) compensation of officers and employees, to the extent attributable to the production, distribution, and sale of the property, and

"'(iii) advertising, selling, and sales promotion expenses (including technical and servicing expenses), to the extent attributable to the property.

Such method of allocation may also give consideration to other factors, including the special risks (if any) of the market in which the property is sold.

"'(B) ALTERNATIVE METHODS.—If the taxpayer establishes to the satisfaction of the Secretary or his delegate that an alternative method of allocation clearly reflects the income of each member of the group with respect to the property referred to in paragraph (1), such alternative method shall be used (in lieu of the method provided in subparagraph (A)).

"'(3) SPECIAL RULES.—In applying the method of allocation referred to in paragraph (2)(A), the following rules shall be applied:

"'(A) ADJUSTED BASIS OF ASSETS.—The values to be assigned to the assets referred to in paragraph (2)(A)(i) is their adjusted basis in the hands of the taxpayer or, if such basis is not available in the case of a foreign organization, then their book values, adjusted to approximate their adjusted basis.

"'(B) INCLUDIBLE ASSETS.—The assets referred to in paragraph (2)(A)(i) include real property and tangible personal property (whether owned or leased by a member of the group), but do not include inventory and stock in trade.

"'(4) ARM'S LENGTH PRICE DEFINED.—For purposes of this subsection, the term "arm's length price" means—

"'(A) the price at which tangible property similar or comparable to the property referred to in paragraph (1) generally is or can be sold in transactions in the same areas involving unrelated persons and made under similar conditions of sale; and

"'(B) if subparagraph (A) does not apply, the price at which tangible property similar or comparable to the property referred to in paragraph (1) is sold in the same or other areas under similar circumstances and in transactions involving unrelated persons, with adjustment for material differences in quantity, marketing conditions (including customs duties and transportation costs), and other relevant factors.

Subparagraph (B) shall apply only if the adjustment referred to therein is properly determinable.

"'(5) SALES COMMISSIONS.—The Secretary or his delegate shall by regulation prescribe rules for the allocation of commissions arising from sales of tangible property within a group of organizations described in paragraph (1). Such rules shall be consistent with the principles specified in the other paragraphs of this subsection.

"'(6) GROSSLY INADEQUATE ASSETS, ETC., OUTSIDE UNITED STATES.—In allocating taxable income under this subsection, no amount shall be allocated to a foreign organization whose assets, personnel, and office and other facilities which are not attributable to the United States are grossly inadequate for its activities outside the United States.

"'(7) INFORMATION NECESSARY FOR CONSIDERATION OF FACTORS.—In the case of any transaction to which paragraph (2)(A) applies, if—

"'(A) the information submitted with respect to the group of organizations is insufficient for the proper application of the method of allocation set forth in the first sentence of such paragraph, and

"'(B) upon request of the Secretary or his delegate, such group fails to furnish such additional information with respect to such transaction as may be reasonably supplied,

the Secretary or his delegate may estimate the taxable income arising from such transaction and may allocate such taxable income among the members of the group or to any single member thereof.

"'(8) TREATMENT OF FOREIGN TAXES.—

"'(A) For purposes of this subsection, taxable income shall be determined without regard to any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States.

"'(B) Where the application of this subsection results in a decrease in the taxable income of any foreign organization and an increase in the taxable income of any domestic organization, then any of the taxes referred to in subparagraph (A) paid by such foreign organization and attributable to the taxable income so transferred shall be treated for purposes of this chapter—

"'(i) as paid by such domestic organization, and

"'(ii) as not paid by such foreign organization.'

"(b) CLERICAL AMENDMENT.—Section 482 is amended by striking out 'In any case of two or more organizations' and inserting in lieu thereof the following:

"'(a) GENERAL RULE.—In the case of two or more organizations'.

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1962."

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. Is that the amendment now before the Senate?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOUGLAS. Mr. President, I send to the desk an amendment to the committee amendment and ask that it be stated, and that I be privileged to explain the amendment.

The PRESIDING OFFICER. The amendment of the Senator from Illinois will be stated.

The LEGISLATIVE CLERK. The Senator from Illinois proposes on page 57, after line 22, to insert the following new section:

SEC. 20. REPEAL OF WITHHOLDING OF INCOME TAX AT SOURCE ON WAGES.

Effective with respect to wages paid on or after January 1, 1963, chapter 24 (relating to collection of income tax at source on wages) is hereby repealed.

Renumber succeeding sections of the bill.

Mr. DOUGLAS. Mr. President, the Senate has just voted by an overwhelming majority not to apply withholding to dividends and interest. That is obviously the considered judgment of the Senate. If we do so, how can we consistently withhold taxes on wages and salaries? Now that we have stricken the provision for withholding of dividends and interest, in all logic we must strike out withholding on wages and salaries. I ask for the yeas and nays.

Mr. MANSFIELD. Mr. President, I move to lay that amendment on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

Mr. DOUGLAS. Mr. President, I ask for the yeas and nays on the motion to lay on the table.

The yeas and nays were ordered.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. What is the motion which is now before the Senate?

The PRESIDING OFFICER. The question is on the motion of the Senator from Montana to table the amendment of the Senator from Illinois to the committee amendment.

Mr. DOUGLAS. Then do I correctly understand that Senators, who believe in retaining withholding on wages and salaries even though we do not have withholding on dividends and interest should vote "aye"——

The PRESIDING OFFICER. The Chair informs the Senator that his question is not a proper parliamentary inquiry.

Mr. HOLLAND. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HOLLAND. Have the yeas and nays been ordered on the motion to lay on the table?

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DIRKSEN. Mr. President, if we can have absolute quiet for a moment, is it a proper parliamentary inquiry to say that the proposal now before the Senate, if agreed to, would put an end to withholding on all wages in the country?

Mr. DOUGLAS. Mr. President, is that a proper parliamentary inquiry?

The PRESIDING OFFICER. The Chair rules that it is not a proper parliamentary inquiry.

Mr. DIRKSEN. Mr. President, I ask that the amendment be stated for the information of the Senate.

Mr. HUMPHREY. Mr. President, a motion to lay on the table has been made.

Mr. DIRKSEN. I know; but Senators are entitled to know what they are asked to lay on the table.

The PRESIDING OFFICER. The Senator is correct.

Mr. DIRKSEN. I ask that the amendment be repeated to the Senate for the information of the Senate.

The PRESIDING OFFICER. The clerk will state the amendment.

Mr. DIRKSEN. May the clerk read slowly and distinctly?

The LEGISLATIVE CLERK. On page 57, after line 22, it is proposed to insert the following new section:

SEC. 20. REPEAL OF WITHHOLDING OF INCOME TAX AT SOURCE ON WAGES.

Effective with respect to wages paid on or after January 1, 1963, chapter 24 (relating to collection of income tax at source on wages) is hereby repealed.

Renumber succeeding sections of the bill.

Mr. DIRKSEN. Mr. President, I suggest the absence of a quorum.

Mr. HOLLAND. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. Does the Senator from Illinois withhold his suggestion of the absence of a quorum?

Mr. DIRKSEN. I withhold my suggestion.

The PRESIDING OFFICER. The Senator from Florida will state his inquiry.

Mr. HOLLAND. Would it be appropriate to ask, by way of a parliamentary inquiry, whether or not the amendment, if adopted, would put an end to withholding of taxes from the salaries of Members of Congress and the withholding of taxes from the wages of all employees in the Government?

Mr. MANSFIELD. Mr. President, I make the point of order that that is not a proper parliamentary inquiry.

The PRESIDING OFFICER. It is not a parliamentary inquiry.

The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Connecticut [Mr. DODD], the Senator from Mississippi [Mr. EASTLAND], the Senator from California [Mr. ENGLE], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from Alabama [Mr. HILL], the Senator from Tennessee [Mr. KEFAUVER], the Senator from Washington [Mr. MAGNUSON], the Senator from Hawaii [Mr. LONG], and the Senator from Oregon [Mrs. NEUBERGER] are absent on official business.

I further announce that the Senator from Oregon [Mr. MORSE], the Senator from New Mexico [Mr. ANDERSON], the Senator from Pennsylvania [Mr. CLARK], the Senator from Tennessee [Mr. GORE], the Senator from Alaska [Mr. GRUENING], and the Senator from Missouri [Mr. SYMINGTON] are necessarily absent.

I further announce that, if present and voting, the Senator from Mississippi [Mr. EASTLAND], the Senator from California [Mr. ENGLE], the Senator from Arkansas [Mr. FULBRIGHT], and the Senator from Alabama [Mr. HILL] would each vote "yea."

On this vote, the Senator from Oregon [Mr. MORSE] is paired with the Senator from Washington [Mr. MAGNUSON]. If present and voting, the Senator from Oregon would vote "nay," and the Senator from Washington would vote "yea."

On this vote, the Senator from Pennsylvania [Mr. CLARK] is paired with the Senator from Missouri [Mr. SYMINGTON]. If present and voting, the Senator from Pennsylvania would vote "nay," and the Senator from Missouri would vote "yea."

Mr. KUCHEL. I announce that the Senator from New York [Mr. JAVITS], the Senator from New Hampshire [Mr. MURPHY], and the Senator from Wisconsin [Mr. WILEY] are necessarily absent.

The Senator from Massachusetts [Mr. SALTONSTALL] is detained on official business and if present and voting would vote "yea."

On this vote, the Senator from New York [Mr. JAVITS] is paired with the Senator from New Hampshire [Mr. MURPHY]. If present and voting, the Senator from New York would vote "yea," and the Senator from New Hampshire would vote "nay."

The result was announced—yeas 62, nays 17, as follows:

[No. 225 Leg.]

YEAS—62

Aiken	Byrd, Va.	Dirksen
Allott	Byrd, W. Va.	Ellender
Beall	Cannon	Ervin
Bennett	Carlson	Fong
Boggs	Case	Hart
Bottum	Church	Hayden
Bush	Cooper	Hickenlooper
Butler	Curtis	Hickey
Holland	McClellan	Prouty
Hruska	McGee	Proxmire
Humphrey	McNamara	Randolph
Jackson	Metcalf	Robertson
Johnston	Miller	Smathers
Jordan, N.C.	Monroney	Smith, Mass.
Keating	Morton	Sparkman
Kerr	Moss	Williams, N.J.
Kuchel	Mundt	Williams, Del.
Long, Mo.	Muskie	Yarborough
Long, La.	Pastore	Young, N. Dak.
Mansfield	Pearson	Young, Ohio
McCarthy	Pell	

NAYS—17

Bartlett	Goldwater	Smith, Maine
Burdick	Hartke	Stennis
Capehart	Jordan, Idaho	Talmadge
Carroll	Lausche	Thurmond
Cotton	Russell	Tower
Douglas	Scott	

NOT VOTING—21

Anderson	Fulbright	Magnuson
Bible	Gore	Morse
Chavez	Gruening	Murphy
Clark	Hill	Neuberger
Dodd	Javits	Saltonstall
Eastland	Kefauver	Symington
Engle	Long, Hawaii	Wiley

So the motion to lay on the table Mr. DOUGLAS' amendment to the committee amendment was agreed to.

Mr. KERR. Mr. President, I move that the action whereby the motion to lay on the table was agreed to be reconsidered.

Mr. HUMPHREY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. KERR. Mr. President, I now ask the distinguished Senator from Tennessee [Mr. GORE] and the distinguished Senator from Illinois [Mr. DOUGLAS] if they have objection to the adoption of the second of the amendments, together with the others, and to their becoming a part of the text, subject to further amendment.

Mr. GORE. Will not the Senator from Oklahoma pass over the second and third amendments, and leave them as they are?

Mr. KERR. We will pass over the second and third amendments.

I now make the same inquiry with reference to the fifth amendment. That is the clearing land committee amendment.

Mr. GORE. I have no objection to passing to the fourth and fifth remaining amendments which are riders to the bill.

Mr. KERR. This is one such amendment.

Mr. GORE. I have no objection.

Mr. KERR. To its becoming a part of the text of the bill?

Mr. GORE. I have no objection to its consideration.

Mr. KERR. Does the Senator believe there will be a request for the yeas and nays on that amendment?

Mr. GORE. I have no intention of making such a request. I cannot speak for other Senators.

Mr. KERR. Mr. President, if it be in order, I should like to ask if other Senators expect to make such a request.

I ask the Senator from Tennessee the same question with reference to the seventh amendment, which relates to the determination of the number of stockholders in small corporations.

Mr. GORE. I make the same response.

Mr. KERR. Mr. President, I ask if other Senators expect to ask for a yea-and-nay vote on that amendment.

The eighth amendment is the amendment with reference to the Twin Cities Railway.

Mr. GORE. I should like to say to the Senator from Oklahoma that I have no intention of making a fight on any of these amendments. They are in the nature of bills for private relief. They have no place in this bill. One such bill was vetoed by President Eisenhower. As amendments, they are now riders on the bill. But there is a limit to the number of fights I feel I can afford to make on the bill, so I simply call this fact to the attention of the Senate and express no further objection to any of these amendments. I think there should be an explanation to the Senate of each amendment.

Mr. KERR. Yes.

Mr. DOUGLAS. Mr. President, I also believe there should be a full explanation of the Twin Cities Railway amendment. I hope the amendment will be explained in full. Like the Senator from Tennessee, I have no present intention of asking for a yea-and-nay vote on that amendment, but I think it ought to be thoroughly explained and that the Senate as a whole should have a chance to pass upon it without giving automatic approval to it without discussion.

Mr. KERR. Mr. President, I ask that we may begin with the 7th amendment and proceed with an explanation, discussion, deliberation, and action on the amendment. In the event it should develop that Senators wish to ask for a yea-and-nay vote on any of them I ask that the one with reference to which the vote is requested go over until tomorrow and that the Senate proceed to consider the 7th, 8th, 9th, 10th, and 11th amendments listed, on the basis that if the Senate wishes to act on them after an explanation, it may be permitted to do so, but that if a controversy arises and a yea-and-nay vote is sought, the particular amendment with reference to which the yea-and-nay vote may be sought go over until tomorrow.

Mr. CARROLL. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield. I assume the Senator reserves the right to object.

Mr. CARROLL. Yes. I ask unanimous consent that I may be permitted to speak on the Douglas amendment which related to the repeal of the withholding of tax on salaries and wages. It will take me only a minute or two to do so.

Mr. KERR. Could not the Senator do that after the present discussion has been completed?

Mr. CARROLL. I should like to make my statement now. It will take only a minute. I ask unanimous consent that I may do so.

Mr. KERR. Mr. President, I ask unanimous consent that the Senator from Colorado be granted 1 minute.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. CARROLL. The reason why the Senator from Colorado registered his vote against the motion to table was this: When the able Senator from Illinois [Mr. DOUGLAS] offered his amendment, he asked for the yeas and nays. Before he had an opportunity to explain his amendment, a motion to table was made. I object to such a procedure because I believe the able Senator from Illinois had a right to explain to the Senate the purpose of his amendment. If I may draw upon my imagination, I believe the Senator from Illinois sought to demonstrate the difference between the votes of Senators who voted against the withholding of tax on dividends and interest and the votes of Senators who might vote for the withholding of the tax on wages and salaries. I think he had a right to explain his position. He was denied that right; therefore, I voted against the motion to table. I am not against the withholding of taxes on salaries and wages. This has been an important part of our tax statutes for many years.

I think the Senate has not acted in accordance with the democratic process. I do not think it is in the interest of the Senate to deny to any Senator the right to explain his amendment, even for only 2 or 3 minutes; even though it is known that the amendment will be defeated; and even though the Senator who offers the amendment knows it will be defeated, but merely wishes to create an issue to carry to the people of the country.

That is the statement I wished to make at this time. I am not wholly in opposition to the motion of the majority leader. I am not in opposition to the principle of withholding taxes on salaries and wages. That has been a part of the revenue system of the country for 20 years. But I believe the able senior Senator from Illinois had a right to present his amendment. I think the Senate should have had a right to debate this question for a reasonable length of time.

Mr. President, with that observation in the RECORD, I withdraw my objection.

Mr. GORE. Mr. President, reserving the right to object, do I correctly understand the Senator from Oklahoma to request consent that amendments 2 and 3 be passed over?

Mr. KERR. Yes; until tomorrow.

Mr. GORE. Until tomorrow?

Mr. KERR. That is correct.

Mr. GORE. I thank the Senator from Oklahoma. Having spoken for about 2 hours today, I am perfectly willing to have them passed over.

Mr. LAUSCHE. Mr. President, reserving the right to object, let me say that I voted for a definite reason against the motion to lay on the table. In my opinion, ultimately the country would be better off if we created a taxpaying situation in which every citizen would have brought to his mind the exact amount of taxes he was paying. A tax consciousness has been developing among the people of the Nation. I think it has been reflected by the President's recommendation that taxes on the Federal level be reduced, and also by the recommendation of the Governor of California that taxes in California be reduced. If each citizen knew the tremendous burden of taxes which he pays, we would not be spending their money as extravagantly as we are on the floor of the Senate.

Mr. DOUGLAS. Mr. President, reserving the right to object, I should like to make some comments on this question.

Mr. KERR. Does the Senator from Illinois wish to make his comments before the proposed unanimous-consent agreement is entered into?

Mr. DOUGLAS. Yes.

Mr. KERR. Then, Mr. President, I withdraw the request.

Mr. DOUGLAS. Mr. President, I believe the withholding method is an efficient way of collecting taxes, and I believe it should be universal. But it is not universal now. It now applies to wage earners and salary earners, but it does not apply to the recipients of dividends and interest. I and the 19 other Senators who voted with me tried to make it universal, but we were defeated by an overwhelming vote. Having been defeated by that overwhelming vote, it seems to me that it is not consistent to maintain withholding against anyone. A Senator cannot consistently maintain that withholding should be applied to low paid wage earners and salary earners but should not be applied to the higher income recipients of dividends and interest.

My position is that withholding should be applied either to everyone or else not to anyone. I believe that is a basically sound position.

Senators who voted against withholding on dividends and interest, but who voted in favor of withholding on wages and salaries are in a basically inconsistent position; and if they examine their consciences, I believe they will find it very hard to justify taking that position, and I believe they will also find it difficult to justify it to the voters.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. CARROLL. Did the Senator from Colorado ever confer with the Senator from Illinois about his amendment?

Mr. DOUGLAS. No.

Mr. CARROLL. The Senator from Illinois did not seriously declare in favor of repealing the withholding taxes on wages and salaries, did he?

Mr. DOUGLAS. I knew I would be defeated on that amendment, just as we were defeated on the proposal to have withholding on dividends and interest. But I thought the amendment would point an interesting moral. I did not confide in a single person, and I am very glad I did not.

Mr. CARROLL. I had no idea that this amendment was coming up. But again I take the position that, whatever the reasons of the Senator from Illinois were, and whatever the motivation of the Senator from Illinois was, he had a right to be heard on his amendment, without being shut off by a motion to table.

Mr. SCOTT. Mr. President——

Mr. CARROLL. I have not finished. The Senator from Illinois has yielded to me.

I am in favor of a motion to table after debate has been exhausted, but I do not

like to see a motion to table used as a means of shutting off reasonable, intelligent debate. I am opposed to filibusters and to the long-drawn-out debate procedures which seem to be prevalent in this body. My record shows that.

Whenever a Senator submits an amendment, I think he is entitled to be heard on it, no matter how facetious it might seem.

Mr. DOUGLAS. I assure the Senator that it was not facetious.

Mr. CARROLL. I ask the Senator from Illinois, what his purpose was in submitting the amendment.

Mr. DOUGLAS. The purpose was to inform the people of the United States where Senators stand in this connection.

Mr. MANSFIELD. Mr. President, will the Senator from Illinois yield?

Mr. CARROLL. Mr. President, has not the Senator from Illinois yielded to me? We have not finished our colloquy, have we?

Mr. DOUGLAS. No.

Mr. CARROLL. Let us not——

Mr. HOLLAND. Mr. President, I request the regular order.

Mr. CARROLL. What is the regular order?

Mr. DOUGLAS. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Illinois has the floor.

Mr. DOUGLAS. Mr. President, I shall be glad to yield to the Senator from Colorado for a question.

Mr. CARROLL. I understood the Senator from Illinois to say he had a serious purpose in submitting the amendment——

Mr. HOLLAND. Mr. President, I demand the regular order.

The PRESIDING OFFICER. The Senator from Illinois has the floor, and he can yield only for a question.

Mr. DOUGLAS. I yield to the Senator from Colorado for a question.

Mr. CARROLL. I am putting the question now, if Senators will be patient; I am laying the foundation for the question.

Mr. DOUGLAS. The Senator is laying the predicate of a question as the Senator from Florida often says.

Mr. CARROLL. The Senator from Illinois has had experience in laying the predicate.

Mr. HOLLAND. Mr. President, I demand the regular order.

The PRESIDING OFFICER. The Senator from Illinois has the floor, and he can yield only for a question.

Mr. DOUGLAS. I yield for a question.

Mr. CARROLL. What was the purpose of the Senator from Illinois in submitting the amendment?

Mr. DOUGLAS. My purpose was to find out whether Members of the Senate were consistent or were inconsistent.

Mr. CARROLL. Did the Senator from Illinois have an opportunity to debate his amendment?

Mr. DOUGLAS. I did not.

Mr. CARROLL. I think that answers the question.

Mr. HART. Mr. President, will the Senator from Illinois yield for a question?

Mr. DOUGLAS. I yield for a question.

Mr. HART. Is it not true that the Senator from Illinois said that Senators who voted against withholding on dividends and interest and then voted to lay his amendment on the table are in an inconsistent position?

Mr. DOUGLAS. That is correct.

Mr. HART. Let me ask this question: Having myself voted in favor of withholding on dividends and interest and having voted to lay on the table the amendment of the Senator from Illinois——

Mr. DOUGLAS. The Senator from Michigan is completely consistent; and the Senator from Illinois is also completely consistent, because he wants withholding either to be applied to everyone or, if it cannot be applied to everyone he thinks it should not be applied to anyone. But Senators who voted to put the screws on the working people, but to let the higher income dividend and interest recipients off the hook are inconsistent.

Mr. CARROLL. Mr. President, will the Senator from Illinois yield for a further question?

Mr. DOUGLAS. Yes; but I yield for a question only.

Mr. CARROLL. The question I put is this: Under the motion to lay on the table, did the Senator from Illinois have an opportunity to discuss his amendment?

Mr. DOUGLAS. I did not.

Mr. CARROLL. Therefore the making of the motion to lay on the table prevented the Senator from Illinois discussing his amendment, did it not?

Mr. DOUGLAS. That is correct.

Mr. CARROLL. And, therefore, Senators who voted in favor of the motion to lay on the table were not necessarily in favor of the Senator's amendment, were they?

Mr. DOUGLAS. I am sure of that. I am sure that neither the Senator from South Carolina nor the Senator from Mississippi favored it. But they do not believe in artificially shutting off debate by means of a premature motion to lay on the table. If we are going to give medals for consistency, I am ready to give them medals for consistency—but they should be leather medals, not bronze stars.

Mr. SCOTT. Mr. President, will the Senator from Illinois yield?

Mr. DOUGLAS. I yield.

Mr. SCOTT. I should like to address a question to the Senator from Illinois, in view of the questions of the Senator from Colorado—namely, whether a position on both sides of the question is available to all Senators.

Mr. DOUGLAS. I do not understand the question.

Mr. KERR. Mr. President——

Mr. DOUGLAS. Mr. President, who has the floor?

Mr. KERR. I thought the Senator from Illinois had yielded.

Mr. MANSFIELD. Mr. President, does the Senator from Illinois withdraw his reservation of objection?

Mr. TOWER. Mr. President, will the Senator from Illinois yield for a question?

Mr. DOUGLAS. Certainly.

Mr. TOWER. Will the Senator from Illinois inform me whether the amendment he offered is a part of the program and platform of the John Birch Society?

Mr. DOUGLAS. I do not think so.

The Senator from Texas may be more cognizant of the platform of the John Birch Society than the Senator from Illinois. The Senator from Illinois does not know. I believe the constitution of the John Birch Society is secret. The Senator from Illinois is not an expert in it and does not know what is in it. But if the Senator from Texas says he knows what is in it, I will accept that answer. [Laughter.]

Mr. TOWER. Mr. President, will the Senator yield for a question?

Mr. DOUGLAS. I yield.

Mr. TOWER. The Senator from Texas is not a member of the John Birch Society.

Mr. DOUGLAS. I did not accuse him of being a member.

Mr. TOWER. Nor does he believe in everything that the John Birch Society advocates; but since the Senator from Illinois is making a good case of consistency, I think, in the interest of consistency, since he has expressed approval of one plank of that platform, he should support all of it.

Mr. DOUGLAS. I think the Senator from Texas should have voted for the withholding of the tax at the source on dividends and interest, when I presented my motion, so that along with the withholding on dividends and interest the withholding of taxes would have applied to all recipients universally.

Mr. President, so far as I am concerned, I am ready to yield the floor, unless there are other questions. But the Senator from Texas is still on his feet.

Mr. KERR. Mr. President, I now renew my unanimous-consent request as stated awhile ago.

The PRESIDING OFFICER. Without objection, the second amendment will be temporarily put aside and the request of the Senator from Oklahoma is agreed to. The clerk will read amendment No. 7——

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. KERR. I yield.

Mr. DIRKSEN. If I understood the unanimous-consent request correctly, it now means the Senate will proceed to consider No. 7?

Mr. KERR. No. 5.

Mr. DIRKSEN. And then 6?

Mr. KERR. No. Nos. 5, 7, 8, 9, 10. We have already had 6.

Mr. DIRKSEN. There is one more.

Mr. KERR. And No. 11.

Mr. DIRKSEN. It was the intent of the unanimous-consent request that the Senate would proceed to this group of amendments with the understanding that there would be no yea-and-nay votes tonight, but that if a yea-and-nay vote were requested, the vote would go over until tomorrow?

Mr. KERR. It would not be before tomorrow.

The PRESIDING OFFICER. The clerk will read amendment No. 5.

The LEGISLATIVE CLERK. On page 381——

Mr. DIRKSEN. Mr. President——

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DIRKSEN. I ask the Chair to make a decision with respect to the inquiry.

The PRESIDING OFFICER. The Chair said "without objection." Now the clerk is reading the first amendment.

Mr. DIRKSEN. I asked whether or not it was the understanding of the Senate, under the consent request, that the Senate proceed to this amendment, but in the event there is a request for a yea-and-nay vote, that vote shall go over at least until tomorrow?

The PRESIDING OFFICER. That is the understanding of the Chair.

Mr. HICKENLOOPER. Mr. President, what is the ruling of the Chair?

The PRESIDING OFFICER. That was the understanding of the Chair.

Mr. HICKENLOOPER. Has the unanimous-consent request been granted?

The PRESIDING OFFICER. That has already been granted. The clerk will read amendment No. 5.

The LEGISLATIVE CLERK. On page 381, in line 16, it is proposed to insert the language down to and including——

Mr. HUMPHREY. Mr. President, will the Chair restore order and permit no further business to be transacted until order is restored?

The PRESIDING OFFICER. Senators will please take their seats.

The LEGISLATIVE CLERK. On page 381, after line 15 it is proposed to insert a new section, as follows:

SEC. 21. EXPENDITURES BY FARMERS FOR CLEARING LAND.

(a) ALLOWANCE OF DEDUCTION.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding after section 181 (as added by section 2(c) of this Act) the following new section:

"SEC. 182. EXPENDITURES BY FARMERS FOR CLEARING LAND.

"(a) IN GENERAL.—A taxpayer engaged in the business of farming may elect to treat expenditures which are paid or incurred by him during the taxable year in the clearing of land for the purpose of making such land suitable for use in farming as expenses which are not chargeable to capital account. The expenditures so treated shall be allowed as a deduction.

"(b) LIMITATION.—The amount deductible under subsection (a) for any taxable year shall not exceed whichever of the following amounts is the lesser:

"(1) $5,000, or

"(2) 25 percent of the taxable income derived from farming during the taxable year. For purposes of paragraph (2), the term 'taxable income derived from farming' means the gross income derived from farming reduced by the deductions allowed by this chapter (other than by this section) which are attributable to the business of farming.

"(c) DEFINITIONS.—For purposes of subsection (a)—

"(1) The term 'clearing of land' includes (but is not limited to) the eradication of trees, stumps, and brush, the treatment or moving of earth, and the diversion of streams and watercourses.

"(2) The term 'land suitable for use in farming' means land which as a result of the activities described in paragraph (1) is suitable for use by the taxpayer or his tenant for the production of crops, fruits, or other agricultural products or for the sustenance of livestock.

"(d) EXCEPTIONS, ETC.—

"(1) EXCEPTIONS.—The expenditures to which subsection (a) applies shall not include—

"(A) the purchase, construction, installation, or improvement of structures, appliances, or facilities which are of a character which is subject to the allowance for depreciation provided in section 167, or

"(B) any amount paid or incurred which is allowable as a deduction without regard to this section.

"(2) CERTAIN PROPERTY USED IN THE CLEARING OF LAND.—

"(A) ALLOWANCE FOR DEPRECIATION.—The expenditures to which subsection (a) applies shall include a reasonable allowance for depreciation with respect to property of the taxpayer which is used in the clearing of land for the purpose of making such land suitable for use in farming and which, if used in a trade or business, would be property subject to the allowance for depreciation provided by section 167.

"(B) TREATMENT AS DEPRECIATION DEDUCTION.—For purposes of this chapter, any expenditure described in subparagraph (A) shall, to the extent allowed as a deduction under subsection (a), be treated as an amount allowed under section 167 for exhaustion, wear and tear, or obsolescence of the property which is used in the clearing of land.

"(e) ELECTION.—The election under subsection (a) for any taxable year shall be made within the time prescribed by law (including extensions thereof) for filing the return for such taxable year. Such election shall be made in such manner as the Secretary or his delegate may by regulations prescribe. Such election may not be revoked except with the consent of the Secretary or his delegate."

(b) CLERICAL AMENDMENT.—The table of sections for such part VI is amended by adding at the end thereof the following:

"Sec. 182. Expenditures by farmers for clearing land."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1962.

Mr. KERR. Mr. President, I ask unanimous consent that I may yield to the Senator from Delaware [Mr. WILLIAMS] without losing my right to the floor, to explain the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. WILLIAMS of Delaware. Mr. President, under existing law, expenses incurred in carrying on a trade or business of farming are deductible in determining taxable income. In 1954, Congress amended the statute to include in the deductible category, expenses for soil and water conservation.

This new provision deals with a problem quite similar to that which resulted in the enactment of the soil and water conservation provision. At the present time, expenditures made during the preparatory period in extending a farm may not be deducted since they are not expenses incurred in the business of farming. Examples of expenditures of this nature which, under existing law, must be capitalized are expenditures—including material and labor—incurred in: clearing brush, trees, and stumps, leveling and conditioning land, and straightening creek beds. Because expenditures for these purposes, when incurred in order to make the land suitable for farming—like expenses for soil conservation—are also closely associated with the trade or business of farming, the committee believes that it would be proper to allow their deduction to a limited extent.

This provision permits taxpayers engaged in the business of farming to deduct, in computing their Federal income tax, expenditures incurred by them in clearing land to make it suitable for farming. Activities included in clearing and preparing land to make it suitable for farming include the clearing of brush, trees, stumps, and boulders, the leveling and conditioning of the land, and the diversion of streams.

Under the bill, deduction of expenditures in any taxable year for these purposes may not exceed $5,000, or, if less, 25 percent of the taxpayer's taxable income from farming.

Mr. DOUGLAS. Mr. President, will the Senator yield for a question?

Mr. WILLIAMS of Delaware. Yes.

Mr. DOUGLAS. Has the Senator completed his statement?

Mr. WILLIAMS of Delaware. Yes.

Mr. DOUGLAS. Why should we encourage more acres of land to be put into production when we are attempting to take land out of production? The Senator from Delaware is proposing to bring into production additional acreage when the policy of the United States is to diminish the productive acres.

Mr. WILLIAMS of Delaware. The Senator from Illinois misunderstands the amendment. I have opposed reclamation projects which bring new land into production.

Mr. DOUGLAS. But the Senator is not opposed to bringing new land into production in Delaware.

Mr. WILLIAMS of Delaware. This has nothing to do with that question. It can be done now. Under existing law a taxpayer can buy equipment to use for clearing land and the law allows him to charge off the cost of the equipment. A small operator cannot afford to buy equipment. He is forced to contract for his work and then capitalize this cost in the value of his farm, with the result that it costs him $75 to $100 an acre more than the larger operators to clear the land. This amendment gives to the smaller farmer some of the advantages the larger operator now has.

Mr. DOUGLAS. How is a small farmer defined?

Mr. WILLIAMS of Delaware. By the limitation in this amendment, it provides that it cannot exceed $5,000, or 25 percent of his income from farming, whichever is the lesser.

Mr. DOUGLAS. A year?

Mr. WILLIAMS of Delaware. A year.

Mr. DOUGLAS. Five thousand dollars a year for clearing land? A great deal of land can be cleared for that. Moreover, I think it can be said that this provision will encourage bringing more land into cultivation at the very time when we are trying to decrease the amount of land in cultivation. I think it is completely inconsistent with the position the Senator from Delaware,

along with the Senator from Illinois, has taken on reclamation projects, and also inconsistent with his general position on the farm problem.

Mr. KERR. Mr. President, if the Senator will yield for just a moment, I would like to say that the effect of this amendment does not change the right of the farmer to charge off the costs referred to in the amendment if certain events occur. The farmer who clears land and then sells it receives the benefit of this cost through a higher basis for his property. Therefore, the committee amendment in this case only changes the time in which he is permitted to charge these expenses off. If he goes ahead, under existing law, and does what the Senator has referred to, he in effect is permitted to charge it off if he sells the property but not otherwise. This provision would permit the chargeoff in 1 year which now takes longer than 1 year or may never occur.

Mr. WILLIAMS of Delaware. The large operators naturally buy the equipment. Under existing law this is subject to depreciation. They can charge this depreciation against their income other than farming, on any other type of income. This provision is limited to small farmers.

Mr. DOUGLAS. It is not the income to the farmer which is involved. It is the amount spent in the clearing of land.

Mr. WILLIAMS of Delaware. But limited to a percentage of income from farming.

Mr. DOUGLAS. For clearing land.

Mr. WILLIAMS of Delaware. The language would limit it to 25 percent of his farming income or $5,000, whichever is smaller. A farmer with a small amount of farming income would not be able to spend it all on clearing land.

Mr. DOUGLAS. It is not $5,000 of income, but it is a $5,000 allowance for clearing land.

Mr. WILLIAMS of Delaware. Yes, if the farmer wished to spend all of his income that year, I suppose he could spend the full amount on clearing land.

Mr. DOUGLAS. The sum of $5,000 a year would clear a great deal of land. It might clear 100 acres.

Mr. WILLIAMS of Delaware. Mr. President, it costs more than that to clear land; we approved a bill the other day for payments for farmland.

Mr. DOUGLAS. If a farmer cleared 100 acres a year, year after year, followed by year after year, he would not be a small farmer.

Mr. WILLIAMS of Delaware. If the Senator from Illinois has had any experience in this regard, he knows that $5,000 would clear only about 25 acres.

Mr. DOUGLAS. It all depends on the land.

Mr. WILLIAMS of Delaware. No. This would be a fair average.

Mr. DOUGLAS. Yes. Wait just a minute. It all depends on the amount of timber on the land, the toughness of the timber, the amount of stones in the soil, and so on. In the fertile lands of Delaware, which are sandy and which do not have the boulders of Vermont, a bulldozer can operate very quickly. Five thousand dollars would do a lot in Delaware, to increase ultimately the chicken yield.

Mr. WILLIAMS of Delaware. It costs about $175 or $200 an acre to clear land, even in Delaware.

I am surprised that there should be objection to this particular proposal by anyone connected with the administration, especially since Congress passed a bill wherein it was provided that penitentiaries can draw as much as $60,000 a year for not farming, and we have provided for payments to other large farmers for not farming.

This involves a benefit for the small farmers and I submit the amendment on its merits.

Mr. MILLER. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. MILLER. I have two questions to ask the Senator. The first relates to the language used on page 383 of the bill, which refers to "land suitable for use in farming."

The definition is that this "means land which as a result of the activities described in paragraph (1) is suitable for use by the taxpayer or his tenant for the production of crops, fruits, or other agricultural products or for the sustenance of livestock."

The Senator knows that there is a problem in this regard for the Internal Revenue Service with respect to the so-called hobby farmer.

For the purposes of legislative history, I wonder if the Senator would agree that it is the intention of the Congress that when the definition says, "is suitable for use by the taxpayer or his tenant" for this type of production, it means that suitability implies profitability, that there must be a profitable type undertaking, rather than the hobby farming type of activity?

Mr. WILLIAMS of Delaware. Not only is that the intention, but also the amendment was drafted with the specific intention of prohibiting the benefits going to hobby farmers. Before the hobby loss provision applies in the case of a farming operation there must be a loss. Where there is a loss, 25 percent of income from farming is zero. Therefore in such a case there would be no deduction under this provision.

I think both the report and the language properly protect us, as the language was drafted by the legislative counsel and the staff of our committee.

Mr. MILLER. I thank the Senator. My second question relates to the limitation about which the Senator from Illinois was inquiring.

On page 382 the language of the bill is:

> The amount deductible under subsection (a) for any taxable year shall not exceed whichever of the following amounts is the lesser:
>
> (1) $5,000, or
>
> (2) 25 percent of the taxable income derived from farming during the taxable year.

As I read the language, the $5,000 would not necessarily have to come from farming. A doctor, for example, who was not otherwise engaged in the business of farming, except perhaps during a current year he might decide to become engaged in the business of farming, might have a marginal operation but, by reason of clearing land and otherwise preparing it, as I read the language, he could deduct the land preparation expenditures against his medical professional income, up to $5,000.

Mr. WILLIAMS of Delaware. The language provides that the deduction for clearing land may not exceed $5,000 or 25 percent of the income from farming, whichever is smaller.

I think that is adequate limitation on the provision because, no matter where the income which is spent comes from, it may not exceed 25 percent or less of his income from farming.

Mr. DOUGLAS. Mr. President, I suggest the absence of a quorum.

Mr. MILLER. Mr. President, will the Senator withhold his suggestion?

Mr. WILLIAMS of Delaware. Mr. President, I have the floor.

The PRESIDING OFFICER. The Senator from Delaware has the floor.

Mr. WILLIAMS of Delaware. I will yield the floor later. If the Senator wishes to suggest the absence of a quorum at that time.

Mr. MILLER. If the Senator will permit, I should like to pursue this point a moment.

Mr. WILLIAMS of Delaware. I yield to the Senator.

Mr. MILLER. Perhaps my difficulty arises over the way the bill is drafted. I think the Senator from Delaware and I have the same idea as to what we are trying to achieve. I should like to ask the Senator from Delaware whether we could achieve it if the language read as follows, starting with line 12, with the word "Limitation":

> The amount deductible under subsection (a) for any taxable year shall not exceed 25 percent of the taxable income derived from farming during the taxable year, not to exceed $5,000.

If that language were provided, it would confine the deduction to farming income and would avoid the problem which I previously posed.

Mr. WILLIAMS of Delaware. Mr. President, I have great respect for the Senator from Iowa, but, as a layman, I learned long ago that one can never get two lawyers to agree on language. I am neither a lawyer nor a draftsman. We asked the legislative counsel and the committee staff to work out this language in the way to protect it against abuse. I would rather keep the language they have approved. In conference I think we can take care of any problem which might arise, because the language will be in conference. The intent is definitely clear.

Mr. MILLER. Mr. President, I have one more question in regard to intent.

Do I correctly understand that the intention is that the $5,000 is to be applied only against farming income?

Mr. WILLIAMS of Delaware. This deduction is limited to a percentage of the taxpayer's income from farming.

Mr. MILLER. As distinguished from income from a medical profession or otherwise?

Mr. WILLIAMS of Delaware. The income must be from farming. Hobby farmers get no benefit from this amendment nor will it help the large promoter.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield to the Senator from Vermont.

Mr. AIKEN. From reading the language, it appears to me that regardless of the amount of income the landowner might have from any source, or from all sources, he could not spend more than 25 percent of the taxable income derived from farming during that year.

Mr. WILLIAMS of Delaware. That is correct.

Mr. AIKEN. If the total income were $5,000 from farming, he could not spend more than $1,250.

Mr. WILLIAMS of Delaware. And it certainly would be limited to the point that it could benefit only a very small farmer.

This is not a subsidy program. It would not require expenditure of any public money. It would merely allow a small farmer to compete more favorably with the larger operator. We passed the investment credit for business. I do not see why the small farmers should not be entitled to at least this much consideration.

Mr. AIKEN. It is also true that if the farmer's taxable income were $50,000 from farming, he still could not spend more than $5,000 for clearing land and have it deductible?

Mr. WILLIAMS of Delaware. The Senator is correct.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 381, after line 15.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 11974) to authorize appropriations for the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. HOLIFIELD, Mr. PRICE, Mr. ASPINALL, Mr. VAN ZANDT, and Mr. HOSMER were appointed managers on the part of the House at the conference.

ENROLLED BILL AND JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bill and joint resolution, and they were signed by the President pro tempore:

H.R. 10432. An act to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the Code; and

H.J. Res. 677. Joint resolution relating to the admission of certain alien children.

AUTHORIZATION FOR JUDICIARY COMMITTEE TO MEET DURING SENATE SESSION TOMORROW MORNING

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Judiciary Committee be permitted to meet during the session of the Senate tomorrow morning.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

BYRON B. GENTRY, PASADENA, CALIF., NEW COMMANDER IN CHIEF OF VFW

Mr. KUCHEL. Mr. President, on August 17, the Veterans of Foreign Wars of the United States elected a new commander in chief to lead that great organization of overseas combat veterans for the next year.

The new commander in chief of the Veterans of Foreign Wars is Mr. Byron B. Gentry. Commander Gentry is a distinguished attorney, a long time and natonally known leader in veterans affairs, one who has devoted unselfishly of his time to community activities, a noted author, and I take pride in mentioning also that he is a resident of California and a long-time friend of mine. Commander Gentry is currently the city prosecutor for the city of Pasadena, Calif., a position he has held for the past 10 years.

Mr. Gentry succeeds, as commander in chief of the VFW, Mr. Robert E. Hansen, of South St. Paul, Minn., who, during his tenure as head of the VFW, was well known to Members of the Senate for his helpful contributions in domestic matters, national security, and foreign affairs.

In addition to his professional and organizational achievements, the new head of the VFW has left a memorable record in the history of U.S. sports. He was one of the great linemen at the University of Southern California. While playing for USC, he had the rare distinction of participating in two Rose Bowl games. In 1938, Mr. Gentry was selected as a member of the United Press All-American Professional Team with Pittsburgh. He was a member of the All-American All Stars who toured Japan in 1935.

As Members of the Senate are aware, the Veterans of Foreign Wars of the United States requires that its members have served overseas in combat. The wartime record of Byron Gentry abundantly qualifies him for membership in, and leadership of, such an organization. Commander Gentry enlisted as a private in 1942, and rose through the ranks to captain in 1944. He served as combat intelligence officer of the 161st Tactical Reconnaissance Squadron. He was assigned to Army Air Forces attached to both the 3d and 9th Armies. He served 2 years in the European theater where at various times he was staged in England, France, Luxembourg, Belgium, Holland, and Germany. He was awarded six Battle Stars, Presidential Citation, Belgian Fourragere, and three commendations. He remained in Military Intelligence Reserve until 1954. He is a graduate of Air Intelligence School, Harrisburg, Pa., and British Intelligence School, Highgate, England. As additional duty he defended 150 enlisted men in military courts and lost less than 10 cases. He was the first defense counsel appointed to the general court for black market cases in the Brussels area.

His VFW activities include judge advocate general, 1959–60; the three chair offices on the post level and two terms as post commander; two terms as district commander, and the three chair offices on the department level. He served as commander of the department of California, 1956–57. As a district commander he was a two-time winner of the Distinguished Service Award for district commander. As department commander he was selected as a member of the all-American team and named Department Commander of the Year 1957. He served on the national council of administration, 1957–59. He also served on numerous committees and was president of the 60th National VFW Convention Corp.

As previously mentioned, Commander Gentry has long been active in community service activities. The importance and extent of such contributions to his community is indicated by the following: Member of board of directors, American Gold Star Mothers Home Corp.; member, Los Angeles County Committee for the Aging; board of directors, Pasadena Committee for Employment of the Physically Handicapped; cofounder and two-time president, Pasadena Committee for Education on Alcoholism; cofounder and former president, Pasadena Committee for Narcotics Education.

It is remarkable that in addition to his many professional, veteran, and community activities he has also become a noted writer. Recently a book of his poetry, "Voices of the Airways," was published and has received many favorable reviews. His writing ability is not limited to poetry, as his excellent speech of acceptance of the position of commander in chief of the VFW well demonstrates. Some few years ago, when Mr. Gentry was becoming increasingly active in the VFW, he wrote an essay entitled "The Spirit of the VFW." This has become a noted document among the members of the VFW, because it reflects so clearly, so eloquently, and so accurately the spirit of patriotism and service that motivates that great veteran organization. It was, therefore, highly appropriate that Commander Gentry used his "The Spirit of the VFW" as his remarks on the occasion of his election to the position of commander in chief of the Veterans of Foreign Wars of the United States.

Having had the privilege of enjoying the friendship of Byron Gentry since the days we were fellow students at the University of Southern California, and having observed through the intervening years those qualities which have distinguished him as a lawyer, a community leader, a public servant, an author, and now the national commander in chief of the largest oversea veterans organization in the world, I am confident that the

VFW in particular, and our Nation in general, will benefit as a result of Byron Gentry's service as the head of the VFW.

I am confident that Members of the Senate will join with me in extending to Byron Gentry our sincere congratulations upon his election as commander in chief of the Veterans of Foreign Wars of the United States. Because of the simple beauty of its prose, as well as its meaningful content, I ask unanimous consent to include, at the conclusion of my remarks, "The Spirit of the VFW," by Byron Gentry, a distinguished American, who continues in peace, as in war, to serve his country.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

THE SPIRIT OF THE VFW

(By Byron B. Gentry, commander in chief, Veterans of Foreign Wars of the United States)

Ideals are like stars—we can see them but we can never touch them. Destroy man's idealism and you destroy his civilization. This Nation was conceived in the idealistic union of human rights; born midst the violent din of battle. Her sire was justice; her mother liberty; her cradle human dignity. She has given her sons and daughters a moral courage as yet unparalleled in the annals of mankind.

The Veterans of Foreign Wars of the United States is also founded upon an ideal. The cross of Malta is the symbol of that ideal—handed down to us through the dust of a thousand years from the knights of St. John. It is the symbol of faith and courage; of the eternal brotherhood of fighting men, serving a just and noble cause.

For nearly two centuries American men and women have gone marching down the long road to physical destruction in order to perpetuate those ideals. They have achieved immortality. Courageous and unflinching, with no single backward glance, they have stood for a brief moment in the shadow of time. They have defied the full fury of the storms which have threatened American idealism. They have cast life itself upon the flaming altar of American salvation.

Some of them traveled alone—in the still void of the night; some in the vast reaches of the ocean; some in the blazing emptiness of the sky; others in the crowded, violent din of the battlefield. But each in turn served but one cause and one people.

We are intensely human, and in humanity there is inevitable frailty, but no people and no nation has contributed more generously to the dignity of man.

We, as members of this great order, are irrevocably dedicated to the welfare and security of America as a free and independent nation; to the perpetuation of her sovereignty in an honorable association with other respectable nations of the world; to an honest and intelligent recognition of the legal and moral rights of our fellows, regardless of their affiliation; to the welfare of their widows and orphans; to an active participation in all worthy community service programs, directed toward the furtherance of true Americanism and the dignified alleviation of the undue burdens of man; to a long-range commitment to our youth, calculated to prepare them realistically for fearless and honest citizenship consistent with the unimpeachable ideals of our fathers, and to attain a man's full stature in an ever changing world; to work toward ultimate peace with honor and self-respect for all peoples of the earth.

The ideal goal of our organization is the honorable realization of a world, a nation, and a day when no man shall ever again be eligible for membership. But in the interim we face reality.

Peace did not come to us in the generation of our fathers. Peace has not come to us in our own generation. Therefore, it is a matter appropriately left to posterity. You and I have been fighting men. We are still fighting men. Ours is a fighting organization.

How then shall we fight?

We shall fight with every weapon at our command to insure this Nation's free and independent future. We shall fight unholy alliances. We shall fight immoral capitulation. We shall fight the intellectual lethargy which has repeatedly brought us to the brink of disaster. We shall fight the unrealistic tendency to waste our economy in a vain attempt to win loyalty and appreciation from a fallen foe. We shall fight international bribery.

We shall fight the threatened destruction of our national obligation to our disabled brothers; to our fallen comrades; to their widows and orphans.

Compensation for service-connected disability is no gratuity. It is a just and equitable attempt to compensate for the loss of physical ability, just as workmen's compensation or accident insurance is such an attempt. It has no relation in fact or theory to one's ability to earn a livelihood. A lawyer may lose his legs and still practice law. A singer may lose his sight and continue to sing. They still are entitled to an equitable compensation for their loss.

In the wars which America has fought we have suffered many casualties. Casualties are a normal incident of war. We will admit that death is inevitably tragic. But the greatest tragedy of war is to the living.

Men die in battle with little time for reflection—with even less for personal regret. The real terror which haunts the soldier's sleepless nights is the return to civilian life, maimed and helpless and unwanted.

Prior to World War II these men were the objects of our doubtful generosity. We enacted legislation which permitted them to beg without a license. We made it possible for them to drag their mangled bodies to our public street corners to sell pencils. We broke their hearts and destroyed their human souls.

We ignored the fact that these objects of our dubious charity were Americans—brave men, independent men, heroic men. It is not enough to pay some intangible and symbolic tribute to their heroism for the purpose of easing our own conscience. They are not concerned with our hollow tributes. Heroism is not unique to an American. It is a normal incident of his birth.

These men do not want tribute. They ask only an opportunity to walk with equal dignity among their fellows. And dignity comes from within.

How did they acquire their physical limitations? How did they lose their arms and legs and eyes? They lost them on the long and bitter roads to Tokyo and Berlin; and more recently to the Yalu River.

They lost them going forward—sometimes flying; sometimes running; sometimes walking; sometimes crawling; and sometimes just standing and stubbornly dying, but always putting behind them an ever-increasing margin of safety between this Nation and its mortal enemies.

They were the flower of American manhood. They were proud men; independent men; strong and courageous men. They were essentially young men. Theirs was no brief flight to glory. Theirs was a long and bitter journey into the unknown. It encompassed months and years of the type of living and dying which proved they could travel a great distance.

They still have a great distance to travel.

Do we now expect these proud and independent and courageous men to accept gracefully a life of uselessness and pity—of meaningless charity? Shall we bar them from a useful occupation; from successful readjustment, as the price of legitimate compensation? These men who were born to ambition—to an indomitable will to surmount all obstacles?

They have proven their absolute loyalty to principle. Their American ideals are untarnished. Their integrity is certain. We shall fight to keep their independence and ambition alive and bright.

We shall fight for their widows and orphans. An innocent child deprived of its father through war has burden enough without adding the insult of economic hardship; without further depriving it of the companionship of its mother; and without depriving the mother of reasonable security and hope.

There will always be those who involve us in wars—some of them perhaps wisely; some of them through sheer folly. We are Americans—proud of our American heritage. We will fight those wars.

But having fought them, we will not be relegated to the status of poor and unwanted relatives; to the darkened closet of shame. We have administered justice. We demand justice in return. We demand justice for our children. We demand justice for our widows. We demand eternal respect for our fallen.

We shall fight for the continued right to educate our children in the American tradition of our fathers; in the fundamentals of true Americanism. We will not tolerate foreign ideology in our schools or in our homes.

We shall fight all alien isms in this land we call our own. We shall search out and destroy any threat to our independent sovereignty—whether it be on some foreign field or at home in our own backyard.

This is our homeland; these are our people; our institutions; our freedoms; our religions; our own inalienable rights. We shall retain them.

We are not militaristic. We are not dictatorial. We are not selfish. But neither are we slothful and craven cowards.

We shall be generous. We shall be tolerant. We shall be kind and even forgiving. But we refuse to be fools.

We shall respect every man's freedom, but we shall not forget that his freedom ends where ours and our country's begins.

This is the spirit of the VFW.

THE NEED TO ENACT THE VETERANS READJUSTMENT ASSISTANCE ACT OF 1961

Mr. BYRD of West Virginia. Mr. President, as a cosponsor of S. 349 which, if enacted, would be known as the Veterans' Readjustment Assistance Act of 1961, I rise to urge Senators to support this important and beneficial piece of legislation. Moreover, passage of this bill is a matter of simple justice to about 46 percent of our young men who have served, and who will serve, in our Armed Forces under past and current draft procedures. The 54 percent of our young men who have not served, and who may not serve, under draft procedures do, in effect, gain a head start in the economic struggle. Thus, it is only fair and just that we assist post-Korean conflict draftees and volunteers, who are veterans of the cold war, in obtaining the same economic benefits which we so justly provided to World War II and Korean war veterans.

In effect, S. 349 can be called the cold war GI bill, for it provides for benefits

to some 4¼ million GI's who have served in the Nation's military services from January 31, 1955, the termination date of the Korean GI bill, to July 1, 1963, the date of termination of the present draft law.

The bill spells out these benefits in simple terms. It proposes to provide for the educational readjustment of any veteran of the cold war who has served for longer than 6 months, at a rate of 1½ days of schooling for each day of service, but not to exceed 3 years of schooling. This would include the opportunity for college education, vocational school training, and on-the-job and on-the-farm training.

The Government would make a payment of $110 monthly for a single veteran seeking any of these educational opportunities; and a maximum of $165 a month would be paid to a married veteran with two children.

The bill also provides for guaranteed home and farm loans, and for vocational rehabilitation for disabled veterans.

Viewed in the light of the accomplishments achieved by the two previous GI bills which the Congress enacted—the World War II and the Korean conflict bills—S. 349 is both a wise and needed piece of legislation. The two previous GI bills gave the Nation approximately 450,000 engineers; 180,000 doctors and nurses; 150,000 physicists, chemists, and other scientists; and about 230,000 teachers, as well as countless thousands of technicians and skilled workers. Who can doubt that this achievement in the educational development of brainpower and vocational skills has served our Nation profoundly well in the crisis we have recently faced and still face in the race for space? Who can doubt that passage of S. 349 would serve us equally well in the immediate future in the way of trained brainpower and vocational skills?

Mr. President, passage of S. 349 would enable about 4½ million cold war veterans to become more productive and useful citizens. This is the kind of investment in the future of America which we should make without hesitation.

YOUNG DEMOCRAT LEADER REREGISTERS REPUBLICAN

Mr. MUNDT. Mr. President, the issues confronting the American electorate in every State of the Union when they go to the polls to vote on November 6 are both vital and far reaching in character. They transcend party lines. They are both national and international in character and in portent. They are likely to have an even greater impact upon those who expect to earn their livelihoods and plan their affairs during the seventies and the eighties than they will upon the conditions confronting us during the remainder of the sixties.

Consequently, young Americans who are more devoted to their concepts of freedom and of individual opportunity than they are to partisan party labels or political prejudices are searching their souls and their minds to determine which decision in 1962—a Republican vote or a Democratic vote—will best serve to preserve for them the great American opportunity system which has served their forebears so well. Some of these young Americans with stardust in their eyes and hope in their hearts are from Republican families. Some are from Democratic families. Some live in the progressive two-party States of the North, the West, and the Southwest. Some live in the so-called Old South which is just now seriously beginning to emerge from its post bellum political paralysis so that it can start enjoying the advantages of the great two-party system which is so much a part of the genius and the greatness of America. In every region of the country and in both political parties, however, people are beginning to question their party labels and to reexamine the political mechanisms operating in their areas of the country to determine how effectively and faithfully they serve to protect the people's freedoms and to promote our country's interests.

Mr. President, starting in the middle forties, and continuing intermittently but regularly ever since, I have been advocating the desirability and the necessity of effectuating some type of political realinement in this country so that voters who think and believe alike economically and politically can more easily and effectively vote alike for President—and I would hope for other important elected officials—regardless of where they live geographically or how they are registered politically. During the past 15 to 20 years. I have delivered well over 50 speeches on this theme in the Old South alone and nearly 100 talks altogether throughout the United States—including some in my home State of South Dakota—discussing the problems of political realinement and the even more serious problems which political realinement is designed to obviate.

In addition, Mr. President, I have supported a number of other devices, programs of action, and political mechanisms which move in the direction of eventual political realinement or which work within our existing political party structures to achieve some of the dividends which actual political realinement would bring. Among these are the activities of Americans for Constitutional Action; the Operation Registration meetings through which groups of citizens reregister their political affiliations to bring them closer into harmony with their political convictions; analyses of the unsuitability of such terms as "conservative" and "liberal" to denote accurately the political positions of people and parties in the political lexicon of today; descriptions of the frustration faced by voters today who in voting a straight Democratic or a straight Republican ticket "buy" or "elect" with their votes public officials within their respective parties who frequently disagree more violently with their fellow party members than they do with officials of the other major party; conferences with citizens in both private and political life in many Southern States concerning steps to be taken to help develop a two-party mechanism in what has for far too long been one-party country; and the encouragement of citizens generally to vote for the candidates most nearly reflecting and representing their personal viewpoints rather than for candidates who happen to wear their own political labels, comparatively meaningless though those labels frequently are.

All of the foregoing steps, procedures, mechanisms, and devices I have supported in many ways and in many areas of activity, and many others in addition which move in the same direction of enabling the individual voter to exercise his franchise accurately and effectively in pushing Government closer toward the guidelines which are embraced by the voters themselves rather than by the professional politicians or the party heads who so often rely upon outworn or unworkable political machinery to promote their own interests.

In addition, Mr. President, as a long and effective step in what I believe to be the right direction, I have in several previous Congresses and again in this one, been one of the authors of a proposed constitutional amendment to reform our electoral college system so as to give the individual voter an equitable and effective method of casting his vote for President. Senate Joint Resolution 12, recently approved by the subcommittee of the Senate Committee of the Judiciary and which I hope is about to be approved by the full Committee of the Judiciary is my current resolution on electoral college reform and as coauthors I am happy to have some of the most effective and important Members of the Senate from both of our political parties.

In last night's Washington Evening Star, Doris Fleeson, in her widely read column, refers to some of these developments, Mr. President, and I quote her relevant portions of her column:

OUTLOOK FOR DEMOCRATIC SETBACK—BELIEF THAT PARTY CAN'T REGAIN LOSSES OF 1960 REPORTED AT MIDWEST PARLEY

(By Doris Fleeson)

A conference of Midwest Democrats last weekend concluded that unless something happens to stir up the rank and file, the party cannot regain the ground it lost in 1960, and may do worse.

President Kennedy's general background and his religion hurt him worse in the Midwest than in the South, and a promising Democratic resurgence was thereby stemmed. In addition, 21 new and mainly midwest Republican conservatives made it to the House, materially strengthening the conservative coalition.

The Midwest is, of course, the old Republican heartland, but the President cannot be indifferent to its trend, especially since Republicans are making inroads in the South.

It is hard to believe, but Democrats are afraid of losing House seats in both South Carolina and Alabama. If Republicans can also beef up their midwest House delegations, the President's considerable legislative troubles will be multiplied.

Everybody in Washington laughed some years ago when Senator MUNDT, of South Dakota, sat down at his political piano and interwove "Dixie" with a corn and wheat tune. Yet this seems to be on its way with Senator GOLDWATER now conducting, even though a reluctance exists to acknowledge it.

Recently the Republican National Committee's southern division showed here a 12-minute documentary sound film titled "New Breed in the South." It is designed to fire up party rallies in the 12 Southern

States, particularly in the 7, South Carolina and Alabama included, where Senate seats are at stake.

The film's big pitch is for the election of conservatives who will vote Republican. Observers quickly noted that the attractive southern Republican officeholders were all white and no mention was made of the race issue.

Asked about this lily-white aspect, the national committee's chief of the southern division replied that committee policy was not to mention "race" in the South.

Many State Republican organizations doubtless will disavow that policy. Democrats cannot afford to minimize the possibility that it may get results which would further tie President Kennedy's hands.

Actually, Mr. President, this year for the first time in American history we have 39 Republican candidates running for the office of U.S. Senator. This is by far a new record and it is even more novel and refreshing that virtually all of these candidates are considered to have at least a chance of election next November. However, my interest in promoting a more realistic approach to our election machinery is not primarily the desire to elect Republican officials. Basically, the burden of my theme for all these years has been to give the average voter a realistic and effective choice when he goes to the polls in the fall elections. I want him to have a realistic opportunity to vote for the candidate who most nearly reflects and represents his personal concept of how Government should be run and the public policies which should prevail. Whether that induces the voters to elect Republican or Democratic candidates is not my major concern. Those eventual results will be determined as they should be by the personalities and the platforms of opposing candidates and the rapport which exists between them and the policies and principles embraced by his majesty the voter who after all could and should govern the destiny of this Republic.

Mr. President, I started out in these remarks to call attention to a letter I received from a young voter out in South Dakota who is a former vice president of a university campus Young Democrat Club. The voter in question has given me permission to quote his letter in the hope it will influence others to think through the issues, break with political prejudice, and sign up as an active member of the party of his choice. This personal decision, is in itself, a reflection and an example of the basic theme that parties should come to mean something important to American voters and that they should be given a choice between two parties and two sets of candidates whose platforms and policies differ from each other so that the individual voter gets an honest and effective choice on election day. Therefore, Mr. President, in keeping with what I had in mind I ask in conclusion unanimous consent of the Senate to have the letter in question printed at this point in the RECORD as a part of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WAKONDA, S. DAK.,
June 6, 1962.

DEAR SENATOR MUNDT: Let me introduce myself. I am 21, a recent graduate of the University of South Dakota. I am entering the university law school this fall. I have been a Democrat—at one time vice president of the university young Democrats.

Today I registered—Republican—basically because of the examples of medicare, and also of steel, etc.

I just wish to add my letter to the overwhelmingly negative flow of letters with regard to this bill.

I am going to be the member of a profession—true, not the profession fighting for survival at the present time—but the "writing is upon the wall."

I am interested in any materials that you could furnish me with regard to current policies, actions, etc.

It seems to me that I am a member of a group which is necessary to a political party for its survival—how can they hope to keep us in their ranks if it is obvious that our lives are to be predetermined, and our earnings spent before we have even finished professional school?

Yours truly,

LARRY PIERSOL.

Mr. MUNDT. Mr. President, I believe all Senators will agree that the basic issues now confronting all the people of America are the following five; and they will undoubtedly continue to be our fundamental decisions until we have finally decided them to the point where each of us can understand clearly whither America is bound. These are the five as I see them:

First. How big would you like to have the Federal Government become?

Second. How much should the Federal Government cost?

Third. How much should the Federal Government own and operate?

Fourth. How much authority should the Federal Government exercise as a device for influencing our individual lives?

Fifth. How far should the Federal Government go to take us into the functions of the welfare state?

Mr. President, I believe that basically these five issues divide the people of America into two opposing political camps. I continue to believe it is most unfortunate that our party labels do not accurately identify the proponents and the opponents of each point of view.

I am pleased, of course, that by and large most Republicans in the Senate and the House are united in believing that the Federal Government has gone far enough in the direction of spending more money and exercising more power and that by and large the Democrats in the Senate and the House are harnessed together in a team believing that the Federal Government should spend more and should exercise increasing powers. But all of us realize there are important exceptions to the foregoing generalization. Political realinement would reduce if not entirely eliminate such exceptions by enabling candidates to affiliate with other like-minded citizens in a party which consistently opposes or supports the policies in question.

Short of such realinement, however, such actions as that taken by Larry Piersol of Wakonda, S. Dak., in changing his registration from Democratic to Republican can go a long way toward correcting the deceptive weaknesses in our existing political and election structure. If those who believe in a public position or in a political philosophy or in an economic-social-political package moving toward or away from welfare statism and big-brother Government will identify themselves with the political party which in the main exerts the most of its emphasis for or against such programs we can immediately begin to reap many of the practical advantages which formal political realinement and electoral college reform would provide for every American citizen. I respectfully recommend such action therefore to those who read this RECORD or to those who upon reading it have cause to write or talk to American citizens in general.

AIESEC—A TRIUMPH IN PEOPLE-TO-PEOPLE UNDERSTANDINGS

Mr. MUNDT. Mr. President, when Public Law 402—the so-called Smith-Mundt Act—was enacted by the 80th Congress, it contained as one of its avowed objectives the establishment of international exchanges of cultures and people both by governmental activity and by the privately financed actions of individual citizens and by voluntary organizations. During the intervening years, great progress has been made by both forms of these exchanges.

President Eisenhower gave this program important impetus by supporting it with his advocacy of increased private exchanges in what he termed a "people-to-people program." Many communities of citizens in our American towns and cities have adopted or married communities of similar size in some oversea land and enduring friendships and ripening ties of mutual understanding and international good will have been the consequence. In the academic world, a great many activities are being privately sponsored and supported to provide for gratifying exchanges of students and teachers.

Among the most interesting and effective of the privately supported exchange programs is AIESEC and the purpose of this report to the Congress is to call attention not only to its accomplishments but also to its great potentiality.

Mr. President, the efforts of individual citizens and private groups in the field of international good will and the preservation of peace are becoming well known to us in the United States. I wish to commend to you this special activity not of the citizens of today, but by a group of students—the citizens of tomorrow.

It is my feeling that such acts of social responsibility by our students deserve recognition both because of their merit and because by their success we may feel confident that future generations will have at heart the principles by which we try to live and govern today. I, therefore, commend to you the work and success of the International Association of Business & Economics Students—known as AIESEC—eyesec.

AIESEC rose from the ashes of a war-torn Europe at the time when the seeds of the Common Market were planted. In 1948, business and economics students from France, Germany, Belgium, the Netherlands, Sweden, Norway, and Denmark met in Stockholm and founded the association. These students established

as the first article of their constitution, and I quote:

AIESEC is an independent, nonpolitical, international student organization which has as its purpose, to establish and promote close and friendly relations between members without regard to religion or race.

Mr. President, during the next 10 years the organization spread throughout Europe, the Middle East, and to North America. By providing serious-minded students of business and economics with a chance to apply their theoretical training to a practical situation, it not only promoted person-to-person international understanding but also created a corps of young, internationally trained executive personnel. I might add that this work was not done with the financial support of any governmental agency, but by the students themselves, financing their operations out of their own pockets. It is only recently that national committees of AIESEC have received support from outside sources, and this in general from private enterprise or associations of businessmen.

AIESEC provides working traineeships within the business communities of each country in which it operates. These traineeships are exchanged on a one-for-one basis between member countries. Thus, a student from the United States will be enabled to undergo a traineeship abroad because there is a position open here for a foreign business student.

During the academic year, students at colleges and universities throughout AIESEC's member countries solicit their local business communities for traineeships for foreign students. Then, during the summer vacations, selected students travel to a foreign country to take up the traineeships exchanged at congress. At this time, other students remain behind in their own countries to provide reception and entertainment for the visiting foreign trainees.

Thus, by placing the foreign student within the community, both to live and work, AIESEC provides down-to-earth international relations. Further, each year, seminars and study tours are arranged to acquaint the students with current business and economic topics as well as life in the country which they are visiting. I was privileged to address a group of these students representing some 30 countries who gathered in Washington for a luncheon and some group activities last week. These students were on leave from their traineeships across the country to attend a study tour of our Capital and to learn something of our way of government, particularly its economic cooperation with private business.

AIESEC began in the United States in 1958; that year some 30 students went to Europe and a similar number of Europeans came here. Four years later, AIESEC-United States has grown to exchange 350 students and it has established itself as a student organization of some repute. Corporations such as IBM, Vick Chemical Co., Coty, and the Ford Motor Co. as well as numerous smaller firms have participated in its exchange program. Many of the business associations in this country have also acknowledged AIESEC's activities, among them the people-to-people insurance committee.

Internationally, AIESEC has received recognition from the International Chamber of Commerce, consultative status with UNESCO and ILO, the commendation of the French Minister of Education, the president of the British Board of Trade, Dr. Ludwig Erhard of Germany, and many others.

AIESEC has not limited its activities to the developed areas of Western Europe and North America. In 1960 and 1961, it expanded its operations to Latin America and Africa, respectively. This year it began an extension project to Asia and expects to be operative there by 1963. Currently there are American students with South American firms in Chile, Argentina, Colombia, and Peru. In Africa, students are in Ghana, Sierra Leone, Liberia, and Nigeria, training with such firms as Shell, Ltd., in Ghana, United Africa Co., in Nigeria, and others. An American student, through AIESEC, was responsible for a manpower survey conducted in Liberia last summer. On the other side, a Colombian student from Bogotá is currently with Marken Machine in Keene, N.H. Expected shortly are students from Nigeria and Ghana to train with firms in the New York area—a bank and a shipping line, in particular.

Over 300 colleges and universities are now participating in AIESEC in 38 countries. In the United States, 45 colleges are members of AIESEC. These schools represent every part of our Nation, but all are either business schools or liberal arts colleges with economics departments of high caliber.

AIESEC maintains its national headquarters in New York City, at 51 East 42d Street, room 250, and, in its entire operations has only two full-time staff members—an administrative assistant and an elected president, who serves a 1-year term of office taking a leave of absence from school. It was the current president of AIESEC-United States, Mr. Anthony Jacobus, who provided me with an account of the present activities of AIESEC and its developments. I might mention in passing that AIESEC's international congress will be held in this country next March at Princeton University.

I have been connected with AIESEC as a member of its board of advisers almost since its beginning in the United States and I have never ceased to be surprised and gratified by its progress. Its work is carried out with a very modest budget and for value received per dollar expended it would seem that this is one of our most efficient and effective efforts to create better mutual understanding among the people of the world. I was especially pleased to learn of AIESEC's current work in Africa, Latin America, and now Asia.

Mr. President, this statement can be no more than a brief outline of AIESEC's activities. I have offered it in recognition and tribute to the students whose enlightened efforts at international cooperation and person-to-person diplomacy deserve this support.

When we consider the multibillion-dollar foreign aid program in which this country is engaged, it is highly appropriate that we give due credit to this voluntary organization of students who on a self-raised budget of about $35,000 per year—without Government assistance—are demonstrating that where there is the will there is the way for people, generally, to participate in the important business of creating better mutual understanding among the peoples of the world. AIESEC has indeed become an important weapon in the world's arsenal for perpetuating peace. I hope additional college students in more and more colleges and universities will join this movement and that more and more American business institutions will offer their cooperation in this mutually rewarding exercise in good citizenship and in good will. I am sure those who are interested will be given full details on how they can become affiliated with AIESEC by addressing a letter of inquiry to President Anthony B. Jacobus, room 250, 51 East 42d Street, New York City.

TRANSPORTATION OF COAL THROUGH PIPELINES

Mr. McGEE. Mr. President, several months ago the Commerce Committee heard testimony on a new and dramatic development in the power industry, the transportation of coal through pipelines. Coming from a State which has almost immeasurable coal reserves and which has a coal industry that now suffers for want of markets I was gratified to learn of this new development and have been continuing my efforts to further investigate this method of coal utilization since the hearings this spring.

This interest is shared by the citizens of Wyoming who correctly believe that our State has the potential for vast economic development and industrial growth. A recent editorial in the Riverton, Wyo., Ranger pointed up the potential in the coal pipeline process and I ask unanimous consent that it be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

COAL PIPELINES MAY EVENTUALLY TAP 100-BILLION-TON WYOMING RESERVES

Wyoming coal mining has started to climb back up, because coal-electric power generation plants make it possible to transport "coal by wire." Electric power in abundance is now available over much of the West that heretofore was power hungry.

Another development in the coal industry may be of equal importance. This is the transporting of coal through pipelines. The pioneer coal pipeline companies first move the coal in a 50-50 solution, half water, half finely ground coal.

Although the coal required dewatering at the end, the coal transportation by pipeline was still economical, despite the great investments required.

A more recent refinement in coal pipelines is a process in which a mixture of 60 percent coal and 40 percent water is fed directly into boilers without dewatering treatment.

This development may make coal competitive with other minerals in many areas. Naturally present fuel suppliers and transporters of coal by conventional means are

concerned about the impact the coal pipelines will have on their interests.

The development, however, is one that might someday be of benefit to many of the States with great coal reserves. Wyoming has the third largest tonnage of coal, being one of the three States with reserves above 100 billion tons. A resource in such tremendous proportions can't be overlooked.

Coal by pipeline may help slake the almost insatiable energy thirst that the industrialized world has developed.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, August 29, 1962, he presented to the President of the United States the following enrolled bills:

S. 1606. An act to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Commission;

S. 3327. An act to make eligible for assistance under the public facility loan program certain areas where research or development installations of the National Aeronautics and Space Administration are located; and

S. 3574. An act to extend the International Wheat Agreement Act of 1949.

ENROLLED JOINT RESOLUTION PRESENTED

The Secretary of the Senate reported that on today, August 29, 1962, he presented to the Administrator of General Services Administration the enrolled joint resolution (S.J. Res. 29) proposing an amendment to the Constitution of the United States relating to the qualifications of electors.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I move that the Senate stand in adjournment, pursuant to the previous order, until 10 o'clock tomorrow morning.

The motion was agreed to; and (at 8 o'clock and 29 minutes p.m.) the Senate adjourned, pursuant to the previous order, until tomorrow, Thursday, August 30, 1962, at 10 o'clock a.m.

NOMINATION

Executive nomination received by the Senate August 29, 1962:

DEPARTMENT OF STATE

Abba P. Schwartz, of Maryland, to be Administrator, Bureau of Security and Consular Affairs, Department of State.

EXTENSIONS OF REMARKS

President Kennedy Appoints Consumer Advisory Council

EXTENSION OF REMARKS
OF

HON. MAURINE B. NEUBERGER

OF OREGON

IN THE SENATE OF THE UNITED STATES

Wednesday, August 29, 1962

Mrs. NEUBERGER. Mr. President, last month President Kennedy announced the appointment of a 12-member Consumer Advisory Council. For the first time consumers are to have a voice in the White House through the newly organized Advisory Council attached to the President's Council of Economic Advisers. All of us, Mr. President, are consumers, but consumer needs and interests are all too frequently overlooked in the development of Government policies. Earlier this year the President sent a historic consumers message to Congress.

In the Presidential message of March 15, President Kennedy said:

Consumers, by definition, include us all. They are the largest economic group in the economy, affecting and affected by almost every public and private economic decision. But they are the only important group in the economy who are not effectively organized, whose views are often not heard.

The Federal Government—by nature the highest spokesman for all the people—has a special obligation to be alert to the consumer's needs and to advance the consumer's interests.

The President set forth a consumers' bill of rights. These rights include:

1. The right to safety: To be protected against the marketing of goods which are hazardous to health or life.

2. The right to be informed: To be protected against fraudulent, deceitful, or grossly misleading information, advertising, labeling, or other practices, and to be given the facts he needs to make an informed choice.

3. The right to choose: To be assured, wherever possible, access to a variety of products and services at competitive prices; and in those industries in which competition is not workable and Government regulation is substituted, an assurance of satisfactory quality and service at fair prices.

4. The right to be heard: To be assured that consumer interests will receive full and sympathetic consideration in the formulation of Government policy, and fair and expeditious treatment in its administrative tribunals.

While all sorts of special interest groups maintain organizations and representatives here in Washington, the consumer does not have those who can represent his needs and interests. The appointment of the Consumer Advisory Council will fill this gap. The challenges before the Council are immense. Appointed as Chairman of the Consumer Advisory Council is Dr. Helen G. Canoyer, dean of the School of Home Economics of Cornell University since 1953.

Mr. President, one of the distinguished members of the Consumer Advisory Council is Sylvia Porter, the well-known columnist and writer on financial matters. Recently Sylvia Porter wrote a series of articles on the newly appointed Consumer Advisory Council, pointing out the hopes and problems and the challenges which face such a program. I ask unanimous consent to have the five columns by Sylvia Porter dealing with the Consumer Advisory Council printed in the RECORD.

Mr. President, as Sylvia Porter points out:

The CAC has been born. Now it will begin to earn its right to become a permanent, respected, valuable part of the Federal Government.

The other members of the Consumer Advisory Council besides Dr. Canoyer and Sylvia Porter are:

David Angevine, of Park Forest, Ill., information director of the Cooperative League of America and former editor of Cooperative News Service.

Dr. Persia Campbell, professor and head of Economics Department, Queens College, the City University of New York.

Stephen McKenzie du Brul, Jr., of New York City, a director of the May Department Stores and a partner in Lehman Bros., specializing in retail business financing.

Mrs. John G. Lee, of Farmington, Conn., former president of the League of Women Voters, 1950–58.

Dr. Edward S. Lewis, of New York City, executive director of the Urban League of Greater New York.

Walter F. Mondale, of St. Paul, Minn., attorney general of the State and chairman of the Consumers Protection Committee of the National Association of Attorneys General.

Dr. Richard L. D. Morse, of Manhattan, Kans., head of the department of family economics since 1955 at Kansas State University and past president of the Council on Consumer Information.

Mrs. Helen E. Nelson, of Sacramento, Calif., director of the California Office of Consumer Counsel.

Dr. Caroline Ware, of Vienna, Va., chairman of the Consumer Clearinghouse, 1943–52, and a member of President Kennedy's Commission on the Status of Women.

Dr. Colston E. Warne, of Amherst, Mass., on the faculty of Amherst College and president of the Consumers Union of the U.S.A., Inc.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

YOUR MONEY'S WORTH: CONSUMER COUNCIL IN WHITE HOUSE

(By Sylvia Porter)

For the first time, consumers are to have a voice in the White House—through the newly organized Consumers' Advisory Council attached to the President's Council of Economic Advisers.

It is a pioneering move, the fulfillment of a pledge made during the 1960 election campaign. While, as was cynically noted in one editorial entitled "A Bone for Consumers," President Kennedy waited a year and a half before naming the Council, this doesn't seem so long against the background of 186 years that the consumer has been waiting for this high level of representation.

It is a Council composed of six men and six women, a mixture of Democrats and Republicans who come from all over the country and whose backgrounds reveal a lifelong dedication to programs to inform the consumer on matters affecting his health, safety,