U.S. GRASPS TORCH, NOT THE THESIS

The United States grasped the falling torch, but not the thesis that what was best for the United States would be best for nations with which we shared our resources. In a sense, American policymakers are the last of the Victorians, believing in the Victorian virtues—integrity, morality, and legality.

American influence has been further complicated by the fact that it had to share or compete for world leadership with Russia. Only a decade ago, the United States and the Soviet Union were riding high, with the world divided between communist and noncommunist blocs, altho there were some purported neutrals. Some were neutral for communism and some neutral against communism.

In recent years both Russia and the United States have been losing influence and position. Not only has the communist world suffered a sharp split into Moscow and Peking rivalries, but relaxation has grown on communist rule in Russia and in the so-called captive nations.

And the United States is confronted by political and economic crises which are changing its stance around the world from the war in Viet Nam to reduction of foreign aid and cutting back bases and troop commitments.

In both countries pressure for change has come from the young. Even if the policy is good, the young don't seem to want it, or even if it is good, they don't want to implement it. The young seem to glory in deviation from the Victorian virtues.

YOUNG WANT AN INSTANT TOMORROW

The young are impatient with policy, even before it is formulated in peace or in war. They are impatient for change in society, the business world, the campus, and in government.

What the young apparently want is an instant tomorrow which they probably wouldn't like if they could get it. Meanwhile, appeals to love of flag or country, love of home and mother, or love of honor and virtue go largely unheeded.

A generation ago many were predicting that a brave new world would come out of World War II. The new world is emerging but it is a world of the young, who are weary of tradition and dedicated to change.

The old idols are being discarded and new images are revered, chiefly because they are new. The world was made for young and old. If few know how to be old, it is also true that fewer know how to be young, for one day they will be old and discover their policies are old hat.

HOUSE OF REPRESENTATIVES—*Wednesday, May 22, 1968*

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

Cast all your cares upon God, for He cares for you.—1 Peter 5: 7.

O God, our Father, whose grace is sufficient for every need and whose spirit makes us adequate for every worthy endeavor, we take this time to lift the windows of faith, to open the doors of hope, and to part the curtains of love that the of Thy way may be made known to us. In Thy light may we see the way clearly greatness of Thy truth and the wisdom and by Thee be given courage to walk in it this day and all our days.

Bless our men and women over the world who live and fight and work for freedom. As free men and as good men may we make our Nation Thy channel for the light of liberty to shine upon the people on this planet.

"Unite us in the sacred love
Of knowledge, truth and Thee;
And let our hills and valleys shout
The songs of liberty.

"Lord of the nations thus to Thee
Our country we commend;
Be Thou her refuge and her trust,
Her everlasting friend."

Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 3068. An act to amend the Food Stamp Act of 1964, as amended.

PERMISSION FOR SUBCOMMITTEE ON HOUSING, COMMITTEE ON BANKING AND CURRENCY, TO SIT DURING GENERAL DEBATE TODAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Subcommittee on Housing of the Committee on Banking and Currency may be permitted to sit during general debate today.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

FLAG DAY CEREMONIES—AUTHORITY FOR SPEAKER TO DECLARE RECESS ON JUNE 14

Mr. ALBERT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. ALBERT. Mr. Speaker, the 191st anniversary of Flag Day will be celebrated on Friday, June 14, 1968. It was on Saturday, June 14, 1777—the very day on which the Continental Congress commissioned Capt. John Paul Jones to command the ship *Ranger*—that the Continental Congress adopted a resolution providing:

That the flag of the thirteen United States be thirteen stripes, alternate red and white: That the Union be thirteen stars, white in a blue field, representing a new constellation.

During the ensuing 190 years, 37 stars have been added to that blue field, and the American flag has continually stood as a true symbol of liberty.

In 1917, during the First World War, President Wilson issued the first Presidential proclamation calling upon the entire Nation to hold appropriate ceremonies on June 14 to honor our flag. Last year the House of Representatives, under the able leadership of Representatives BROOKS, NICHOLS, ROUDEBUSH, and HALL, reinstituted dignified and appropriate Flag Day ceremonies in this Chamber which had for many years been inspired by our now deceased colleague Louis C. Rabaut.

Mr. Speaker, because I believe it important that the House of Representatives continue this tradition to again give honor to our Stars and Stripes and to the principles which our flag symbolizes, I ask unanimous consent that it may be in order at any time on Friday, June 14, 1968, for the Speaker to declare a recess for the purpose of observing and commemorating Flag Day in such manner as the Speaker may deem appropriate and proper.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

DESIGNATION OF MEMBERS TO COMMITTEE ON FLAG DAY CEREMONIES

The SPEAKER. The Chair may state for the information of the Members of the House that after consultation with the distinguished minority leader the Chair has informally designated the following Members to constitute a committee to make the necessary arrangements for appropriate exercises in accordance with the unanimous-consent agreement just adopted:

The gentleman from Texas, Mr. BROOKS; the gentleman from Alabama, Mr. NICHOLS; the gentleman from Indiana, Mr. ROUDEBUSH; and the gentleman from Missouri, Mr. HALL.

RESURRECTION CITY VISITS

Mr. BUCHANAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. BUCHANAN. Mr. Speaker, in fulfillment of a commitment to a constituent, I paid a visit to Resurrection City this morning and was courteously but firmly denied access to the campgrounds. I was first informed that visitors were not permitted there until after services. I waited until after the services which were then in progress and was informed at the conclusion of the services that no visitors except the press would then be admitted. Now, since the evident purpose of the march is to present the case of these folks to the Congress, it seems strange to me that a Member of Congress would not be permitted to visit them and try to get the facts. Second, it would seem passing strange to me that any American citizen should be denied

access to public property, even down to and including Members of Congress.

ESTABLISHMENT OF NATIONAL SEVERE STORM SERVICE

Mr. WINN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. WINN. Mr. Speaker, I wish to direct the attention of my colleagues to H.R. 16767, which is a bill that I have introduced for the purpose of conducting a comprehensive study of tornadoes, squall lines, and other severe storms, and to develop methods for detecting storms for prediction and advance warning, and to provide for the establishment of a National Severe Storm Service.

The importance of this legislation is demonstrated by the destructive onslaught of tornadoes which swept the Midwest on May 15 and 16, leaving approximately 70 persons dead and property damage reaching into the millions of dollars. The tornadoes covered a nine-State region and was one of the most extensive outbreaks of severe storms on record. Wapella, Ill., a small central Illinois community of 500, was 90 percent in ruins. Every building in the community except the high school was damaged or destroyed, and four people were killed. The heaviest death toll, however, occurred at Jonesboro, Ark., where 33 people were left dead by the storm.

The Weather Bureau said that this rash of tornadoes was caused by a mass of cold air flowing southward which collided with warm, humid air from the Gulf of Mexico. I submit that more intensive research of these storms is necessary to permit earlier forecasting and detection of violent storms. If the forces which combine to produce severe storms are better understood, then the detection of the presence of potentially dangerous conditions will permit earlier forecasting and thus reduce the loss of life resulting from such storms.

This is the goal of my bill, and I strongly solicit the support of my colleagues in obtaining its passage.

CONSUMER CREDIT PROTECTION ACT

Mr. PATMAN. Mr. Speaker, I call up the conference report on the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT (H. REPT. No. 1397)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following:

"§ 1. Short title of entire Act

"This Act may be cited as the Consumer Credit Protection Act.

"TITLE I—CONSUMER CREDIT COST DISCLOSURE

"CHAPTER 1—GENERAL PROVISIONS

"§ 101. Short title

"This title may be cited as the Truth in Lending Act.

"§ 102. Findings and declaration of purpose

"The Congress finds that economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit. The informed use of credit results from an awareness of the cost thereof by consumers. It is the purpose of this title to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit.

"§ 103. Definitions and rules of construction

"(a) The definitions and rules of construction set forth in this section are applicable for the purposes of this title.

"(b) The term 'Board' refers to the Board of Governors of the Federal Reserve System.

"(c) The term 'organization' means a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

"(d) The term 'person' means a natural person or an organization.

"(e) The term 'credit' means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.

"(f) The term 'creditor' refers only to creditors who regularly extend, or arrange for the extension of, credit for which the payment of a finance charge is required, whether in connection with loans, sales of property or services, or otherwise. The provisions of this title apply to any such creditor, irrespective of his or its status as a natural person or any type of organization.

"(g) The term 'credit sale' refers to any sale with respect to which credit is extended or arranged by the seller. The term includes any contract in the form of a bailment or lease if the bailee or lessee contracts to pay as compensation for use a sum substantially equivalent to or in excess of the aggregate value of the property and services involved and it is agreed that the bailee or lessee will become, or for no other or a nominal consideration has the option to become, the owner of the property upon full compliance with his obligations under the contract.

"(h) The adjective 'consumer', used with reference to a credit transaction, characterizes the transaction as one in which the party to whom credit is offered or extended is a natural person, and the money, property, or services which are the subject of the transaction are primarily for personal, family, household, or agricultural purposes.

"(i) The term 'open end credit plan' refers to a plan prescribing the terms of credit transactions which may be made thereunder from time to time and under the terms of which a finance charge may be computed on the outstanding unpaid balance from time to time thereunder.

"(j) The term 'State' refers to any State, the Commonwealth of Puerto Rico, the District of Columbia, and any territory or possession of the United States.

"(k) Any reference to any requirement imposed under this title or any provision thereof includes reference to the regulations of the Board under this title or the provision thereof in question.

"(l) The disclosure of an amount or percentage which is greater than the amount or percentage required to be disclosed under this title does not in itself constitute a violation of this title.

"§ 104. Exempted transactions

"This title does not apply to the following:

"(1) Credit transactions involving extentions of credit for business or commercial purposes, or to governments or governmental agencies or instrumentalities, or to organizations.

"(2) Transactions in securities or commodities accounts by a broker-dealer registered with the Securities and Exchange Commission.

"(3) Credit transactions, other than real property transactions, in which the total amount to be financed exceeds $25,000.

"(4) Transactions under public utility tariffs, if the Board determines that a State regulatory body regulates the charges for the public utility services involved, the charges for delayed payment, and any discount allowed for early payment.

"§ 105. Regulations

"The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate compliance therewith.

"§ 106. Determination of finance charge

"(a) Except as otherwise provided in this section, the amount of the finance charge in connecton with any consumer credit transaction shall be determined as the sum of all charges, payable directly or indirectly by the person to whom the credit is extended, and imposed directly or indirectly by the creditor as an incident to the extension of credit, including any of the following types of charges which are applicable:

"(1) Interest, time price differential, and any amount payable under a point, discount, or other system of additional charges.

"(2) Service or carrying charge.

"(3) Loan fee, finder's fee, or similar charge.

"(4) Fee for an investigation or credit report.

"(5) Premium or other charge for any guarantee or insurance protecting the creditor against the obligor's default or other credit loss.

"(b) Charges or premiums for credit life, accident, or health insurance written in connection with any consumer credit transaction shall be included in the finance charge unless

"(1) the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this fact is clearly disclosed in writing to the person applying for or obtaining the extension of credit; and

"(2) in order to obtain the insurance in connection with the extension of credit, the person to whom the credit is extended must give specific affirmative written indication of his desire to do so after written disclosure to him of the cost thereof.

"(c) Charges or premiums for insurance, written in connection with any consumer credit transaction, against loss of or damage to property or against liability arising out of the ownership or use of property, shall be included in the finance charge unless a clear and specific statement in writing is furnished by the creditor to the person to whom the credit is extended, setting forth the cost of the insurance if obtained from or through the creditor, and stating that the person to whom the credit is extended may choose the person through which the insurance is to be obtained.

"(d) If any of the following items is itemized and disclosed in accordance with the regulations of the Board in connection with any transaction, then the creditor need not include that item in the computation of the finance charge with respect to that transaction:

"(1) Fees and charges prescribed by law which actually are or will be paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the credit transaction.

"(2) The premium payable for any insurance in lieu of perfecting any security interest otherwise required by the creditor in connection with the transaction, if the premium does not exceed the fees and charges described in paragraph (1) which would otherwise be payable.

"(3) Taxes.

"(4) Any other type of charge which is not for credit and the exclusion of which from the finance charge is approved by the Board by regulation.

"(e) The following items, when charged in connection with any extension of credit secured by an interest in real property, shall not be included in the computation of the finance charge with respect to that transaction:

"(1) Fees or premiums for title examination, title insurance, or similar purposes.

"(2) Fees for preparation of a deed, settlement statement, or other documents.

"(3) Escrows for future payments of taxes and insurance.

"(4) Fees for notarizing deeds and other documents.

"(5) Appraisal fees.

"(6) Credit reports.

"§ 107. Determination of annual percentage rate

"(a) The annual percentage rate applicable to any extension of consumer credit shall be determined, in accordance with the regulations of the Board,

"(1) in the case of any extension of credit other than under an open end credit plan, as

"(A) that nominal annual percentage rate which will yield a sum equal to the amount of the finance charge when it is applied to the unpaid balances of the amount financed, calculated according to the actuarial method of allocating payments made on a debt between the amount financed and the amount of the finance charge, pursuant to which a payment is applied first to the accumulated finance charge and the balance is applied to the unpaid amount financed; or

"(B) the rate determined by any method prescribed by the Board as a method which materially simplifies computation while retaining reasonable accuracy as compared with the rate determined under subparagraph (A).

"(2) in the case of any extension of credit under an open end credit plan, as the quotient (expressed as a percentage) of the total finance charge for the period to which it relates divided by the amount upon which the finance charge for that period is based, multiplied by the number of such periods in a year.

"(b) Where a creditor imposes the same finance charge for balances within a specified range, the annual percentage rate shall be computed on the median balance within the range, except that if the Board determines that a rate so computed would not be meaningful, or would be materially misleading, the annual percentage rate shall be computed on such other basis as the Board may by regulation require.

"(c) The annual percentage rate may be rounded to the nearest quarter of 1 per centum for credit transactions payable in substantially equal installments when a creditor determines the total finance charge on the basis of a single add-on, discount, periodic, or other rate, and the rate is converted into an annual percentage rate under procedures prescribed by the Board.

"(d) The Board may authorize the use of rate tables or charts which may provide for the disclosure of annual percentage rates which vary from the rate determined in accordance with subsection (a)(1)(A) by not more than such tolerances as the Board may allow. The Board may not allow a tolerance greater than 8 per centum of that rate except to simplify compliance where irregular payments are involved.

"(e) In the cast of creditors determining the annual percentage rate in a manner other than as described in subsection (c) or (d), the Board may authorize other reasonable tolerances.

"(f) Prior to January 1, 1971, any rate required under this title to be disclosed as a percentage rate may, at the option of the creditor, be expressed in the form of the corresponding ratio of dollars per hundred dollars.

"§ 108. Administrative enforcement

"(a) Compliance with the requirements imposed under this title shall be enforced under

"(1) section 8 of the Federal Deposit Insurance Act, in the case of

"(A) national banks, by the Comptroller of the Currency.

"(B) member banks of the Federal Reserve System (other than national banks), by the Board.

"(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

"(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions.

"(3) the Federal Credit Union Act, by the Director of the Bureau of Federal Credit Unions with respect to any Federal credit union.

"(4) the Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those Acts.

"(5) the Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act.

"(6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act, by the Secretary of Agriculture with respect to any activities subject to that Act.

"(b) For the purpose of the exercise by any agency referred to in subsection (a) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (a), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

"(c) Except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other Government agency under subsection (a), the Federal Trade Commission shall enforce such requirements. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement imposed under this title shall be deemed a violation of a requirement imposed under that Act. All of the functions and powers of the Federal Trade Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with the requirements imposed under this title, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act.

"(d) The authority of the Board to issue regulations under this title does not impair the authority of any other agency designated in this section to make rules respecting its own procedures in enforcing compliance with requirements imposed under this title.

"§ 109. Views of other agencies

"In the exercise of its functions under this title, the Board may obtain upon request the views of any other Federal agency which, in the judgment of the Board, exercises regulatory or supervisory functions with respect to any class of creditors subject to this title.

"§ 110. Advisory committee

"The Board shall establish an advisory committee to advise and consult with it in the exercise of its functions under this title. In appointing the members of the committee, the Board shall seek to achieve a fair representation of the interests of sellers of merchandise on credit, lenders, and the public. The committee shall meet from time to time at the call of the Board, and members thereof shall be paid transportation expenses and not to exceed $100 per diem.

"§ 111. Effect on other laws

"(a) This title does not annul, alter, or affect, or exempt any creditor from complying with, the laws of any State relating to the disclosure of information in connection with credit transactions, except to the extent that those laws are inconsistent with the provisions of this title or regulations thereunder, and then only to the extent of the inconsistency.

"(b) This title does not otherwise annul, alter or affect in any manner the meaning, scope or applicability of the laws of any State, including, but not limited to, laws relating to the types, amounts or rates of charges, or any element or elements of charges, permissible under such laws in connection with the extension or use of credit, nor does this title extend the applicability of those laws to any class of persons or transactions to which they would not otherwise apply.

"(c) In any action or proceeding in any

court involving a consumer credit sale, the disclosure of the annual percentage rate as required under this title in connection with that sale may not be received as evidence that the sale was a loan or any type of transaction other than a credit sale.

"(d) Except as specified in sections 125 and 130, this title and the regulations issued thereunder do not affect the validity or enforceability of any contract or obligation under State or Federal law.

"§ 112. Criminal liability for willful and knowing violation

"Whoever willfully and knowingly

"(1) gives false or inaccurate information or fails to provide information which he is required to disclose under the provisions of this title or any regulation issued thereunder,

"(2) uses any chart or table authorized by the Board under section 107 in such a manner as to consistently understate the annual percentage rate determined under section 107(a)(1)(A), or

"(3) otherwise fails to comply with any requirement imposed under this title,

shall be fined not more than $5,000 or imprisoned not more than a year, or both.

"131. Written acknowledgment as proof of tal agencies

"No civil or criminal penalty provided under this title for any violation thereof may be imposed upon the United States or any agency thereof, or upon any State or political subdivision thereof, or any agency of any State or political subdivision.

"§ 114. Reports by Board and Attorney General

"Not later than January 3 of each year after 1969, the Board and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, each report of the Board shall include its assessment of the extent to which compliance with the requirements imposed under this title is being achieved.

"CHAPTER 2—CREDIT TRANSACTIONS

"Sec.

"121. General requirement of disclosure.
"122. Form of disclosure; additional information.
"123. Exemption for State-regulated transactions.
"124. Effect of subsequent occurrence.
"125. Right of rescission as to certain transactions.
"126. Content of periodic statements.
"127. Open end consumer credit plans.
"128. Sales not under open end credit plans.
"129. Consumer loans not under open end credit plans.
"130. Civil liability.
"131. Written acknowledgment as proof of receipt.

"§ 121. General requirement of disclosure

"(a) Each creditor shall disclose clearly and conspicuously, in accordance with the regulations of the Board, to each person to whom consumer credit is extended and upon whom a finance charge is or may be imposed, the information required under this chapter.

"(b) If there is more than one obligor, a creditor need not furnish a statement of information required under this chapter to more than one of them.

"§ 122. Form of disclosure; additional information

"(a) Regulations of the Board need not require that disclosures pursuant to this chapter be made in the order set forth in this chapter, and may permit the use of terminology different from that employed in this chapter if it conveys substantially the same meaning.

"(b) Any creditor may supply additional information or explanations with any disclosures required under this chapter.

"§ 123. Exemption for State-regulated transactions

"The Board shall by regulation exempt from the requirements of this chapter any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this chapter, and that there is adequate provision for enforcement.

"§ 124. Effect of subsequent occurrence

"If information disclosed in accordance with this chapter is subsequently rendered inaccurate as the result of any act, occurrence, or agreement subsequent to the delivery of the required disclosures, the inaccuracy resulting therefrom does not constitute a violation of this chapter.

"§ 125. Right of rescission as to certain transactions

"(a) Except as otherwise provided in this section, in the case of any consumer credit transaction in which a security interest is retained or acquired in any real property which is used or is expected to be used as the residence of the person to whom credit is extended, the obligor shall have the right to rescind the transaction until midnight of the third business day following the consummation of the transaction or the delivery of the disclosures required under this section and all other material disclosures required under this chapter, whichever is later, by notifying the creditor in accordance with regulations of the Board, of his intention to do so. The creditor shall clearly and conspicuously disclose, in accordance with regulations of the Board, to any obligor in a transaction subject to this section the rights of the obligor under this section. The creditor shall also provide, in accordance with regulations of the Board, an adequate opportunity to the obligor to exercise his right to rescind any transaction subject to this section.

"(b) When an obligor exercises his right to rescind under subsection (a), he is not liable for any finance or other charge, and any security interest given by the obligor becomes void upon such a rescission. Within 10 days after receipt of a notice of rescission, the creditor shall return to the obligor any money or property given as earnest money, downpayment, or otherwise, and shall take any action necessary or appropriate to reflect the termination of any security interest created under the transaction. If the creditor has delivered any property to the obligor, the obligor may retain possession of it. Upon the performance of the creditor's obligations under this section, the obligor shall tender the property to the creditor, except that if return of the property in kind would be impracticable or inequitable, the obligor shall tender its reasonable value. Tender shall be made at the location of the property or at the residence of the obligor, at the option of the obligor. If the creditor does not take possession of the property within ten days after tender by the obligor, ownership of the property vests in the obligor without obligation on his part to pay for it.

"(c) Notwithstanding any rule of evidence, written acknowledgment of receipt of any disclosures required under this title by a person to whom a statement is required to be given pursuant to this section does no more than create a rebuttable presumption of delivery thereof.

"(d) The Board may, if it finds that such action is necessary in order to permit homeowners to meet bona fide personal financial emergencies, prescribe regulations authorizing the modification or waiver of any rights created under this section to the extent and under the circumstances set forth in those regulations.

"(e) This section does not apply to the creation or retention of a first lien against a dwelling to finance the acquisition of that dwelling.

"§ 126. Content of periodic statements

"If a creditor transmits periodic statements in connection with any extension of consumer credit other than under an open end consumer credit plan, then each of those statements shall be set forth each of the following items:

"(1) The annual percentage rate of the total finance charge.

"(2) The date by which, or the period (if any) within which, payment must be made in order to avoid additional finance charges or other charges.

"(3) Such of the items set forth in section 127(b) as the Board may by regulation require as appropriate to the terms and conditions under which the extension of credit in question is made.

"§ 127. Open end consumer credit plans

"(a) Before opening any account under an open end consumer credit plan, the creditor shall disclose to the person to whom credit is to be extended each of the following items, to the extent applicable:

"(1) The conditions under which a finance charge may be imposed, including the time period, if any, within which any credit extended may be repaid without incurring a finance charge.

"(2) The method of determining the balance upon which a finance charge will be imposed.

"(3) The method of determining the amount of the finance charge, including any minimum fixed amount imposed as a finance charge.

"(4) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

"(5) If the creditor so elects,

"(A) the average effective annual percentage rate of return received from accounts under the plan for a representative period of time; or

"(B) whenever circumstances are such that the computation of a rate under subparagraph (A) would not be feasible or practical, or would be misleading or meaningless, a projected rate of return to be received from accounts under the plan.

The Board shall prescribe regulations, consistent with commonly accepted standards for accounting or statistical procedures, to carry out the purposes of this paragraph.

"(6) The conditions under which any other charges may be imposed, and the method by which they will be determined.

"(7) The conditions under which the creditor may retain or acquire any security interest in any property to secure the payment of any credit extended under the plan, and a description of the interest or interests which may be so retained or acquired.

"(b) The creditor of any account under an open end consumer credit plan shall transmit to the obligor, for each billing cycle at the end of which there is an outstanding balance in that account or with respect to which a finance charge is imposed, a statement setting forth each of the following items to the extent applicable:

"(1) The outstanding balance in the account at the beginning of the statement period.

"(2) The amount and date of each extension of credit during the period, and, if a purchase was involved, a brief identification (unless previously furnished) of the goods or services purchased.

"(3) The total amount credited to the account during the period.

"(4) The amount of any finance charge

added to the account during the period, itemized to show the amounts, if any, due to the application of percentage rates and the amount, if any, imposed as a minimum or fixed charge.

"(5) Where one or more periodic rates may be used to compute the finance charge, each such rate, the range of balances to which it is applicable, and, unless the annual percentage rate (determined under section 107 (a)(2)) is required to be disclosed pursuant to paragraph (6), the corresponding nominal annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

"(6) Where the total finance charge exceeds 50 cents for a monthly or longer billing cycle, or the pro rata part of 50 cents for a billing cycle shorter than monthly, the total finance charge expressed as an annual percentage rate (determined under section 107 (a)(2)), except that if the finance charge is the sum of two or more products of a rate times a portion of the balance, the creditor may, in lieu of disclosing a single rate for the total charge, disclose each such rate expressed as an annual percentage rate, and the part of the balance to which it is applicable.

"(7) At the election of the creditor, the average effective annual percentage rate of return (or the projected rate) under the plan as prescribed in subsection (a)(5).

"(8) The balance on which the finance charge was computed and a statement of how the balance was determined. If the balance is determined without first deducting all credits during the period, that fact and the amount of such payments shall also be disclosed.

"(9) The outstanding balance in the account at the end of the period.

"(10) The date by which, or the period (if any) within which, payment must be made to avoid additional finance charges.

"(c) In the case of any open end consumer credit plan in existence on the effective date of this subsection, the items described in subsection (a), to the extent applicable, shall be disclosed in a notice mailed or delivered to the obligor not later than thirty days after that date.

"§ 128. Sales not under open end credit plans

"(a) In connection with each consumer credit sale not under an open end credit plan, the creditor shall disclose each of the following items which is applicable:

"(1) The cash price of the property or service purchased.

"(2) The sum of any amounts credited as downpayment (including any trade-in).

"(3) The difference between the amount referred to in paragraph (1) and the amount referred to in paragraph (2).

"(4) All other charges, individually itemized, which are included in the amount of the credit extended but which are not part of the finance charge.

"(5) The total amount to be financed (the sum of the amount described in paragraph (3) plus the amount described in paragraph (4)).

"(6) Except in the case of a sale of a dwelling, the amount of the finance charge, which may in whole or in part be designated as a time-price differential or any similar term to the extent applicable.

"(7) The finance charge expressed as an annual percentage rate except in the case of a finance charge.

"(A) which does not exceed $5 and is applicable to an amount financed not exceeding $75, or

"(B) which does not exceed $7.50 and is applicable to an amount financed exceeding $75.

A creditor may not divide a consumer credit sale into two or more sales to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

"(8) The number, amount, and due dates or periods of payments scheduled to repay the indebtedness.

"(9) The default, delinquency, or similar charges payable in the event of late payments.

"(10) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

"(b) Except as otherwise provided in this chapter, the disclosures required under subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the contract or other evidence of indebtedness to be signed by the purchaser.

"(c) If a creditor receives a purchase order by mail or telephone without personal solicitation, and the cash price and the deferred payment price and the terms of financing, including the annual percentage rate, are set forth in the creditor's catalog or other printed material distributed to the public, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

"(d) If a consumer credit sale is one of a series of consumer credit sales transactions made pursuant to an agreement providing for the addition of the deferred payment price of that sale to an existing outstanding balance, and the person to whom the credit is extended has approved in writing both the annual percentage rate or rates and the method of computing the finance charge or charges, and the creditor retains no security interest in any property as to which he has received payments aggregating the amount of the sales price including any finance charges attributable thereto, then the disclosure required under subsection (a) for the particular sale may be made at any time not later than the date the first payment for that sale is due. For the purposes of this subsection, in the case of items purchased on different dates, the first purchased shall be deemed first paid for, and in the case of items purchased on the same date, the lowest priced shall be deemed first paid for.

"§ 129. Consumer loans not under open end credit plans

"(a) Any creditor making a consumer loan or otherwise extending consumer credit in a transaction which is neither a consumer credit sale nor under an open end consumer credit plan shall disclose each of the following items, to the extent applicable:

"(1) The amount of credit of which the obligor will have the actual use, or which is or will be paid to him or for his account or to another person on his behalf.

"(2) All charges, individually itemized, which are included in the amount of credit extended but which are not part of the finance charge.

"(3) The total amount to be financed (the sum of the amounts referred to in paragraph (1) plus the amounts referred to in paragraph (2)).

"(4) Except in the case of a loan secured by a first lien on a dwelling and made to finance the purchase of that dwelling, the amount of the finance charge.

"(5) The finance charge expressed as an annual percentage rate except in the case of a finance charge.

"(A) which does not exceed $5 and is applicable to an extension of consumer credit not exceeding $75, or

"(B) which does not exceed $7.50 and is applicable to an extension of consumer credit exceeding $75.

A creditor may not divide an extension of credit into two or more transactions to avoid the disclosure of an annual percentage rate pursuant to this paragraph.

"(6) The number, amount, and the due dates or periods of payments scheduled to repay the indebtedness.

"(7) The default, delinquency, or similar charges payable in the event of late payments.

"(8) A description of any security interest held or to be retained or acquired by the creditor in connection with the extension of credit, and a clear identification of the property to which the security interest relates.

"(b) Except as otherwise provided in this chapter, the disclosures required by subsection (a) shall be made before the credit is extended, and may be made by disclosing the information in the note or other evidence of indebtedness to be signed by the obligor.

"(c) If a creditor receives a request for an extension of credit by mail or telephone without personal solicitation and the terms of financing, including the annual percentage rate for representative amounts of credit, are set forth in the creditor's printed material distributed to the public, or in the contract of loan or other printed material delivered to the obligor, then the disclosures required under subsection (a) may be made at any time not later than the date the first payment is due.

"§ 130. Civil liability

"(a) Except as otherwise provided in this section, any creditor who fails in connection with any consumer credit transaction to disclose to any person any information required under this chapter to be disclosed to that person is liable to that person in an amount equal to the sum of

"(1) twice the amount of the finance charge in connection with the transaction, except that the liability under this paragraph shall not be less than $100 nor greater than $1,000; and

"(2) in the case of any successful action to enforce the foregoing liability, the costs of the action together with a reasonable attorney's fee as determined by the court.

"(b) A creditor has no liability under this section if within fifteen days after discovering an error, and prior to the institution of an action under this section or the receipt of written notice of the error, the creditor notifies the person concerned of the error and makes whatever adjustments in the appropriate account are necessary to insure that the person will not be required to pay a finance charge in excess of the amount or percentage rate actually disclosed.

"(c) A creditor may not be held liable in any action brought under this section for a violation of this chapter if the creditor shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adapted to avoid any such error.

"(d) Any action which may be brought under this section against the original creditor in any credit transaction involving a security interest in real property may be maintained against any subsequent assignee of the original creditor where the assignee, its subsidiaries, or affiliates were in a continuing business relationship with the original creditor either at the time the credit was extended or at the time of the assignment, unless the assignment was involuntary, or the assignee shows by a preponderance of evidence that it did not have reasonable grounds to believe that the original creditor was engaged in violations of this chapter, and that it maintained procedures reasonably adapted to apprise it of the existence of any such violations.

"(e) Any action under this section may be brought in any United States district court, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

"§ 131. Written acknowledgment as proof of receipt

"Except as provided in section 125(c) and except in the case of actions brought under section 130(d), in any action or proceeding by or against any subsequent assignee of the original creditor without knowledge to the contrary by the assignee when he acquires the obligation, written acknowledgment of

receipt by a person to whom a statement is required to be given pursuant to this title shall be conclusive proof of the delivery thereof and, unless the violation is apparent on the face of the statement, of compliance with this chapter. This section does not affect the rights of the obligor in any action against the original creditor.

"CHAPTER 3—CREDIT ADVERTISING

"Sec.
"141. Catalogs and multiple-page advertisements.
"142. Advertising of downpayments and installments.
"143. Advertising of open end credit plans.
"144. Advertising of credit other than open end plans.
"145. Nonliability of media.

"§ 141. Catalogs and multiple-page advertisements

"For the purposes of this chapter, a catalog or other multiple-page advertisement shall be considered a single advertisement if it clearly and conspicuously displays a credit terms table on which the information required to be stated under this chapter is clearly set forth.

"§ 142. Advertising of downpayments and installments

"No advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit may state

"(1) that a specific periodic consumer credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount.

"(2) that a specified downpayment is required in connection with any extension of consumer credit, unless the creditor usually and customarily arranges downpayments in that amount.

"§ 143. Advertising of open end credit plans

"No advertisement to aid, promote, or assist directly or indirectly the extension of consumer credit under an open end credit plan may set forth any of the specific terms of that plan or the appropriate rate determined under section 127(a)(5) unless it also clearly and conspicuously sets forth all of the following items:

"(1) The time period, if any, within which any credit extended may be repaid without incurring a finance charge.

"(2) The method of determining the balance upon which a finance charge will be imposed.

"(3) The method of determining the amount of the finance charge, including any minimum or fixed amount imposed as a finance charge.

"(4) Where periodic rates may be used to compute the finance charge, the periodic rates expressed as annual percentage rates.

"(5) Such other or additional information for the advertising of open end credit plans as the Board may by regulation require to provide for adequate comparison of credit costs as between different types of open end credit plans.

"§ 144. Advertising of credit other than open end plans

"(a) Except as provided in subsection (b), this section applies to any advertisement to aid, promote, or assist directly or indirectly any consumer credit sale, loan, or other extension of credit subject to the provisions of this title, other than an open end credit plan.

"(b) The provisions of this section do not apply to advertisements of residential real estate except to the extent that the Board may by regulation require.

"(c) If any advertisement to which this section applies states the rate of a finance charge, the advertisement shall state the rate of that charge expressed as an annual percentage rate.

"(d) If any advertisement to which this section applies states the amount of the downpayment, if any, the amount of any installment payment, the dollar amount of any finance charge, or the number of installments or the period of repayment, then the advertisement shall state all of the following items:

"(1) The cash price or the amount of the loan as applicable.

"(2) The downpayment, if any.

"(3) The number, amount, and due dates or period of payments scheduled to repay the indebtedness if the credit is extended.

"(4) The rate of the finance charge expressed as an annual percentage rate.

"§ 145. Nonliability of media

"There is no liability under this chapter on the part of any owner or personnel, as such, of any medium in which an advertisement appears or through which it is disseminated.

"TITLE II—EXTORTIONATE CREDIT TRANSACTIONS

"Sec.
"201. Findings and purpose.
"202. Amendments to title 18, United States Code.
"203. Reports by Attorney General.

"§ 201. Findings and purpose

"(a) The Congress makes the following findings:

"(1) Organized crime is interstate and international in character. Its activities involve many billions of dollars each year. It is directly responsible for murders, willful injuries to person and property, corruption of officials, and terrorization of countless citizens. A substantial part of the income of organized crime is generated by extortionate credit transactions.

"(2) Extortionate credit transactions are characterized by the use, or the express or implicit threat of the use, of violence or other criminal means to cause harm to person, reputation, or property as a means of enforcing repayment. Among the factors which have rendered past efforts at prosecution almost wholly ineffective has been the existence of exclusionary rules of evidence stricter than necessary for the protection of constitutional rights.

"(3) Extortionate credit transactions are carried on to a substantial extent in interstate and foreign commerce and through the means and instrumentalities of such commerce. Even where extortionate credit transactions are purely intrastate in character, they nevertheless directly affect interstate and foreign commerce.

"(4) Extortionate credit transactions directly impair the effectiveness and frustrate the purposes of the laws enacted by the Congress on the subject of bankruptcies.

"(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of chapter 42 of title 18 of the United States Code are necessary and proper for the purpose of carrying into execution the powers of Congress to regulate commerce and to establish uniform and effective laws on the subject of bankruptcy.

"§ 202. Amendments to title 18, United States Code

"(a) Title 18 of the United States Code is amended by inserting the following new chapter immediately after chapter 41 thereof:

"'CHAPTER 42—EXTORTIONATE CREDIT TRANSACTIONS

"'Sec.
"'891. Definitions and rules of construction.
"'892. Making extortionate extensions of credit.
"'893. Financing extortionate extensions of credit.
"'894. Collection of extensions of credit by extortionate means.
"'895. Immunity of witnesses.
"'896. Effect on State laws.

"'§ 891. Definitions and rules of construction

"'For the purposes of this chapter:

"'(1) To extend credit means to make or renew any loan, or to enter into any agreement, tacit or express, whereby the repayment or satisfaction of any debt or claim, whether acknowledged or disputed, valid or invalid, and however arising, may or will be deferred.

"'(2) The term "creditor", with reference to any given extension of credit, refers to any person making that extension of credit, or to any person claiming by, under, or through any person making that extension of credit.

"'(3) The term "debtor", with reference to any given extension of credit, refers to any person to whom that extension of credit is made, or to any person who guarantees the repayment of that extension of credit, or in any manner undertakes to indemnify the creditor against loss resulting from the failure of any person to whom that extension of credit is made to repay the same.

"'(4) The repayment of any extension of credit includes the repayment, satisfaction, or discharge in whole or in part of any debt or claim, acknowledged or disputed, valid or invalid, resulting from or in connection with that extension of credit.

"'(5) To collect an extension of credit means to induce in any way any person to make repayment thereof.

"'(6) An extortionate extension of credit is any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

"'(7) An extortionate means is any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

"'(8) The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and territories and possessions of the United States.

"'(9) State law, including conflict of laws rules, governing the enforceability through civil judicial processes of repayment of any extension of credit or the performance of any promise given in consideration thereof shall be judicially noticed. This paragraph does not impair any authority which any court would otherwise have to take judicial notice of any matter of State law.

"'§ 892. Making extortionate extensions of credit

"'(a) Whoever makes any extortionate extension of credit, or conspires, to do so, shall be fined not more than $10,000 or imprisoned not more than 20 years, or both.

"'(b) In any prosecution under this section, if it is shown that all of the following factors were present in connection with the extension of credit in question, there is prima facie evidence that the extension of credit was extortionate, but this subsection is nonexclusive and in no way limits the effect or applicability of subsection (a):

"'(1) The repayment of the extension of credit, or the performance of any promise given in consideration thereof, would be unenforceable, through civil judicial processes against the debtor.

"'(A) in the jurisdiction within which the debtor, if a natural person, resided or

"'(B) in every jurisdiction within which the debtor, if other than a natural person, was incorporated or qualified to do business at the time the extension of credit was made.

"'(2) The extension of credit was made at a rate of interest in excess of an annual rate of 45 per centum calculated according to the actuarial method of allocating payments made on a debt between principal and interest, pursuant to which a payment is ap-

plied first to the accumulated interest and the balance is applied to the unpaid principal.

"'(3) At the time the extension of credit was made, the debtor reasonably believed that either

"'(A) one or more extensions of credit by the creditor had been collected or attempted to be collected by extortionate means, or the nonrepayment thereof had been punished by extortionate means; or

"'(B) the creditor had a reputation for the use of extortionate means to collect extensions of credit or to punish the nonrepayment thereof.

"'(4) Upon the making of the extension of credit, the total of the extensions of credit by the creditor to the debtor then outstanding, including any unpaid interest or similar charges, exceeded $100.

"'(c) In any prosecution under this section, if evidence has been introduced tending to show the existence of any of the circumstances described in subsection (b)(1) or (b)(2), and direct evidence of the actual belief of the debtor as to the creditor's collection practices is not available, then for the purpose of showing the understanding of the debtor and the creditor at the time the extension of credit was made, the court may in its discretion allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension.

"'§ 893. Financing extortionate extensions of credit

"'Whoever willfully advances money or property, whether as a gift, as a loan, as an investment, pursuant to a partnership or profit-sharing agreement, or otherwise, to any person, with reasonable grounds to believe that it is the intention of that person to use the money or property so advanced directly or indirectly for the purpose of making extortionate extensions of credit, shall be fined not more than $10,000 or an amount not exceeding twice the value of the money or property so advanced, whichever is greater, or shall be imprisoned not more than 20 years, or both.

"'§ 894 Collection of extensions of credit by extortionate means

"'(a) Whoever knowingly participates in any way, or conspires to do so, in the use of any extortionate means

"'(1) to collect or attempt to collect any extension of credit, or

"'(2) to punish any person for the nonrepayment thereof,

shall be fined not more than $10,000 or imprisoned not more than 20 years, or both.

"'(b) In any prosecution under this section, for the purpose of showing an implicit threat as a means of collection, evidence may be introduced tending to show that one or more extensions of credit by the creditor were, to the knowledge of the person against whom the implicit threat was alleged to have been made, collected or attempted to be collected by extortionate means or that the nonrepayment thereof was punished by extortionate means.

"'(c) In any prosecution under this section, if evidence has been introduced tending to show the existence, at the time the extension of credit in question was made, of the circumstances described in section 892(b)(1), or the circumstances described in section 892(b)(2), and direct evidence of the actual belief of the debtor as to the creditor's collection practices is not available, then for the purpose of showing that words or other means of communication, shown to have been employed as a means of collection, in fact carried an express or implicit threat, the court may in its discretion allow evidence to be introduced tending to show the reputation of the defendant in any community of which the person against whom the alleged threat was made was a member at the time of the collection or attempt at collection.

"'§ 895. Immunity of witnesses

"'Whenever in the judgment of a United States attorney the testimony of any witness, or the production of books, papers, or other evidence by any witness in any case or proceeding before any grand jury or court of the United States involving any violation of this chapter is necessary to the public interest, he, upon the approval of the Attorney General or his designated representative, may make application to the court that the witness be instructed to testify or produce evidence subject to the provisions of this section. Upon order of the court the witness shall not be excused from testifying or from producing books, papers, or other evidence on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. But no such witness may be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, nor may testimony so compelled be used as evidence in any criminal proceeding against him in any court, except a prosecution for perjury or contempt committed while giving testimony or producing evidence under compulsion as provided in this section.

"'§ 896. Effect on State laws

"'This chapter does not preempt any field of law with respect to which State legislation would be permissible in the absence of this chapter. No law of any State which would be valid in the absence of this chapter may be held invalid or inapplicable by virtue of the existence of this chapter, and no officer, agency, or instrumentality of any State may be deprived by virtue of this chapter of any jurisdiction over any offense over which it would have jurisdiction in the absence of this chapter.'

"(b) The table of chapters captioned 'Part I—Crimes' at the beginning of part I of title 18 of the United States Code is amended by inserting

"'42. Extortionate credit transactions.. 891'

immediately above

"'43. False personation..... 911'.

"§ 203. Reports by Attorney General

"The Attorney General shall make an annual report to Congress of the activities of the Department of Justice in the enforcement of chapter 42 of title 18 of the United States Code.

"TITLE III—RESTRICTION ON GARNISHMENT

"Sec.

"301. Findings and purpose.

"302. Definitions.

"303. Restriction on garnishment.

"304. Restriction on discharge from employment by reason of garnishment.

"305. Exemption for State-regulated garnishments.

"306. Enforcement by Secretary of Labor.

"307. Effect on State laws.

"§ 301. Findings and purpose

"(a) The Congress finds:

"(1) The unrestricted garnishment of compensation due for personal services encourages the making of predatory extensions of credit. Such extensions of credit divert money into excessive credit payments and thereby hinder the production and flow of goods in interstate commerce.

"(2) The application of garnishment as a creditors' remedy frequently results in loss of employment by the debtor, and the resulting disruption of employment, production, and consumption constitutes a substantial burden on interstate commerce.

"(3) The great disparities among the laws of the several States relating to garnishment have, in effect, destroyed the uniformity of the bankruptcy laws and frustrated the purposes thereof in many areas of the country.

"(b) On the basis of the findings stated in subsection (a) of this section, the Congress determines that the provisions of this title are necessary and proper for the purpose of carrying into execution the powers of the Congress to regulate commerce and to establish uniform bankruptcy laws.

"§ 302. Definitions

"For the purposes of this title:

"(a) The term 'earnings' means compensation paid or payable for personal services, whether denominated as wages, salary, commission, bonus, or otherwise, and includes periodic payments pursuant to a pension or retirement program.

"(b) The term 'disposable earnings' means that part of the earnings of any individual remaining after the deduction from those earnings of any amounts required by law to be withheld.

"(3) The term 'garnishment' means any legal or equitable procedure through which the earnings of any individual are required to be withheld for payment of any debt.

"§ 303. Restrictions on garnishment

"(a) Except as provided in subsection (b) and in section 305, the maximum part of the aggregate disposable earnings of an individual for any workweek which is subjected to garnishment may not exceed

"(1) 25 per centum of his disposable earnings for that week, or

"(2) the amount by which his disposable earnings for that week exceed thirty times the Federal minimum hourly wage prescribed by section 6(a)(1) of the Fair Labor Standards Act of 1938 in effect at the time the earnings are payable.

whichever is less. In the case of earnings for any pay period other than a week, the Secretary of Labor shall by regulation prescribe a multiple of the Federal minimum hourly wage equivalent in effect to that set forth in paragraph (2).

"(b) The restrictions of subsection (a) do not apply in the case of

"(1) any order of any court for the support of any person.

"(2) any order of any court of bankruptcy under chapter XIII of the Bankruptcy Act.

"(3) any debt due for any State or Federal tax.

"(c) No court of the United States or any State may make, execute, or enforce any order or process in violation of this section.

"§ 304. Restriction on discharge from employment by reason of garnishment

"(a) No employer may discharge any employee by reason of the fact that his earnings have been subjected to garnishment for any one indebtedness.

"(b) Whoever willfully violates subsection (a) of this section shall be fined not more than $1,000, or imprisoned not more than one year, or both.

"§ 305. Exemption for State-regulated garnishments

"The Secretary of Labor may by regulation exempt from the provisions of section 303(a) garnishments issued under the laws of any State if he determines that the laws of that State provide restrictions on garnishment which are substantially similar to those provided in section 303(a).

"§ 306. Enforcement by Secretary of Labor

"The Secretary of Labor, acting through the Wage and Hour Division of the Department of Labor, shall enforce the provisions of this title.

"§ 307. Effect on State laws

"This title does not annul, alter, or affect, or exempt any person from complying with, the laws of any State

"(1) prohibiting garnishments or providing for more limited garnishments than are allowed under this title, or

"(2) prohibiting the discharge of any employee by reason of the fact that his earnings have been subjected to garnishment for more than one indebtedness.

"TITLE IV—NATIONAL COMMISSION ON CONSUMER FINANCE

"Sec.

"401. Establishment.
"402. Membership of the Commission.
"403. Compensation of members.
"404. Duties of the Commission.
"405. Powers of the Commission.
"406. Administrative arrangements.
"407. Authorization of appropriations.

"§ 401. Establishment

"There is established a bipartisan National Commission on Consumer Finance, referred to in this title as the 'Commission'.

"§ 402. Membership of the Commission

"(a) The Commission shall be composed of nine members, of whom

"(1) three are Members of the Senate appointed by the President of the Senate;

"(2) three are Members of the House of Representatives appointed by the Speaker of the House of Representatives; and

"(3) three are persons not employed in a full-time capacity by the United States appointed by the President, one of whom he shall designate as Chairman.

"(b) A vacancy in the Commission does not affect its powers and may be filled in the same manner as the original appointment.

"(c) Five members of the Commission constitute a quorum.

"§ 403. Compensation of members

"(a) Members of Congress who are members of the Commission shall serve without compensation in addition to that received for their services as Members of Congress; but they shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the Commission.

"(b) Each member of the Commission who is appointed by the President may receive compensation at a rate of $100 for each day he is engaged upon work of the Commission, and shall be reimbursed for travel expenses, including per diem in lieu of subsistence as authorized by law (5 U.S.C. 5703) for persons in the Government service employed intermittently.

"§ 404. Duties of the Commission

"(a) The Commission shall study and appraise the functioning and structure of the consumer finance industry, as well as consumer credit transactions generally. The Commission, in its report and recommendations to the Congress, shall include treatment of the following topics:

"(1) The adequacy of existing arrangements to provide consumer credit at reasonable rates.

"(2) The adequacy of existing supervisory and regulatory mechanisms to protect the public from unfair practices, and insure the informed use of consumer credit.

"(3) The desirability of Federal chartering of consumer finance companies, or other Federal regulatory measures.

"(b) The Commission may make interim reports and shall make a final report of its findings, recommendations, and conclusions to the President and to the Congress by January 1, 1971.

"§ 405. Powers of the Commission

"(a) The Commission, or any three members thereof as authorized by the Commission, may conduct hearings anywhere in the United States or otherwise secure data and expressions of opinion pertinent to the study. In connection therewith the Commission is authorized by majority vote

"(1) to require, by special or general orders, corporations, business firms, and individuals to submit in writing such reports and answers to questions as the Commission may prescribe; such submission shall be made within such reasonable period and under oath or otherwise as the Commission may determine.

"(2) to administer oaths.

"(3) to require by subpena the attendance and testimony of witnesses and the production of all documentary evidence relating to the execution of its duties.

"(4) in the case of disobedience to a subpena or order issued under paragraph (a) of this section to invoke the aid of any district court of the United States in requiring compliance with such subpena or order.

"(5) in any proceeding or investigation to order testimony to be taken by deposition before any person who is designated by the Commission and has the power to administer oaths, and in such instances to compel testimony and the production of evidence in the same manner as authorized under subparagraphs (3) and (4) above.

"(6) to pay witnesses the same fees and mileage as are paid in like circumstances in the courts of the United States.

"(b) Any district court of the United States within the jurisdiction of which an inquiry is carried on may, in case of refusal to obey a subpena or order of the Commission issued under paragraph (a) of this section, issue an order requiring compliance therewith; and any failure to obey the order of the court may be punished by the court as a contempt thereof.

"(c) The Commission may require directly from the head of any Federal executive departments and independent agencies of the information which the Commission deems useful in the discharge of its duties. All departments and independent agencies of the Government shall cooperate with the Commission and furnished all information requested by the Commission to the extent permitted by law.

"(d) The Commission may enter into contracts with Federal or State agencies, private firms, institutions, and individuals for the conduct of research or surveys, the preparation of reports, and other activities necessary to the discharge of its duties.

"(e) When the Commission finds that publication of any information obtained by it is in the public interest and would not give an unfair competitive advantage to any person, it may publish the information in the form and manner deemed best adapted for public use, except that data and information which would separately disclose the business transactions of any person, trade secrets, or names of customers shall be held confidential and shall not be disclosed by the Commission or its staff. The Commission shall permit business firms or individuals reasonable access to documents furnished by them for the purpose of obtaining or copying those documents as need may arise.

"(f) The Commission may delegate any of its functions to individual members of the Commission or to designated individuals on its staff and to make such rules and regulations as are necessary for the conduct of its business, except as otherwise provided in this title.

§ 406. Administrative arrangements

"(a) The Commission may, without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service or to classification and General Schedule pay rates, appoint and fix the compensation of an executive director. The executive director, with the approval of the Commission, shall employ and fix the compensation of such additional personnel as may be necessary to carry out the functions of the Commission, but no individual so appointed may receive compensation in excess of the rate authorized for GS–18 under the General Schedule.

"(b) The executive director, with the approval of the Commission, may obtain services in accordance with section 3109 of title 5 of the United States Code, but at rates for individuals not to exceed $100 per diem.

"(c) The head of any executive department or independent agency of the Federal Government may detail, on a reimbursable basis, any of its personnel to assist the Commission in carrying out its work.

"(d) Financial and administrative services (including those related to budgeting and accounting, financial reporting, personnel, and procurement) shall be provided the Commission by the General Services Administration, for which payment shall be made in advance, or by reimbursement, from funds of the Commission in such amounts as may be agreed upon by the Chairman of the Commission and the Administrator of General Services. The regulations of the General Services Administration for the collection of indebtedness of personnel resulting from erroneous payments apply to the collection of erroneous payments made to or on behalf of a Commission employee, and regulations of that Administration for the administrative control of funds apply to appropriations of the Commission.

"(e) Ninety days after submission of its final report, as provided in section 404(b), the Commission shall cease to exist.

"§ 407. Authorization of appropriations

"There are authorized to be appropriated such sums not in excess of $1,500,000 as may be necessary to carry out the provisions of this title. Any money so appropriated shall remain available to the Commission until the date of its expiration, as fixed by section 406(e).

"TITLE V—GENERAL PROVISIONS

"Sec.

"501. Severability.
"502. Captions and catchlines for reference only.
"503. Grammatical usages.
"504. Effective dates.

"§ 501. Severability

"If a provision enacted by this Act is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision enacted by this Act is held invalid in one or more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications.

"§ 502. Captions and catchlines for reference only

"Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the legislative intent with respect to any provision enacted by this Act may be drawn from them.

"§ 503. Grammatical usages

"In this Act:

"(1) The word 'may' is used to indicate that an action either is authorized or is permitted.

"(2) The word 'shall' is used to indicate that an action is both authorized and required.

"(3) The phrase 'may not' is used to indicate that an action is both unauthorized and forbidden.

"(4) Rules of law are stated in the indicative mood.

"§ 504. Effective dates

"(a) Except as otherwise specified, the provisions of this Act take effect upon enactment.

"(b) Chapters 2 and 3 of title I take effect on July 1, 1969.

"(c) Title III takes effect on July 1, 1970."

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
PAUL A. FINO,
FLORENCE P. DWYER,

Managers on the Part of the House.

JOHN SPARKMAN,
WILLIAM PROXMIRE,
EDMUND S. MUSKIE,
WALLACE F. BENNETT,
BOURKE B. HICKENLOOPER,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

This conference report represents the culmination of a long and arduous struggle. The House Committee on Banking and Currency, on December 13, 1967, reported favorably on the Sullivan bill, H.R. 11601, which passed the House overwhelmingly on February 1, 1968. The House then took up S. 5, struck all after the enacting clause, inserted the text of the House bill, and returned it to the Senate, which asked for a conference.

GENERAL STATEMENT

All of the major provisions of the House bill are retained in the accompanying conference report. In addition to the requirement of disclosure of credit costs in individual transactions, which was all the Senate bill dealt with, the House bill contained provisions relating to credit advertising, loansharking, and garnishment. The House bill also provided for administrative enforcement by the Federal Trade Commission as to businesses generally, and by the specialized regulatory agencies with respect to those under their respective jurisdictions. The House bill created a study commission on consumer credit generally with full investigative powers, and directed it to report its recommendations for further legislation in this area. Not only does the conference substitute retain all these major affirmative provisions: it also omits or substantially modifies the Senate exemption for first mortgages and the Senate exemptions from annual rate disclosure. In sum, your conferees were able substantially to sustain the position of the House.

SHORT TITLES

Section 1 of the conference substitute retains the "Consumer Credit Protection Act" as the short title for the entire Act, as contained in the House bill. Title I of the conference substitute, dealing entirely with the subject matter of S. 5 as it passed the Senate, with the additional disclosure requirements recommended by the House, is designated as the "Truth in Lending Act" under section 101 of the conference substitute.

TITLE I—CONSUMER CREDIT COST DISCLOSURE

First mortgages

Section 8(4) of the Senate bill exempted first mortgages on real estate from all of the provisions of the act. There was no corresponding provision in the House bill. In the conference substitute, the total finance charge over the life of the mortgage is not required to be disclosed in connection with a purchase money first mortgage. Such mortgages are also exempted from the requirement that the creditor afford a 3-day right of rescission where a lien is placed on the obligor's dwelling. First mortgages are subject to all other requirements imposed under this title, and there are no exemptions for other types of mortgages.

Property and liability insurance

Under section 202(d) of the House-passed bill, all mandatory charges imposed by a creditor in connection with an extension of credit were required to be included in the finance charge. The language left in some doubt the treatment to be accorded charges such as those for various types of insurance as well as other items which, although not charges for credit, were included in a financing package and were not specifically excluded from the finance charge by other provisions of that section. Under section 3(d)(2)(C) of the Senate bill, premiums for property and liability insurance would be excluded from the finance charge if itemized and disclosed by the creditor. Under section 106(c) of the conference substitute, such an exclusion is permitted, but only if the debtor is clearly informed of his right to choose where to buy such insurance.

Credit life and accident and health insurance

Section 3(d)(2)(D) of the Senate bill also provided an exclusion for credit life, accident, and health insurance premiums if itemized and disclosed. Under the conference substitute, such charges may not be excluded unless the coverage of the debtor by the insurance is not a factor in the approval by the creditor of the extension of credit, and this is clearly disclosed to the debtor. The creditor must also disclose to the prospective debtor the cost of such insurance, and may not include it in the financing package unless the debtor gives specific affirmative written indication of his desire to have it. If credit life, accident or health insurance is written in connection with any consumer credit transaction without complying with all of the foregoing requirements, then its cost must be included in the finance charge under section 106(b) of the conference substitute.

Other charges

Section 106(d)(4) of the conference substitute permits the Board to approve by regulation the exclusion of any other type of charge which is not essentially for credit. It is not intended that the Board should exercise this authority except in the case of charges which are reasonable in relation to the benefits conferred on the obligor, and where their inclusion in the package makes economic sense from the standpoint of the obligor, apart from the creditor's merchandising convenience.

Prepayments

The conferees were agreed that the Federal Reserve Board and other regulatory agencies should provide for the disclosure to the obligor at the time of the completion of a consumer credit transaction of any prepayment penalties in connection with real estate mortgages or the policy to be followed by the creditor in granting partial refund, if any, of the finance charges in case of substantial prepayment of an installment contract in terms of amount and time.

Administrative enforcement

Section 108 of the conference substitute clarifies the legislative intention that the vesting of sole rulemaking power under title I in the Board of Governors of the Federal Reserve System does not impair the authority of the other agencies having administrative enforcement responsibilities to make rules respecting their own procedures in enforcing compliance. It also makes clear that, except for the exclusions specifically stated in the section, the jurisdiction of the Federal Trade Commission is plenary and attaches to any creditor subject to the title, irrespective of whether the creditor meets any jurisdictional test in the Federal Trade Commission Act.

Right of rescission

Section 203(e) of the House-passed bill required that the disclosures required under the bill would have to be made at least 3 days before the consummation of any transaction in connection with which a security interest was to be retained or acquired in the obligor's residence. The corresponding provisions in the conference substitute are found in section 125, with substantial modifications. Purchase money first mortgages are exempted altogether from the provisions of section 125. As to other transactions, the obligor is given a right of rescission which runs until midnight of the third business day following consummation of the transaction, or delivery of all material disclosures (including disclosure of the right to rescind without liability), whichever is later. Upon exercise of this right, any security interests created under the transaction are voided, the creditor must refund any advances, and the obligor must tender back any property, or its reasonable value, which he has received from the creditor.

Content of periodic statements

Section 126 of the conference substitute sets forth the requirements with respect to the content of periodic statements in connection with extensions of credit other than those under open end credit plans. The simplest type of statement would be a reminder of payment due on a straight installment contract; that is, a contract which did not provide for any additional purchases to be made under it and where the amounts and the dates of the obligor's obligations were entirely fixed at the time the contract was entered into. In that situation, it is not expected that the Board would require the statement to contain any information other than that provided for in paragraphs (1) and (2); that is, the annual rate and the late payment penalties, if any. If, however, the installment contract were more complex, perhaps providing for the purchase of additional items without entering into a new contract, or containing other terms and conditions which might tend to make it more like revolving credit, then it is expected that under paragraph (3), the Board would require appropriate additional disclosures to obligors.

Disclosure of creditor's rate of return

The House bill did not mention disclosure of the creditor's rate of return. Section 127(a)(5) specifically authorizes any creditor under an open end consumer credit plan to disclose his average effective annual percentage rate of return or, where that would not be feasible or practical or would be misleading or meaningless, to disclose a projected rate of return. Calculation of both actual and projected rates would be subject to regulations of the Board consistent with commonly accepted standards for accounting or statistical procedures.

Minimum charge exemptions

The House bill contained no exemptions from the annual rate disclosure requirement, either as to open end accounts or other transactions. The Senate bill did not require rate disclosure with respect to monthly minimum or fixed charges in connection with open end plans, and also provided an absolute exemption from rate disclosure for finance charges less than $10 in connection with transactions not under open end plans.

Under section 127(b)(6) of the conference substitute, the actual rate need not be disclosed in the periodic statement with respect to an account under an open end plan if the total finance charge does not exceed 50 cents for a billing period of a month or more. In any statement of an account under an open end plan under which a rate may be used to compute the finance charge (even though, for the particular month, the rate may yield a charge below the minimum and thus be inapplicable) the creditor must state the periodic rate and the "nominal" annual percentage rate determined by multiplying the periodic rate by the number of periods in a year.

Under sections 128(a)(7) and 129(a)(5), where the amount financed does not exceed $75, the percentage rate applicable to a finance charge not exceeding $5 need not be disclosed, and where the amount financed exceeds $75, the rate applicable to a finance charge not exceeding $7.50 need not be disclosed. Section 128(a)(7) applies to sales, and section 129(a)(5) to loans, and both prohibit creditors from artificially dividing transactions to avoid the rate disclosure requirement. It is expected that the Board will by regulation deal with the loan renewal problem, as section 129(a)(5) is not intended as a loophole through which creditors may es-

cape rate disclosure by making short-term loans with multiple renewals.

Credit advertising

In general, the substance of the provisions of the House passed bill with respect to advertising were retained, the only changes in conference being to make entirely clear that where any specific credit terms on any type of credit are advertised, all of the material terms must be set forth. The House had provided authority to the Federal Reserve Board to exempt residential real estate advertisements from the advertising requirements of title I. This authority is retained in the conference substitute.

TITLE II—EXTORTIONATE CREDIT TRANSACTIONS

Title II of the conference substitute is aimed directly at the activities of organized crime. This title, which passed the House as section 102 of the House's amendment to S. 5, makes it a Federal offense to make extortionate extensions of credit, to finance the making of extortionate extensions of credit, or to collect any extensions of credit by extortionate means.

An extortionate extension of credit is defined as any extension of credit with respect to which it is the understanding of the creditor and the debtor at the time it is made that delay in making repayment or failure to make repayment could result in the use of violence or other criminal means to cause harm to the person, reputation, or property of any person.

Similarly, an extortionate means is defined as any means which involves the use, or an express or implicit threat of use, of violence or other criminal means to cause harm to the person, reputation, or property of any person.

Constitutional basis

Article I, section 8, of the Constitution expressly empowers Congress to make "uniform laws on the subject of bankruptcies." In the exercise of this power, Congress has enacted the Bankruptcy Act, which confers on any debtor the statutory right, with certain qualifications, to be discharged of his debts by applying substantially all of his property toward their repayment. It is obvious, however, that obligations as to which there is an understanding that they may be collected by extortionate means, or which are actually so collected, are not susceptible of being "discharged" in bankruptcy in any meaningful sense. Such transactions thus deprive the debtor of a Federal statutory right, and at the same time defeat one of the principal purposes of the Bankruptcy Act, which is to afford insolvent persons the opportunity to make a fresh start. Thus, it seems clearly within the power of the Congress to protect the Federal statutory right, and to assure that the bankruptcy laws will be carried into execution, by enacting legislation to prohibit extortionate credit transactions. In addition, there is ample evidence that such transactions are being carried on on a large scale and that they have a substantial impact on interstate commerce. Section 201 of the conference substitute is an explicit statement of the foregoing rationale.

Technical structure

Section 202 adds to title 18 of the United States Code a new chapter 42 consisting of sections numbered 891 through 896. Section 891 sets forth definitions and rules of construction, the most important of which are the definitions of extortionate extensions of credit and extortionate means, which are quoted above.

Extortionate extension of credit

Section 892(a) provides—

"Whoever makes any extortionate extension of credit, or conspires to do so, shall be fined not more than $10,000 or imprisoned not more than 20 years, or both."

The major difficulty which confronts the prosecution of offenses of this type is the reluctance of the victims to testify. That is, if they are in genuine fear of the consequences of nonpayment, they are apt to be equally or even more in fear of the consequences of testifying as a complaining witness.

Prima facie case

Section 892(b) provides that if certain factors are present in connection with an extension of credit, there is prima facie evidence that the extension of credit is extortionate. These factors are (1) the inability of the creditor to obtain a personal judgment against the debtor for the full obligation; (2) a rate of interest in excess of 45 percent per annum; (3) a reasonable belief on the part of the debtor that the creditor either had used extortionate means in the collection of one or more other extensions of credit, or that he had a reputation for the use of such means; and (4) that the total amount involved between the debtor and the creditor was more than $100.

In the light of common experience, the inference of the use of extortionate means from the foregoing factors seems strong enough to make it constitutionally permissible to put the burden on the defendant to come forward with evidence to show the innocent nature of the transaction, if such was the case. In arms length transactions, people simply do not lend sums of money at exorbitant rates of interest under circumstances where they cannot enforce the obligation to repay. Where the prosecution has shown the absence of legal means to enforce the obligation, it is a reasonable inference, in the absence of evidence to the contrary, that illegal means were contemplated. Any debtor who deals with a creditor under these circumstances, knowing or reasonably believing that the creditor has used extortionate means in the past, may be fairly surmised to know what he is getting into.

The debtor, of course, may be unavailable or, for reasons already discussed, unwilling to testify. Section 892(c) permits the court, in its discretion, where evidence has already been introduced tending to show either uncollectability or a rate of interest in excess of 45 percent, to allow evidence to be introduced tending to show the reputation as to collection practices of the creditor in any community of which the debtor was a member at the time of the extension of credit. The trial court is in the best possible position to appraise the probative value of such evidence and to weigh that against its possible prejudicial effects. The ban on reputation evidence as part of the prosecution's case in chief has never been absolute, and where, as here, it is directly relevant to the state of mind of the parties in entering into the transaction, there will undoubtedly arise cases where it should very properly be before the trier of facts.

Finally, it is intended that the inference created by the presence of the factors set forth in section 892(b) may be weighed by the jury as evidence. It is not a mere rebuttable presumption, and it is not to be treated under the rule adopted in some jurisdictions with respect to such presumptions, which are said to be wholly dispelled by the introduction of any direct evidence.

Nonexclusiveness of section 892(b)

It should be emphasized, however, that the offense under section 892, and the only offense, is the making of an extension of credit with the understanding that criminal means may be used to enforce repayment, or conspiracy to make such an extension. Where this offense can be proved by direct evidence, it may be unnecessary for the prosecution to make use of sections 892(b) and 892(c).

Section 892 is in no sense a Federal usury law. The charging of a rate in excess of 45 percent per annum is merely one of a set of factors which, where there is inadequate evidence to explain them, are deemed sufficiently indicative of the existence of criminal means of collection to justify a statutory inference that such means were, in fact, contemplated by the parties.

Financing extortionate extensions of credit

In organized crime, loan sharking is normally carried out as a multi-level operation. It is the purpose of section 893 to make possible the prosecution of the upper levels of the criminal hierarchy. It should not be suppposed that the enactment of this legislation will suddenly do away with the immense pratical difficulties which attend any effort to prosecute the top levels of organized crime. Nevertheless, in those instances where legally admissible evidence can be gathered to trace the flow of funds from the upper levels, the legal capability to prosecute the organizers and financiers of the underworld, as well as loan sharks at the operating level, would appear to be a worthwhile weapon to add to the Government's arsenal.

Section 893 has been carefully drawn to preclude the possibility of creating difficulties for legitimate lenders or those who furnish financing to them. It should be noted that no case is made out where it is shown that funds were advanced to a lender who subsequently collected an indebtedness by criminal means. To come within the prohibition of section 893, the financier must have had reasonable grounds to believe that it was the *intention* of the lender to use the funds for extortionate extensions of credit; that is, extensions of credit whose extortionate character is known to both the borrower and the lender at their inception.

Extortionate collection

Not everyone who falls into the clutches of a loan shark is necessarily aware at the outset of the nature of the transaction into which he has entered. Moreover, cases will arise where the use of extortionate means of collection can be demonstrated even though it cannot be shown that a bilateral understanding that such would be the case existed at the outset. Section 894(a) covers these situations by making it a criminal offense to collect an indebtedness by extortionate means, regardless of how the indebtedness arose. Section 894(b) merely codifies a principle of evidence which already appears to be recognized in the case law, but whose importance in this area is sufficiently great to make it desirable to leave no doubt whatever as to its applicability. It allows evidence as to other criminal acts by the defendant to be introduced for the purpose of showing the victim's state of mind. Section 894(c) is similar to section 892(c), discussed above, and was included in the basis of the same considerations.

Compulsory testimony

Section 895 authorizes the Government, in any case or proceeding before any grand jury or court involving a violation of this chapter, to compel the testimony of witnesses claiming the fifth amendment privilege against self-incrimination. This may be done, however, only when, in the judgment of the U.S. attorney, the testimony or evidence involved is necessary to the public interest, and then only by order of the court on the application of the U.S. attorney with the approval of the Attorney General or his designated representative. Any witness so compelled to testify or produce evidence is, of course, granted immunity from prosecution on account of the matters as to which he has been compelled to give evidence.

No preemption of State laws

Section 896 makes clear the congressional intention not to preempt any field in which State law would be valid in the absence of this chapter.

General applicability

The full utility of chapter 42 as a weapon in the war on organized crime obviously can-

not be assessed until it has been tested in battle. Some general observations, however, appear to be in order at this point. As noted above, it is not, and is not intended to be, a Federal usury law, nor does it have anything to do with interest rates as such. It is, rather, a deliberate legislative attack on the economic foundations of organized crime. Most of the business of the underworld, whether in loan sharking, gambling, drugs, "protection," or other activities, involves extensions of credit as defined in section 891 at one or more stages. The methods used in the enforcement of such obligations are notorious. Thus, a very large proportion of underworld financial transactions fall within the ban of one or more of the provisions of chapter 42. It may very well develop that this chapter will find as much usefulness in the investigation and prosecution of transactions entirely within the world of organized crime as it does in connection with transactions between those within that world and those who are otherwise outside it. Be that as it may, the conferees wish to leave no doubt of the congressional intention that chapter 42 is a weapon to be used with vigor and imagination against every activity of organized crime that falls within its terms.

Reports by Attorney General

Because of the far-reaching potentials of chapter 42, the conferees have added a final section to title II requiring the Attorney General to make an annual report to Congress on the activities of the Justice Department in the enforcement of its provisions.

TITLE III—RESTRICTION ON GARNISHMENT

Section 202(a) of the House-passed bill restricted garnishment to an amount not exceeding 10 percent of gross earnings in excess of $30 per week, and contained no provision for the exemption of any State from the applicability of this rule. The restrictions in section 303(a) of the conference substitute are related to "disposable earnings," defined as earnings remaining after the deduction of any amounts required by law to be withheld. No garnishment is allowed which would exceed either 25 percent of disposable earnings, or the amount by which the weekly disposable earnings exceed 30 times the Federal minimum hourly wage, whichever is less.

Section 305 authorizes the Secretary of Labor to exempt from the limitation just described any State whose laws provide substantially similar restrictions on garnishment. The remaining provisions of title III of the conference substitute are unchanged, in terms of intended substantive effect, from the provisions of title II of the House bill.

TITLE IV—NATIONAL COMMISSION ON CONSUMER FINANCE

There were no changes of substance in this title, except that the date for the final report of the Commission was changed from December 31, 1969, to January 1, 1971. In the process of evolving the provisions of the conference substitute relating to the exemptions from annual rate disclosure for certain minimum charges (secs. 127(b)(6), 128(a)(7), and 129(a)(5)), the conferees agreed that the Commission should consider whether these exemptions are desirable in the public interest, taking into consideration their impact, if any, on the availability of credit and their relationship to the objectives of the act.

TITLE V—GENERAL PROVISIONS

Effective dates

Under the bill as passed by the House, the disclosure provisions were to take effect on the first day of the ninth calendar month beginning after enactment, and all other provisions were to take effect on enactment. The Senate bill's effective date was July 1, 1969.

The conference substitute provides that the disclosure provisions become effective July 1, 1969, the garnishment provisions become effective July 1, 1970, and all other provisions become effective on enactment.

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
HENRY S. REUSS,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
WILLIAM B. WIDNALL,
PAUL A. FINO,
FLORENCE P. DWYER,
Managers on the Part of the House.

The SPEAKER pro tempore. The gentleman from Texas [Mr. PATMAN] is recognized for 20 minutes.

Mr. PATMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the presentation of this conference report on the Consumer Credit Protection Act, the truth-in-lending bill, represents the culmination of nearly 8 years of hard work. In my opinion, no statement on this subject and legislation can begin or end without paying tribute to that great former Senator from Illionis, Senator Paul H. Douglas, for the time and effort he spent on this subject. Nor in my opinion can anyone discuss this legislation without paying tribute to that great lady from Missouri, the Honorable LEONOR K. SULLIVAN, whose commitment to principle and tenacity on all consumer legislation stands her second to none in this Congress.

Mr. Speaker, the conference meetings on this legislation were, in my opinion, as arduous and hard-fought as any conference in which I have had the honor to participate as a representative of this great body.

In my opinion, it is fair to say that in all major instances the House view on this legislation prevailed. In summary, the conference report on the major issues contained in the House bill provides as follows:

TITLE I, SECTION 106: DETERMINATION OF FINANCE-CHARGE

The House bill originally provided that all mandatory credit charges be included in the determination of the finance charge except for certain legal fees prescribed by law and closing costs in real estate transactions.

The conference report limits the broad House definition and excludes charges for credit life and accident and health insurance if they are not a factor in the approval of the credit and, in the case of other kinds of insurance, if no opportunity is given to the debtor to purchase the insurance elsewhere.

The conference report also excludes the total cost of credit from the determination of the finance charge with respect to real estate transactions. With these limitations, the House bill prevails on this point.

SECTION 125: RIGHTS OF RESCISSION ON CERTAIN TRANSACTIONS

This section, passed by the House, deals primarily with mortgage transactions where unwanted home improvements are sold to homeowners by sharp or fraudulent operators. The section remains substantially the same in the conference report, except that the 3-day notice before such contracts are executed has been changed to a 3-day right of rescission after the contract is executed. The manner of rescission is left to regulation by the Federal Reserve Board.

SECTION 127: OPEN-END CONSUMER CREDIT PLANS

The Senate bill exempted revolving credit plans from annual rate disclosure. The conference report requires that the annual percentage rate of charge be disclosed on these accounts. If there is a minimum charge of 50 cents or less, such a charge need not be included in the determination of the annual rate. In addition, the conference report permits the creditor, if he so desires, to state an effective annual rate of return received from accounts under his plan or representative period of time, subject to Federal Reserve Board regulation. Thus, we have maintained our basic position of annual rate disclosure on revolving charge accounts.

SECTIONS 128 AND 129: INSTALLMENT SALES AND CONSUMER LOANS

Both the House and Senate bills provided that the finance charges on all installment and loan transactions be expressed as annual percentage rates, but, the Senate bill exempted finance charges of $10 or less from the computation. This matter was compromised substantially in favor of the House version so that if the finance charges not exceeding $5 on a sale up to $75, or $7.50 on a sale or loan over $75, then the finance charge need not be expressed as an annual percentage rate.

CHAPTER 3: CREDIT ADVERTISING

The House bill's strong section regulating the many and varied credit advertising abuses remains substantially the same. In essence, our bill required that if any specific credit terms are expressed in an ad, then the complete picture, all of the credit terms, must be set forth in the same ad. The Senate bill had no provisions whatever on this subject. We are pleased to report that the substance of the House bill was retained after one or two minor amendments.

TITLE II: EXTORTIONATE CREDIT TRANSACTIONS

Our bill sought to control, in some degree, the vicious billion dollar a year loansharking racket by making extortionate extensions of credit subject to a fine of not more than $10,000, imprisonment of not more than 20 years, or both. Extortionate credit is defined as an extension of credit where failure or delay in repayment could result in the use of violence or other criminal means against the debtor.

There was no similar Senate provision. The conferees accepted the House proposal. Although the bill will not eliminate completely this horrible practice, it will serve as a useful first step for stronger legislation in the future.

TITLE III: RESTRICTION ON GARNISHMENT

The Senate bill did not consider garnishment. Our bill provided the first Federal limitation on the amount of an employee's wages that could be subjected to garnishment. We did so because of the overwhelming number of cases where credit is extended on the strength of a States garnishment laws rather than on

the ability to pay. This has resulted in an alarming increase in the rate of personal bankruptcies, unwanted bookkeeping burdens on employers, and, in some cases, the discharge of employees. The House bill limited garnishment to 10 percent of an employee's earnings over $30 per week and prohibited discharge for the first garnishment. In addition, we exempted State laws which call for more limited garnishments.

The conferees agreed to a compromise exempting 25 percent of an employee's earnings with an amount equal to 30 times the Federal minimum wage—at present $48—as the minimum exemption. The House provision on discharges remains intact. The Secretary of Labor can exempt States which have exemptions substantially similar to the Federal law. We feel that this compromise was reasonable and affords the wage earner at least some relief from burdensome garnishments.

I want to point out that the Federal minimum wage rate referred to in section 303(a)(2) is always the top rate. That section contains a specific cross-reference to section 6(a)(1) of the Fair Labor Standards Act of 1938 because we did not want to pick up any of the exceptions to that rate. Also, it should be clearly understood that the garnishment exemption applies to any debtor, regardless of whether his earnings are subject to the Fair Labor Standards Act.

TITLE IV. NATIONAL COMMISSION ON CONSUMER FINANCE

The House provision for this national Commission was agreed to without change by the Senate. It may well be the greatest accomplishment in the bill. The Commission will undertake detailed studies and analyses of all phases of consumer credit practices. This will be the first time that such a study will have been made and the recommendations flowing therefrom may well result in a much-needed revamping of consumer credit practices in this country.

In conclusion, Mr. Speaker, I wish to again pay tribute to former Senator Douglas; the Honorable LEONOR K. SULLIVAN; the chairman of the Senate Banking and Currency Committee, Senator SPARKMAN; Senator WILLIAM E. PROXMIRE, who sponsored S. 5 in the Senate; and all of the conferees for presenting the Congress a consumer protection bill for which we can all be justifiably proud.

Mr. WIDNALL. Mr. Speaker, I yield myself 5 minutes.

The SPEAKER pro tempore. The gentleman from New Jersey is recognized for 5 minutes.

Mr. WIDNALL. Mr. Speaker, I think it is most unfortunate that we have been involved in the colloquies that have taken place. I had just felt coming into the House Chamber today that it was a real proud day for the House to have this conference report called up, as there is much credit for the success of the conference to be attributed to the unified position of all of the House conferees in support of the House-passed provisions.

Mr. Speaker, this a proud day for the House. Seldom in my memory can I recall the position of the House being so well maintained in conference with the Senate as was the case with the truth-in lending bill. Of the numerous and far-reaching provisions in dispute, the House position prevailed on virtually all. I think much of the credit for our success in conference can be attributed to the unified position of all of the House conferees in support of the House-passed provisions.

Mr. Speaker, I think it is unfortunate that most of the controversy and virtually all of the newspaper, television and radio discussions of truth-in-lending concentrated on the issue involving revolving credit and the manner in which finance charges would be disclosed—either periodic or annual. It is unfortunate because, while revolving credit is a rapidly growing form of consumer credit, it still only represents a very small percentage of the total consumer credit outstanding in the United States today. Moreover, we should be reminded of the fact that revolving credit is essentially a form of credit used by good credit risks, namely, middle and upper-middle-income families shopping at established and generally large retail stores. The vast majority of consumer credit is of the installment variety, and with regard to the finance charges of installment credit there never was any real controversy over the manner in which finance charges would be disclosed. Nevertheless, I was extremely pleased that the conference accepted my amendment which will insure that disclosures of finance charges on installment credit will be treated very similar to the manner in which charges on revolving credit is revealed.

I would like to make a few predictions on the impact that this legislation will have. First, the provisions governing credit advertising may prove to be the most important provisions of the truth-in-lending legislation. To a very large extent, fraudulent and misleading credit advertising will be prohibited with a resultant effect that those who advertise will more than likely concentrate on the product, the price of that product and the reputation and service of the store seeking to generate sales through such advertisements.

Second, the garnishment section of the bill, while very controversial, goes to the heart of one of the most vexing problems facing our Nation today. As revealed by recent Federal Trade Commission studies, there is little or no price competition among retailers within the low-income sections of our cities. Often, retail prices for consumer durables are two and three times those charged for the same product a few blocks away at established stores. The reason such prices can be charged is that the ghetto retailers offer so-called easy credit terms for high-risk customers. It is the feeling of many that much of this high-risk easy credit for exorbitantly priced goods will be more controlled with a Federal limitation on the amount that can be garnished from a debtor. Without that protection, these merchants will have to make a better effort to determine credit risk, and to the extent that this occurs, more business will flow to those stores who charge much lower prices for higher quality goods.

Title II, generally called the loan-sharking provision, for the first time makes the extortionate extension of credit a Federal crime. It cannot be said too often that Federal disclosure legislation has little or no effect on loan-shark operations, in that loan sharks never advertise, never send out bills or written contracts, and only maintain records that are available to the hierarchy of organized crime itself.

Senate hearings currently being held point out that loan shark interest rates of 100 to 1,000 percent annually can be charged and collected only because the threat of violence to person, property, or the reputation of the debtor is implicit in virtually all loan shark arrangements. While all income levels suffer from the multibillion-dollar loan shark racket, there can be no question that title II will provide immediate and beneficial relief to those low-income persons who often resort to the loan shark because they have either not established credit at a bank, store, or credit union, or they are reluctant to even make the first approach.

Mr. Speaker, I feel safe in predicting that the net effect of this bill will be to generate unimagined new business to established and reputable retailers and credit institutions. This eventually will take hundreds of millions—if not billions—of dollars worth of business annually from those who have charged exorbitant rates of interest and finance charges through the ignorance of the public or through deceptive and misleading advertisements, contracts, and billing statements.

At the same time, let us not for a moment feel that we have finished the task. The Federal Trade Commission report on ghetto merchants reveals that easy credit for high-risk customers is for the most part hidden in exorbitant prices and low quality merchandise. Nothing in this bill requires the disclosure of credit charges hidden in price—in short, what I have come to call the "price loophole mechanism." This bill represents only the first step toward providing credit at reasonable rates for all Americans. Hopefully, it will renew the interest of retailers, banks, savings and loans, and credit unions in attempting to find ways in which credit can be extended to those who have traditionally resorted to the highest cost credit and retail establishments, where outright fraud and deception and exorbitant prices are the rule rather than the exception. In this regard, I think the conference report failed in only one respect. The compromise on the so-called $10 exemption may force banks, and someday perhaps, savings and loan institutions, out of the accommodation loan business. The compromise on the $10 exemption provides little or no relief and I do fear that much of the several hundred million dollars of loans a year—small accommodation loan business—provided by banks will be diverted to small loan companies where credit charges are much higher.

It is my hope that the Commission established by this bill will study this situation very carefully and advise Congress accordingly.

Mr. Speaker, the 90th Congress has been called the Consumer Congress be-

cause we have taken such an interest in consumer oriented legislation. Clearly, the initiative for this legislation originated with the legislative branch and not the executive. I need not add to what others have said as to the role of my very dear friend, former Senator Paul Douglas. Moreover, on the House side it is only appropriate that a lady, Mrs. SULLIVAN, took the lead and provided the inspiration for many new provisions which upon their introduction were thought to have little chance of enactment. On the minority side the leadership provided by the distinguished minority leader, Mr. GERALD R. FORD, as well as Congressmen POFF, MCDADE, and CAHILL, provided for us floor victories on provisions affecting loan sharking and the home improvement scandals that few anticipated.

It is with a deep sense of personal satisfaction that I wholeheartedly support the adoption of this conference report.

Mr. PATMAN. Mr. Speaker, I yield 5 minutes to the distinguished gentlewoman from Missouri [Mrs. SULLIVAN].

Mrs. SULLIVAN. Mr. Speaker, before I say anything at all about the landmark legislation we are now about to pass in final form in the House of Representatives, I want to express my deep appreciation—my personal gratitude and the gratitude of all consumers in the United States—to the chairman and the ranking minority member of the House Committee on Banking and Currency, Congressman WRIGHT PATMAN, of Texas, and Congressman WILLIAM WIDNALL, of New Jersey, for the leadership and the great skill which they demonstrated in the conference between the House and Senate on the Consumer Credit Protection Act.

HOUSE CONFEREES STOOD TOGETHER

All of the House conferees, Representatives BARRETT, REUSS, ASHLEY, MOORHEAD, FINO, and DWYER, played a significant role in the hard battle which we had to wage over a period of 6 long weeks and many, many hours of discussion and debate with our Senate colleagues, to win acceptance of all of the basic principles contained in H.R. 11601 as it passed the House on February 1.

The conferees from the Senate side are all experienced legislators with great parliamentary skill and strong convictions. During most of the 6 weeks of our conferences, we were in a virtual state of stalemate on the major issues. There was always the danger that the conference would end in a deadlock with the possibility that no legislation at all would be passed or that the limited coverage of the Senate bill would be all we could agree on. It was in this situation that Chairman PATMAN'S splendid leadership was invaluable in holding the House conferees together while at the same time constantly evidencing a willingness to negotiate every point in disagreement.

SENATOR PAUL H. DOUGLAS PIONEERED THE WAY

And, of course, when we talk about the credit for this historic legislation, all thoughts invariably turn to the role played by former Senator Paul H. Douglas of Illinois whose concept of "truth in lending" is now solidly incorporated into the Consumer Credit Protection Act as its title I and the name of that title is the Truth in Lending Act.

The Senators were indeed hard bargainers and they won important concessions from the House on the scope of many of the consumer protections in the bill. In return, they finally agreed to all of the major provisions of the House bill which had not been included in the Senate-passed bill. Thus, there is a solid foundation in the bill as it now stands for future improvements based on experience under the legislation and also based on the recommendations which we will eventually receive from the proposed National Commission on Consumer Finance created by title IV of the act. So we have made more than just a start on the problem of protecting the consumer in the use of credit, and encouraging the intelligent use of credit; we have made, I am happy to say, a very important and far-ranging beginning in this field.

The bill which passed the Senate last July 11 was milestone legislation in that it was the first time that either House had ever passed legislation guaranteeing to the consumer the right to a full itemized accounting in dollars-and-cents terms of the cost of credit in any consumer credit transaction other than a first mortgage. In addition, and again except for first mortgages, and also consumer credit transactions where the interest or finance charges amounted to less than $10, the Senate bill required that the lender or the seller give to the borrower or to the buyer an equivalent or nominal percentage rate of the finance charge on an annual basis. However, in the case of department store revolving credit, only the monthly percentage rate would have had to be revealed.

HOUSE SUBCOMMITTEE WAS READY TO ACT

As the principal sponsor on the House side of Senator Douglas' bill during the period when his legislation was being held up in the Senate Banking and Currency Committees, I had discussed with Senator Douglas the timing of House hearings on truth in lending. It was our combined judgment that unless and until he could get the bill out of his committee in the Senate, no legislative purpose would be served by conducting hearings in the House. But with his encouragement, my Subcommittee on Consumer Affairs began collecting information and data of all kinds on the misuse and abuse of credit and the consequences of such practices as they revealed themselves in the small claims courts, in garnishment actions, and in the alarming increase in personal bankruptcies. When S. 5 passed the Senate last July, therefore, we were ready to begin immediately to schedule hearings and to begin working on legislation on the House side.

But by that time I had become completely convinced that mere disclosure of the credit costs was not sufficient protection for the consumer in the use of credit, and the result was the introduction on July 20—9 days after Senate passage of S. 5—of H.R. 11601, the Consumer Credit Protection Act. Five members of the subcommittee joined me in cosponsoring this historic piece of legislation: Representatives GONZALEZ, MINISH, ANNUNZIO, BINGHAM, and HALPERN—a bipartisan group which demonstrated, I believe, real courage in lending their names to what many Members of Congress assumed was a hopeless cause.

HOUSE HEARINGS DOCUMENTED NEED FOR ALL PROVISIONS OF FINAL BILL

Our 2 weeks of hearings, mornings and afternoons, in early August brought out, I believe, overwhelming documentation for the inclusion in this legislation of every one of its provisions as the bill now stands. Nevertheless, as the Members know, we divided in the subcommittee 6 to 6 as between the Senate-passed bill, and the much more comprehensive H.R. 11601. Subsequently, H.R. 11601 was called before the full committee, and although approved there, it was amended 17 to 14 to include the revolving credit exemption voted by the Senate and by a vote of 18 to 12 to exempt from rate disclosure all consumer credit transactions where the finance charge was $10 or less, as also contained in the Senate bill.

On January 31 and February 1, when the bill was before the House, we succeeded in removing those exemptions and also in strengthening the bill in several very important respects, including the Cahill amendments on second mortgages, and the Poff amendment on organized criminal loan-sharking activities. And this was the package we took to conference and, with some modifications, this is the package which is now before the House for final passage.

But, as I said, we did have to make some important concessions reducing, somewhat, the consumer protections in the bill.

THE REVOLVING CREDIT PROVISIONS

On revolving credit, for instance, in order to retain the basic requirement of the House bill that the monthly charges for credit must be annualized on a nominal annual percentage rate basis—in other words a 1½ percent service charge must be translated also into terms of a nominal annual rate of 18 percent, which it is—we had to agree to exempt from the rate computation any minimum charge made by the stores up to 50 cents a month. Under the Senate bill a minimum charge was exempted from rate computation regardless of its amount. The stores had been seeking an exemption of up to $1 a month for revolving credit accounts. In some States they have imposed 70 cent minimum charges on all revolving credit accounts. So if your monthly unpaid balance is only $10 and the service charge is the 70-cent minimum instead of the 15-cent charge which would be the result of applying the 1½-percent rate, the store would actually be charging at the annual rate of 84 percent for its revolving credit. I am just using that as an illustration—an example. Seventy cents a month is the minimum generally charged in Pennsylvania, I believe, and was the minimum charged in Massachusetts also until the State lowered it to 50 cents.

A 50-cent minimum monthly charge represents a 1½-percent assessment on a $33 balance. So under the conference bill, if your unpaid balance is less than $33, and the store charges a 50-cent minimum service charge, you would actually be paying at a rate of more than 1½ per-

cent a month and more than 18 percent a year, but the store would not have to reveal the actual rate.

MINIMUM CHARGES NOT REQUIRED BY BILL

Now I want to make clear that there is nothing in this bill which forces a store to charge any minimum or any maximum rate for credit. We do not regulate rates. All the bill does with its 50-cent exemption is to make it possible for the stores to impose a minimum charge on smaller balances without having to reveal the actual rate of that monthly charge. I stress that because there is always the possibility that many stores which do not now have minimum charges will proceed to put them into effect and indicate or imply that there is something in the Federal law which requires them to charge the customer 50 cents a month minimum on revolving credit accounts.

On the other hand, if their service charge exceeds 50 cents a month—say it is $1—then the service charge would have to be translated into an annual rate; a $1 service charge on a $10 balance would annualize to a rate of 120 percent. And that rate would have to be revealed under this legislation. The rate would vary, of course, depending upon the amount of the service charge and the amount of the unpaid balance on which the charge is assessed.

One other provision of the compromise agreement on revolving credit should also be mentioned: We specify in the bill that the seller must give the monthly rate and the annual rate of its revolving credit charges unless they are 50 cents or less. So typically, a department store would notify the customer that it charged 1½ percent on the unpaid balance or at a nominal annual rate of 18 percent a year. But then the store would have an option to add to that information a third percentage figure—that is, the store's average annual yield on its revolving credit accounts.

FEDERAL RESERVE TO SET CRITERIA

The Board of Governors of the Federal Reserve System will be required to issue the criteria for determining that percentage rate on yield from revolving credit accounts, and I imagine that most of the stores which offer revolving credit will be able to develop a figure from their accounts which would be less than 18 percent actual interest on revolving credit. That is because many customers pay their bills each month without incurring a credit charge except in rare instances, while others pay off the account in a few months. When you consider the 30-day or longer grace period, or "free ride" most stores offer the customer on revolving credit accounts, it can be readily seen that the rate of return to the store on revolving credit would be generally less than 18 percent, although I can think of instances where it would be substantially more, particularly if minimum charges are widely utilized.

It was always the position of the House on this legislation that the stores offering revolving credit could explain to their customers the difference between the actual yield to the store on revolving credit accounts and the nominal annual rate it charges for revolving credit. So this third proviso is in no sense a reduction in consumer protection; in fact, by requiring the Federal Reserve to issue regulations specifying how the effective yield is to be determined from the store's accounting system, the consumer will have assurance that the yield rates which are claimed are reliable and accurate.

But we did give in, as I said, on this question of minimum charges, although we were able to hold that level to a moderate 50 cents a month.

THE $10 EXEMPTION ISSUE

The bill, as it now stands, exempts from rate disclosure—but not from dollars-and-cents disclosure—the charges made for loans or installment credit of $75 or more if the credit charge is $7.50 or less. On loans or installment purchases amounting to less than $75, a credit charge of $5 or less can be imposed without the necessity to translate that into an annual percentage rate. This is a compromise between the no-rate-exemption position of the House and the $10 exemption provision passed by the Senate and is somewhere midway between the two positions.

Incidentally I might say that the proposed National Commission on Consumer Finance has been given a high priority assignment by the conferees to investigate this whole subject of minimum charges on installment credit or on revolving credit and to make recommendations to the Congress for possible changes in these sections of the law. The conferees felt that there was no clear-cut and reliable information available to us at this time on the actual costs to credit vendors of these credit plans in relation to their value to the stores in promoting the sale of merchandise. The claim had been made that it costs a department store about 90 cents a month to finance the bookkeeping costs of a revolving credit account. Well, of course, it costs them the same amount to cover the cost of a 30-day charge account, on which there is no service charge, and so the House conferees felt, and the Senate conferees agreed, that this whole area of credit costs in relation to the use of credit as a sales tool should be studied for our future guidance.

ADVERTISING OF CREDIT; CREDIT LIFE INSURANCE

The Senate bill did not apply to the advertisement of credit. The House bill required that when certain specific credit terms were specified in an advertisement, all of the relevant information on credit terms would have to be given in the same advertisement. The conference bill incorporates the House position.

The House bill considered mandatory credit life insurance as a part of the finance charge on which the percentage rate must be revealed. The Senate bill exempted credit life insurance from this requirement. In the final bill, credit life insurance is included in the finance charge if the consumer does not have a free opportunity to decide whether he wants the coverage, or if the insurance is a factor in the extension of credit. So the House position prevails. It prevails also in the treatment of other forms of insurance in connection with consumer credit transactions, such as liability or casualty insurance, but with language changes to make the intent of this provision more specific than the House bill did. It is the tie-in deal on casualty insurance, where you have to take the policy from a particular seller, that we were most concerned about covering in the finance charge.

ADMINISTRATIVE ENFORCEMENT

On administrative enforcement of the disclosure requirements, the House provision prevails. The Senate had passed what was, in effect, a self-enforcement measure under which the aggrieved consumer would have had to file his own law suit in order to recover damages for not having been given the facts he was entitled to have. Our bill assigns enforcement responsibilities to existing governmental agencies, with the Federal Reserve having overall responsibility for issuing all regulations on the disclosure requirements. The conference bill contains the same criminal penalties as were in both the House and Senate bills.

UTILITY BILLS

Both bills were silent on the question of charges for late payment of utility bills. But if these extra charges are a penalty add-on to the utility tariffs, they would have had to be stated on an annual percentage rate basis under the House bill; however, if the utility offers a discount for prompt payment, it would have been exempt from this requirement. The conference substitute expressly exempts any utility late-payment charges regulated under State utility laws, but the conferees were agreed that this exemption applied only to extra charges on utility services and not to finance charges for appliances or things of that kind bought on the utility bill.

DOLLARS PER HUNDRED ON THE UNPAID BALANCE

On a very technical point, on which the bankers had made quite a point in letters to Members of the House, the House conferees gave in to the Senate position with a modification. This was on the use of the euphemism "dollars per hundred per year on the unpaid balance" instead of the annual percentage rate we require to be stated on loans or installment sales under the bill. The two figures come out exactly the same—an 11-percent annual rate on an automobile financing transaction would translate into $11 per $100 on the unpaid balance. The bankers had called for this mild deception in terminology out of fear that some court in some State might hold that the annual percentage rate revealed under this act was actually an annual interest rate, and that it exceeded the State's usury ceiling. We had always made clear that the percentage rate of the finance charge revealed under the bill was not to be considered an interest rate—it usually includes other fees and charges in addition to interest, and should not be held to be a violation of a State usury ceiling.

The Senate had permitted the use of the dollars-per-hundred term until January 1, 1972, in order to give the States time to change their usury laws, if that appeared necessary to avoid conflict between Federal and State statutes on this point. We agreed to this with an amendment cutting the deadline back to January 1, 1971. This will perhaps make for some confusion on the part of consumers in trying to understand these percentage

rates and equivalent terms, so we will all have to start educating the public that "dollars per hundred" as used under this law is supposed to mean the same as the annual percentage rate.

On the effective date of title I on disclosure, we yielded to the Senate. I had said on the House floor on January 31 that I would be glad to yield on that in conference if the Senate yielded on the things we wanted.

FIRST MORTGAGES

The conference substitute applies to first mortgages—which were exempted entirely from the Senate bill—nearly all of the disclosure requirements applying to other forms of consumer credit. The main exception is the total amount of the dollar cost of the finance charge over the life of the mortgage. This exemption or exception applies, however, only to purchase-money first mortgages, not to refinancing. There is also an exemption in the conference substitute for purchase-money first mortgages from the 3-day cancellation privilege accorded to debtors on all other mortgages on residential real estate. Furthermore, the House, as passed on February 1, had exempted residential real estate from some of the specific terms of the advertising disclosure requirements of the bill, and that exemption also remains.

On the whole, the first mortgage coverage in the conference substitute should protect consumers without causing further problems for the depressed home building and real estate industries, which had feared that if the prospective purchaser had to be told the full cost of the interest and credit charges over the life of the long-term mortgage, he would be shocked at the total and run away from the deal. I don't think that would happen. I think a family buying a home, particularly for the first time, should be given this information on total interest cost so as to be able to decide more intelligently on how long to have the mortgage run, and what monthly payments to make in order to reduce the total of interest payments. Nevertheless, as long as we did not exempt all first mortgages without regard to the nature of the mortgage, as the Senate bill had done, I was willing to agree to this modification in our position on purchase-money first mortgages.

In return, the Senate conferees let us apply all the disclosure requirements without exception to all other mortgages, including the so-called racket second mortgages which sometimes end up as first mortgages on the homes of elderly couples or widows.

GARNISHMENT

By far, the biggest controversy in the whole bill—even larger than the controversy over revolving credit—involved the subject of garnishment. In H.R. 11601 as originally introduced, we proposed the complete abolishment of this modern-day form of debtors' prison. I think all of the original sponsors of H.R. 11601 agreed with me then, and still do, that this cruel device should be outlawed, as has been done in Pennsylvania and Texas, and virtually so in Florida, North Carolina, and some other States.

But we were willing to listen to the weight of the testimony that restriction of this practice would solve many of the worst abuses, while abolishment might go too far in protecting the career deadbeat. So, based on a modification of the generally successful New York State law, the gentleman from New York [Mr. HALPERN], a sponsor of the bill, drafted a good substitute proposal which we approved in the full committee and which won the approval also of the House.

It provided that the first $30 of any worker's weekly paycheck would be exempt from garnishment, and 90 percent of the remainder. The Senate conferees would not accept it. Finally, they agreed to a substantial modification of the proposal, which would exempt only 75 percent of a worker's pay, after required deductions for taxes or any other deductions required by law, with a guaranteed floor on garnishment of 30 times the hourly minimum wage—$48 a week at the present minimum wage level of $1.60 per hour. So a man making less than $64 after taxes would have less than 25 percent of his pay garnishable—while those making over that amount would have no more than 25 percent taken in garnishment to satisfy debts. As was true in the bill which passed the House, garnishments for taxes and support orders would not be affected. Also as the House bill required, no worker could be fired by reason of having his pay garnished for a single indebtedness. This last provision should go far to cut down on the alarmingly high rate of personal bankruptcies filed by workers who fear automatic dismissal from employment if their pay is garnished even once.

Unfortunately, we had to agree to delay the effectiveness of the garnishment title for more than 2 years—to July 1, 1970. This delay is intended to give the States time to modernize their generally obsolete and extremely harsh garnishment laws, since there is provision permitting the Secretary of Labor, who administers this title, to exempt from the Federal statute any State whose law on the subject is substantially similar to the Federal law.

FEDERAL AND STATE PROVISIONS

For the lowest income workers, most State garnishment laws are now less protective than the provisions of the conference bill prohibiting garnishment of any part of a worker's aftertax, take-home pay of $48 a week or less. On the other hand, many of the States have laws which exempt more than 75 percent of pay, and it is our specific intent that where the State law is more protective in a particular situation, the worker should receive the benefit of the better of the two laws, Federal or State, in that instance.

Title III of the bill may very well turn out to be the most important of all of the provisions of this legislation, not only for what it does to help consumers directly, but also in the reforms it stimulates in State garnishment laws and in credit-granting practices. Garnishment generally—not always, but generally—is the principal factor behind predatory extensions of credit by gyp outfits. As long as they know they can squeeze unconscionable interest and credit fees out of a worker by garnisheeing his pay, these outfits have no hesitation to overextend credit to poor and uneducated people who have no idea what financial quicksand they are getting into.

THE SECOND MORTGAGE RACKETS

In that connection, another provision of the bill is also vitally important. That is the Cahill amendment, or rather a series of amendments in the House, to strike at home improvement racketeers who trick homeowners, particularly the poor, into signing contracts at exorbitant rates, which turn out to be liens on the family residences. Any credit transaction which involves a security interest in property must be clearly explained to the consumer as involving a mortgage or lien; any such transaction involving the consumer's residence—other than in a purchase-money first mortgage for the acquisition of the home—carries a 3-day cancellation right. As passed originally by the House, this provision required a 3-day waiting period before the contract could be signed. But the Senate objected to that and proposed instead the 3-day period of cancellation, with stated safeguards for both seller or lender, on one hand, or the buyer or borrower, on the other.

I do want to emphasize that the rights given to the buyer or borrower under the conference substitute have real teeth. When the debtor gives notice of intention to rescind, that voids the mortgage absolutely and unconditionally, regardless of whether either the debtor or the creditor does any of the things that section 125 requires be done subsequent to the giving of notice of intention to rescind. This would be true even where the original creditor had meanwhile negotiated the paper to some third party.

In this connection, I might point out that a lender who disburses funds, or a contractor who performs under his contract, would ordinarily be taking a risk if he did so before the contract and all the required information had been in the hands of the debtor for three full business days. That is why section 125(d) was included. Section 125(d) permits the board by regulation to deal with an emergency situation where the debtor really needs to have the money or performance right away.

EXTORTIONATE EXTENSIONS OF CREDIT

The loansharking provision in the final bill is completely different from the Poff amendment passed by the House and, we believe, is far more workable. It was drafted with great care and unanimously agreed to by the House conferees before we submitted it to the Senate conferees, and was unanimously agreed to by the Senate conferees.

WHOLE BILL WAS REDRAFTED

In fact, Mr. Speaker, the entire bill was redrafted from beginning to end by the House conferees before we went into conference. The wording of the conference substitute, except for modifications demanded by the Senate, represents largely a rephrasing and reorganization of the House-passed H.R. 11601 in structure and in language, but not in substance. While it is always possible that the courts someday might find inconsistencies or other faults in this legislation, I

can assure the Members that more care was taken with the final drafting of this bill than of any legislation with which I have been associated in 16 years.

Much of the credit for that belongs to Mr. Grasty Crews II of the Office of the House Legislative Counsel, aided by staff members of both the House and Senate Banking and Currency Committees and of the Office of Senate Legislative Counsel.

The original concept and most of the provisions of the Consumer Credit Protection Act as far more than a disclosure statute grew out of the work of Charles B. Holstein, professional staff member of House committee assigned to the Subcommittee on Consumer Affairs, who has worked continuously on this issue for 5 years, and Mr. Norman Holmes, counsel of the House Banking Committee until the bill was reported last December, and now on the staff of Vice President HUMPHREY. They organized the hearings, lined up the witnesses, and helped us get a good bill out of committee. The clerk and staff director, Dr. Paul Nelson, and staff attorneys Benet D. Gellman and James F. Doherty, and minority staff members Orman Fink and Richard Cook devoted endless hours to this legislation along with Mr. Holstein as it went through the House and then through conference.

These are the people whose work is so essential to any legislative achievement, but whose names seldom appear in the record. There were uncounted others from government and from the private sector—from consumer groups, labor unions, women's organizations, newspapers, magazines, radio and TV stations and networks, and also from private business who played enormously important roles in the development of this bill, from way back in the days when Senator Douglas first proposed truth in lending, and I hope I am able to find ways to pay full credit to all of them.

The Republicans in the House are understandably proud of their association with the extortionate credit title of the bill, title II. There is more than enough credit to go around. This has been a bipartisan bill from the beginning, through Mr. HALPERN'S work on it and sponsorship of it, and I appreciate the help the minority gave on many of the substantive issues.

I am sure no one will think me overly partisan if I say that without the solid support of all of the senior Democrats of the House committee, and of other Democrats in the committee and in the House, too, this bill would never have been more than a thin shadow of what it is now.

So we can all claim our respective parts of it with pride. The important thing is that when the chips were down in conference, and it was a high-stakes confrontation, the House conferees, Democratic and Republican both, all stood together. I am proud of them.

Mr. WIDNALL. Mr. Speaker, I yield 5 minutes to the gentleman from New Jersey [Mr. CAHILL].

Mr. CAHILL. First of all, I thank the gentleman for yielding.

Second, I would comment that it is regrettable in my judgment that an honest mistake was not permitted to be corrected, by the action of the gentleman from Missouri [Mr HUNGATE].

I hope the legislative history that is established in this dialog will, however, even though inadequate, be a substitute for the discussion we should have had.

I would like to say that in my judgment the conferees in relation to this bill, like they do in a great many other bills, have really become the third branch of the legislature. We now have the House of Representatives, the Senate and the conferees. Mr. Speaker one provision at least in this conference report is completely different than that which was contained in the House bill; this provision was not in the Senate bill at all.

One of the amendments I presented and which was adopted unanimously by the House, required that a lender not only disclose to a borrower that a mortgage was being placed against his property but wherever a mortgage was used as collateral security for a loan, the borrower had to be notified 3 days before the settlement took place of the charges to be made by the lender. The obvious reason for that provision was to give the borrower an opportunity to refuse to go through with the transaction—not to get involved in purchasing something where he knew he just could not afford to pay the exorbitant rates that would be asked.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. I yield to the gentleman.

Mr. PATMAN. I am very much in sympathy with what the gentleman says; the House was for the gentleman's viewpoint—and we held the line. But in conference, as you know, somebody has to take as well as to give. It is a matter of compromise—it is always a matter of compromise. That is the way laws are made. It is just impossible for us to hold out for everything—we held 99 percent of the House bill, I believe. But as to that particular part, I was very much in sympathy with the gentleman and the other House conferees were. We did our very best, but we just could not keep everything. Of course, we wanted to bring and did bring a good bill back.

Mr. CAHILL. I will say this to the chairman, it is my understanding and I do not know whether it is correct or not, but it is my understanding that in conference this particular provision was adopted while a quorum call was in process in the House and while the Republican members were absent from the conference.

Mr. PATMAN. That is not correct. We had several long days of these conferences. This conference was about the hardest I ever was in in my life. I believe the other conferees will tell you the same thing. We tried our best but we could not get everything.

Mr. CAHILL. I will just say that I do not understand how it can be argued—and I will say I understand there has to be a compromise and I understand and I will accept the chairman's version that all of the House conferees were for the retention of the provision as it was originally drafted—but I will say I do not understand how it can be argued now that this is an adequate substitute because what we are really doing is—if a person borrows money and signs a mortgage—he has 3 days to rescind it. Obviously, the reason why he went through with the transaction and the reason why he borrowed the money was to make payment for something that he had purchased. It seems to me to say that 3 days after the fact is just as good as 3 days before the fact is just not good sense.

Now I would also like to ask the gentlewoman from Missouri some questions to establish some legislative history.

Does section 125(c) make written acknowledgment of receipt of information required under the Truth in Lending Act only presumptive evidence of delivery thereof, in any transaction involving a security interest, other than a purchase money first mortgage, in the debtor's residence?

Mrs. SULLIVAN. Yes, that is the intent.

Mr. CAHILL. So it is not conclusive; it is presumptive, is that correct?

Mrs. SULLIVAN. That is correct.

Mr. CAHILL. Would this apply regardless of whether the question arose in a suit for damages under section 130, an action to enforce the section 125 right of rescission, or otherwise?

Mrs. SULLIVAN. Yes. Section 125(c) is intended to establish a statutory rule of evidence that would apply in any action or proceeding whatever.

Mr. CAHILL. My last question is this: Is there any provision in section 125 or section 131 or any other provision in this legislation which makes written acknowledgement of receipt of information and disclosures conclusive proof of delivery thereof or compliance with the disclosure requirements in any action brought against an original lender?

Mrs. SULLIVAN. The answer is, "No."

Mr. CAHILL. So that it would not matter whether it was in respect to a mortgage or a nonmortgage transaction? The receipt is presumptive evidence. It is rebuttable and it is not conclusive.

Mrs. SULLIVAN. That is the intent.

Mr. CAHILL. I thank the gentlewoman.

Mr. WIDNALL. Mr. Speaker, I would just like to say for the RECORD that at the time of the conference, when the amendment of the gentleman from New Jersey was being considered, some of us were outside the conference room at the time. I would like to emphasize, however, that in our absence the gentlewoman from Missouri [Mrs. SULLIVAN] fought very hard for the section that you are keenly interested in, and it was not because of any fault, really, on the part of the House conferees that that provision was not included.

Mr. CAHILL. I thank the gentleman. I understand that that is the fact. I would personally like to pay my personal respects and tribute to the gentlewoman from Missouri for her leadership. I know from talking with her that she, too, favored the position as I had submitted it and as it was accepted by the House.

Mrs. SULLIVAN. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. I am happy to yield to the gentlewoman from Missouri.

Mrs. SULLIVAN. I thoroughly agreed, from the very beginning when you offered

your amendment in the House, that that provision was needed and was highly desirable. We were familiar with the events which occurred in New Jersey and elsewhere which made this provision so important. In conference, we tried our best to keep it unchanged and when we were unable to do that we insisted it be as strong as we could make it. The Senate even asked to require the buyer to notify the seller by registered letter before he could get it out of such a contract. We refused. We threw that out. I think we have succeeded in keeping a strong, workable provision in here.

Mr. CAHILL. My only question is why the Senate conferees did not recognize the need and the merit of this particular amendment as it was written.

Mrs. SULLIVAN. May I say to the gentleman that if he had sat with us in those tough conferences as the nine of us did and saw the 6-week-long opposition of the Senate conferees to almost everything in the House bill, I think you would refrain from asking that question, because we had to fight every inch of the way to save what we did. Why did the Senate conferees insist on changes and modifications in other excellent provisions of the House bill?

Mr. CAHILL. I thank the gentlewoman.

Mr. WIDNALL. Mr. Speaker, I yield 5 minutes to the gentleman from Virginia [Mr. POFF].

Mr. Speaker, will the gentleman yield to me?

Mr. POFF. I am happy to yield to the distinguished gentleman from New Jersey.

Mr. WIDNALL. I just take this time to pay a well-deserved compliment to the gentlewoman from Missouri, who did such a tremendous job in connection with this entire, overall program, and worked so hard with the other conferees on the part of the House in order to get through the bill which we did, which is certainly a much stronger bill than the one which passed the Senate.

Mr. POFF. Mr. Speaker, first, by way of preface, let me join in the tribute just paid to the distinguished gentlewoman from Missouri and say more definitively that I agree with her that the modification made by the conference committee of the amendment which I offered is an improvement upon the amendment I offered. It strengthens it admirably, and in that spirit I endorse it.

Mr. Speaker, my purpose here is to write a little legislative history, if it is possible to do so.

Mr. MARSH. Mr. Speaker, will the gentleman yield?

Mr. POFF. I yield to the gentleman from Virginia [Mr. MARSH].

Mr. MARSH. Mr. Speaker, in our consideration of the truth-in-lending bill, I think it is most significant to note that there is included in the conference report the amendment which the House adopted and is popularly referred to as the loan-shark amendment.

It is my feeling that this is a significant part of this legislation which will have remedial effects of a long-range nature that will do much to protect the borrowing public.

Special tribute is due Representative RICHARD POFF, the Congressman from the Sixth Congressional District of Virginia for his continued efforts on behalf of this proposal and for his leadership in adding it as an amendment to the original truth-in-lending bill when it was considered in the House. I think the citizens of our Commonwealth join with me in this legislative tribute to our colleague, architect of this amendment, for his careful draftsmanship and parliamentary efforts which contributed to the passing of this landmark provision.

Mr. POFF. Mr. Speaker, my colleague is most generous indeed, and although his tribute may not be altogether deserved, I assure the gentleman it is altogether appreciated.

Mr. Speaker, the truth-in-lending bill contains no provision which is more important or protects the consumer better than the loan-shark amendment.

The amendment adopted by the House has been modified by the conference committee. I regard the modification as an improvement.

Heretofore, the only statutory foundation for Federal involvement in loan-shark control has been the antiracketeering statutes. These statutes have been so narrowly drawn as to make investigation and prosecution extremely difficult if not altogether impossible. The new statute created in this bill represents a major breakthrough in the war against organized crime. It attacks not only the loan shark himself, who typically is a minor member of the Cosa Nostra family structure, it strikes also at the Cosa Nostra superstructure. The boss and the underboss are not loan sharks. They are financiers. They make available to the loan shark the funds necessary to finance the illegal operation.

In its definition of the new Federal crime, the amendment includes not only the making and collecting of extortionate extensions of credit, but the financing thereof.

In yet another way the new statute strikes at the higher echelons of the criminal syndicate. Frequently, the best prosecution witness is a minor member of the Cosa Nostra family who himself is involved, either as a principal, an accomplice or a conspirator, in the very crime for which the boss is indicted or in some related crime. When called to testify, in allegiance to the strict code of the Cosa Nostra, he pleads the fifth amendment against self-incrimination, not so much because he fears he will incriminate himself but because his Cosa Nostra oath compels him to protect the family boss. Under the witness immunity clause of the loan-shark amendment, the court can take appropriate safeguards, require the witness to testify or surrender documentary evidence under a guarantee that nothing he confesses in his testimony can later be used in a prosecution against him. If not withstanding that guarantee, he refuses to testify, he may be prosecuted for contempt of court. If he agrees to testify but testifies falsely, he can be prosecuted for perjury.

This witness immunity clause will do much to unravel the blanket of immunity with which the Nation's top racketeers cloak themselves today.

While the annals of crime are replete with the story of the vicious venality of the loan shark and the human misery he causes, several cases disclosed by the recent hearings of the Senate Select Committee on Small Business serve to illustrate the enormity of the crime which present Federal statutes fail properly to reach. A witness testifying under a hood reported that loan sharks had required him to pay $14,000 in interest on a $1,900 loan. Only last week in the State of New York, the grand jury returned seven counts of criminal usury against one Bonfondeo. These included a case in which the victim paid $100,000 in interest on a $30,000 loan; another case in which the victim paid 104 percent interest on a $5,000 loan; another case in which the victim paid 260 percent in interest on a $3,000 loan; another case in which $5,000 in interest was paid on a $5,000 loan without curtailing any of the principal. The head of the Organized Crime and Racketeering Section of the Department of Justice, Mr. Henry Peterson, told the Senate committee that the Justice Department has identified at least 120 members of the Cosa Nostra who are involved in loan-shark racketeering in the metropolitan area of New York City alone.

It is important to know what the loan-shark amendment does. It is no less important to know what it does not do. It does not preempt the State laws. It does not jeopardize any legitimate, licensed, regulated lending institution. It does not constitute a Federal criminal usury statute. On this last point, there seems to be some public confusion. Undoubtedly, this arises from mention in the amendment of a 45-percent interest rate. Let me explain the function of the interest rate factor.

The statute punishes extortionate extensions of credit. An extortionate extension of credit is defined as a loan which involves the use or threat of use of violence or other criminal means to harm the person, property or reputation of any person. Parenthetically, the phrase "any person" is intended to include members of the borrower's family who are the natural subjects of intimidation by the loan shark.

When direct evidence of violence or other criminal means is readily available, such evidence is all that is required to prove the crime. When it is not available, extortion will be presumed if the prosecution is able to prove all of the four following factors:

First, that the loan was in excess of $100;

Second, that the interest rate was in excess of 45 percent per annum;

Third, that the loan violates State law to the extent that the lender is unable to obtain a complete collection judgment under State laws against the borrower; and

Fourth, that the lender has reputation for extortion in the community of which the borrower is a member.

Thus, it will be seen that the loan-shark amendment does not fix a Federal criminal usury interest figure. The 45 percent figure is only one of four factors which, if all are proved, create a prima facie case of extortion. The interest rate

may be less than 45 percent and the loan may still constitute an extortionate extension of credit if it can be proved that violence or other criminal means were used in making, collecting or financing of the loan.

I believe it is important to explain something of the constitutional foundation for this amendment. It is twofold. It consists in one part of the interstate commerce clause and in the other part of the bankruptcy clause. The purpose of the bankruptcy clause is primarily humanitarian; namely, to give an insolvent debtor a fresh start by dividing his assets, remaining after essential family exemptions, among his creditors and discharging his liabilities to them. If a particular loan involves extortion and violates other criminal laws, it is not susceptible of being discharged. Indeed, its very existence probably will never come to light in the bankruptcy proceedings because the victim is in fear of his very life or the bodily safety of himself and his family. It is anomalous that all of the lawful obligations of the debtor can be discharged at the expense of honest creditors while an unlawful obligation survives the bankruptcy proceedings and remains alive for the benefit of the dishonest creditor. In summary, the loan-shark operation frustrates and defeats the function and purpose of the bankruptcy law with respect to which the Constitution gives the Congress exclusive jurisdiction.

Mr. Speaker, I want to pause to pay tribute to a number of my distinguished colleagues, including specifically the gentleman from Pennsylvania [Mr. McDADE], who have made notable contributions to the perfecting of the final version of the loan-shark amendment. All those on both sides of the political aisle in both Houses of Congress who participated and all those on the staff of the committee and in the Department of Justice who cooperated can take genuine pride in the product that has been fashioned.

Mr. WIDNALL. Mr. Speaker, I yield the remainder of my time to the gentleman from Pennsylvania [Mr. McDADE].

Mr. McDADE. Mr. Speaker, it is a singular pleasure for me to support the conference report on the truth-in-lending bill and in particular to support that section which concerns itself with the vicious racket of loan sharking.

Some 2 years ago a group of my colleagues here in the House joined me in a profound study of organized crime, its ramifications and its implications. I wish to pay tribute to those colleagues today. They are Congressmen CHARLES McC. MATHIAS, JR., CHARLES A. MOSHER, HOWARD W. ROBISON, ROBERT TAFT, JR., MARK ANDREWS, ALPHONZO BELL, WILLIAM T. CAHILL, JOHN R. DELLENBACK, MARVIN L. ESCH, PAUL FINDLEY, PETER H. B. FRELINGHUYSEN, JAMES HARVEY, FRANK HORTON, F. BRADFORD MORSE, OGDEN R. REID, HERMAN T. SCHNEEBELI, RICHARD S. SCHWEIKER, FRED SCHWENGEL, GARNER E. SHRIVER, ROBERT T. STAFFORD, J. WILLIAM STANTON, and CHARLES W. WHALEN, JR.

Out of this study came a significant paper entitled "Study of Organized Crime and the Urban Poor." It may be found in the CONGRESSIONAL RECORD of August 29, 1967.

Loan sharking was selected in that paper for special emphasis as one of the most vicious rackets of organized crime. I pointed out then that the victim of loan sharking is the poor person desperately in need of money, without credit at a local bank, who borrows from the loan shark at exhorbitant interest rates, sometimes as high as 20 percent per week. I pointed out that the small, marginal, local businessman in the concentrated area of the urban poor is another major victim of organized crime. I pointed out, finally, the ironic contrast whereby the Small Business Administration would lend $50 million in fiscal 1967 under the antipoverty program of the Economic Opportunity Act of 1964, while loan sharks would extract $350 million from the pockets of the poor during that same period.

Out of this study came an anti-loan-sharking bill which I wrote and which I put before the Congress when the truth-in-lending bill came to the floor. I am delighted that my bill with modifications by the gentleman from Virginia and by other members on the conference committee has been accepted as the final version of this section of this bill. I am particularly delighted to see that the section of my bill granting immunity for the purpose of securing vital testimony before a grand jury has been accepted by the conference committee practically verbatim. This immunity statute I think to be vitally important, and I am delighted that I am joined in this feeling by the members of the President's Task Force on Crime who recommended such an immunity statute.

I look forward to the final passage of this bill by the Senate and to its being signed into law by the President. More than that, I look forward to a new and significant effort against organized crime by our Department of Justice.

Today slightly over one one-hundreth of 1 percent of the Federal budget is devoted to combating organized crime. In the Department of Justice 2½ percent of its budget is spent in the fight on organized crime. Clearly, this is not enough.

With the passage of this bill I look forward to a new and broader and more thorough effort against organized crime by the Department of Justice. We have indeed turned a milestone today and I am proud to have played a part in what we are doing here in the Congress.

A final word for purposes of legislative history.

I want to make it clear that the term "other criminal means" as used in this statute is intended by its authors to have a liberal construction in order that we can take care of the situations which involve forcing other people to do criminal activity under threat of collection of debt. The use of force, express or implied, is not the sole test of an extortionate extension of credit. This is an important part of the statute.

Mr. Speaker, I urge the adoption of this conference report.

The SPEAKER pro tempore. The time of the gentleman from Pennsylvania has expired.

Mr. PATMAN. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. HALPERN].

Mr. HALPERN. Mr. Speaker, I want to heartily congratulate the gentlewoman from Missouri for her outstanding work in developing this legislation and for her leadership in bridging the gaps between the Senate and House bills.

As a long-time advocate of truth-in-lending legislation and as a House sponsor of the original Douglas bill, I am particularly pleased with the bill as it now comes before us.

And, as a minority member of the Consumer Affairs Subcommittee I want to say how privileged I was to work with the able chairlady and to join her in the sponsorship of H.R. 11601.

Mr. Speaker, I am pleased that the garnishment provision was retained although modified in form from the House version. I am pleased with the results of the conference agreement. I heartily congratulate the conferees and particularly I wish to compliment the chairwoman of the subcommittee for her outstanding leadership in the achievement of this legislation.

Truth in lending has faced a long and arduous struggle. This bill, as it emerged from conference, is not as strong or as tight as I and many of my colleagues would have liked. After all, this is legislation aimed at guarding the innocent consumer from a great many abuses, and giving him the information he needs to make intelligent choices about credit. I think he deserves all the help he can get.

Nevertheless, considering the fact that it took all these years to push a truth-in-lending bill through both Houses, I consider this bill to be a remarkable achievement and a real legislative milestone, of which Congress can be justly proud.

I was deeply gratified that our conferees were able to retain the substance of all the major provisions of the House version. For this they are entitled to our profound thanks. The conference bill not only requires credit cost disclosure in terms of annual rates for individual transactions, but—as well—it upholds the House position by including provisions dealing with credit advertising, loansharking, administrative regulation by the Federal Trade Commission and other agencies, and—as I have said—on garnishment.

Fortunately, revolving credit and small transactions are still included in the bill, although there are certain exemptions which the Senate insisted on that I think were unwise.

Most important is the exemption from rate disclosure on transaction in which the credit charge is less than $5 if the amount loaned is less than $75, and on credit charges up to $7.50 if the loaned amount exceeds $75. This is a bit better than the $10 exemption proposed by the Senate, but I say now, as I did when this proposal was broached in the House, that this exemption takes a bite out of this bill right where some solid muscle is most needed.

If a person is going to be charged $4.95 in interest on a $35 radio, I fail to see why he should not be told in plain language how much interest he is paying.

There is also an exemption of up to a 50-cent fixed monthly charge on open accounts which I am not terribly happy with, and which may set off a rash of stores imposing fixed charges on credit accounts to get around disclosing part of their interest rates.

Notwithstanding these criticisms, I am still mindful of the fact that this bill is a momentous step forward toward protecting the American consumer from confusing and sometimes deliberately complex credit practices. When viewed in perspective all the benefits that this legislation would bring, I am willing to live with these shortcomings, at least for the present.

I had feared that the garnishment provision in the bill might be weakened, but my fears fortunately were unfounded. The agreement reached by *the conferees* actually strengthens my amendment. As passed by the House, the bill provided that garnishment could not exceed 10 percent of gross earnings over $30 a week. The bill approved in conference does not permit garnishment of more than 25 percent of disposable income, or of more than the amount by which weekly disposable income exceeds 30 times the Federal minimum hourly wage, whichever is less. In other words, the effect is to restrict garnishment to make sure that after a worker pays all deductions required by law, tax, and social security, a garnishment cannot leave him less than $48 to live on.

The original truth-in-lending bill prohibited garnishment entirely, but it seemed to me that this unnecessarily curtailed the proper rights of creditors. This provision protects both.

This section also retains my proposal to prevent an employer from discharging a worker for the first garnishment of his wages, thereby ending a vicious cycle whereby a man not only loses his salary to pay his debts, but loses his job as well, and thereafter can't get himself out of debt to end the garnishment.

In conclusion, I want to say that this bill is something many of us have awaited for a long time and I trust the conference report will have the overwhelming approval of this House.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. HALPERN. I am delighted to yield to the minority leader.

Mr. GERALD R. FORD. Mr. Speaker, recently the American consumer has enjoyed many fine hours here in the Congress and more particularly here in the House of Representatives. I feel confident, however, that today marks the consumer's finest hour.

I am proud of the role that the minority played throughout the committee hearings, the floor debate and the long, arduous House-Senate conference sessions. But it is not my purpose today to extol the virtues of the minority's contributions to the truth-in-lending bill, for throughout the years of debate on this legislation, partisan divisions have rarely, if ever, occurred.

Although much of the controversy and most of the headlines have centered around the conflict of periodic versus annual disclosure on open-end credit, in my opinion, the contributions of House Members of both parties in adding many entirely new features to the Senate-passed bill far outweigh the importance of the final compromise on revolving credit. The House added and was able to retain in conference strong, effective and equitable language on administrative enforcement, credit advertising, loan-sharking, first mortgages, garnishment, as well as provisions dealing with abuses primarily related to extensions of credit for home improvements.

During the House floor debate on the truth-in-lending bill, the nonrecord votes on revolving credit and the so-called $10 exemption were overwhelming in support of the position taken by a majority of the Committee on Banking and Currency. I have been advised that the House conferees were united throughout the conference sessions with the Senate on these two points, and I was delighted that the House conferees were equally united in support of retaining several amendments offered by Republicans when the bill was debated here on the floor of the House.

Mr. Speaker, I became personally involved with the Republican loan-shark amendment and I want to commend the chairman of the House Committee on Banking and Currency, Mr. PATMAN, the Congresswoman from Missouri, Mrs. SULLIVAN, and the ranking minority member, Mr. WIDNALL, for their success in coming back to the House with a very effective title dealing with extortionate extensions of credit. In this connection, the contributions of the House Republican Task Force on Crime, as well as Congressmen POFF and MCDADE, cannot be exaggerated.

Recent testimony has indicated that loan-sharking is the second most important source of revenue to organized crime. Annual revenue to organized crime has been estimated to be at least $20 billion. By amending title 18 of the United States Code so as to define and make a Federal offense the extortionate extension and financing of credit, finally we are recognizing both the seriousness and the vast extent of this criminal activity. Moreover, the language providing immunity to witnesses will send tremors through the high councils of organized crime when their highly paid legal counsels advise them of the direction taken by Congress.

Mr. Speaker, I consider the conference report on the Consumer Credit Protection Act one of the most important achievements of the 90th Congress. The vast protection it affords all citizens—especially low-income families and individuals—should provide ample evidence that the Congress has and will continue to act on its own initiative in matters involving human equity.

Mr. PATMAN. Mr. Speaker, may I inquire if the minority are finished with their time?

The SPEAKER pro tempore. All time has expired on the minority side. The gentleman from Texas has 6 minutes remaining.

Mr. PATMAN. Briefly, Mr. Speaker, I believe that the House is as near unanimous on this conference report as it is possible for the House of Representatives to be. It will be recalled that the vote on the final passage of this bill, I believe, was 382 for to 4 against. That is as good a majority, I believe, as the House of Representatives gives on any legislation. I do not know of any Member who voted for the bill when it passed this House who is now opposed to this conference report. If there is one within the sound of my voice, I wish he would make his presence known. I do not believe there is. We can consider that this conference report really is passing unanimously. Nobody is against it and they should not be against it. It is a good bill. As the gentlewoman from Missouri has said, it is a bipartisan bill. We all worked together on it. Significant parts of this bill is represented by amendments from the minority, and they are good amendments. I believe that this expression of the House here today on the passage of this conference report represents the unanimous action of the House of Representatives. I think it should be considered that way when it goes back to the Senate for their approval.

Mr. GERALD R. FORD. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield to the distinguished minority leader.

Mr. GERALD R. FORD. Is it my understanding and is it the correct understanding that this debate in the RECORD will precede the vote taken some time ago?

Mr. PATMAN. Yes, sir. That is the understanding. I have checked it with the Parliamentarian, and I am told that is true.

The SPEAKER pro tempore. The time requested by the gentleman from Oklahoma has expired.

Mr. MONTGOMERY. Mr. Speaker, I talked to the chairman of the distinguished Committee on Banking and Currency with reference to one particular item about which I desired some clarification.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. MONTGOMERY. I yield to the gentleman from Texas.

Mr. PATMAN. I did not know that the conference report was going to be so quickly agreed to. However, I had previously agreed to yield to the gentleman from Mississippi for the purpose of his asking questions with reference to a garnishment matter.

Mr. MONTGOMERY. Mr. Speaker, I would like to ask the gentleman a question. What is the difference in the garnishment situation that was in the original bill, and is now in the conference report? I believe the Congress is entitled to know.

I am sorry that the parliamentary procedure moved so swiftly here, and I was unable to ask the question prior to the adoption of the conference report.

Mr. PATMAN. I will defer to the gentlewoman from Missouri to answer the gentleman's question.

Mrs. SULLIVAN. Mr. Speaker, if the gentleman will yield, in reply to the inquiry of the gentleman from Mississippi, let me say first that I am prepared to put into the RECORD all of the differences and explain as clearly and concisely as

possible the provisions, and this will be put into the RECORD.

But as far as the garnishment title is concerned, we adopted a garnishment provisions that is much weaker than we had in the House bill. What we actually adopted, in effect, was the law of the State of Alabama and of the State of Mississippi, too, on garnishments, except that we do have a floor of $48. In other words, the first $48 of the weekly salary, after taxes or other deductions required by law, cannot be garnisheed.

Mr. MONTGOMERY. Are the Federal Government and the States exempted from the garnishment section in the conference report insofar as coming under this section of $48? As the gentlewoman knows, the Federal Government is the largest establishment that undertakes garnishment proceedings now. I ask the gentlewoman from Missouri, will they come under this conference report or not?

Mrs. SULLIVAN. In answer to the gentleman, I will say no, the Federal and State Governments are not covered by the restriction on garnishment. We exempted them in the House bill, too.

One cannot garnishee the Federal Government or the State governments.

Mr. MONTGOMERY. But the Federal Government can garnishee people who have a tax debt that they owe to the Federal Government, or to the States?

Mrs. SULLIVAN. Yes, the Federal Government retains the right to garnishee for taxes, and so do the States. Whether the States exercise that right is up to them. That is up to the States.

Mr. MONTGOMERY. That is up to the States?

But my point is, I will say to the gentlewoman from Missouri [Mrs. SULLIVAN], that the conference report has exempted the States and the Federal Governments, which are the largest users of garnishment, yet private individuals will have to come under the Federal law.

The conference report has already been adopted as of now, but I certainly feel as though this is another encroachment on States' rights. The individual States in the last few years have kept up on their garnishment laws. Our State of Mississippi only 2 years ago upgraded the garnishment section of our laws. Now, this supercedes the State laws, is that correct.

Mrs. SULLIVAN. Yes, but only to the extent that it is inconsistent with the Federal law. And it does not take effect for 2 years. At that time, the Secretary of Labor can exempt from the restrictions of section 303(a) any State which has a substantially similar law on the amount which can be garnisheed. May I say to the gentleman that in the bill as originally introduced last July, there was no exemption for the Federal or State Governments in collecting debts due for taxes, but this was taken out in the committee before the bill was reported to the House last December.

Mr. MONTGOMERY. Oh, it is taken out?

Mrs. SULLIVAN. Yes. The Federal Government and the State governments are not affected in this garnishment procedure at all as to garnishing the wages for taxes.

Mr. MONTGOMERY. I am sorry, but I do not believe the gentlewoman understands my question. What the gentlewoman is telling me now is that the Federal Government can only garnishee up to $25 of the first $100 out of a salary. So that what the gentlewoman is telling me is that if a person owes the Federal Government, say, $300 in taxes, the Government can take only $25 out of a man's salary of $100 per week until it has been repaid?

Mrs. SULLIVAN. No. This does not touch the garnishment of wages by the Federal Government for any taxes, or by the State governments either.

Mr. MONTGOMERY. In other words, the Federal Government is not to come under this bill, yet we are putting private enterprise under it, but the largest garnishment group is not even under the bill, that is my point.

Mrs. SULLIVAN. That is correct. We had no exemption for the Federal Government in the House bill originally but we changed that in committee last December.

Mr. MONTGOMERY. Mr. Speaker, the garnishment title should not even be in this truth-in-lending bill. The garnishment section supercedes all State laws on garnishment and is just another step by the Federal Government to further take over States' rights. I yield back the balance of my time.

Mr. BARRETT. Mr. Speaker, as one of the House conferees on the Consumer Credit Protection Act, I am indeed proud to support this legislation and to urge its overwhelming passage by the House in the form in which it has been reported from the conference committee. I have always favored the enactment of truth-in-lending legislation such as recommended for so many years by former Senator PAUL H. DOUGLAS, of Illinois; the remarkable thing is that after years of failure to get the Douglas bill through the Senate, we are now about to pass a bill which goes far beyond the old Douglas bill.

S. 5, as amended by the House and agreed to in conference, incorporates all of the provisions in the old Douglas truth-in-lending bill and adds many things to it to make it far more effective than the Douglas bill would have been in protecting the consumer.

This is certainly not meant to disparage Senator Douglas or his valiant efforts on behalf of this legislation. We are all grateful to him for his leadership and his imagination in launching the campaign for truth in lending and waging it so well during the last 6 years of his Senate service. The fact that we are passing a much broader and more comprehensive bill than the Douglas bill is a tribute to the remarkable perseverance and effective legislative skill of the gentlewoman from Missouri [Mrs. SULLIVAN], chairman of the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency, who is ranking member also of my Subcommittee on Housing and an invaluable ally of mine on progressive housing legislation.

All of us on the Committee of Banking and Currency were impressed by her handling in the subcommittee and the full committee of this bill which was so controversial at the time she introduced it, but which passed the House on February 1 by an overwhelming vote of 382 to 4. I am proud to have been a cosponsor of the Consumer Credit Protection Act and I am also proud of the fact that when some were counseling Mrs. SULLIVAN to give up her great fight for a strong bill last November and accept the Senate bill instead, I urged her to continue the battle for the kind of legislation we are now about to pass. She knew that she had my full support for this legislation despite the heavy odds against her—first when her subcommittee divided 6 to 6 on the bill and then later when a majority of the members of the full committee voted to add loophole amendments over her strong and vigorous objections. The House voted overwhelmingly early this year to reject those committee amendments and Mrs. SULLIVAN was vindicated.

After a long series of conferences with the Senate on this bill, House conferees stood fast for a strong bill and generally we achieved our purposes.

No piece of legislation is perfect and meets every test of effectiveness. Undoubtedly this bill will have to be strengthened and improved in various ways after it becomes effective and we have developed some experience under it. But we know that we have a good bill and one which will give the little income consumer in this country a fair break in the use of credit and eliminate practices which have too long been allowed to victimize the poor.

As a Representative in the Congress of the United States of the great city of Philadelphia in the Commonwealth of Pennsylvania, I am particularly pleased that the conference bill on which we are now acting follows the lead of the Commonwealth of Pennsylvania in trying to do something about the harsh practices of garnishment. In Pennsylvania we prohibit garnishment entirely. The Consumer Credit Protection Act as originally introduced, and which I cosponsored, would have eliminated garnishment entirely throughout the country. The bill we reported from committee was not that strong, limiting garnishment only to 10 percent of the worker's pay over $30 a week. The bill we are now voting on is less effective in combating garnishment abuses but will nevertheless provide far more protection for the low-income workers in most States than is now available to them under State law. So this is a great forward step.

In my opinion, the Consumer Credit Protection Act, is one of the most important consumer laws the Members of Congress of the United States have ever had an opportunity to vote for. It establishes a new set of standards for consumer protection in a field which the Federal Government has not previously been involved. We are taking nothing from the States in this respect; instead, through this legislation, we are encouraging the States to raise their own standards of consumer credit protection, and if they do not do so, then we will make sure that the American people living in those States will nevertheless be protected against further deliberate mis-

representations of the cost of using credit.

In future years, all of us can take deep satisfaction for having voted for the first Federal truth-in-lending law, for the first Federal garnishment law, for the first Federal truth-in-credit advertising law, for the first Federal extortionate credit law, and for the creation of the National Commission on Consumer Finance. All of these great pioneering Federal achievements in consumer credit protection are included in the bill now before us. I urge my colleagues in the House to vote "aye" on this historic legislation. The Sullivan Consumer Protection Act is a great monument to an outstanding and gracious Congresswoman just as title I of this legislation, the truth-in-lending title, is a legislative monument to former Senator Paul H. Douglas.

While it is Mrs. SULLIVAN's bill, I am sure she agrees with me that its enactment would have been impossible without the legislative skills of the chairman of the Committee on Banking and Currency, the Honorable WRIGHT PATMAN, of Texas, who has proved once again that the bigger the odds against him and against the average citizen in legislative battle, the harder he fights and in this instance, as in so many others, he has fought to win for the public interest. He has been doing that all of his long career in the Congress of the United States.

Mrs. DWYER. Mr. Speaker, the conference report on the bill, S. 5, better known as the truth-in-lending bill, represents a notable achievement. It is far broader, more comprehensive, and potentially more effective than almost any of us believed was possible when action on this legislation began last year.

Many of our colleagues deserve great credit for this accomplishment, and I would mention in particular the chairman of the Subcommittee on Consumer Affairs, the distinguished gentlewoman from Missouri [Mrs. SULLIVAN].

In almost every major respect, Mr. Speaker, the conferees substantially upheld the stronger provisions of the House-passed bill. In the one area which could be considered an exception, open end or revolving credit disclosure requirements, the compromise reached by the conferees represents in my judgment a net improvement over both the House and Senate versions.

The Senate bill generally exempted revolving credit from annual rate disclosure requirements and the House bill established a much too rigid requirement which, in effect, would have forced all revolving credit merchants to state a single arbitrary annual rate despite differences in the actual cost of the credit. The conference report resolves this dilemma by permitting merchants to use an optional means of disclosing revolving credit charges, that is to disclose the average effective rate of return on an annual basis. This compromise should do two important things: First, remove the strong temptation to raise all revolving credit charges to a level which would provide an effective return of 18 percent; and, second, encourage the continuation of competition in the area of interest charges.

Every consumer in America, Mr. Speaker, should benefit from this bill. It will enable consumers to shop more intelligently for credit, to protect themselves from credit abuses, to resist more effectively such brutal rackets as loansharking and second-mortgage abuses, to temper the unnecessarliy punitive effects of unrestricted garnishment of wages, and in general to deal more knowledgeably in the increasingly complex marketplace.

This bill is not perfect, Mr. Speaker. It brakes so much new ground that we must monitor developments very closely to determine that we are making real progress. Much, therefore, depends on the regulations and enforcement procedures adopted by those agencies responsible for administration of the legislation, especially the Federal Reserve Board and the Federal Trade Commission. Consequently, I would hope that our committee will act accordingly and devise a means of systematically reviewing the administration of the new law. We have made a good start, I believe, but we must remember that it is only a beginning.

Mr. ANNUNZIO. Mr. Speaker, I rise today to applaud the members of the conference committee that have brought to this body the conferees substitute for S. 5, the truth-in-lending bill.

I particularly salute the efforts of the distinguished chairman of the House Banking and Currency Committee, the gentleman from Texas [Mr. PATMAN], who performed such an outstanding job of guiding the House conferees through the legislative tangles of the legislation. Chairman PATMAN deserves the praise of every Member of this body and from all consumers for making certain that a strong, workable and effective piece of legislation was reported from the conference committee. And, I am happy to note that because of Chairman PATMAN's guidance, most of the House provisions of the legislation were adopted by the conferees. When the truth-in-lending bill was introduced in the House in July of 1967, I was happy and proud to join with my colleagues on the Consumer Affairs Subcommittee, Representatives SULLIVAN, GONZALEZ, MINISH, BINGHAM, and HALPERN as a coauthor of the legislation and I vividly recall the 6 weeks that the subcommittee spent in putting together a strong bill. It is obvious that the conferees did not forsake our efforts.

I am particularly pleased that the conferees maintained the House provision calling for garnishment controls. As a former Director of Labor for the State of Illinois on the cabinet of Gov. Adlai Stevenson, I well recall the affects that garnishments have not only on employee but on employers. For too long, garnishments have been used as a sword to collect payments for shoddy merchandise, or usurious interest charges.

Mr. Speaker, the truth-in-lending bill being discussed here today is a bill that the honest and reputable merchant can live with and benefit from. It will, however, serve as a deterrent to loan sharks, sharp practice operators and others who would cheat the consumer.

In closing Mr. Speaker, let me say that the truth-in-lending bill is the beginning—not the ending. It is not enough to say we have completed our task in this area and then completely overlook the consumer's plight in the coming years. There are still hundreds of areas that need to be explored and perhaps regulated. We need a review of the operations and the laws that govern the Federal Trade Commission with an eye toward putting more teeth in that Agency's operation. We need to make our judicial system more aware that the age old philosophy of "let the buyer beware" has no place in the 20th century. President Johnson, in his consumer message, rejected the philosophy of "Let the buyer beware" and instead said, "Let the seller make full disclosure."

The 90th Congress has been labeled by some as the consumer's Congress. I think this is a label that we can wear proudly but I hope that future Congresses will strive to also gain that label. Mr. Speaker, I urge the unanimous adoption of the conference report on S. 5.

Mr. MINISH. Mr. Speaker, this is indeed a great moment for those of us who serve on the Subcommittee on Consumer Affairs of the House Committee on Banking and Currency and who had a part in shaping this great piece of legislation. I am proud to have been one of the original cosponsors with the gentlewoman from Missouri [Mrs. SULLIVAN] of H.R. 11601—the most comprehensive consumer credit bill ever introduced in the Congress.

More important than the form in which it was introduced is the form in which we are now about to pass this legislation and send it to the White House. There are provisions in this bill in its final form which no one ever gave us any hope of getting through the Congress. One of those provisions deals with garnishment.

During our hearings on this legislation last August, under the chairmanship of the lady from Missouri, we established a clear case for the abolishment of garnishment. Perhaps someday we will be able to outlaw this form of debtor's prison.

But for the time being, in passing this bill today, we will be striking a blow for the freedom of the oppressed poor people in this country who are victimized by credit outfits not interested in whether the customer can pay for the goods but only interested in how they can force the customer to pay even if it means making his family go without food.

I remember an advertisement a long time ago for a home instruction course in playing the piano. The catch line in that ad was "They laughed when I sat down at the piano." And then the ad went on to explain that after he played the piano they were just amazed at how well he could perform. Well, Mr. Speaker, they laughed when we introduced H.R. 11601 on July 20—a lot of people laughed at a lot of things that were in that bill. But now we are writing them into the law of the United States and I am proud to have a part in that accomplishment.

This legislation will enable the consumer to know what he is paying for credit. It does not regulate credit. It just makes the firms in the credit industry

let the customer know what any transaction is going to cost him in terms of dollars and cents and also in terms of the equivalent interest rate.

Again I want to say that as a member of the Subcommittee on Consumer Affairs and one of the cosponsors of this legislation, I urge the House to accept this conference report. It is the strongest piece of consumer legislation to be passed by Congress in many years.

Mr. SMITH of New York. Mr. Speaker, another provision of this bill is the witness immunity section. From the very beginning Federal law enforcement has been handicapped in its prosecution of racketeers by the Cosa Nostra "Omerta" or code of silence.

Regardless of whether an individual is directly implicated in criminal activities, he may be afraid to testify against racketeers. The witness immunity provision deals directly with this problem. Now, by offering a potential witness immunity from prosecution he will no longer have a valid claim of the fifth amendment and will have to testify. I think, as a result of this, we are going to see quite a few more organized crime prosecutions in the years to come.

Mr. KING of New York. Mr. Speaker, according to a newspaper article not too long ago, which was based on an interview with New York County Assistant District Attorney Michael Metzger, "crime in the street—Wall Street—may prove to be organized crime's most sophisticated effort yet in infiltrating big business."

In less sophisticated times, the loan shark's only goal was the "vigorish," the trade name for interest on the loan. Typically, this was "6 for 5," or a $6 payment for a week's loan of $5. Today, the goal is different; the stakes are higher. The modern Wall Street loan shark loans money in order to exploit the services of the borrower who finds that he cannot repay principal and interest timely.

The technique is simple and effective. The Cosa Nostra acts as a "fence" for stolen securities acquired at bargain prices from petty thieves who stole them from private homes, from messengers on the street or from brokerage houses. The loan shark approaches a Wall Street clerk who needs "fast money" to invest in a "hot tip" he has picked up in the performance of his duties. The tip goes sour. He is unable to pay the interest. Graciously, the loan shark grants a grace period. The price of his generosity is the clerk's agreement to arrange a sale of the stolen securities. The loan shark pockets the profit. The clerk is still in default on his loan.

The added sophistication of this increasingly lucrative illegal activity makes the need for passage of the truth-in-lending bill and the loan-shark amendment contained therein, even more obvious.

Mr. ERLENBORN. I would also like to say something about the syndicate infiltration of legitimate business. Unquestionably, loan sharking is a source of money—yes, but it is also a source of power—unlimited power over individuals and unlimited power over businesses—and therein lies the greater evil and the greater danger.

It is no secret that organized crime has made a wholesale invasion of the private business community. And when the racketeers move in they bring all their corrupt methods with them. A business run by a racketeer will cheat the customer and rob the supplier just as surely as the racketeer himself will.

No one knows for sure just how many racketeer owned and controlled businesses became such only after the original owner became indebted to a loan shark and was ultimately squeezed out by him and his associates. There is every indication, however, that the number is substantial.

It is my opinion that one sure way to stop that number from increasing, and to eventually control this practice is through the passage of the truth-in-lending bill before us today.

Mr. WYLIE. Mr. Speaker, the insidious nature of organized crime, while present with us for many years is being recognized with increasing concern by all citizens as well as law enforcement authorities throughout the country. One of the most alarming features of syndicate crime is the ease with which it has been infiltrating legitimate business establishments, even the Wall Street stock market.

One method used to accomplish this is the practice of making loans available at excessive rates to certain businessmen and then muscling into the business after having placed this foot in the door.

I believe that the provision in the truth-in-lending bill which strikes at such loan sharking will greatly reduce the opportunity of organized criminals to enter legitimate business in this way.

Mr. CRAMER. Mr. Speaker, if there were nothing else to commend the loan-shark amendment which I support, I would welcome it because of the witness immunity provision.

Witness immunity statutes are nothing new. There are in excess of 40 of them on the books in the Federal code but the problem is that most are directed at crimes which are not ordinarily the modus operandi of organized crime.

It is difficult to imagine San Giancana being legitimately investigated for violating a soybean allotment, for example, so the AAA immunity provisions are useless as to him. And so on.

Ever since 1958, we have been trying to get an immunity statute similar to the bills I have introduced since the date of more meaningful application in the organized crime area. Attorney General Rogers asked for one—so did KENNEDY and Katzenbach—even Ramsey Clark and no less than President Johnson have asked this Congress for more immunity powers.

I think, when we pass this truth-in-lending bill, we will have given it to them so far as it relates to this bill.

Because loan-sharking is part and parcel of organized crime—because it is organized crime—I cannot conceive of the racketeer or member of Cosa Nostra who cannot be legitimately investigated under this statute and against whom the witness immunity provisions cannot be used.

Mr. Speaker, today, I think, this Congress will have cracked the underworld code of "Omerta"—silence—and that is doing something.

Mr. MACGREGOR. Mr. Speaker, Mr. Henry Peterson, head of the Justice Department's Organized Crime Section, asked just a week ago for legislation against loan-sharking so that the Federal Government would "have additional weapons to use before greater inroads into the legitimate business community are made by Cosa Nostra and allied syndicates."

The loan-shark amendment to the truth-in-lending bill would open these additional avenues of prosecution. Loan-sharking simply cannot withstand the persistent efforts of effective law enforcement together with growing opposition from an indignant public. This amendment, which would make it a Federal crime for any unlicensed lender to violate any State law limiting the charges on consumer credit transactions, would allow the Federal machinery to enter the fight against the unscrupulous and shocking practices of loan sharks. I strongly urge the passage of this vital legislation so that the relentless fight against loan sharking will make it a crime that literally does not pay.

Mr. TAFT. Mr. Speaker, loan-sharking is an ugly crime. It preys upon the needs of not only the urban poor but businessmen from the ghettos of America through the high-rise buildings of Wall Street. In December 1967 the House Republican task force on crime reported that loan-sharking was organized crime's second largest source of revenue. The truth-in-lending conference report, which contains the loan shark amendment, marks a major step in the battle against crime. The amendment gives Federal law enforcement officers a major weapon. It is the first step of what the House Republican task force on crime hopes will be many.

Mr. DEVINE. Mr. Speaker, one of the significant features of the loan shark amendment is the fact that it expands Federal investigative jurisdiction into loan sharking activities.

Presumably the Federal Bureau of Investigation will be involved in most of the investigations under this new statute. Up until now, they have been able to investigate loan sharking only infrequently and under another statute, the Hobbs Act, which is, in fact, an extortion statute.

Doubtless the Federal Government will not be able to prosecute every violation the FBI investigates. However, in those instances they will be able to turn over the fruits of their investigations to state and local prosecutors who will be able to prosecute.

Mr. WYMAN. Mr. Speaker, I am today voting for the truth-in-lending conference report. It is a step that has been too long delayed. It is a bill that will go down in history as the first major effort on the part of the Congress to protect American consumers. At the same time it contains a proposal that would make loan sharking, the practice of lending money at exorbitant rates of interest, illegal. The amendment which was added

in the House by Republican Congressmen, gives Federal law enforcement officers a major tool in combating organized crime in America. I would hope that other measures aimed at organized crime's many other sources of revenue follow.

Mr. PIRNIE. Mr. Speaker, the House today has an opportunity to take a major step in combating organized crime. The truth-in-lending conference report contains the Republican-sponsored loan shark amendment which would arm Federal law enforcement officers with the power to step into what has been called organized crime's second largest moneymaker. The proposal could also be used as a model by State legislatures.

We are all aware of the multibillion-dollar organized crime network that has, until this time, operated almost unhindered in America. I hope this marks only the first step in crushing this vicious disease.

Mr. RAILSBACK. Mr. Speaker, the role of poverty in the cause of aggravation in America is seriously being investigated and debated, not only in Congress, but throughout the Nation. One uncontestable relationship between poverty and crime is the way in which operatives in the crime syndicate frequently force the poor to join them. Many individuals who need money can frequently borrow it only at exorbitant rates of 20 percent a week or even more. When the victim of such loan-sharking practices cannot repay, the lives and safety of them and their families are threatened unless they cooperate with the organized criminal in their nefarious activities.

The provision against loan sharking and the bill before us will go a long way toward stopping this practice, thereby denying to organized crime this source of recruits, of financial resources, and of entrance into legitimate businesses which they can use as covers for other illegal activties.

I strongly urge support and passage of the legislation before us today.

Mr. CONABLE. Mr. Speaker, in a year that is characterized by a growing awareness of the problem of crime, as well as the need for protection of consumers in business transactions, one of the most significant actions to take place in Congress has been, in my opinion, the enactment into the truth-in-lending bill of the provision against loan-sharking.

The practice of charging those least able to afford it, extortionate and illegal interest rates is an insidious activity that saps what little financial strength many of our urban poor possess. I believe that when final enactment of this very meaningful legislation is effected, this provision will provide Federal law enforcement officers with the much needed tools in this fight.

Mr. MATHIAS of Maryland. Mr. Speaker, in attacking the problem of crime in America one approach has been to increase the number of law enforcement officials, their training and their operations. But without a corresponding, well-developed set of procedural tools to enforce these laws, the authorities can also find themselves helpless in the face of spiraling crime.

Such is the case with organized crime in which we see through the use of loan-sharking methods the poor being driven to criminal activity to repay loans as well as the entry of organized crime into legitimate businesses.

The provision in the truth-in-lending bill striking at the loan-sharking practices, I believe, will give our law enforcement authorities one of these badly needed legal tools to combat this scourge on our society.

Mr. RODINO. Mr. Speaker, this is indeed a landmark day in the long struggle to provide protection for the American consumer. For with adoption of the conference report on S. 5 we have taken a most significant step in safeguarding consumers from the abuses and injustices of many credit and lending practices and in preventing excessive or deceptive credit charges.

Americans live in a largely credit economy, and a good credit rating is certainly highly desirable and, indeed, often a necessity. Today most Americans rely on credit to some degree and the practice is increasing. Outstanding consumer credit today totals $95 billion; $75 billion takes the form of installment credit, while interest costs on consumer credit alone amounted to nearly $13 billion in 1966.

The magnitude of this business makes it imperative that the borrower know the cost of this important part of his budget, just as he knows the price of the loaf of bread or bottle of milk he buys.

S. 5 will assure a meaningful disclosure of credit terms, including the House provision requiring disclosure of the annual interest rate on revolving charge accounts. Consumers will thus be able to compare the cost of borrowing money and of installment purchases and can avoid the uninformed use of credit. It should also encourage a healthy competition among lending institutions.

This far-reaching measure also includes a long overdue restriction on the garnishment of wages. It is not as strict as the House-approved version, but nevertheless represents a signal breakthrough in this important area. As approved by the conferees, 75 percent of a worker's take-home pay after all legally required deductions—or $48 a week, whichever is greater—will be exempt from garnishment. And employers will no longer be able to fire an employee by reason of a single garnishment of the employee's wages.

Another important feature of the measure is establishment of a Commission on Consumer Finance to study and appraise the functioning of the consumer finance industry with respect to the adequacy of existing arrangements to provide credit at reasonable rates and the mechanisms to protect the public from unfair credit practices. Its findings are to be reported to Congress by January 1971.

Mr. Speaker, as a cosponsor of the House version of the truth-in-lending bill, I am proud and pleased to have had a part in bringing this most essential and effective consumer protection legislation closer to enactment. I anticipate early Senate approval of the conference report and Presidential signature into law.

Mr. COHELAN. Mr. Speaker, I am pleased that we are today considering the final step in the passage of the truth-in-lending bill.

This bill as it was passed by the House made mammoth strides in credit cost disclosure. After 10 years of congressional effort this measure has come to this final vote.

While the measure reported out by the conference committee is not as stringent in some regards as the one we enacted in the House, I believe that it can safely be said that this is the most significant item of consumer legislation to be passed by the Congress in this decade.

This measure will require disclosure of almost all retail credit costs whether in bank loans, installment credit sales, or department store revolving credit plans. Further this disclosure will be in a form which will be easily comparable and thus consumers will be able to shop for credit as they do now for other consumer products.

This bill too will require disclosure of credit costs in the advertising of credit—a substantial advance.

In addition this measure will, in 2 years, provide protection for workers from the garnishment of most of their wages, removing one of the serious worries of many workers.

In short this is a landmark measure—one which will extend honest competition to the consumer credit market and which will offer all of us protection from transactions formerly too susceptible to misrepresentation.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and to include pertinent extraneous matter on the conference report just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CALL OF THE HOUSE

Mr. WYDLER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 147]

Ashley	Fraser	Jones, Mo.
Bates	Gardner	Kluczynski
Blatnik	Garmatz	Kuykendall
Brock	Gilbert	McMillan
Brown, Calif.	Green, Oreg.	Miller, Calif.
Burton, Utah	Griffiths	Nelsen
Carter	Halleck	Olsen
Corman	Hanna	O'Neill, Mass.
Cowger	Hansen, Idaho	Poage
Edwards, La.	Hardy	Pool
Ford, William D.	Hébert	Resnick
	Holland	Roybal

Saylor	Stubblefield	Waggonner
Scheuer	Teague, Tex.	Wilson,
Selden	Tenzer	Charles H.
Stratton	Tunney	

The SPEAKER. On this rollcall 385 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

PERMISSION FOR COMMITTEE ON APPROPRIATIONS TO FILE REPORT ON STATE, JUSTICE, COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS, 1969, UNTIL MIDNIGHT FRIDAY, MAY 24

Mr. ROONEY of New York. Mr. Speaker, I ask unanimous consent that the Committee on Appropriations may have until midnight, Friday, May 24, 1968, to file a report on the State, Justice, Commerce, the judiciary, and related agencies appropriation bill for fiscal year 1969.

Mr. LIPSCOMB reserved all points of order on the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

TRUTH-IN-LENDING CONFERENCE REPORT

Mr. CAHILL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. CAHILL. Mr. Speaker, it may come to you as it did to me as a great surprise to learn that the conference report on the very important truth-in-lending bill has passed the House.

It came as a surprise to me because I had been assured that I would be given at least 5 minutes during which to address my remarks to some of the very vital changes that were made between the time the bill passed the House of Representatives and the time it came back in the form of a conference report.

Mr. Speaker, in my judgment the truth-in-lending bill is not nearly as strong or as helpful to the consumers of this country as it was when it passed the House of Representatives.

I had hoped to bring to the attention of the Members of the House, as I am sure several other Members on my side of the aisle hoped to bring to the attention of the Members of the House, some of these changes.

I do not understand why the chairman of the committee, whom we understand was on the floor, did not ask for such time as was indicated so that it could be fully explained.

I am sure the Members of the House will recall that there were three amendments that I presented and which were accepted unanimously by the chairman and by the House. The amendments had to do with certain mortgages.

One of the really great abuses that is going on in this country today, prompted one of the amendments which was accepted. It required that the lender give 3 days' notice to anyone who is using his real property as collateral security for a loan so that the individual borrower would know exactly what the charges were.

Well, that has all been changed now. The bill now provides that if this information is not supplied, the borrower can have 3 days after the fact to rescind. So I want the Members to know that the truth-in-lending bill is not the great bill that it was when it left the House of Representatives. I hope that I will be given the opportunity to point out to the Members of the House some of the important changes that have been made and to develop necessary legislative history.

CONFERENCE REPORT ON TRUTH-IN-LENDING BILL

Mr. POFF. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. POFF. Mr. Speaker, one of the essential components of the legislative process often is the writing of legislative history. Courts which undertake to interpret congressional intent in future years will find a want of true legislative history when they read the CONGRESSIONAL RECORD for today.

I believe it is regrettable that the procedure which was followed left no Member an opportunity to express what he conceived to be the purpose and effect of the new language which was written into the truth-in-lending bill by the committee on conference.

The only opportunity we now have to supply this information is to avail ourselves of the unanimous-consent request which was granted to revise and extend our remarks.

Mr. Speaker, I shall certainly avail myself of that opportunity, and I hope that every Member of the House who has some individual meaningful viewpoint on any element of the bill will do likewise.

CONFERENCE REPORT ON TRUTH-IN-LENDING BILL

Mr. GERALD R. FORD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. GERALD R. FORD. Mr. Speaker, I share the views of the gentleman from Virginia. It was fully expected, as far as I know, that there would be a discussion of the conference report on this very important legislation.

I know that the ranking Member on our side, the gentleman from New Jersey [Mr. WIDNALL] was here at the time, and it was known to the chairman of the committee that the gentleman from New Jersey [Mr. WIDNALL] and others on our side wanted time. I have good reason to believe that Members on the other side of the aisle had also expressed their requests to the chairman to be allocated time during the anticipated debate on this important legislation.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I will be glad to yield to the distinguished majority leader.

Mr. ALBERT. Mr. Speaker, I will advise the distinguished minority leader that I did not know Members were desirous of speaking on the bill, but I do know that the gentleman from Mississippi raised a point, and that the gentlewoman from Missouri [Mrs. SULLIVAN] did say that she would put a full explanation of the bill in the RECORD, and that the gentleman from Texas received permission, if I am not mistaken, for all Members to extend their remarks.

I believe that there was no effort on the part of anyone to cut off time, or to cut off anybody. I believe it just happened quickly, and there were very few Members on the floor.

Mr. GERALD R. FORD. May I say that I was here before the session started, and I was on the floor up until just seconds before this matter came up. When I left the floor to go into the Speaker's lobby on business concerning my State of Michigan, the gentleman from New Jersey was here, and the gentleman from Illinois [Mr. ARENDS] was here.

It is my understanding from what I have heard from others that the chairman of the committee, the gentleman from Texas, did not ask for time at the time he brought the matter to the floor of the House, and it is our feeling that by his failure to ask for time—and he is the only one who can officially ask for such time—that Members on our side, and I suspect others, were deprived of an opportunity to discuss in person the very important legislation which went through the House in a matter of seconds. I regret that this unfortunately took place.

CONFERENCE REPORT ON TRUTH-IN-LENDING BILL

Mrs. SULLIVAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentlewoman from Missouri?

There was no objection.

Mrs. SULLIVAN. Mr. Speaker, I would like to say that all of us on this side, and I also consulted with the gentleman from New Jersey [Mr. WIDNALL], the ranking minority member of the Committee on Banking and Currency, expected that we would have an hour on the conference report and that we would split the time, each side taking one half-hour, expecting this discussion to go on.

But when the question was put on passage, everyone accepted it.

Now I do not know—I have been taught by Speakers Rayburn and MCCORMACK that when you are winning on a bill here, you do not object to its passage; you sit down before you lose.

But may I say that no one had any intent or purpose of cutting off debate or cutting off explanations.

I want to assure the gentleman from New Jersey [Mr. CAHILL] that the substance of his amendments is in this conference bill. We had to fight hard and long and bitterly to keep them in the bill.

So far as the provision of the House bill for 3 days' notice before an agreement could be consummated with the door-to-door salesman, for instance, or anyone else, on a contract involving a residential mortgage, the amendment of the gentleman from New Jersey meant that a salesman would have had to come back in 3 days to nail down the order.

The final version of it now is that the buyer has three days grace in which to look over what he had signed, after he was told that he was signing a mortgage. Then if he decided that he did not want to go through with it, he could rescind it.

But another thing was put into this section in conference which strengthened the amendment of the gentleman from New Jersey [Mr. CAHILL]. If the seller leaves the item at the house of the buyer and the buyer decides after 3 days that he does not want it, and he rescinds the mortgage agreement, if the seller does not come back to pick up this item after a 10-day period, the buyer can keep this item and he does not even have to pay for it, because the burden is put on the seller when a mortgage on the buyer's residence is involved in one of these sales transactions.

Mr. CAHILL. Mr. Speaker, will the gentlewoman yield?

Mrs. SULLIVAN. I am happy to yield to the gentleman.

Mr. CAHILL. The gentlewoman has, I think, dramatically illustrated the need for a colloquy so that, as the gentleman from Virginia pointed out, we could establish some legislative history.

I do not read the amendment as the gentlewoman from Missouri reads it. I think there are serious questions as to interpretation.

I would also say in my judgment one very serious question goes to section 203(5)(e) where, as I read it, the acknowledgement of a receipt is conclusive proof and its is not a rebuttable presumption and this may very well deprive a suitor in court from establishing a claim for damages.

My only point, I will say to the gentlewoman, is that it seems to me, and I am sure she will agree, that this certainly was one bill, with the multitude of changes that were made in it, that deserved the establishment of a legislative history.

Mrs. SULLIVAN. May I just answer the distinguished gentleman and say that I am not a lawyer but counsel tells me that the gentleman is absolutely wrong in his assumption on this particular matter.

Mr. CAHILL. Mr. Speaker, if the gentlewoman will yield further?

Mrs. SULLIVAN. I yield to the gentleman.

Mr. CAHILL. I had a colloquy with counsel—and in my judgment counsel is absolutely wrong.

Mrs. SULLIVAN. Perhaps there was a misunderstanding between counsel and the gentleman. Earlier in the colloquy, the gentleman referred to a provision in section 203, which I assume is a reference to the House-passed bill. Now, I do not think we need get into a discussion now of what construction a court might have put on that language, had it been enacted into law. I can say that we never intended it to have the effect that the gentleman has suggested. However, section 125(c) of this bill very flatly states that where a real property security interest is involved, written acknowledgment creates only a rebuttable presumption of delivery.

Section 125(c) means just what it says. Section 131 has been very carefully drawn so that it has no applicability to any action involving a real property security interest subject to section 125—regardless of whether against the original creditor or against any assignee—and no applicability to any action against the original creditor, regardless of whether a real property security interest is involved.

May I say, Mr. Speaker, we had a very, very difficult time in conference in keeping a strong bill. We had to give on many details because we went in with 10 provisions in our bill that were not in the Senate bill. May I say we came back with those 10 provisions. But we did have to modify most of them in some way some—but we have not lost the real intent of the consumer credit protection act that the House passed on February 1.

I think we can all be proud of the bill that the conferees did turn out. Furthermore, there will be a whole year to work out the regulations before this goes into effect. The Board of Governors of the Federal Reserve must come up with these regulations within that time, and there will be full opportunity to review all of them for effectiveness in carrying out our intent.

And do not forget that the new Commission set up under this bill can also be going into this problem.

PARLIAMENTARY INQUIRY

Mr. CAHILL. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state the parliamentary inquiry.

Mr. CAHILL. Mr. Speaker, would it be in order for a Member to move to rescind the action heretofore taken by the House?

The SPEAKER. A motion would not be in order. But it would be in order for a unanimous-consent request to be made.

Mr. CAHILL. I thank the Speaker.

Mr. Speaker, may I be recognized for that purpose.

The SPEAKER. The Chair will entertain such a request, but prior to that the Chair recognizes the gentleman from Mississippi [Mr. COLMER], who is seeking recognition.

PERMISSION FOR COMMITTEE ON RULES TO FILE PRIVILEGED REPORTS

Mr. COLMER. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

PERSONAL ANNOUNCEMENT

Mr. BROWN of Ohio. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. BROWN of Ohio. Mr. Speaker, I would like to announce my position on a vote which I missed Monday, May 20, due to my presence in Ohio.

I would have voted in favor of H.R. 15387, regarding assaults on postal employees.

CONFERENCE REPORT ON THE TRUTH-IN-LENDING BILL

Mr. BOLLING. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. BOLLING. Mr. Speaker, I read the RECORD this morning, and there I saw that the first order of business today was going to be a conference report on truth in lending, so-called. I have listened with some interest to the colloquy that has been going on for some time on the matter. Frankly, I did not see the truth-in-lending conference report agreed to, but I certainly knew that it was scheduled.

INTERSTATE TAXATION ACT

Mr. ANDERSON of Tennessee. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 814 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 814

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2158) to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce. After general debate, which shall be confined to the bill and shall continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the five-minute rule. It shall be in order to consider, without the intervention of any point of order, the text of the bill H.R. 8798 as an amendment to the bill. At the conclusion of the consideration of H.R. 2158 for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Tennessee will be recognized for 1 hour.

Mr. ANDERSON of Tennessee. Mr. Speaker, I yield 30 minutes to the distinguished gentleman from California. [Mr. SMITH], pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 814 provides an open rule with 3 hours of general debate for consideration of H.R. 2158 to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce. The resolution further provides that it shall be in order to consider, without the intervention of a point of order, H.R. 8798 as an amendment to the bill. H.R. 8798 would provide a system for the taxation of money earned outside a State.

H.R. 2158 deals with liabilities for State and local corporate net income taxes, capital stock taxes, and sales, use, and gross receipts taxes with respect to the sale of tangible personal property. This bill results from 5 years of extensive study, spearheaded by the able and distinguished chairman of the Subcommittee on State Taxation of Interstate Commerce, the gentleman from Louisiana [Mr. WILLIS].

No Federal administration or supervision is provided and there is minimal interference with State taxing discretion and revenue. The guidelines in the bill are essentially procedural—permitting State and local governments to pursue their tax policies with respect to interstate companies in a manner consistent with the realities of a multistate or nationwide business.

To accomplish these objectives the bill: first, provides a uniform jurisdictional rule based on the maintenance of a "business location" for the imposition of corporate net income, capital stock, and sales use and gross receipts taxes with respect to the sale of tangible personal property; second, provides an optional two-factor—property and payroll—apportionment formula for smaller companies for the division of net income or capital; third, in the sales and use tax area provides rules for locating sales for tax purposes in the State of destination, credits for prior sales or use taxes paid, exemption for household goods of new residents, uniform treatment of freight charges, accounting for local sales taxes, conclusiveness of resale and exemption certificates, and encouragement of direct payment of sales or use tax by business buyers; fourth, prohibits charges for out-of-State audits; fifth, provides a remedy for geographical discrimination by the States in the sales tax and gross receipts tax area; and sixth, provides for continuing evaluation by Congress of State progress in resolving problems not solved by the bill.

Mr. Speaker, I urge adoption of House Resolution 814 in order that H.R. 2158 may be considered.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON of Tennessee. I yield to the gentleman from Missouri.

Mr. HALL. Mr. Speaker, I am sure the distinguished gentleman from the Committee on Rules knows that it has been repeatedly stated here, that where we have a resolution making another bill in order, the Committee on Rules in its wisdom plans to develop for all the Members concerned the "criteria" as to why points of order are waived. I realize House Resolution 814 is dated July 25, 1967. It is an old rule which has been often delayed for reasons unknown to me but I presume it is controversial. I wonder if the gentleman would advise us why there is a bar to intervention of any point of order, on line 12 on the first page of House Resolution 814 and continuing on line 1, page 2 thereof. This precludes any point of order being offered to the text of the bill H.R. 8798—which no Member has available—as an amendment to the bill.

Obviously, it is the intention to make such an introduction in the form of an amendment under the 5-minute rule, which is allowable, but this is more strange than usual. Why in the wisdom of the Committee on Rules was preclusion of points of order allowed, and who so recommended?

Mr. ANDERSON of Tennessee. Mr. Speaker, this was an action on the part of the Rules Committee. The committee felt that almost certainly H.R. 8798 as an amendment would be in order, and it was felt it was such an important matter that there should be a positive action on the part of the Rules Committee to insure that.

H.R. 8798 relates to a separate area of taxation. However, it addresses itself to a problem which has many similarities to H.R. 2158, and the Rules Committee felt that the House should have the opportunity to consider the area of personal taxes, which is covered by H.R. 8798, a measure designed to prevent double taxation on a personal basis, just as H.R. 2158 addresses itself to double taxation on a corporate or business basis.

Mr. HALL. Mr. Speaker, if the gentleman will yield further, does he mean to imply that H.R. 8798 simply prevents or precludes double taxation of outside-of-State personal income that comes within the so-called interstate purview?

Mr. ANDERSON of Tennessee. That is not the understanding of the intent of H.R. 8798. Our understanding does not necessarily relate to dividends, but it does relate to earned personal income, and it is designed to cut double taxation in that area.

Mr. HALL. Mr. Speaker, was the Committee on Rules advised on what point H.R. 8798—which since this colloquy has begun has been handed to me—will be entered into H.R. 2158?

Mr. ANDERSON of Tennessee. I believe the plan will be that it will be introduced as title VI to the bill.

Mr. Speaker, I reserve the balance of my time.

Mr. SMITH of California. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, House Resolution 814 will provide an open rule, with 3 hours of debate, for consideration of the Interstate Taxation Act, H.R. 2158. It will make H.R. 8798 in order as an amendment.

It is my understanding that this particular rule does not waive points of order as against H.R. 8798. It can be amended in any way. We are taking one bill which has to do with one subject and placing it into another bill, and in order to make it germane this language "without the intervention of any point of order" has been introduced, as on every rule. There is no intention to waive points of order, as we have been discussing over recent months. This has to be to get the bill in a position so that it can be before the House.

H.R. 8798 has to do with imposing taxes on individuals. The main statement or explanation of it is that no State or political subdivision shall impose for any taxable year an income tax on the income of any individual which was earned or derived during any period while the individual was not a resident of the State except to the extent the income was earned or derived from sources within the State.

We felt this was a good place to consider that question, in the Interstate Taxation Act.

This particular rule on H.R. 2158 was adopted by the committee more than a year ago.

As Members know, this is somewhat of a controversial bill. Some States are for it. Some are against it. Some businesses in one State are for it and some of the same businesses in another State are opposed to it.

I do not know of any particular objection to the rule itself. I should like to try to explain my understanding of this bill.

The purpose of the bill is to establish Federal criteria to be followed by the States in their taxing policies with respect to out-of-State businesses.

Until 1959 such businesses had few problems with the States. If they were not physically in a State with a "business location"—a sales force and a stock of goods—they were as a general rule not taxed because they were an interstate corporation and State taxation was considered to be an encumbrance on interstate commerce. In 1954 the Supreme Court held that a corporation was taxable on the portion of its income earned within the taxing State even if it were not engaged in intrastate business there. In 1960 the Court held that a State could require sellers in interstate commerce to collect its sales and use taxes. This second decision, more than the first, spurred Congress to action in the 86th Congress and now in the 90th. H.R. 2158 is an attempt to define what "contacts" a business must have within a State to come within its jurisdiction for tax purposes.

Three taxes, net income, capital stock, and a gross receipts tax are covered by title I. Under the bill, no firm doing less than $1,000,000 Federal net taxable income will have a tax obligation to any State unless it has a "business location" within the State. Three tests are provided, any one of which will give the firm a "business location" for tax purposes: First, owned or leased property within the State; second, a full-time employee whose duties are more than taking orders; or third, maintaining a stock of goods for sale.

Businesses earning more than $1,000,000 will get no help under this bill. They will be subject to the same taxing situ-

ations they currently find themselves facing.

Under title II, if a firm is liable for State income taxes, it has an option of determining how much of its income is subject to taxation. Current State formulas use three factors: Payroll, property, and sales within the State. The Federal formula does not include sales, only the first two. This has caused some concern among a number of States.

Title III cover sales and use taxes and their collection by out-of-State sellers. Here no $1,000,000 limitation applies; all interstate companies selling in a State can be required to collect and remit such taxes if they meet the jurisdictional tests provided by the bill. An interstate sale must have its "destination" in a State in order for that State to impose a sales tax or require the seller to collect it. The three tests of title I are carried over—owned or leased property, full-time employee, and an inventory of goods—and a fourth test is added; jurisdiction is found if the company regularly makes household deliveries in the State. As in title I only one test needs to be met to subject the company to taxation.

Mr. HUTCHINSON has filed separate views, making several points. He finds the two-factor Federal formula for computing tax liability imposed under title II to be bad public policy, a Federal infringement upon a State's right to tax its taxpayers under its own laws. Title II provides, in effect, a Federal formula for paying State taxes.

He notes that the States have generally requested that the bill either be defeated or that, if passed, it be amended to include further tests which if met would make a company subject to State taxation for a broader range of action within a State than the bill now provides. He correctly points out that to do so would be the same as killing the bill from a practical standpoint as the States want to add tests which amount to permitting them to continue under the bill what they are doing today.

I am not aware of any objection to the rule, and I urge its adoption.

Mr. WHITENER. Mr. Speaker, the objectives of this bill are essentially simple and sound. As was stated in the committee report accompanying H.R. 2158, it is our purpose to preserve, reaffirm, and revitalize the basic principle of free trade between the various States and subdivisions of the United States.

I doubt whether there is any schoolboy—any scholar—any economist in our land—who will dispute the importance of this basic principle. I also doubt that any Member of Congress will argue that it would strengthen our States and stimulate our economy to permit trade barriers to exist along State lines. Yet, simple as our objectives may be, some of the opponents of the present measure have attempted to cloud our efforts with confusion and make our purposes obscure.

Our program is first and foremost a program to protect the many small businessmen all over the country who are rapidly losing the ability to compete in the Nation's marketplaces. The findings of our subcommittee have made it conclusively clear that the small companies which have traditionally provided the backbone of our economy simply cannot cope with the present chaotic system for taxing interstate commerce. Indeed, most small companies are not even aware of all the laws which threaten them; and those which are aware simply cannot afford the recordkeeping facilities necessary to comply.

As a result of the plight of the small businessman, the basic economy of every State is threatened. Although the types of companies involved may vary from State to State, and district to district, essentially the problem is the same all over the country. To understand this problem, I would suggest that each Member of Congress consider the economy of his own local area.

In each corner of the Nation you will find large numbers of small businessmen who are handling locally made products—products which have a distinct regional flavor, and of which the local business community is justifiably proud. You understand better than I the economic importance of the products that flow into the national market from your own congressional district.

For example, I need not remind the gentlemen from Maine of the importance both to Maine, and the entire Nation, of the lobster and sardine industry. The gentlemen from Florida, more than I, know of the economic importance of the oranges, the grapefruit, the outstanding hotels and resorts which are to be found in the Sunshine State and which the citizens of the entire Nation enjoy. Indeed, if the gentlemen from Florida can be matched in their eloquence on these matters, it is only by the eloquence of many of the distinguished gentlemen from California who, likewise, are very articulate on the subject of citrus fruits, as well as on the subject of wine, and a wide variety of other products which originate in their great State of California.

We all appreciate the fine cheeses of Wisconsin, the wheat products of Minnesota, pickles packed in Michigan, meat products distributed from Chicago, maple sirup from Vermont, and hams and peaches from Georgia. All of us have received pleasure from films made in California, and phonograph records made in New York. We enjoy textiles and furniture from North Carolina, glassware from West Virginia, and costume jewelry from New Mexico and Arizona. Every area of the Nation makes its own major contributions to our common good.

For many months our subcommittee heard testimony from businessmen representing every sector of our economy, each seriously threatened by the present chaotic system. To give just a few examples: we heard from suppliers of automobile parts and precision tools from Michigan and Indiana—from shippers of fruit in Florida—from lumber dealers in the Far West—from garment manufacturers in New York and in the South. We heard from nurserymen who grow roses in Texas—and others who grow tulips in Oregon—from distributors of chemical products from West Virginia, Delaware, and Louisiana—from the publishers of small magazines in the Midwest, and a publisher of southern recipes from Alabama. Although many of these companies are small family businesses, their products may find their way into every village and hamlet in the United States. Any semblance of compliance with the present system is literally impossible for these companies.

I believe that if each of you were to consider the local products which flow from your congressional district into our national common market you will understand why this legislation will benefit every congressional district, and every State. The bill before us simply reaffirms the principle that the small local businessman who handles these local products ought to have access to the national market without being crippled by complex and chaotic regulatory requirements. If the present bill is viewed in this context, then its benefits cannot be disputed, and the responsibility of Congress is clear.

Unfortunately, the simplicity of our proposals has been made obscure by the one group in the United States which stands most to benefit from chaos and confusion—the professional tax administrators. Under the present chaotic system the tax collectors have broad administrative discretion. It is an uncontroverted fact that the States simply cannot enforce their laws against all of the out-of-State companies that are theoretically liable for a tax. As a result, the administrators merely "skim the cream," as they themselves put it. Since the small businessman who ships goods into the national market likewise cannot possibly comply with the laws of all 50 States, and thousands of localities in which he may be theoretically liable for a tax, the broad discretionary powers of the tax administrators hangs over his head like a sword of Damocles. It is not surprising that the tax administrators are reluctant to accept any limitations on their present broad powers and that they oppose the establishment of uniform jurisdictional rules.

Since some Members of Congress may raise the same objections to this bill that have been raised by some of the tax collectors, I would like to anticipate these objections, and to evaluate them in the light of the extensive findings of our committee.

One of the most common objections made by the tax collectors to our program is based on the false claim that the program has been hastily conceived, and has failed to take into account the experience and practice of the tax administrators generally. This issue ought finally to be laid to rest.

Many of you will no doubt recall that our program was initiated more than 8 years ago in the 86th Congress when this body enacted Public Law 86–272. In the years that have passed since the 86th Congress, the Judiciary Committee has, in fact, conducted one of the most extensive investigations ever conducted in the entire history of the Congress.

Starting in 1959, we established an advisory committee of distinguished experts from the business community, the academic community, and from State governments. We also assembled what the New York Times referred to as a "blue ribbon" staff to conduct our own

investigations of the interstate tax problem. We held lengthy hearings in 1961, and again in 1962. We devoted 5 years to extensive study, communicating with every State tax administrator in the United States, officials of numerous cities and counties, and literally tens of thousands of businessmen all over the country.

The relevant tax laws of every one of the States were analyzed in great detail, as were the decisions of the U.S. Supreme Court, and decisions of State courts. These studies were then augmented by an exhaustive investigation of the actual compliance and enforcement patterns of thousands of companies in all of the States. At the same time, using all of the most modern data-gathering techniques, we compiled detailed estimates of the revenue effects on all of the States of various alternative proposals. Finally, in 1966 we again held extensive hearings of more than 3 months duration, and invited tax administrators from every State in the United States to testify. Altogether our committee has published eight full volumes of material on this subject, and our study has become the definitive work in the field. There can be little doubt that we have done our homework.

This brings me to a second claim which has been made by some of the tax administrators concerning our program.

During the past year some of the tax administrators have informed various congressional delegations that the present bill would have serious effects on State revenues. These claims have not been documented by verifiable statistical studies. They are based solely on unfounded conjecture, and totally disregard all of the data collected by us. As a member of the subcommittee, I have given the most scrupulous attention to the problem of revenue effects, and feel confident that we have developed the true facts, and accurate figures. With your indulgence, I would like to review these facts and figures for you.

In the CONGRESSIONAL RECORD of May 21, 1968, at page 14291, there appears a complete tabulation of the revenue effects of H.R. 2158 on each of the 50 States. This tabulation presents in summary fashion a condensation and evaluation of all of the data and information accumulated by our committee over an 8-year period. I urge you to consider this material with the utmost care, if you have not already done so. Each Member of Congress will find that our program will cause no significant gain or loss in revenue to his State.

Since the material is already available to you, it would serve no useful purpose for me to review the effects on each State in detail. Instead, I would like, frankly, to give you the benefit of the experience which we on the committee have had in evaluating the revenue aspects of the proposals embodied in H.R. 2158.

When we were studying the interstate tax problem and had not yet made any recommendations, the Council of State Governments had already published a study indicating that a resolution of the corporate income tax problem alone would be well worth the price if no State were to lose much more than 1 percent of its total revenue. Now I want to emphasize that this criterion of the Council of State Governments applied to only one type of tax—the corporate income tax. In other words, it was assumed that a loss of 1 percent of a State's total revenues—not corporate income tax revenues, but total tax revenues from all tax sources—would be a loss which would be well worth the price in view of the long-term beneficial effects on the State's tax system of resolving the corporate income tax dilemma.

In recommending H.R. 2158, I am extremely pleased to be able to assure my colleagues that our committee has been so devoted to its task, and scrupulous in its attention to the revenue needs of the States, that the criterion established in the study of the Council of State Governments has been more than met by H.R. 2158. If 1 percent of a State's total revenues is a moderate price to be paid for a resolution of the corporate income tax problem alone, then certainly a bill which covers four major types of taxes, and has a combined effect of much less than 1 percent on the revenues of any single State, is a bill which warrants the wholehearted support of all of us.

I can assure you that most States would have an immediate gain or loss of less than two-tenths of 1 percent of their total revenues. We have more than accomplished our goal. Indeed, the simple fact about this bill—based on an honest evaluation of every bit of information and data made available with the full resources of the Congress—is that two-tenths of 1 percent of total revenues represents the maximum possible gain or loss to any single State in the United States.

Before leaving this extremely important matter of revenue, let me make one point absolutely clear. It is obvious that a loss of two-tenths of 1 percent of a State's revenue is not going to be significant to that State—indeed no State can predict its anticipated revenue yield for next year within that close a margin. However, the fact that we have predicted a "loss" for some States does not mean that any State will, in the long run, lose revenues. Any "loss" predicted by us simply represents our evaluation of the effect of the bill in an immediate sense on current practices. In a larger sense, each State clearly stands to have its revenues substantially increased as a result of this measure.

These inevitable increases in State revenues will obviously result from two basic aspects of the Interstate Taxation Act. First, the removal by the act of the present trade barriers will foster and stimulate the growth of local industry in every State; the growth of local industry will likewise be reflected in increased local revenues. Second, under uniform standards, it will be easier for tax administrators to enforce their laws, and easier for taxpayers to comply—likewise resulting in greater revenue yields for all of the States.

I believe we all should remember that the simplest and most obvious way to increase State revenues is to strengthen the economies of the States. The present bill will do just that. The other simple way to increase revenues is to reduce governmental administrative costs. The present bill will do that. What is also significant is that these goals are accomplished without the expenditure of one dollar of Federal funds, and without the use of any Federal agency. Under these circumstances the enactment of this program will surely be commended as one of the outstanding legislative achievements of the 90th Congress.

This leads me then to anticipate still another objection which many of the tax administrators are raising to the present measure—an objection which is perhaps the most farfetched of all. Because of the efforts of our committee to provide an orderly system for State taxation of interstate commerce, the cause of States rights has suddenly acquired a host of new adherents. The tax administrators, en masse, have attempted to persuade many Governors and many Members of Congress that this program—which was initiated 8 years ago by such able legislators as the late Senator Harry Byrd, of Virginia, and Francis Walter, of Pennsylvania, as well as ED WILLIS, of Louisiana—is a program designed to undermine the autonomy of State and local governments.

During our hearings last year we heard a number of tax administrators argue that for Congress to legislate in this area would abridge the inherent powers of the States. Indeed, the official position of the National Association of Tax Administrators is that Congress ought to discontinue all consideration of the interstate tax problem, and leave it entirely to the tax officials to find their own solutions. Although I do not doubt the deep sincerity of this view, I frankly feel that there is a false premise to the political philosophy of many of the tax collectors. As a Member of Congress who has consistently opposed any form of Federal encroachment on genuine State powers, I can assure you that far from detracting from the powers of State governments, the present measure will, in fact, preserve and strengthen the power of the States.

The most cursory study of American history teaches us that trade barriers between the States weaken all of the States, and that the greatest single source of economic strength for each State has been in the freedom of its local business community to enjoy the fruits of a single national market. From my own studies of American history, I can recall only two times in the past when the notion was seriously advanced that each State could better thrive economically if it were given the power to shift its tax burdens on to businesses located beyond its own borders.

The first time this notion was seriously advanced was when the great debates took place over the ratification of our Constitution. Fortunately, for all of us—and for the whole world—the concept of trade barriers between our States was rejected by the States themselves in favor of a single economic Union.

The second time the notion was seriously advanced was immediately prior to the outbreak of the great War Between the States. At that critical period there

were some who seriously argued that by withdrawing from the Union some States would be able to benefit from having unlimited taxing powers over companies beyond their borders. Perhaps the fallacy of this notion has been best described in the inaugural address of President James Buchanan, who immediately preceded Lincoln. President Buchanan admonished the Nation with the following words:

> We at present enjoy a free trade throughout our extensive and expanding country such as the world has never witnessed . . . Annihilate this trade, arrest its free progress by the geographical lines of jealous and hostile States, and you destroy the prosperity and onward march of the whole and every part and involve all in on common ruin.

Although the War Between the States left unresolved many of the major problems of that period, the issue of whether each State should have unbridled taxing power over interstate commerce was indeed laid to rest for a second time by the resolution of the war. From then, until now, I know of no national debate in the Congress in which the power of States to tax out-of-State companies has been advanced as being essentially for the preservation of the economic well-being of each separate State. I submit that the issue ought properly to be resolved in but one way—that we in Congress ought to exercise the responsibility entrusted to us by the original framers of our Constitution. This is the responsibility to protect genuine interstate commerce from undue burdens, and to assure that every small businessman in every corner of the Nation be able to share in the national market. For many years we in Congress have neglected this responsibility. We have allowed the interstate tax problem to fester to such an extent that it is now easier for companies in foreign countries to market foreign products in the United States, than it is for our small local companies to ship domestic goods across State lines. Clearly the commerce clause of the Constitution gives us the duty to act.

Time and again I have heard the commerce clause cited in this House as a justification for every conceivable type of Federal program. On the table in Mrs. Murphy's boardinghouse, we have been told, there stands a saltshaker containing salt sold in interstate commerce. Therefore, we have been told Congress has a responsibility to regulate purely local matters. Yet now that we are confronted with the issue of State taxation of interstate commerce—the very issue which gave birth to the Congress itself—we are told by some that the tax collectors of 50 States, and hundreds of thousands of localities, are better able to protect the national interest than are the U.S. House of Representatives and the U.S. Senate.

Far from weakening the States the present bill would clearly strengthen each State. In my own State of North Carolina, for example, this measure will mean that a local businessman can maintain all of his assets and all of his employees in North Carolina, and still sell into the national market without being burdened by taxes imposed by States in which he has no business location and no political representation. This is a measure which can mean the difference between failure and survival for a small manufacturer, wholesaler, or retailer—who may have 50 employees, but who plays a vital role in the economy of his local community.

My own State, and my own congressional district, are certainly not unique. Fortunately for all of us, our entire country is made up of countless numbers of small businessmen who feel a strong sense of identification with their own local communities. The defeat of this measure will mean that only those very large corporations that are equipped with expensive computers and staffs of accountants, and are advised by high-priced tax specialists, will be able to compete successfully in the national market. I am convinced that if the day comes when the small businessman is denied access to the national market it will mean that State and local governments will, themselves, have become obsolete. I urge you, therefore, to consider this bill as one of the most important ways in which the Congress can strengthen the States.

Finally, in closing, there is still another feature of the program initiated by the late Senator Byrd, and carried on so admirably under the chairmanship of ED WILLIS, which I commend for your consideration.

Unlike most of the legislative programs which are presented to this body, the present bill has been aptly described by Congressman CELLER as "a child of the Congress." All of the research, all of the care, all of the consideration which has gone into the fashioning of this program over an 8-year period has been under the direct auspices of a special subcommittee which the Congress itself created. I, for one, feel extremely proud to have participated in the formulation of this program, and strongly hope that more and more the Congress will rely on its own resources to fashion its own legislative solutions.

I believe that the passage of this bill will stand as a monument to the ability of the Congress to deal with a complex problem in a well-planned and highly objective way. Eight years ago when we first began our task ED WILLIS imparted to each of us a deep awareness of the importance to every corner of the Nation of preserving the basic economic truth of our history. As chairman of our subcommittee he has offered the Congress a bill which is so sound as to be a monument both to him and to us. Our chairman and our committee has met its responsibilities. I urge you to meet yours by voting favorably for the Interstate Taxation Act.

Mr. ANDERSON of Tennessee. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

CONSUMER CREDIT PROTECTION ACT

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to vacate the proceedings by which the House adopted the conference report on the bill (S. 5) to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. HUNGATE. Mr. Speaker, reserving the right to object, all Members were notified this measure would be before the House today as the first order of business. This legislation has been before this body for 8 years. Objection should have been made before the vote was taken.

Mr. Speaker, I object.

The SPEAKER. Objection is heard.

VACATING PROCEEDINGS OF THE HOUSE

Mr. GERALD R. FORD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. GERALD R. FORD. Mr. Speaker, I think it is most unfortunate that the gentleman from Missouri has objected. I do not excuse anyone for not being here and protecting his individual rights. But I think this is very important legislation and, as the distinguished gentleman from Virginia explained a few moments ago, this is legislation that ought to have a full and ample discussion so that the courts of the land, State and Federal, will have some legislative history to go by. I think it would be helpful if the record were full and complete for the benefit of those individuals who have to interpret what the Congress intended in some of these very difficult areas. I would strongly hope that the gentleman from Missouri would reconsider and not object to the move by the gentleman from Texas to vacate the proceedings so that we can start afresh.

Mr. CAHILL. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I will be glad to yield to the gentleman from New Jersey.

Mr. CAHILL. I would like to say to the gentleman from Missouri [Mr. HUNGATE] that I had intended to be here at 12 o'clock noon. But I was detained at the White House at a bill-signing ceremony that was scheduled for 11:30 a.m. but which did not begin until 11:50. Had that ceremony been on time, I would have been able to be back here on time. So I, too, join with the distinguished minority leader in asking that the gentleman from Missouri reconsider his objection.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that we have a special order of 40 minutes on this matter.

The SPEAKER. The Chair will state to the gentleman from Texas that the Chair will not entertain that particular unanimous-consent request for such special order.

Mr. PATMAN. Mr. Speaker, I withdraw the unanimous-consent for the spe-

cial order, but ask unanimous consent that I may proceed for 40 minutes in a discussion of the conference report and yield one-half of the time for debate purposes to the minority side.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. GERALD R. FORD. Mr. Speaker, reserving the right to object—and I appreciate the effort on the part of the distinguished chairman to seek some measure of relief—I just do not understand the attitude of the Member who has objected. I think—for the benefit of the legislative history and the record as a whole—that although this is a substitute, it is not the way in which it ought to be done. I deeply regret that necessity requires that this be the procedure.

Mr. PATMAN. Mr. Speaker, will the distinguished minority leader yield for a comment?

Mr. GERALD R. FORD. Of course, I yield to the gentleman from Texas.

Mr. PATMAN. Mr. Speaker, no one was taken advantage of. I had talked to the gentleman from New Jersey [Mr. WIDNALL] before the conference report came up and told him that I would yield for debate purposes 30 minutes of the time to him, which I fully intended to do.

Mr. GERALD R. FORD. May I interject this: I do not allege that anyone was taken advantage of. I say that a series of unfortunate events transpired that multiplied into a mistake which can and should be remedied.

Mr. PATMAN. Everyone had put his or her statement on the bill in the RECORD immediately and all of the Members I saw were satisfied; that is, everyone I talked to.

Mr. GROSS asked if he should make a motion to reconsider and I advised him not to do so until after I had had an opportunity to talk with others about it. But I came back and told him that I did not think it would be the right thing, and he did not make the motion to reconsider.

I was prepared to make my speech on the conference report. The Speaker reminded me that the conference report was adopted.

So, we were all right here and anyone of us could have objected at the right time. It was not done. That is all. But after it was done, we put our speeches in the RECORD and they are all there and it will show the legislative intent.

Since no one was taken advantage of, and certainly no unfair method was used, we do not have too much to question in my opinion. I snare the views of the gentleman. I would like to have had it that way.

Mr. GERALD R. FORD. I am sure that the chairman, the gentleman from Texas [Mr. PATMAN], with all his vast experience over a long period of time, well knows that we do not write the legislative history after the legislation is approved. The legislative history is written before the legislation is finally approved. I realize that the gentleman wishes to be helpful, but it does not come at the right time and place and, in my opinion, it is a very unfortunate development.

Mr. MONTGOMERY. Mr. Speaker, would the gentleman from Texas yield?

Mr. PATMAN. The gentleman from Michigan has control of the time.

Mr. GERALD R. FORD. I yield to the gentleman from Mississippi.

Mr. MONTGOMERY. I thank the gentleman for yielding.

Mr. Speaker, I would like to point out to the gentleman from Texas, our distinguished chairman of the committee, that I also asked him if I could have 5 minutes to discuss a title section in the bill pertaining to garnishment, and the chairman told me that I could not have 5 minutes. I said, "Can I have 30 seconds?" He said, "What you can do is, when the gentlewoman from Missouri [Mrs. SULLIVAN] makes her remarks, you can ask her questions." So I assumed that the chairman would actually ask for the time. I was alert and waiting here, Mr. Speaker, and, as I said, the parliamentary procedure moved very swiftly, but I want the RECORD to show that I did ask the chairman for time, and he informed me that I should ask questions of the gentlewoman from Missouri.

Mr. PATMAN. But, Mr. Speaker, if the gentleman will yield further, may I say the parliamentary procedure did not move any more swiftly than it sometimes does here. The questions were put by the Speaker of the House, and any Member could have objected, or if he wanted to contest it or protest it, he had a right to do it, we were all right here.

I agree with the gentleman from Michigan, the distinguished minority leader, that we expected to debate it, but it did not come about that way.

Mr. GERALD R. FORD. The gentleman from Texas controlled the time, and he did not ask for the time.

Mr. PATMAN. Oh, I had the time coming to me, but the report was adopted, and the same way on the side of the gentleman from Michigan, the minority Member was sitting right there, and he did not object.

Mr. GERALD R. FORD. The gentleman from Texas will agree that nobody on our side has the right to get time. Nobody can get time but the gentleman from Texas, because he is chairman of the committee, or head of the conference. He has to ask for time, and then controls it.

Mr. PATMAN. You only get the time——

Mr. GERALD R. FORD. When you have asked for it, and it has been given.

Mr. PATMAN. No, before the report is adopted; you do not get the time after you adopt it.

Mr. GERALD R. FORD. I know that, but it is the responsibility of a person in the position of the gentleman from Texas on behalf of the people on both sides of the aisle who have asked for time to see that time is available. But time was not asked for.

Mr. PATMAN. I was sincerely trying to carry out the discussion of the bill, as we do normally, and in pursuance of that I had agreed with the ranking majority Member that half the time would be yielded to him, and fully expected to. I had told the gentleman from Mississippi that Mrs. SULLIVAN would be discussing that particular matter in which he was interested, and Mrs. SULLIVAN would yield to him, and Mrs. SULLIVAN said she would. So we really fully expected to do so.

Mr. GERALD R. FORD. Did the gentleman ask for time?

Mr. PATMAN. You do not ask for time, you take time.

Mr. GERALD R. FORD. But did you take time?

Mr. PATMAN. No, I was standing up, of course, and was expected to open the debate myself. I had my manuscript before me.

Mr. GERALD R. FORD. Did you read from the manuscript?

Mr. PATMAN. Not until after. I attempted to do so, but of course could not do so because the conference report had been adopted.

Mr. GERALD R. FORD. So that there are no words from you prior to voting on the conference report.

Mr. PATMAN. Not asking for a vote, no; except it is automatic.

Mr. GERALD R. FORD. Automatic? I did not know we had automatic rollcalls here. It did not appear on the RECORD.

Mr. PATMAN. No. There is no rollcall. It is automatic so far as the questions being put by the Speaker. It has been done that way thousands of times, of course. There is nothing abnormal about it.

Mr. WIDNALL. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I will yield to the gentleman from New Jersey.

Mr. WIDNALL. Mr. Speaker, I believe we are entitled to know who moved the adoption of the conference report. That has got to be in the RECORD somewhere, and I do not believe there is any record anywhere that indicates that anybody moved the adoption of the conference report.

Mr. PATMAN. I called it up for adoption, as chairman I had the privilege of calling up the report for adoption on S. 5.

Mr. WIDNALL. Mr. Speaker, will the gentleman yield further?

Mr. GERALD R. FORD. I yield further to the gentleman from New Jersey.

Mr. WIDNALL. It was my understanding as this bill came up that the chairman of the committee would utilize the hour that is available for discussion of the conference report, and that half of the time that would be available would be allocated to the minority for their utilization in the discussion of the conference report. And I am very much amazed that at this point there seems to be an understanding that there be no discussion at all. This was not the understanding at all.

Mr. GERALD R. FORD. Mr. Speaker, so that the record is crystal clear, I request that the notes of the reporter be reread to the Members.

The SPEAKER. The Chair will state that has never been done before so far as the knowledge of the Chair is concerned.

Mr. GERALD R. FORD. Mr. Speaker, I am not sure that a circumstance like this has ever happened before, either. Inasmuch as it is important to know whether the gentleman from Texas moved—or just what transpired—I think

it would be very helpful to all of us if we could have the reporter's notes reread at this time.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman.

Mr. PATMAN. Let us have this understanding. We were all sitting here. The Speaker was putting the question. The gentleman from New Jersey [Mr. WIDNALL] and the distinguished minority whip were sitting together. When all this happened, either one could have objected—protested and stopped this thing at the right time. I was busily engaged with the members of the committee. I do not think anybody should undertake to accuse the Speaker of any wrongdoing. No one had any intention of taking any advantage of anyone.

The SPEAKER. The Chair will suggest that the Members can carry on their colloquy but the position of the Chair is clear—the gentleman from Texas called up the conference report and had asked that the statement of the managers on the part of the House be read and after the Clerk had proceeded to read the statement, the gentleman from Texas asked unanimous consent that the further reading of the statement of the managers on the part of House be dispensed with and that it be placed in the RECORD.

The gentleman from Texas was standing and the Chair rose and said—"The question is on agreeing to the conference report." The Chair did it deliberately—and the report was agreed to. The Chair acted most deliberately.

Mr. GERALD R. FORD. Mr. Speaker, under no circumstances am I challenging the procedure that was used by the Speaker. But I am a bit confused by what I gather transpired so far as the chairman, the gentleman from Texas, is concerned. As I understood it, he has started to read from his prepared statement and then something happened while he was reading. Is that not what the gentleman from Texas said?

Mr. PATMAN. If the gentleman will yield, let me put the record straight on that. I did not intend to read my entire statement at the time. I intended to read a portion, and then state that I wanted to yield 30 minutes of the time to the gentleman from New Jersey [Mr. WIDNALL] for purposes of debate. But Mr. Speaker reminded me that the conference report had already been adopted and, therefore, there was nothing for me to do except to ask unanimous consent that all Members might have 5 legislative days in which to extend their remarks in the RECORD on the conference report that was just passed. But nothing happened after I attempted to read my speech.

Mr. GERALD R. FORD. But a lot has happened since then.

Mr. PATMAN. I beg the gentleman's pardon.

Mr. GERALD R. FORD. But a lot has happened since then.

Mr. PATMAN. Well, there was no demand for any reconsideration immediately after that from your side, I will say that.

Mr. GERALD R. FORD. In the first place, we were stunned by the failure of the gentleman to provide the protection which we deserve, expected, and which was not accorded to us.

The gentleman from Texas knows very well that there was a demand on the part of certain people—a request—that by all sense of justice and comity that is normally given—and the gentleman from Texas did not see that they received that consideration.

Mr. PATMAN. The gentleman said he was so stunned—but it took you a long time to get unstunned.

There was a long time before there was any attempt to obtain reconsideration.

Mr. GERALD R. FORD. In the meantime, we were talking to various people, including the gentleman from Texas, the Speaker, and others. We were trying to find out whether, in all justice, consideration would be given.

Mr. PATMAN. Mr. Speaker, will the gentleman yield further?

Mr. GERALD R. FORD. I am glad to yield to the gentleman from Texas.

Mr. PATMAN. It must be remembered that when the distinguished Minority Leader is not present, the Minority Whip must be in control; is that correct, and that he would pass upon policies for the minority?

Mr. GERALD R. FORD. Yes.

Mr. PATMAN. I asked the Minority Whip if he wanted the report considered, and he said, "No, let it go."

Mr. ARENDS. Mr. Speaker, will the gentleman yield?

Mr. GERALD R. FORD. I yield to the gentleman from Illinois.

Mr ARENDS. Will the gentleman from Texas make that statement over again, because I feel he is putting words in my mouth.

Mr. PATMAN. Yes; I will make it more specific. The distinguished Minority Whip and the minority ranking member of the Banking and Currency Committee were sitting together. I said, "Mr. GROSS has suggested that he move to reconsider and I asked him to hold it up a minute. I wanted to ask you gentlemen what you thought of it," and you said it is my distinct recollection, "Let it go. It is all right." And Mr. WIDNALL sat with you.

Mr. ARENDS. Let me say to you, Mr. PATMAN, I remember no such statement being made to me.

Mr. PATMAN. That is the way I understood it.

Mr. ARENDS. Possibly that is the way you understood it, but please do not put words in my mouth, although I remember distinctly your coming over here to our side.

Mr. PATMAN. Then I said to Mr. GROSS, "There is no demand for any reconsideration," and I understood that you did not want the matter reconsidered.

Mr. ARENDS. I am not going to take you off the hook, Mr. Chairman.

Mr. PATMAN. I am sorry this matter came up that way. I regret very much I was compelled to tell the truth about it, because I know it is unpleasant to the gentleman. I meant no discourtesy. I have great respect and high regard for the leaders on the minority side.

Mr. ARENDS. Mr. Speaker, will the gentleman yield?

The SPEAKER. Does the gentleman from Michigan yield to the gentleman from Illinois?

Mr. GERALD R. FORD. I yield to the gentleman from Illinois.

Mr. ARENDS. Mr. Speaker, I would like to address an inquiry to you. Is there some possible way in which, parliamentarywise, we could get back to consideration of the conference report?

The SPEAKER. By unanimous consent.

Mr. ARENDS. And, of course, such a request has been objected to. Might I once more make that unanimous-consent request because of the discussion and the interest of Members on both sides of the aisle to further discuss the conference report?

The SPEAKER. If the gentleman from Texas [Mr. PATMAN] desires to make that unanimous-consent request again, the Chair will recognize him for that purpose. The Chair does not mean that he would preclude recognition of another Member.

Mr. PATMAN. Mr. Speaker, to be perfectly fair with the gentleman, I ask unanimous consent that the proceedings by which the conference report on the bill S. 5 was adopted be vacated.

The SPEAKER. Does the gentleman temporarily withdraw his previous unanimous-consent request to which the gentleman from Michigan and the gentleman from New Jersey reserved the right to object.

Mr. PATMAN. Mr. Speaker, I withdraw that request.

The SPEAKER. The request is withdrawn. The Chair recognizes the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to vacate the proceedings of the House of Representatives today by which the conference report on the Consumer Credit Protection Act, S. 5, was adopted.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. HUNGATE. Mr. Speaker, reserving the right to object, I think we would all regret if someone had not had an opportunity to make his position clear on this legislation, which, as I understand, has been pending some 8 years. On the Consent and Private Calendars each month we seem to have no difficulty in making objections, sometimes by the page.

Mr. Speaker, I object.

The SPEAKER. Objection is heard.

Does the gentleman from Texas now renew his previous unanimous-consent request?

Mr. PATMAN. Mr. Speaker, I renew the request. I ask unanimous consent to address the House for 40 minutes with the understanding that the remarks will be related only to the Consumer Protection Act conference report, and with the understanding that 20 minutes of the time will be used by the minority.

Mr. CAHILL. Mr. Speaker, I reserve the right to object.

The SPEAKER. The gentleman from New Jersey reserves the right to object.

Mr. PATMAN. Mr. Speaker, we have the time.

Mr. CAHILL. Mr. Speaker, I have the time. I would like to make this statement and ask the chairman of the committee whether this is correct. It is my understanding that this bill was passed by the Congress to protect the consumers of America, that one of the ways the consumers are to be protected is by a right to go into court and to assert their rights and have the court pass upon them.

As I understand it, if a court is called upon to pass upon this legislation, the only legislative history that it can consider in interpreting what the Congress really meant is that which preceded the adoption of the conference report, because it is presumed that the Congress adopted it based upon the dialog and the discussion and the legislative history; and, regardless of how much we might discuss this under the gentleman's motion, it seems to me it will serve no useful purpose for a court.

Therefore, we will be merely filling up the CONGRESSIONAL RECORD with speeches that will be meaningless.

I cannot understand this, because it seems to me there has been an honest mistake made here.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. When I finish this, I will be happy to yield. I think there is objection to what the gentleman is saying.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. CAHILL. Not at the moment.

Mr. ALBERT. Mr. Speaker, then I object.

Mr. CAHILL. Mr. Speaker, I demand regular order.

The SPEAKER. Regular order is demanded.

Mr. ASHBROOK. Mr. Speaker, I object to the request.

Mr. ALBERT. Mr. Speaker, may I make a unanimous-consent request?

The SPEAKER. Just a minute. Regular order has been demanded, and on the unanimous-consent request made by the gentleman from Texas for debate for a period of 40 minutes in connection with the conference report, has the gentleman objected to that?

Mr. ASHBROOK. Mr. Speaker, I object.

The SPEAKER. The Chair recognizes the gentleman from Oklahoma.

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that 40 minutes of debate may be had on this matter, to be equally divided between the gentleman from Texas and the gentleman from New Jersey, and that it appear in the RECORD prior to the adoption of the conference report.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

The Chair will always preserve the dignity of the proceedings of the House in protecting the rights of the Members.

The question now is: Is there objection to the request of the gentleman from Oklahoma.

Mr. POFF. Mr. Speaker, I reserve the right to object.

The SPEAKER. The gentleman from Virginia reserves the right to object.

Mr. POFF. Mr. Speaker, I reserve the right to object in order to propound a question to the distinguished majority leader. In the event the House agrees to the request of the gentleman, would the minority maintain the right under the rules of the House to offer motions to recommit if it were so disposed?

The SPEAKER. The gentleman ought to address his question to the Chair. That question should be addressed to the Chair, and, assuming that the gentleman did address the Chair, the Chair will state that point has gone by, and a motion to recommit under those circumstances would not be in order.

Mr. POFF. Mr. Speaker, still reserving the right to object, I do not mean to imply—indeed I do not, and I support the conference report—but I do want to make the point, Mr. Speaker, just now that the minority will not be enjoying the same privilege as it would have enjoyed had the regular procedure been pursued.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

The SPEAKER. The gentleman from Texas [Mr. PATMAN] is recognized for 20 minutes and the gentleman from New Jersey [Mr. WIDNALL] will be recognized for 20 minutes.

Mr. MONTGOMERY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore (Mr. CAREY). The gentleman will state his parliamentary inquiry.

Mr. MONTGOMERY. I participated in the debate and was given a minute, by unanimous consent, to state my remarks about the garnishment section of the bill. Will that still appear in the RECORD, or do I now have to participate in this part of the debate?

The SPEAKER pro tempore. The Chair will state that if the gentleman is yielded to and given time, all matters during that period will appear in the RECORD, as well as the remarks the gentleman made previously on the subject.

Mr. MONTGOMERY. I made my remarks after the conference report had been adopted.

The SPEAKER pro tempore. The gentleman may ask unanimous consent to have his preceeding remarks printed.

Mr. MONTGOMERY. Mr. Speaker, I ask unanimous consent that my remarks made after the conference report was adopted be included in the printing of remarks made in the 40 minutes now allotted.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

INTERSTATE TAXATION ACT

Mr. WILLIS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2158) to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 2158, with CAREY in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Louisiana [Mr. WILLIS] will be recognized for 1½ hours, and the gentleman from Ohio [Mr. MCCULLOCH] will be recognized for 1½ hours.

Mr. MCCULLOCH. Mr. Chairman, I should like to have recognition to make the statement that our colleague, the distinguished gentleman from West Virginia [Mr. MOORE], will have charge of the time on this side of the aisle, as the gentleman from Louisiana [Mr. WILLIS] will have charge of the time on the majority side.

The CHAIRMAN. The gentleman from West Virginia [Mr. MOORE] will be recognized for 1½ hours.

Mr. WILLIS. Mr. Chairman, I yield such time as he may consume to the distinguished chairman of the Committee on the Judiciary, the gentleman from New York [Mr. CELLER].

Mr. CELLER. Mr. Chairman and my colleagues, the bill before us today, H.R. 2158, the proposed "Interstate Taxation Act," represents a vitally needed reaffirmation of one of our most cherished economic principles. Students of American history have been unanimous in pointing out that it was the need for a single market common to all geographical regions of the country that bound our States into a Nation. When the great debates took place concerning the adoption of the Constitution, John Marshall, one of our early Chief Justices, vigorously asserted that merchants who are located in one State should be protected from burdensome regulation in neighboring States where they had little or no political representation. Indeed, in describing the ratification of the Constitution by the Commonwealth of Virginia, the Chief Justice emphasized the critical importance to the merchants of Virginia of having unfettered access to markets in such States as Pennsylvania, Connecticut, North Carolina, and New York. H.R. 2158 is designed to implement this same traditional principle.

In 1959, problems arising from State taxation of interstate commerce reached critical proportions in the celebrated Northwestern Portland Cement Co. case. The Supreme Court made it clear that only Congress can appropriately deal with the vexing problems that arise from a plethora of conflicting State and local tax laws. Since then, both the Court, as well as the business community, have looked to us for guidance.

When the special subcommittee, under Chairman WILLIS, a most dedicated Member, began its study 6 years ago, it was apparent that interstate business was being seriously burdened. In the ensuing years, the situation has grown

progressively worse, and there has been a greater and greater outcry for relief. H.R. 2158 is the considered judgment of the Judiciary Committee as to what action should be taken to provide that relief.

The provisions of the bill basically establish jurisdictional standards with respect to the imposition on interstate commerce of State and local corporate net income, capital stock, sales and gross receipts taxes as they affect interstate companies. They are effective, acceptable solutions which will have no untoward revenue effects. They are solutions which are in accord with the practical realities of our modern economy, but which at the same time give renewed vitality to one of our Nation's oldest traditions. The prompt passage of H.R. 2158 will be of immense benefit to the business community, to the integrity of our federal system, to the vitality of our States, and to the efficient functioning of our courts. It is indeed a measure which is sorely needed.

In conclusion, there is a further aspect of H.R. 2158 which I would like to commend to your attention. Of late, political commentators are fond of noting that over the years Congress has given up more and more of its responsibility for initiating legislation. Yet the proposed bill is very much a child of the Congress. It is the final product of a mandate which was given to us 7 years ago under Public Law 86–272. The comprehensive study which was conducted by the Judiciary Committee and occupies a total of eight full volumes, has become the definitive work on this subject. I believe that the study and the bill now before you demonstrate that Congress does have the ability to find facts, and to frame objective solutions for even the most complex problems. Mr. WILLIS and his subcommittee have labored long and hard to fashion a program of which we in Congress can indeed be proud. I urge the passage of this vitally needed legislation.

Of course, this bill is not a complete answer to everything. No bill is without flaws, and probably the future may indicate some of those situations that need even greater attention on this very momentous subject.

As the Members know, all bills—bills that try to reach solutions——

Mr. WILLIS. Mr. Chairman, will the gentleman yield at that point?

Mr. CELLER. I yield to the gentleman from Louisiana.

Mr. WILLIS. I thank the gentleman for yielding.

Mr. Chairman, I wish to point out that there is a provision in this bill, and I am sure this will be of interest to the gentleman and to the rest of the Members, that says that the committee retains jurisdiction of the subject matter for 4 years to consider future problems.

Mr. CELLER. Which is indeed an excellent provision, and which betokens the foresight of the chairman, the gentleman from Louisiana [Mr. WILLIS].

But, Mr. Chairman, as I was saying, all of our bills do not always hit exactly on the target. We are successful sometimes, and sometimes we are not. I am reminded, Mr. Chairman, of the story they tell about Sir James Barry, the famous author of "Peter Pan." He was asked once whether his plays were always successful, and he said, "Some of my plays are successful, and some are not," and he said, "some of my plays peter out, and some of them pan out."

So, Mr. Chairman, I want to say that this bill in general, as far as the answer to the vexatious problems of the taxpayers are concerned, mostly will pan out, and not peter out.

The CHAIRMAN. The Chair recognizes the gentleman from West Virginia [Mr. MOORE].

Mr. MOORE. Mr. Chairman, I yield such time as he may require to the gentleman from Ohio [Mr. MCCULLOCH].

Mr. MCCULLOCH. Mr. Chairman, I rise in support of H.R. 2158, the interstate taxation bill.

My colleagues, today, in many ways, could be one of our finest hours. There are many who criticize the Congress as the fallen branch of our tripartite Government. It is said that Congress only reacts to Executive proposals but does not imaginatively and creatively seek solutions to problems.

To those doubters, I proffer H.R. 2158, so ably looked after for well over 6 years on the majority side by that able constitutional lawyer, the gentleman from Louisiana, ED WILLIS, and on the minority side by the gentleman from West Virginia, ARCH MOORE, who has done so much in the last decade in this very difficult, trying field of legislation.

So this legislation is, indeed, the child of the Congress.

Congress perceived the need.

Congress initiated the study.

Congress drafted the bill.

We have spent 6½ years in labor studying this bill—four volumes of hearings and four volumes of exhaustive and thorough analysis of the problem.

The bill accurately reflects those tireless efforts. It sets a standard of excellence for the legislative process. Thus, with pride, I lend my name in support of this bill.

The problem of multiple State taxation of businesses operating in interstate commerce is not a simple one. The issues are many and complex.

But ultimately, the search has been for some golden mean, some rule to balance the competing interests of State revenues and of free commerce. The bill achieves a golden mean. It is fair.

There are those who would argue that a State should be allowed to tax a business even though it is in no way located in the State.

There are those who would argue that a State should be allowed to require a business to police the collection of the State's sales and use tax even though it is in no way located in the State.

I can well appreciate how these arguments would appeal to State and local tax collectors. Their task is to raise revenue and to do so as painlessly as possible.

Certainly, it is advantageous for State and local tax collectors to deflect the impact of their taxes onto those without political representation in the State.

But is that fair? Is that good for the country?

Indeed not. But since "the love of money is the root of all evil," as St. Paul wrote—1 Timothy VI: 10—fairness is not warmly received.

Consequently, American business is burdened with conflicting, chaotic, and multiple taxation by the States. It is time for Congress to act.

Congress has invoked the commerce clause of the Constitution to enact laws in the areas of crime, welfare, and civil rights. Now it invokes the commerce clause to foster the interstate flow of goods.

For we are once again confronted with the problem that led to the calling of the Constitutional Convention of 1787, the imposition of State taxes on out-of-State businesses. Our forefathers recognized how mischievous this problem could be. They realized that a national common market was the necessary predicate of national prosperity.

I stand before this House today to reaffirm the constitutional principle of the American common market. That principle has served us well. We are the richest Nation on this earth. That principle merits the continued support of every Member of this House.

No one can deny that State taxation of interstate commerce is a definite problem. No one can deny the right and the duty of Congress to remedy this problem. Yet the States have voiced two practical objections to this legislation.

The first is loss of revenue. This objection is without merit. The record shows that the States, at present, are not collecting taxes from businesses which are not located in the taxing State. The Special Subcommittee on Interstate Taxation found that there was 97.5 percent noncompliance in the income tax area and 93.5 percent noncompliance in the sales and use tax area—volume 1 at 303, and volume 3 at 729.

That is a despicable situation. Impossible laws breed disrespect for law at a time when respect for law is essential to our national well-being. Impossible laws allow tax commissioners to exercise wide discretion to discriminate and to harass businesses with impunity. Impossible laws jeopardize the very existence of small businesses. For in most States, there is no statute of limitations on tax liability. Thus every year, the small businesses—many of whom do not realize that they are liable—get deeper and deeper in debt.

The second objection is that the bill favors interstate business over local business. This is not true. There are no tax havens in this country, and none are created by this legislation. The bill operates not to favor interstate business by making it tax free but rather to promote uniformity and efficiency in the collection of State taxes.

To those who worry about their local industry, let me say again that the out-of-State competition is not complying with the local tax laws because, realistically, they are impossible to enforce. Thus, by establishing that interstate business need no longer do the impossible, the bill does not tip the balance against local industry.

Moreover, there is a provision in the

bill—often overlooked—that would extend State sales-and-use-tax jurisdiction to areas now off limits to tax collectors.

In *Miller Bros. Co.* v. *Maryland*, 347 U.S. 340 (1954), the Supreme Court ruled that a State could not require an out-of-State business to collect sales and use taxes for the State even if the business regularly delivered products in its own vehicles across State lines to consumers within the State.

Section 101(2) of the bill changes that result. A State would be permitted to require the out-of-State business to collect the sales and use tax if it "regularly makes household deliveries in the State." This would not only fill State coffers but would also protect local retailers who now suffer from unencumbered competition from across-the-border businessmen.

Local businessmen in border areas have been seriously disadvantaged by the Miller Bros. rule. We change that. H.R. 2158 would permit businessmen on both sides of a border to compete according to the same rules.

Hence, it is evident that the two objections are groundless. The bill does not rob States of their revenue, nor does it discriminate against local business.

In summary, the bill lays down a golden rule. It strikes a balance by invoking commonsense in an area of confusing, chaotic, and complex tax laws.

But beyond that, on a higher level, this bill says much for the integrity of the lawmaking process. In the 13th century, the philosopher Thomas Aquinas, discussing the nature of law, wrote that a law that is impossible to obey is not really a law at all.

Certainly, the maze of State tax laws are impossible to obey. There are thousands of small businesses that employ fewer than five people yet market their products nationally.

How is it possible for such a business to comply with the 38 corporate income tax laws, the 38 sales and use tax laws, the 37 capital stock tax laws, and the eight gross receipts tax laws, all imposed by the States?

Moreover, how is it possible for such a business to comply with over 2,300 sales and use tax laws, over 1,000 gross receipts tax laws, and over 100 corporate income tax laws which are imposed at the local level?

Certainly, in exercising our constitutional duty to promote the free flow of interstate commerce, we as lawmakers must fashion a rule that is possible to obey, a rule that will command the respect of the business community, a rule that will preserve the integrity and the obligation of law.

H.R. 2158 is such a rule.

I urge its passage, and I ask you to support it.

Mr. WILLIS. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, some Members may be asking themselves why should this interstate tax bill study have been referred to the Judiciary Committee instead of to the Ways and Means Committee. The answer is very simple: Congress in 1960 passed a bill signed by the President directing this study to be made and ordering it to be made. That bill was referred to the Ways and Means Committee. I just talked to the gentleman from Arkansas, Mr. WILBUR MILLS, a while ago, and he reminded me that after it had been referred to his committee, he had it rereferred to the Judiciary Committee. It was the gentleman from Arkansas who asked the Judiciary Committee to make this study and for me to act as chairman.

In making this study, the furthest thing from our minds was to have anything to do with increasing or decreasing taxes. That is none of our business. However, it was our considered judgment, based upon a serious study for 6 years that in the long run this bill by restoring the American concept of a common market will be generating more trade and removing obstacles to interstate commerce presently existing along State lines. We will be crumbling these barriers, and by doing that business will flourish and interstate commerce will flourish.

What does that mean? It means more business, it means more tax collection, and that is why it is our considered judgment that in the long run this bill will result in collection of more taxes by every State of the Union.

I know people have been hearing from Governors, and I know whom the Governors have been hearing from. They have been hearing from tax collectors. Mark my words, gentlemen, there are still a few diehard tax collectors against this bill. But who is for it? Business is for it. On the one hand, we have the tax collectors against, but on the other hand, we have taxpayers for the bill.

Now, what did we do for these tax collectors? They should be here today begging for Congress to adopt this bill.

First they objected to what? They first objected to the imposition of a Federal administrator to supervise and to oversee and to umpire disputes which might arise under this bill. They hollered "States rights" and said they did not want to have Federal intervention. So what do we do in this bill? In this bill we concede that. There is no provision in this bill now for Federal intervention. Everything is left up to the States as the matter stands.

Second, the tax collectors told us: "Hold on. When a concern"—let us say from Louisiana—"has an inventory of goods in Georgia from which goods are drawn in the regular course of business, Georgia ought to have the right to tax that business." I said, "All right, we will let you have it." We conceded that.

Then there was a third objection to the bill. I am talking about at the beginning. In this my own State took the lead.

Our fine young Governor in Louisiana has the ambition of every incumbent, which is to attract new business to Louisiana. The Legislature of Louisiana passed an act to grant out-of-State concerns tax incentives.

Our bill, pursuant to the importunities of tax collectors and my own Governor, made just exactly that concession to them.

As I said, today they should be the first ones here to sponsor this bill.

Mark my words. For 50 years the tax administrators have sponsored at their annual meetings a program to have uniform rules in this delicate field of State taxation of interstate commerce. What do we have now? We have 50 States, each requiring multiple-State companies to file. They are all over the lot. One does not have to be a very big company to do business in every State of the Union. Now the multi-State companies must file 50 income tax returns, one with each State as well as with the Federal Government.

And what about the counties? Right now there are more than 3,000 counties and cities, like New York, imposing an income tax on out-of-State concerns.

So we bring light out of all this chaos. As I said, they have been begging for uniform rules. This bill does provide uniformity.

There was another objection. They forgot all about their initial objections, and now they are saying they will lose money. What does that mean?

Yesterday I put some information in the RECORD. It is at the desks. Pick up the RECORD and look at page 14291, which gives an analysis of the tax effect of this bill on revenues from each one of the States. Look at page 14291.

The Members will see that no State, not a single State, immediately will lose more than two-tenths of 1 percent. In the long run, as I said, they will gain revenue.

I do not know what some of the tax administrators are telling the Members, as to how much money they would lose. I do not know what they use. We used every sentence of this bill in arriving at those conclusions. Please read them.

Instead, by removing these barriers, they will actually gain revenue.

Mr. MCCULLOCH. Mr. Chairman, will the gentleman yield?

Mr. WILLIS. I certainly do.

Mr. MCCULLOCH. I am of the opinion, Mr. WILLIS, that it would serve a useful purpose if you would state for the RECORD the Senate committee and the House committee that waived jurisdiction to you.

Mr. WILLIS. Let me tell you how this bill originated. Do you know the author of the bill, who directed the making of this study? It was no less than Harry Byrd, Sr. Do you think that he believed in States' rights? Before retiring he was working with me on this. At first it was contemplated that we should have a joint committee. Harry Byrd called me and said, "ED, you do it. I am getting old. This is not a tax problem. You have a good mind." Maybe he was pulling my leg, but he said, "You have a good legal mind. What you want to do is have guideposts to tell people under what circumstances they may or may not be taxed."

Now let me tell you this, and I am finished. This will not take but 2 minutes.

Under what circumstances may a firm from your State be taxed by a tax collector from another State? What is the rule? We planted guideposts as solid as the stakes of a surveyor, down deep into this bill. If, for example, the busi-

ness is located in your State and if the personnel and inventory and employees and the plant itself are located in your State, then only your State may tax. However, there are four possibilities for being taxed elsewhere.

No. 1 is if you own real estate in another State. No. 2 is if you lease real estate. No. 3 is if you maintain in a warehouse a stock of merchandise from which you are selling in the other State. No. 4 is if you are maintaining employees in the other State. Then and then only may you be taxed by another State.

Oh, let me tell you two more things and I am done.

The tax administrator of Georgia, Mr. Cox, probably the most reliable tax administrator in the Nation, came to see me about this legislation. I said to him "Well, now, Mr. Cox, why do you not consult my subcommittee counsel and let him go into the new programs and let him figure with you how much you can get. With reference to certain programs you know how much is going to be involved. After they got together and listened to the explanation of the proposed system and our calculations, Mr. Cox now admits they will lose only one-eighth of 1 percent.

Mr. Chairman, a second State that was causing trouble, the State of Vermont—and they used all kinds of figures. However, they got together and came to the conclusion that they will lose only $241, instead of millions of dollars.

Mr. LLOYD. Mr. Chairman, will the gentleman yield?

Mr. WILLIS. Yes, I yield to the gentleman from Utah.

Mr. LLOYD. I am very interested in what the gentleman from Louisiana is saying with reference to the $400 tax figure which the gentleman used for Lafayette, La.

Mr. WILLIS. We ran these figures on all of them and they will not lose one thing.

Mr. LLOYD. Mr. Chairman, if the gentleman will yield further, the same figure has been used by tax collectors in various communities throughout the Nation as has been used by my own home State of Utah.

How does the gentleman feel that they will lose this small amount as has been referred to by the gentleman from Louisiana, when they state that they will lose a great deal more? Is it because they have misfigured their estimates?

Mr. WILLIS. I do not know. I can only say, however, that they must have the wrong figures. I am saying that they have not fully read and that they do not fully understand everything provided for in the bill. However, I am confident that our figures are correct for every State of the Union, and those figures were put in the RECORD at page 14291 where the gentleman will find the figures for the various States.

Mr. LLOYD. I thank the gentleman for yielding.

Mr. MOORE. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, this legislation, H.R. 2158, is generally referred to as the Willis-Moore bill touching the field of interstate taxation.

More than 7 years ago the Congress recognized the disastrous effect that the present system for State taxation of interstate commerce is having on the Nation's small business community. At that time the need for relief of the small businessman was already apparent. Yet we in the Congress properly insisted that, before we enacted a legislative program, appropriate committees would have to conduct an exhaustive study, and to present a comprehensive evaluation of the true facts—so that we could be certain that any relief measure would neither damage nor unduly benefit any particular State or any particular industry.

For the past 7 years I have been the ranking minority member of the special subcommittee which has studied the interstate tax problem. I can assure every Member of this House that the subcommittee has left no stone unturned—that the facts and figures which we have presened to the Congress are accurate and reliable. I can also assure you that H.R. 2158 will benefit all of the States as well as the entire small business community.

Before discussing the bill itself, let me briefly review some of the salient facts—facts, which in the long legislative history of this program, remain uncontroverted.

The most obvious fact is that the present system simply does not work—cannot work—and cannot be remedied by State action alone. We are now faced with a situation in which the tax administrators of each State, and countless numbers of local governments, all assert that they have the power to reach across their own borders for the purpose of regulating every company which markets its goods across State lines. In effect, each jurisdiction is attempting to impose its own nationwide tax system.

Frankly—with all due respect to the efficiency of the tax administrators—it is an uncontroverted fact that nonenforcement of the present jurisdictional assertions is the rule and not the exception. Conversely, noncompliance on the part of taxpayers is also the rule and not the exception. In short, the States do not have the administrative facilities necessary to enforce their present rules in an evenhanded day. At the same time, if the rules were enforced then the small business community would probably be destroyed, since the small businessman cannot afford the complex accounting facilities necessary to comply with the present chaotic rules.

These facts are clearly documented in the four-volume study published by our subcommittee. Based on the experience of the thousands of companies we learned, for example, that in more than 97 percent of the cases companies are not filing income tax returns with jurisdictions in which they are theoretically liable for tax, but in which they do not actually maintain a business location. Not one shred of evidence controverting our finding of 97 percent nonenforcement was offered during the three months of hearings held last year.

The fact that the present laws can neither be enforced by the States, nor complied with by the small business community, is a clear indication that practical and workable standards must be created.

Obviously, the chaos and confusion which characterizes the whole area of State taxation of interstate commerce stems primarily from the absence of meaningful jurisdictional standards. As each individual tax collector reaches further and further beyond his own borders, more and more taxpayers are exposed to compliance problems that stagger the imagination. As a result, any legislative solution must address itself to the basic question of the circumstances in which a company located in one State can be called on to pay taxes to another State. Unless we face this basic jurisdictional issue, we in the Congress will avoid our responsibility to all of the States, and to the entire small business community.

In analyzing the details of H.R. 2158, I would suggest that each Member of Congress consider the insurmountable problems which are now facing small companies in his own State. A typical small company might well have less than 100 employees—in fact, most of them have less than 50 employees. Nevertheless, such a small company in your State will often sell its products into other States—States in which it owns no property, and has no local employees. As a result, many such companies are exposed to liabilities in all 50 States, as well as in thousands of local jurisdictions. It is preposterous to assume that such a company can comply with the tax requirements of all of these jurisdictions. By laying down simple and practical jurisdictional standards, title I of H.R. 2158 will give the small companies the type of protection that is obviously needed.

Title I provides that the small company in your State cannot be taxable by another State unless it maintains what is referred to as a "business location" in the other State. Now the term "business location" is a word of art which is used throughout the entire bill, and defined in section 511 to include: First, the owning or leasing of real estate; second, the maintenance of a stock of goods for sale in the regular course of business; or third, the presence of a local employee whose activities consist of more than the mere solicitation of orders.

I recognize that some of the tax administrators oppose these jurisdictional standards, and have created the impression that the only effect of title I is to impose limitations on present State taxing powers over interstate commerce. Let me point out to you that this is not the case, for there is a basic exception to title I which actually extends the jurisdictional reach of the States beyond the limits already established by the U.S. Supreme Court.

This exception appears in section 101 (2) which allows the States to impose sales tax collection requirements on all out-of-State sellers who regularly make deliveries to households in the State. This provision reverses the Supreme Court's decision in Miller Bros. against Maryland. The reversal of the rule in this case has long been advocated by the tax administrators themselves, and has also been recommended by the Advisory Commission on Intergovernmental Relations. It is regarded by the Judiciary Commit-

tee as an important means of strengthening State taxing powers in an area where local retailers clearly need protection from out-of-State competitors.

When all of the jurisdictional standards in title I are considered in their entirety, and in the light of the 6-year study conducted by our subcommittee, it becomes clear that under these standards the States generally will be able to continue to impose their business taxes on most of the companies which are currently complying with State laws, and will, in the sales tax area, be able to reach an even larger number of companies than they now reach. At the same time, the typical small company located in your State will be relieved of the responsibility of having to comply with a completely unworkable system of multi-State taxation.

Although title I provides the basic relief which is essential for all of the small companies, further measures designed to reduce compliance problems also appear in title II, and title III.

Under title II, if a small company in your State is taxable on its income or capital in another State it may determine its liability under an extremely simple and practical formula. Under that formula no State will be able to tax a greater percentage of income or capital than the percentage arrived at by computing the proportion of tangible assets in the State and wages paid to employees in the State. This simple formula has several features which will not only reduce the compliance problems of small companies, but will also greatly increase the administrative efficiency of the State tax collectors.

First of all, since the formula does not contain a sales factor, it will not be necessary for the small company to keep detailed records of each interstate shipment. Second, since all of the company's income is subjected to the same simple formula, no disputes can arise with respect to the allocation of a wide variety of specialized items such as dividends, capital gains, rents, patent royalties, interest on bonds, and so forth.

These features of the formula in title II will so simplify the administration of corporate income tax laws that all of the States which impose income taxes will benefit. In this regard, I am pleased to be able to tell you that one major State, Massachusetts—after evaluating the recommendations of the Judiciary Committee—recently changed its tax laws so as to apply a single formula to all income. As a result, compliance problems in Massachusetts have been substantially reduced, and the State has realized significant increases in its revenues. We can be confident that the Judiciary Committee's recommendations will also prove to be beneficial in the administration of the income tax laws of the other States as well.

Title III of H.R. 2158 will likewise increase the efficiency of compliance and enforcement in the sales and use tax area. For example, section 301(a) of title III applies a uniform rule for locating sales—a practical rule which conforms to the present practice of most of the States. Section 301(b) also provides a uniform standard for the imposition of use taxes so that such a tax cannot be imposed on a company that does not have a business location in the State, and on an individual who does not have a dwelling place in the taxing State.

Section 301(c) of title III provides for a system of reciprocal credits so that each State will be required to give a credit for prior sales or use taxes imposed by other States. This system of reciprocal credits is one with which all of the State tax administrators are in agreement. However, there are, in fact, still some States which do not grant such credits. As a result, section 301(c) will complete the task of providing a nationwide uniform system of reciprocity.

Section 302 of title III provides that a use tax may not be imposed on the household goods or motor vehicles of a person who acquired those goods or motor vehicles before establishing residence in the taxing State. This is a provision which will remove one of the most serious problems now facing consumers who change their States of residence.

Section 303 of title III provides a uniform rule for the treatment of freight charges with respect to interstate sales. This rule simply accords with the present practice of a majority of the States, and has the advantage of providing interstate shippers with a uniform billing practice.

Section 304 of title III provides that if an interstate sale is made to a business within the taxing State, and the business-purchaser is himself registered with that State for sales tax purposes, the seller need not collect the tax. Let me give you a simple example of how this provision would work. If a seller in your State ships goods to a purchaser in my State of West Virginia, and the purchaser in West Virginia is himself registered with the State of West Virginia, then the seller in your State need not collect the West Virginia tax. Since the sales tax in such a case is in fact imposed on the purchaser in West Virginia, and the purchaser is himself filing sales tax returns in West Virginia, the purchaser simply remits his own tax directly to West Virginia. As a result of the uniform application of this principle throughout the entire country, each State tax administrator will be able to concentrate his auditing activities on businesses which are located within his own State's borders.

The last section of title III is section 305, which provides a standard for the taxation of interstate sales by local governments. Because of the wide spread proliferation of local sales and use taxes this provision will protect small companies all over the United States from being completely overwhelmed by the jurisdictional assertions of more than 3,000 political subdivisions, each of which is currently taxing interstate commerce according to its own peculiar rules. Clearly, the compliance problems under this intolerable situation are so enormous, that this provision in itself will spare thousands of small companies countless weeks and months of labor in filling out tax forms which are often more costly than the actual amounts of tax involved.

Now the three titles which I have reviewed contain the major substantive provisions of H.R. 2158. Each provision is based on a sound and logical principle, and has been formulated so as to both reduce the compliance problems of the small companies and to increase the efficiency of States tax administration. At the same time there is no single provision which is designed to protect any special interest, or to prejudice the interest of any State.

The bill, in its entirety, deals with an extraordinarily complex situation, yet the bill itself is not a complex one. Instead, it is a measure which will substitute logic and order, for chaos and confusion. It will protect the small businessman from being overwhelmed by compliance problems—while enabling each tax collector to enforce his own tax laws in accordance with practical and workable standards. As a result, it is a measure which warrants the warm endorsement of the entire House.

In urging support for H.R. 2158, let me also make it clear that as a ranking minority member of the subcommittee which studied this problem, I concur completely with the statement which has been made concerning the effects of H.R. 2158 on State revenues. The study conducted by us was objective and thorough, and the revenue figures compiled by us are accurate. All of these figures demonstrate conclusively that the passage of H.R. 2158 will, in the long run, result in increased revenues for the States.

Under these circumstances the responsibility of the Congress is unequivocal. The need of the small business community for this legislation is overwhelming, and the benefits of the legislation to all of the States are enormous.

Mr. TAFT. Mr. Chairman, will the gentleman yield?

Mr. MOORE. I yield to the gentleman from Ohio.

Mr. TAFT. Mr. Chairman, I would like to ask the gentleman to discuss briefly, if he would, with his knowledge of the bill and of the background, the constitutional aspects which are involved in passing legislation of this sort. In other words, I understand the power which the Congress is asserting under this bill is under the commerce power of the Constitution. If that is true, I would like to ask the gentleman in his discussion of the point to comment on the limits, if any, once we embark upon this course, upon the use of the commerce power to regulate, in fact even prohibit, certain areas of State taxation in the future.

Knowing the brilliant future which we believe the gentleman to be headed for, we feel perhaps in the future State executives may come to worry about the precedents which we have set under this piece of legislation, and the further regulation of the right of States, indeed, to tax may well be involved. Particularly the opening language on page 3 starts out and says:

No State or political subdivision thereof shall have power—

(1) to impose a net income tax——

And so on. Why does not the power which is exercised in this legislation, if it is a valid constitutional power, go on and

say in effect that the Federal Government can regulate the mode of State taxation in the future in any way it may wish to?

Mr. MOORE. May I say to the gentleman, I think the question is an appropriate concern of his, and it should be of the committe. As I can well appreciate, it may very well be a more difficult concern of mine in the future.

The fact is, what we are trying to do here, more than anything else, is to take a necessary first step. We feel we are constitutionally at the appropriate place to utilize the commerce clause to go out and seek merely to establish the rules by which States themselves shall levy the tax.

May I point out to the gentleman from Ohio [Mr. TAFT] that in the Bellas Hess case the U.S. Supreme Court held that a State could not require an out-of-State business to collect a use tax where the only nexus with the taxing State was a mail-order solicitation for a sale. Thus the Supreme Court has already declared that the commerce clause limits the power of States to tax.

However, the Court can only operate case by case—a tortuous route. We in the Congress can speak with greater certainty and clarity. We have set down clear guideposts. The real choice, ultimately, is who will implement the commerce clause—the courts or Congress?

I, for one, do not find congressional responsibility a dangerous precedent. If we fail to act, that will set a dangerous precedent.

The doctrine of federalism must, indeed, receive its fundamental support from the Congress. But what is responsible federalism?

The very cause which led to the calling of the Constitutional Convention was State harassment of out-of-State business. Thus, Congress was given power to regulate interstate commerce. We, thus, have a constitutional duty to free the paths of commerce. We do that today.

The balance between Federal and State power is a matter of congressional concern. But we do not interfere in any significant way with the States' revenue-raising power. Page 14291 of the CONGRESSIONAL RECORD for May 21, 1968, shows quite clearly that that is true. And I do not believe that ED WILLIS, BASIL WHITENER, or myself would champion a bill that would encroach upon the rights of the States, particularly with regard to their revenue problems.

Perhaps, in theory, an interstate compact of 50 States would be best. But that cause has been ineffective. The compact which is presently being circulated among the States has no jurisdictional standards at all and it disdains uniformity among the States in taxing businesses. This is no answer.

Under the present circumstances, this bill is the only answer. When and if a tax bill is presented which goes too far in interfering with the revenue-raising right of the States, the gentleman can be assured that I will be in the vanguard of the opposition.

The CHAIRMAN. The time of the gentleman from West Virginia has again expired.

Mr. MOORE. Mr. Chairman, I yield 3 minutes to the gentleman from Maryland [Mr. MATHIAS].

Mr. MATHIAS of Maryland. Mr. Chairman, we have heard lots of times in this House words about redtape—redtape in Government, redtape binding the hands of free enterprise and private business. We hear a lot about the weight and the burden of bureaucracy on business. We hear a lot about the effect of the paperwork jungle on American business and the expense the paperwork jungle imposes on American business.

I believe these are points well taken. But this is a day we cannot only talk about it but we can do something about it. It is extremely important to do something about it, because the weight merely of the tax forms which are being projected by various State and local tax offices has become a major item of expense for American business.

During the studies which preceded the drafting of this bill there were in effect on a State level 38 different sets of corporate income tax laws, 39 sales and use tax systems, 37 capital stock tax laws, and eight different sets of State gross receipts tax laws.

On the local level the picture was even more staggering, with more than 2,300 cities, counties, parishes, towns, and villages imposing sales and use taxes on interstate commerce.

I emphasize the words "on interstate commerce," for the gentleman from Ohio, who just raised a question as to the constitutional right of the Congress to review this question.

And there were more than 1,000 local governments imposing gross receipts taxes, and more than 100 local governments imposing full-fledged corporate income taxes.

The fact of the matter is that this is a burden on business. Perhaps General Motors or Westinghouse or General Electric can sustain it, but the small businessman, that you and I represent, just cannot afford the clerks, accountants, computers and lawyers to fill out all these forms.

What do they do with these forms? I have asked them. They put them in a file drawer, and they hope that is the last they hear about it. There those forms wait until someday a tax lien may be imposed on them. That file drawer is just like a box or parcel holding a time bomb. That time bomb can go off and damage a small businessman at any moment. That is the position and the jeopardy in which the small businessmen find themselves today.

Let me suggest there is a broader and more dangerous aspect to this situation from a national point of view. The thing which has made American business grow is the width and the breadth and the depth of the market and of economic opportunity. If one has a better mousetrap one can become a millionaire, because there is the opportunity to manufacture and to sell it so broadly.

This is the great American common market. I believe it is a tragedy that at a time when the Europeans are trying to emulate our system, in trying to broaden the European Common Market until it provides an economic opportunity comparable with our own, in fact what we are doing is gradually, step by step, strangling our market by the imposition of State customs barriers and State tax borders. The quickest way, but certainly not the best way, to close the technological gap with Europe would be to dissolve the union. Conversely, the way to stay strong economically is to perfect our economic union. I therefore urge passage of this bill.

Mr. WILLIS. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey [Mr. RODINO].

Mr. RODINO. Mr. Chairman, I support H.R. 2158 out of a conviction that this measure embodies principles which are basically sound and will be fair both to the States and to the business community.

In my own view the issues raised by this bill are essentially "political." However, they are not "political" in a partisan sense since the program has strong support on both sides of the aisle. Instead, the issues are political in that they raise a fundamental question of the extent to which a businessman ought to be taxable in a jurisdiction in which he has little or no political representation.

On the one hand the tax administrators of many States, including the tax administrator of my own State of New Jersey, argue that Congress ought not to impose limitations on the States in their efforts to raise revenues from out-of-State companies, and I can understand and, in fact, I am not unsympathetic to this point of view. Perhaps New Jersey might, in one sense, benefit by including on its tax rolls large numbers of businessmen who are located beyond New Jersey's borders, and who have no voice in the New Jersey Legislature. Yet in my own deliberations I have become convinced that the pursuit of such a policy would be unwise for New Jersey and for all of the other States.

Already large numbers of local New Jersey businessmen—people who properly ought to pay taxes only to New Jersey—are being swamped with demands that they file tax returns with States, cities, counties, and school districts beyond New Jersey's borders. As a result it has become clear that there is a need for some sort of "rule of reason" for the taxation of interstate commerce.

What we in the Congress must do is to strike a fair and proper balance, so that no State will reach too far beyond its own borders, and no businessman will be called upon to pay a tax to a jurisdiction in which he has neither property nor an employee.

I believe that the lengthy study conducted by the Judiciary Committee establishes conclusively that H.R. 2158 indeed strikes such a balance. In simple terms, H.R. 2158 represents a compromise between the legitimate needs of the States for revenue on the one hand, and the need, on the other hand, for interstate commerce to be free of crippling burdens.

During the course of the Judiciary Committee's consideration of these problems this spirit of compromise was ever present. The present bill embodies a

number of features and amendments which were suggested by the tax administrators themselves. As a result the balance has become so refined that no State stands to gain or lose more than two-tenths of 1 percent of its revenues. At the same time the business community is protected from chaotic and unworkable tax requirements. Therefore, I believe we have arrived at an equitable and realistic solution to a problem that, left unresolved, threatens to seriously harm the Nation's business and industry.

Since H.R. 2158 will operate fairly for all of the States and still protect the Nation's commercial life, we in the Congress—who have a responsibility both to our States and to the national economy—should give this measure our strong support. I urge it's approval.

Mr. WILLIS. Mr. Chairman, I yield 15 minutes to the gentleman from North Carolina [Mr. WHITENER].

Mr. WHITENER. Mr. Chairman, since 1961 it has been my privilege and duty to work as a member of the Special Subcommittee on State Taxation of Interstate Transactions. No committee in the history of Congress has ever given greater attention to the contentions of interested parties than was given by this subcommittee to those who had philosophies and ideas about State taxation of interstate commerce.

Mr. Chairman, we come today to a situation where we have a bill which has universal support except from the tax gatherers. The business people in practically every phase of business activity in our Nation have expressed a desire to see this legislation enacted into law. I think it would ill behoove the tax gatherers to suggest that the business community over this Nation is not interested in the revenue picture within every State in the Union. I think it would ill become them to continue the tactics that they have followed of trying to stir up opposition because of language in the bill which was placed there in a spirit of compromise with those same tax administrators. Some of you have had wires, for example, from your State tax administrator in which he raised the point that provision for excluding corporations was in some way a sinister thing and that if this bill is good for small business, they say it should be good for the larger businesses. Well, they know, those who may read this debate or hear it know, that this subcommittee made the change and limited the application to the corporations having less than $1 million in annual taxable income, because the tax administrators insisted that our bill originally was one designed to help the giant corporations.

Then we have this other rather unusual contention which some of them have generated in your State and in mine that for some reason this legislation will retard the State in the attraction of outside industry. Well, suppose it did do that. And we do not admit that it would. In fact, we are certain it would not. Even if it would do that, I still think these State officials have some obligations to existing businesses already in their State who have built up the State.

Mr. WILLIS. Mr. Chairman, will the gentleman yield at this point for one sentence?

Mr. WHITENER. I yield to the chairman.

Mr. WILLIS. I say to the gentleman, as he well knows, that the bill contains this specific provision permitting tax incentives.

Mr. WHITENER. Of course it does.

Now, my friends, I shall not take a great deal of time. This bill has been carefully considered. It has been written by individuals who believe in States rights and who have just as fine credentials for upholding the Constitution as anyone in this Congress.

And, it was also written by men who had carefully studied this problem and had the assistance of the outstanding experts in the Nation, impartial and unprejudiced experts, and as a result thereof, have come up with this legislation. We have done this because we believe it to be in the best interest of our Nation.

We do not believe that it will do damage to any State in the Union, but, rather, it will be a blessing to all of them.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. WHITENER. Of course I yield to the gentleman from North Carolina.

Mr. JONAS. I was interested in what the gentleman had to say about the accommodation of the committee to one of the arguments of the tax administrators, in excluding corporations with taxable incomes in excess of $1 million.

Mr. WHITENER. This was just one of many concessions.

Mr. JONAS. I understand why that was felt by the subcommittee to be necessary, in order to remove one of the objections. However, I wish the gentleman from North Carolina would discuss the merits of this discrimination.

Mr. WHITENER. All right; I shall be glad to do so. It is my feeling, and I believe the feeling of the other members of the committee, that this bill would be properly applied to corporations regardless of their size. We think it would bring about a better situation between corporations involved in interstate tax and local tax authorities being involved, but as a practical consideration, the six or eight volumes of hearings that are available here will show to the gentleman that the small business people who are not equipped with computers and with information counsel and information tax authorities, are not equipped to meet the requirements which are so burdensome where they do a multi-State business.

To give the gentleman some examples, I see the distinguished gentleman from Washington present in the Chamber. His apple people, perhaps a small operator, when you compare them, to a big business, but who ships apples at Christmastime and there are various cities and States in which he finds himself sometimes as some of the testimony showed with a taxing jurisdiction from out of his State, coming back at him with a jeopardy assessment totally unrealistic in amount, years after he had destroyed all of his records for that period of time. We found the same situation to exist in Wisconsin with reference to certain cheese manufacturers and we had the situation which exists with reference to Florida citrus fruit growers who have had to spend unusual effort to report $50 worth of business done in that particular jurisdiction and ordered to provide an executed tax form for some remote jurisdiction where the tax liability was, say, only $2.

I am sure that the gentleman is familiar with the infamous practice, one which has been infamous for many years in some of these tax jurisdictions, to notify the small businessman that he has made a sale in their State and that he is going to have to have an assessment of x number of dollars against him unless he sends to that State or to that jurisdiction all of his records or a photostatic copy of them. Or, in lieu of that, they say we will send an auditor to your State if you will send us your check for so many hundreds of dollars and then agree to pay this auditor's keep and salary for whatever period of time it takes.

There are so many things that this subcommittee has found in its exhaustive study that need correcting that within the time we had allocated to us we just could not begin to cover all of them.

Mr. JONAS. Mr. Chairman, will the gentleman yield again?

Mr. WHITENER. I yield further to the gentleman from North Carolina.

Mr. JONAS. The reason I raise the question is because I have detected a trend here in Congress in recent years toward what I call class legislation.

There seems to be a disposition on the part of some Members of the House occasionally to say, "Well, this is all right, because it only applies to the little man. We will exclude its application to those whose incomes are above so and so."

I am just fundamentally opposed to class legislation. If legislation is good for the company with $900,000 of net income, then I have some difficulty rationalizing excluding the one who has $1,100,000 of income.

Mr. WHITENER. I understand the concern of the gentleman, and I will say to him that under title IV of the bill there is provision made for a continuing study by the Congress of this problem. I know that some of the same folks have talked to me who have talked to my friend about the excluded corporation provision, and I am not in disagreement with his view. I am just saying that we must try to do that which we can do.

Mr. JONAS. This might help.

Mr. WHITENER. And I do not believe that we would be able to get as overwhelming a majority of votes for this bill as I anticipate we will be able to get with this provision in it.

Mr. JONAS. Would I be safe in assuming, and this may help me over this little hurdle, in assuming you will see how this will work with respect to small business concerns, and there is always the possibility that with experience and growing out of that experience, there may come a time when the committee might extend this?

Mr. WHITENER. Not only as to the subject matter that the gentleman men-

tions, but the total impact of this legislation, and a study of other practices and patterns which need to be revised.

Mr. FLYNT. Mr. Chairman, will the gentleman yield?

Mr. WHITENER. I yield to the gentleman from Georgia.

Mr. FLYNT. Mr. Chairman, I have asked the gentleman from North Carolina to yield to me in order that I might ask questions which have arisen as a result of conferences with State revenue officials.

During certain discussions with revenue officials there have been times during those discussions when I have wondered whether these revenue officials and the members of the House Committee on the Judiciary are talking about the same bill.

I want to say at this point that I intend to support this bill. I have studied it, and the conclusion at which I have arrived is that it may accomplish the purposes which are set out in the committee report. And this brings me to my first principal question:

Would the gentleman tell me, in as succinct language as possible, the purpose of this legislation?

Mr. WHITENER. The purpose of this legislation is to eliminate existing inequities in the administration of a multiplicity of tax laws, and to bring about a condition of equity, doing as little violence as possible to the revenue picture of any State.

As a matter of fact, I believe the gentleman—and I am sure any reasonable person, would have to agree that this legislation could not possibly bring about the result that the tax administrators say that it does, because it could not lower revenue in all the States of the Union, somebody is going to get an advantage of some sort, I would assume, notwithstanding all our careful efforts to *maintain* balance.

Mr. FLYNT. Now I would like to ask the gentleman from North Carolina if it is correct that one purpose that the committee has in mind in reporting this legislation to the House is to effectively deter punitive taxation levied by State taxing authorities against out-of-State businesses?

Mr. WHITENER. Of course, that is one of the purposes we seek to accomplish. But I think it is only fair to say that an equally important aspect of this is to eliminate the undue burden on certain of our multi-State businesses where you cannot really say that there is a punitive enforcement procedure. Just the operation of the law, without any element of imposing a penalty or unfairly overreaching constitutes an insurmountable problem to many small businesses in the country.

Mr. FLYNT. Would one of those insurmountable problems be in the nature of out-of-State audits, to which the gentleman from North Carolina referred in his colloquy with the gentleman from North Carolina [Mr. JONAS]?

Mr. WHITENER. That certainly would be one.

Mr. FLYNT. Another question was raised by the gentleman from North Carolina [Mr. JONAS], is that if this legislation is good for some companies it might be good for all.

Did I understand the gentleman from North Carolina [Mr. WHITENER] to respond to that, that very question is one of the reasons that committee of the Congress retained this subject matter for specified period of 4 years to determine if the provisions of this legislation should be applicable to all corporations regardless of size?

Mr. WHITENER. The gentleman is correct.

I would further say, expressing a personal opinion, that I would have preferred that the bill not limit its application to these smaller corporations. I think it would be good legislation if it applies all across the board. But, as the gentleman knows, in legislating you sometimes try to reach a compromise which will enhance the chances of a principle being established.

Mr. FLYNT. I thank the gentleman for responding to my questions. I recognize that some parts of this bill might properly be modified and in future legislation I hope that it may be improved. Recognizing certain imperfections in the bill as reported, I believe the purposes of the bill to be good and I believe them to be accurately stated in the committee report. Believing that the bill will correct more inequities than it will create, I intend to vote for the bill H.R. 2158.

Mr. ICHORD. Mr. Chairman, will the gentleman yield?

Mr. WHITENER. I yield to the gentleman.

Mr. ICHORD. I agree with the gentleman that we do have problems here which need to be solved. But I seriously question whether this is the proper method of solving them.

Mr. WHITENER. My answer to the gentleman would be that after studying this carefully and having 21 of the leading tax people in America on a panel studying it along with us every step of the way, this is the conclusion that we reached. If we are wrong, it is based on a rather careful and extended study and I personally do not think we are wrong.

Mr. ICHORD. Let me say to the gentleman from North Carolina, there is no man in this House I have greater respect for than the gentleman from Louisiana, the author of this bill who is also chairman of one of my committees. But the respect that I have for him, and the respect I have for the gentleman from North Carolina does not dictate that I must agree with either one of the two gentlemen.

Now I am not impressed by the argument that this bill is supported by all of the taxpayers and opposed by all of the tax gatherers because if this bill has the effect in all the States that I am informed it will have, in the State of Missouri it will reduce Missouri's intake of sales and use taxes $50 million per year and naturally the taxpayers would support this piece of legislation.

Mr. WHITENER. Well, of course, I do not know where the gentleman gets his information. But based upon the careful study by the committee staff and these outside experts, they say the maximum possible loss would be nine one-hundredths of 1 percent.

Mr. ICHORD. My estimate comes from a distinguished member of the Missouri Senate whom I have known for several years.

Mr. WHITENER. I wonder if the gentleman knows what the total income tax take is in Missouri.

Mr. ICHORD. No; at this point I cannot give it to the gentleman. I am not talking about income tax; I am talking about sales use tax.

Mr. WHITENER. Sales tax. I would say that if the State of Missouri is getting $50 million a year in sales tax from out-of-State businesses, they must get one whopping amount from their in-State people.

Mr. ICHORD. I would say to the gentleman from North Carolina that when I was a member of the Missouri Legislature, we updated our sales use tax laws in order to get proper revenues from such sales covered by the laws.

Mr. WHITENER. This figure would indicate that your State is getting in the neighborhood of 15 to 25 percent more sales tax revenue from out-of-State businesses than the State of California is getting, and I would rather doubt your State senator's figure if he says $50 million.

It comes as a surprise to me that this bill could cause your State to lose $50 million in State sales use tax when, according to the tax administrator in California, he himself estimates at the most that State could lose only $3 million. It may be that your activities are much greater than California's. I am not aware of that. I believe California is a much larger State, and I would assume that if they, at the top estimate, say they could lose only $3 million from the sales use tax as a result of this bill, Missouri could not possibly lose $50 million.

Mr. ICHORD. I have not studied the question in detail, but I would read to the gentleman from North Carolina an editorial from the St. Louis Globe-Democrat, as follows:

> Not only would this proposal stick the Federal nose deeper into State affairs, it could cost the State of Missouri an estimated $25 million to $50 million annually in use taxes, income taxes, or other imposts.

The estimate does include income taxes and other taxes.

The whole of the editorial reads as follows:

> NO U.S. CONTROL OF STATE TAXES
>
> The steady march of Washington government to usurp states' rights—this time state and local power of taxation—will advance another long stride if the Willis bill, to control taxes on corporations doing a multistate business, is passed by Congress.
>
> This measure is expected to come to a vote in the House on Wednesday. Not only would this proposal stick the federal nose deeper into state affairs, it could cost the State of Missouri an estimated $25 million to $50 million annually in use taxes, income taxes or other imposts.
>
> The Willis bill, whose architect is Congressman Edwin E. Willis of Louisiana, chairman of the House Judiciary Subcommittee, would divorce control of tax collecting methods from states and turn it over to the federal government.
>
> While jurisdiction over rates would remain with states or local units, Big Brother in Washington could tell states and subdivisions how they could tax and what they could tax. This could give the growing fed-

eral colossus a stranglehold over a great percentage of state taxation.

The Willis legislation evolved out of United States Supreme Court decisions of 1958 and 1961, which held that states and local jurisdictions had the right to levy taxes on products of corporations even though the company's property was not physically within the taxing district.

The usual method of such taxation is the use tax, a form of sales tax. If the Willis measure were enacted, federal government could bar Missouri from applying the use tax to multi-state businesses. It might rule out almost any type of taxation on interstate corporations—for instance income taxes.

Senator Albert M. Spradling of Cape Girardeau, formerly chairman of the board of the Council of State Governments and still a member of the board, has been an active, long-time opponent of the Willis plan—as has the council.

Mr. Spradling is not negative in approach to the problem of taxing multistate business operations. Admittedly there is a problem.

Corporations such as big mail order houses have a justified complaint. Presently states determine how much of a concern's interstate business is done in their respective states. For example, Missouri might decide 45 per cent of a company's business is done here; New York might consider 35 per cent was transacted there; Pennsylvania could figure 25 per cent done in its state.

Thus the corporation would be paying use, possibly income taxes, on 105 per cent of its business in these three states alone.

These concerns sought federal intervention to remedy such inequity and establish a uniform system of taxation. After six years or more of study, the House subcommittee came up with the Willis bill.

But meanwhile, Senator Spradling and Council of State Governments spokesmen have come up with an alternate plan we consider infinitely preferable—a Multistate Tax Compact. This would be a mutual establishment by states to regulate state taxes, provide uniformity of state levies and insure no taxpaying firm is assessed on more than 100 per cent of its income. It could be assessed on less.

Missouri joined this pact through a bill adopted by the Legislature last year, a measure sponsored by Senator Spradling (Democrat) and Senator A. Clifford Jones, a Republican. The pact already embraces 15 states. It is anticipated 20 more states will join within the next year or two.

Congress should hold off the Willis legislation. It would be far better to let the states handle this problem, which they show every purpose of doing fairly.

Under the compact, which creates a Multi-State Tax Commission, the problem can be solved without loss of revenue to states. Because of the tremendous bite Uncle takes out of the overall tax revenues, states are bitterly hard pressed for essential support.

If this state were to lose multi-millions a year from present income, there would have to be new, oppressive taxes. We could not otherwise operate Missouri government if Washington gigs $25 million to $50 million from annual revenues.

Mr. WHITENER. I might say to the gentleman that in the tax year 1967 the gentleman's State had a total sales and gross receipts tax revenue of $408,274,000. I do not know the State senator who wrote to you, your tax administrator, or whoever did, but I would say that it would be a most bizarre result if this bill would have an effect of depriving your State of $50 million.

Mr. ICHORD. May I say to the gentleman that I do not mean to be parochial, but I am sure you are acquainted with the multi-State compact that 15 State legislatures have passed since this bill was reported out of committee, are you not?

Mr. WHITENER. I am familiar with that. We heard a great deal of testimony about the compact. But you know there has not been any impediment in the adoption of a compact at any time in the history of our country. When we asked these tax administrators when they thought they could consummate the compact approach, they were about as evasive and unconvincing as is humanly possible. In fact, the compact argument is a red herring developed by the National Association of Tax Administrators.

Mr. MOORE. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. HUTCHINSON].

Mr. HUTCHINSON. Mr. Chairman, H.R. 2158 writes into statute law some jurisdictional tests which a State must meet in order to tax any part of the income of a corporation doing business in more than one State, or before it can require a seller of tangible personal property to collect its sales and use taxes for it.

Those who favor the enactment of H.R. 2158 laud it as a strengthener of the great American common market which the Constitution created. The Constitution is very explicit when it says that no State shall without the consent of Congress lay any imposts or duties on imports or exports except as may be absolutely necessary for executing its inspection laws. So from the very outset no State has been able to build tariff walls for the protection of its own industry as against the industry of other States.

But in recent years as more and more business, big and small, has expanded into multi-State sales, the business community has become burdened with what it considers a different kind of obstacle against the free flow of commerce among the several States. That obstacle has been some State tax policies as they affect interstate commerce.

H.R. 2158 would set down broad jurisdictional tests by which both the States and multi-State businesses may know whether a particular State may tax a particular business enterprise. The question is whether a particular enterprise is located within the State. If it is located there the State may tax its income and require it to collect State sales and use taxes. If it is not located there, then that business is beyond the reach of that State.

Those who oppose H.R. 2158 cite it as still another incursion by the Central Government against the States hitting them at the very roots of the federal system. Nothing is more vital to the continuance of government than its ability to raise the revenues needed to perform its function. If the General Government in Washington is accorded power to define in any degree the taxing power of the States, may it not eventually control their taxing powers completely? When that time comes, the States would indeed be nothing more than administrative subdivisions of a unitary governmental system.

Alexander Hamilton who is certainly no defender of the States in our federal system and who was a strong believer that the General Government should replace them wrote in No. 32 of the Federalist Papers:

> The individual States should possess an independent and uncontrollable authority to raise their own revenues for the supply of their own wants.

He assured his readers that—

> The States would, under the plan of the Constitutional Convention, retain that authority in the most absolute and unqualified sense; and an attempt on the part of the National Government to abridge them in the exercise of it would be a violent assumption of power, unwarranted by any article or clause of its Constitution.

Today, when the Supreme Court of the United States no longer stands as the protector of the States against Federal encroachment, the Congress must come to the defense of our federal system if it is to be preserved. The Congress should be as cooperative with the States as possible in an effort to preserve and maintain them. Congress should be cautious that it does not preempt the taxing power of the States or narrow their legitimate taxing authority. Congress should be concerned lest it force the States even further into revenue dependency upon a Central Government.

The basic question in controversy before the House right now is whether H.R. 2158 does invade the internal power of the States to lay and collect taxes.

We are primarily concerned with corporate income taxation and sales tax collection.

Turning first to the income tax question, when a corporation located in your State does all of its business there, manufacturing and distributing its products and selling them wholly within your State, clearly no problem arises. Your State can impose a tax on the entire income of that corporation.

But as the business grows management seeks additional markets and before long the business is making sales in other States. To better promote its products in those out-of-State markets, it may engage sales agents in them. Next, in order to better serve its customers, the business may establish a warehouse in an out-of-State market and maintain a stock of goods there staffed by its own employees; and at length, it may build plants in those States. The question is at what point in the transition from a single State to a multi-State business does another State acquire jurisdiction to tax a share of the corporate income?

Before 1959 it was court-made law that in order to tax any part of the income of a business entity a State must find that company doing some local business within its borders. But in 1959 the Supreme Court changed the law, something it has been doing a great deal of in recent years. The Court then held that a business corporation is present within a State for State income tax purposes if its only activity within that State is sales solicitation.

The effect of the 1959 decisions was to broaden the tax jurisdiction of the States and they were agreeably pleased with the result. However, at the same time,

the Supreme Court, observing that it had been called upon to settle some 300 cases involving State taxing power, invited Congress to regulate State taxation of interstate commerce.

The Court's suggestion to Congress that it legislate in the field, together with the alarm with which the business community quite understandably received the 1959 decisions, was sufficient to mobilize the 86th Congress, then in session, and Public Law 86–272 was promptly written into the statute book.

Public Law 86–272, which H.R. 2158 will not amend or supersede, negated the Court's 1959 decisions. The purpose of the act was to put the law back in the same stance it had before the decisions were handed down. The essence of Public Law 86–272 is that a State does not acquire jurisdiction to tax the income of a business enterprise if the only activity of that enterprise it can find within its borders is the mere solicitation of sales of tangible personal property when the orders are sent outside the State for approval or rejection, to be filled by shipment into the State from a place outside.

H.R. 2158 goes further than Public Law 86–272. It provides some positive jurisdictional tests. Before a State can tax any part of the income of a corporation, it must, under H.R. 2158, find within its borders either, first, some real estate owned by or leased to the corporation; or second, an employee of the corporation based in the State and doing something more than merely soliciting orders; or third, a stock of goods held for sale in the ordinary course of business. And if a State cannot find any of these three criteria within its borders, it can tax the income of a corporation only if it finds that the average annual income of that corporation is more than $1 million.

During the time that I sat as a member of the Judiciary Subcommittee on State Taxation of Interstate Commerce considering the testimony adduced in the lengthy hearings and even when I wrote minority views on the bill which was reported in the 89th Congress, I was deeply concerned about whether this legislation in setting down jurisdictional standards, intrudes upon the legitimate taxing power of our States. Initially I thought it did. Upon reflection I have concluded statutory jurisdictional standards are appropriate. It is evident that the courts in the future as in the past will be called upon to decide disputes between the States and those they claim owe them taxes. It is better public policy, in my opinion, that the elected Representatives of the people—the Congress—provide jurisdictional guidelines than through our inaction to leave the matter to the Federal courts. I am persuaded that the jurisdiction of States to tax will be defined by Federal action one way or another. If Congress provides no guideline, then the Federal judiciary will define that jurisdiction. If we do act, then the Federal Legislature defines that jurisdiction. Congress has all too often been guilty of abdicating to the courts. I am, therefore, prepared to say that if H.R. 2158 did nothing more than to set down jurisdictional tests I could support it in principle.

In one major respect the bill as it stands does intrude upon the legitimate taxing power of the States. Title 2 of the bill goes beyond defining jurisdictional standards. Title 2 should be stricken and when the bill is read for amendment under the 5-minute rule, I will offer an amendment to strike that title. I moved to strike it in the full Judiciary Committee 14 months ago, but the amendment lost by a tie vote. I shall offer it again with the hope that this time it will be accepted.

Title II is an unwarranted intrusion into the internal tax policy of the States. Further, it will prove burdensome to those it intends to benefit, and it is poor public policy.

When a corporation does business in many States, each of those States may lay claim to tax a portion of the corporation's income. The formula for apportioning income among the taxing States has evolved into three factors—property, payroll, and sales. Title II would afford to corporations with average annual incomes of $1 million or less the option to pay a State its income tax computed in accordance with that State's laws or in accordance with a two-factor formula as the corporation might choose. Those two factors are property and payroll. The third factor, sales, would be disregarded if the corporation chose the two-factor formula.

So, title II affords to corporations with average annual incomes of $1 million or less the option to pay income taxes to a State in accordance with its laws or according to the two-factor formula in title I. Each year such a corporation would have to decide whether to comply with the State law or to pay taxes to that State under the Federal formula—a formula foreign to that State and possibly inimical to its laws.

Why should Federal law vest in a corporation the power to choose whether to comply with a State's tax law, when the corporation admits that it is subject to the jurisdiction of that State. Other taxpayers have no such choice.

It is argued that small enterprises making sales in many States do not have the resources to employ the tax and legal staff needed to deal with the complexities of varying State tax laws. That is true. But the protection of those companies against that burden is to be found in title I rather than in title II of the bill. Under title I a small corporation simply will not be required to account to any State unless it has a business location there. If a business is located in a State it ought to comply with that State's laws including its tax laws just as other persons must.

With title II in the bill these small corporations will be put to a greater burden than the one they now endure because under title II the corporation which is taxable in more than one State must master not only the State apportionment formula in which it has a business location, it must master a Federal apportionment formula as well. In order for any business enterprise to choose in its own interest between paying taxes to a State in accordance with its laws or in accordance with a Federal formula in title II the business must be familiar with both. Anything less may cost it money. In short, it behooves each corporation to compute its liability in each taxing State in two different ways in order to ascertain whether the Federal formula or the State's own formula generates the lower tax. So title II in no way solves the compliance problems of the small companies but serves to compound them. Title II will add to the burdens of those it intends to relieve. Title II should be eliminated in its entirety.

On the other hand, if title II is stricken every corporation regardless of its size which is located in a State will be subject to that State's tax laws. There will be no Federal formula to master, neither will the business be subject to tax liability in those States in which it is not located. These protections against the asserted income tax power of a State in which a smaller corporation does nothing but makes sales are to be found in title I—not in title II.

If a State has jurisdiction to tax the income of a corporation under title I there is nothing inequitable or burdensome in the three-factor formula. A business with an actual business location ought to be able to account for its sales in a State as well as for its property and its payroll. There is definitely nothing unjust in the use of a sales factor in an income apportionment formula. The sales factor is established in the formulas of almost all the States.

H.R. 2158 says, with regards a corporation with less than $1 million of average annual income, that a State cannot tax its income if the only factor the State can find within its borders is sales by that corporation. In order to base a corporate income tax the State must find either one of the other two factors present, either property or payroll. But if it can find either property or payroll then certainly it ought to have the right to apply its entire three-factor tax formula. Most States have constitutional rules of tax uniformity. Once tax jurisdiction is established the uniform rules of State internal taxation should be respected by Federal law.

A sales tax and its complementary use tax is a tax imposed upon the purchaser of tangible personal property. Because of administrative necessity, a duty is imposed upon the seller to collect the tax and remit his receipts to the taxing authority. In 1960 the U.S. Supreme Court held that in order for a State to require sellers who are located outside its borders to act as its tax collectors the only nexus required is the regular acceptance of orders for delivery in the taxing State. This was a stunning extraterritorial extension of a State's sales tax reach. Every business selling tangible personal property in the ordinary course of trade found itself a use tax collector for every State and municipality in which it made sales. Were it not for the Court's sales tax decision in the Scripto case back in 1960, it is unlikely H.R. 2158 would be before us. Congress had successfully brought the Court's income tax decision under control through enactment of Public Law 86–272, but Congress has taken no action to bound the reach of the 1960 Scripto decision. The power of the States to require out-of-State businesses to act as use tax collectors re-

mains unresolved. Recently in the Bellas-Hess case the Court determined that mail solicitation for orders to be shipped into a State did not provide a sufficient business presence there to permit the State to require the seller to collect its sales tax for it.

In order for a State or political subdivision to require a business to collect its sales and use taxes, H.R. 2158 directs the taxing State to find within its borders one of the following: First, real property owned by or leased to the business; second, an employee located within the State; third, a stock of tangible personal property held for sale in the ordinary course of business; or fourth, regular household deliveries. If a State finds one or more of these jurisdictional facts, it is enabled to require that business to collect its tax; otherwise not.

The jurisdictional standards upon which a State may base its power to require a seller to collect its sales and use taxes apply to business entities without regard to their size. The jurisdictional standards for corporate income taxes, on the other hand, apply only if the average annual income of the corporation is above a million dollars.

The States are opposed to the limitation of these jurisdictional standards. They point out that under them they will be unable to effectively impose a sales tax on orders taken by itinerant door-to-door salesmen and mail orders from some small businesses which are not located within the State. They argue the inequitable competitive advantage this gives to out-of-State businesses who compete with home town merchants.

This bill has been 9 years in the making. The States, increasingly aware of the problems which the subcommittees studies and hearings brought into focus, sought time in which to work out their own solutions. They suggested a delay of two bienniums during the hearings in early 1966. Since then one biennium has passed and but 16 States have agreed to a proposed interstate compact. This showing in only about one-third of the States suggests either that the legislatures are unaware of the interstate problems involved or that they are unconcerned in the prospect of Federal legislation in still another field traditionally left to State action.

Mr. WILLIS. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. CORMAN].

Mr. CORMAN. Mr. Chairman, I rise in support of H.R. 2158.

I wholeheartedly agree with the conclusion of the gentleman from Louisiana, the gentleman from North Carolina, and the gentleman from West Virginia that this bill will strengthen the economy of each State by protecting the commerce that is so vital to all of the States.

It is my understanding, Mr. Chairman, that there are over 110,000 political subdivisions within the United States that have the power to levy taxes of one sort or another on nonresident businesses. They range all the way from counties, cities, and school districts to police jurisdictions, sanitary districts, and irrigation ditch districts. Not all of them, of course, now levy and try to collect taxes from nonresident businesses but thousands of them do.

Take Alabama, for example, and I hasten to point out to my good friends from the State of Alabama that I chose their State merely because it is the first State in the alphabetical list.

I will address my remarks only to the Alabama sales and use tax situation. The Alabama State Department of Revenue administers the collection and division of sales and use taxes collected for 158 political subdivisions as of last year. They are based on three classes of sales, first, a general rate, second, an automotive rate, and third, a machine rate.

In 14 counties and one school district the applicable rates of tax range from one-sixteenth of 1 percent to 1 percent. In one county there is only a general rate, automotive and machine sales are exempt. In six counties there is no machine rate, these sales are exempt. Fifty-three counties in Alabama have no sales or use tax administered by the State department of revenue.

Seventy-eight cities in Alabama have sales and use tax general rate levies ranging from one-fourth of 1 percent to 2 percent which are administered by the State department of revenue. These same 78 cities have automotive rates ranging from one-eighth of 1 percent to one-half of 1 percent and 77 of them—all except Haleyville—have machine rates ranging from one-eighth of 1 percent to 1 percent.

Sixty-five police jurisdictions have sales and use tax automotive rate levies ranging from one-half of the city automotive rate of one-eighth of 1 percent to one-half of 1 percent. These are, therefore, effective rates of one-sixteenth of 1 percent to one-fourth of 1 percent. Two of those 65 police jurisdictions levy a general rate of one-half of 1 percent, one levies a general rate of one-fourth of 1 percent and one a general rate of one-eighth of 1 percent. Three of these latter four police jurisdictions levy a machine rate of one-eighth of 1 percent and the other one levies a machine rate of one-sixteenth of 1 percent.

Now, Mr. Chairman, I would say that if this myriad list of Alabama local subdivision taxes were levied in this intricate manner and payable to the State department of revenue in one lump sum on an annual basis it just could be contended that compliance was a physical possibility for out-of-State businesses. But, Mr. Chairman, let me read to you from the instructions from the State department of revenue:

> The (counties and) cities shown on the attached schedule (and this includes also the police jurisdictions) have adopted ordinances levying privilege license or gross receipts taxes identical to the State Sales Tax Law except for the rates of tax. By special acts of the legislature the Department of Revenue has been made the collecting agency for the cities (and counties and police jurisdictions). If you have a place of business in any of these cities you will be required to file a monthly report for each and pay the tax to this office.

I am sure, Mr. Chairman, that we would all agree with that requirement for those businesses that have a place of business there. But I read on:

> In addition, if you have salesmen who solicit orders in any of these cities (counties or police jurisdictions) and, as a result of the orders, merchandise is delivered F.O.B. destination by common carrier or if the merchandise is delivered by seller's equipment, you will be required to file the return and pay the tax.
>
> The reports are due on or before the twentieth of the month following the month in which the tax accrues. One remittance in payment of all local taxes may be made; *however a separate report is required for each tax.*

The Director of the Alabama Department of Revenue then goes on to advise that if the businessman will advise the counties, cities, school districts, and police jurisdictions in which the businessman expects to make sales, he will forward the necessary forms.

To comply with these regulations for only 1 year, a businessman selling into these cities, counties, school districts and police jurisdictions would have to file 12 monthly forms for each jurisdiction. That would be 12 times 158 forms or 1,896 forms—in 1 year, Mr. Chairman.

The effective rates are mostly under one-half of 1 percent, mostly one-eighth of 1 percent or one-fourth of 1 percent—let us assume they averaged one-fourth of 1 percent for every dollar of sales. Let us assume also, that the businessman is not too small, that his sales in Alabama are $100,000 during the year in these 158 tax levying jurisdictions. One-fourth of 1 percent of $100,000 is $250, Mr. Chairman—$250 tax liability, payable in 12 checks, one each month for around $20 the average monthly tax liability, which must be accompanied by 158 tax forms.

I hope I have helped some of the Members of the House understand what the businessmen mean who are writing me saying the cost of compliance is much greater than the tax. The cost of just making out the 1,896 forms would be 10 to 20 times the amount of the tax. But to fill out the forms the businessman has to keep track of all those sales into each jurisdiction and apply the proper rate of tax to each sale and cumulate it for the month for each jurisdiction.

Is it any wonder, Mr. Chairman, that the special Subcommittee on State Taxation of Interstate Commerce came to the conclusion that interstate business operators are being unduly burdened by the jungle of State and local tax laws applying to interstate transactions?

Is it any wonder, Mr. Chairman, that the study by this special subcommittee reveals that 90 to 98 percent of the businesses, especially small businesses in the Nation, are not complying with the laws as they are written today? The fact is, Mr. Chairman, that they cannot possibly comply nor can the State tax administrators enforce the laws. It would take more tax collectors than there are taxpayers to get 100 percent enforcement. The Congress must do something to clear up this maze of laws and bring order out of chaos if interstate business is to continue to grow and our economy is to continue to expand.

Mr. Chairman, I would like to turn for a moment to the problems faced by businessmen in my own State of California—a State second to no other State in

the efficiency and conscientiousness of its tax administrators. A number of years ago California's tax officials undertook a vigorous program to compel out-of-State companies to file California tax returns. It was clear that if this were to be done on an equitable basis California would have to maintain staffs of auditors in other States. As interstate commerce has grown, so too has California's out-of-State administrative machinery. Today, California maintains four separate offices in other States—and each office is staffed by at least 40 full-time auditors. Following California's example, other States have likewise expanded their own administrative machinery either by opening out-of-State offices of their own or by pursuing out-of-State companies through the mail.

What we are now faced with is a rapidly developing trend for each State to impose its own nationwide tax system, and to export tax collectors into its sister States.

Under the circumstances, it is not surprising that small companies from Vermont, North Carolina, Virginia—from all over the United States—are unable to cope with the combined effect of the diverse regulations promulgated by tax officials from California, Oregon, Illinois, Washington, Florida, and all of the other States which are attempting to exercise surveillance over companies which are located beyond their own borders.

Since the California tax administrators have pioneered the development of the present system, and now maintain the largest and most vigorous enforcement machinery of any State, we ought to ask ourselves just what type of harvest California can expect to reap from its present practice of exporting tax collectors into other States.

First of all, the question arises as to the amount of revenue that California might stand to gain or lose by altering its present practice to comply with the standards of H.R. 2158. In this regard, Governor Reagan informed me last year that the immediate loss would have been approximately $4.5 million. This would have amounted to less than one-tenth of 1 percent of California's total revenues—which were in the vicinity of $5 billion. Frankly, as a member of the subcommittee that looked into these matters, I was comforted by the $4.5 million figure, which had been provided by California State tax officials. This figure represented the actual loss determined by the tax officials. Later on these same officials began to talk of additional losses, which were based on their hypothetical assumption that under H.R. 2158, businesses would move out of California.

However, everything that our subcommittee learned about the interstate tax problem during the last 6 years makes it clear that the present bill will not bring about any significant relocation of industry. Our studies also make it clear that any loss whatsoever to the State of California will be more than offset by increases in California's revenues that can be anticipated under the Interstate Taxation Act.

As the gentleman from North Carolina [Mr. WHITENER] has pointed out, all of the States can anticipate increases in their revenues as a result of the elimination of the trade barriers that currently impede interstate commerce, and also as a result of the increased administrative efficiency which will be established under uniform rules that apply equally to all of the States. Certainly my own State of California will be no exception and will benefit enormously by the passage of this bill. Conversely, the defeat of this measure will do considerable damage to the many small companies in California which simply must have access to the national market if our local industries are to continue to expand.

I urge this House to give the Interstate Taxation Act its complete support, and to vote favorably for this sorely needed legislation.

Mr. WILLIS. Mr. Chairman, I have no further requests for time.

Mr. MOORE. Mr. Chairman, I yield 3 minutes to the gentleman from Washington [Mr. PELLY].

Mr. PELLY. Mr. Chairman, I rise in opposition to H.R. 2158—the Interstate Taxation Act.

In this connection, at the outset, let me cite the conclusion of our colleague from Michigan [Mr. HUTCHINSON] contained in his separate views in the report accompanying this bill.

Mr. HUTCHINSON in his conclusion says:

> The States do not favor this bill. Most State tax administrators, many State governors and Attorneys General oppose it. They raise constitutional objection as well as questions of public policy. This bill remains extremely controversial.

Mr. HUTCHINSON states further:

> Congress should be cautious that it does not preempt the taxing power of the States or narrow their legitimate taxing authority. Congress should be concerned lest it force the States even further into the role of revenue dependency upon a central government, denying them the means even to carry out their proper local functions.

As to the opposition of most States to this bill, as the separate views of Mr. HUTCHINSON indicate, a resolution adopted at the 1968 annual meeting of the Western Governor's Conference urged the defeat of H.R. 2158.

Instead the Western State Governors urged prompt consideration and passage by Congress of H.R. 9476 consenting to a multistate tax compact.

As the Council of State Governments points out in a letter to Members of the House dated May 14, 1968, the Western Governors' resolution in opposition to this bill was in line with earlier expressions of the National Governors' Conference, the National Legislative Conference, the National Association of Attorneys General, the National Association of Tax Administrators, and other oranizations of State and local affairs.

As pointed out by witnesses for 46 States at the hearings on the original Willis bill, H.R. 11798, this legislative approach could cost State dearly in revenue, shift the burden of taxation among taxpayers and impede their administration of their own tax laws.

Mr. Chairman, let me point out that since the hearings of this measure and since the Committee on the Judiciary reported H.R. 2158, the States have made extraordinary efforts to put their own houses in order. Since then 15 States have passed the multistate tax compact, the provisions of which meet substantially the significant problems of multistate business taxation. Indeed virtually all States, by enactment of the compact, by enactment of other legislation or by administrative action, have eliminated audit reimbursement requirements, extended credit for sales taxes paid to other jurisdictions, simplified reporting for small taxpayers, adopted the Internal Revenue Service definition of taxable income as the starting point for determining State tax liability and have taken other actions in good faith to meet the problems which H.R. 2158 seeks to solve.

The separate views in the committee report takes particular exception to title II which affords the corporations with average annual incomes of $1 million or less optional power to choose whether to comply with a State's tax law.

I understand an amendment to eliminate this title II may be made. However, if such a floor amendment is made and succeeds in order to make the bill more acceptable I still will oppose the bill and my information is that such an amendment would not help the State of Washington. I cannot speak for other States. Actually revenue losses to my State stem from other provisions of the bill, primarily those allowing huge avoidance of sales and use taxes.

I would hope, Mr. Chairman, my colleagues would evaluate the effect of this bill on the revenues of their respective States. In my own State of Washington the estimate made for Gov. Dan Evans is that it would cost in revenues as much as $66.7 million a biennium.

Mr. Chairman, I hope this bill will be defeated, and instead consent legislation in the form of H.R. 9476 for the multistate compact will be adopted at a later date. Unfortunately this latter alternate plan is not germain to H.R. 2158 so the only way is to defeat this bill today.

I urge my colleagues to consider the matter of States rights and vote this bill down.

Mr. WILLIS. Mr. Chairman, will the gentleman yield to me?

Mr. PELLY. I am glad to yield to the gentleman.

Mr. WILLIS. I want to make the record clear that this bill specifically contains a provision preserving the power of the States to enter into compacts.

Mr. PELLY. Yes; I wish it did that and I respect the gentleman. However, under this legislation does not the long arm of the Federal Government reach down to the States and make certain demands upon them which cause the loss of revenue, in spite of the operation of any compacts?

Mr. MOORE. Mr. Chairman, I yield 3 minutes to the distinguished gentlewoman from Washington [Mrs. MAY].

Mrs. MAY. Mr. Chairman, I join my colleague from the State of Washington and a very few others who have risen in opposition to this bill.

Mr. Chairman, it concerns me that at a time when our State and local governments are in dire need of strengthening, we are being asked to approve a bill

which, in my opinion, will further weaken State and local governments. It will do this by seriously affecting the tax revenues of most of the States and many local municipalities. This is certainly true in the State of Washington. The Honorable Daniel J. Evans, able Governor of my State, estimates the bill before us, if adopted, could cost the State of Washington upwards of $50 million a year in tax revenue.

Mr. Chairman, I submit that the revenue loss to the State of Washington, and to other States, as estimated by the staff of the Special Subcommittee on State Taxation of Interstate Commerce, are both unreliable and grossly understated.

As an example, there is a table on page 1109 of volume 3 of the Willis report which refers to an estimated tax base of $12 billion in the State of Washington. This is table No. 36–10.

Tax authorities in my State have pointed out that this figure is in the neighborhood of 11½ to 15 percent too low. In other words, it is some $2 billion off.

I submit for the RECORD at this time some data which I believe proves that the subcommittee's choice of a formula to measure revenue loss is internally inconsistent and the method selected is devised to give the impression of minimal tax impact:

REVENUE LOSS ESTIMATES BY WILLIS AND HIS STAFF ARE UNRELIABLE AND GROSSLY UNDERSTATED

The primary reasons for this are:

1. The subcommittee's choice of a formula to measure revenue loss is internally inconsistent and the method selected is obviously devised to give the impression of minimal tax impact.

Volume 1 of the Report itself states (p. 43):

"A sample was desired which represented corporations of all sizes in all the manufacturing and mercantile industries. At its best, a sample so designed may provide the basis for conclusions concerning the proportion of all corporations exhibiting a particular characteristic. *It cannot provide a basis for estimating the impact of that characteristic on the economy or on the revenues of the States.*" (Emphasis ours.)

And at p. 45:

"Retail corporations were sharply underrepresented on the mailing list. Manufacturers and wholesalers were correspondingly overrepresented.

The staff study (Business Questionnaire II) was based on usable responses from 1907 companies (only) engaged in interstate commerce. A proper basis for determining the revenue loss would therefore have been to compare the taxes paid by the firms in the sample under present conditions with taxes which would be paid by the same firms under the provisions of the Willis Bill. Further, it would be essential to take into consideration probable decreased tax payment by those firms in the sample which could alter their business practices to fit the special tax havens provided by the Willis Bill.

As Professor Jerome R. Hellerstein of New York University stated in testimony submitted to the Willis subcommittee:

"To judge the revenue impact of varying apportionment methods under state corporate income taxes as applied to interstate manufacturers and methods by the effects of total collections by the state from all its taxes is to distort and water the results . . . to give meaningful perspective to revenue significance the impact of alternative methods of apportioning the income of interstate manufacturers and merchants under state corporate income taxes ought to be judged by the effects on collections from the same taxpayers under the tax contracts." (Hearings, Volume 2, p. 1073)

2. As noted above, the Willis Committee has entirely ignored revenue loss which would occur because of simple changes in business practices.

This was pointed up in the statement of the state of California, (Hearings, Volume 2, Appendix III, at p. 1528):

"The technical and artificial definitions, however, grant foreign corporations carte blanche authority to operate in California and exploit its rich markets with the benefit of a tax exemption unless they negligently overstep the technical standards. This means tax avoidance would not present a difficult problem to sophisticated corporate tax advisers. The touchstone for tax avoidance clearly appears to involve the observance of the following rules:

"(a) Do not own or lease real property in your own name;

"(b) Have your salesmen operate out of their own homes; and

"(c) Require all of them to cover more than one state.

"Thus, under the Bill's weird jurisdictional standards tax avoidance is as simple as A, B, C."

3. The revenue loss findings of the subcommittee are not, and do not purport to be, based on actual, factual data.

Referring again to the testimony of Professor Hellerstein (ibid.), he says:

"Moreover, the findings of the report as to revenue losses that would be suffered by the promulgation of a two-factor formula, as compared with the widely used three-factor formula employing the destination test of sales, are admittedly estimates. We have little actual experience on the basis of which to compare the revenue effects of various formulas considered; the findings had to be built up by a series of estimates, based on assumptions and inferences drawn from indirect data. My own study of the report leaves me with serious misgivings as to whether the statistical underpinnings for the revenue loss data are sufficiently firm to justify so basic a departure from present state practices, on the theory that revenues will not be significantly affected."

4. In the area of sales and use tax the Willis report is both self-contradictory and naive.

It is self-contradictory in stating that "most of this revenue [total sales and use tax collections] is derived from local, over the counter type transactions" (Report, Volume 3, p. 616), "interstate retail transactions continue to constitute only a fringe area of an essentially local tax structure, and the tax derived from these transactions is not a primary source of state financing." (p. 620, ibid.); in Volume 1 of the Report (p. 87) it is stated that "a very major share of corporate manufacturing and mercantile activity in the United States is carried on by a small group of very large corporations, almost all of which can physically be assumed to be engaged in interstate commerce. The importance of these very large corporations in the economy must inevitably be reflected in the revenue systems of the states." While the report concedes that "interstate corporations are the source of the largest part of corporation income tax revenue", (p. 89), the assumption is made that "the vast bulk of this [sales and use tax] revenue is not derived from taxation of shipments which cross state lines." (p. 89). Herein lies the contradiction: either these few very large multistate operators are called upon to collect substantial amounts of sales and use tax in many jurisdictions and therefore the revenues involved are substantial, or sales and use tax collection by such firms is merely a minor "fringe area" in state tax revenues and there is no need for the Willis Bill.

The Report findings are naive because implicit in all of the proposals and versions of the Willis Bill is the assumption that excusing a multistate business from the obligation to collect sales tax will not really cause any revenue loss since the destination state can assert use tax and collect it from its buyers. Thus, under Section 304 of H.R. 2158, the mere fact that a buyer is registered with a state taxing authority automatically excuses the seller from sales tax collection, irrespective of the character of the goods sold, the nature of the purchaser's business, or the fact that the goods will not be resold by the purchaser. It is, of course, elementary that successful administration and collection of sales tax—to make it an economically feasible tax system—hinges on the state's collection of the tax from a relatively few sellers, instead of a vast number of buyers. The revenue loss which would fall upon the states through exempting certain favored sellers from collecting tax on retail sales has been entirely ignored by the subcommittee, to say nothing of its brushing away of the additional costs to the states if they were to attempt to effectively recoup the tax by enforcing collection from the buyers.

Mr. Chairman, the worst features of the bill are contained in titles I and II. Title I sets up certain jurisdictional standards under which an interstate business can escape any obligation to pay various types of State taxes. In my own State, for example, this would have the greatest impact in the field of sales and use taxes. In fact, these jurisdictional tests would assure that selected multi-State retailing businesses will be allowed to sell their products free of sales or use tax. No State will be able, in effect, to collect a tax on these sales.

What this amounts to is twofold discrimination against local businesses. It allows an interstate business a great competitive advantage by allowing it to make tax-free sales, while a local business must collect the tax. Second, by providing such a haven for interstate business, it will place a greater tax burden upon local businesses; for revenue loss in one area must inevitably be made up elsewhere.

Title II opens up serious loopholes in the field of State net income taxes. It virtually assures that for a great number of interstate businesses a substantial part of their net income will not be taxable by any State at all. Section 201 of the bill allows these businesses to completely disregard the usual "three-factor formula" in apportionment of net income when it is to their financial advantage to do so in any particular State.

In short, title II gives the interstate taxpayer the best of both worlds. He can use for any particular State either that State's own apportionment formula or the apportionment formula contained in title II, whichever one will allow him to pay the least tax.

And, Mr. Chairman, as has been previously pointed out, most of the States have recently taken great and commendable steps to bring greater uniformity into their taxing systems—all since this legislation was originally conceived.

Just a few facts will demonstrate the extent of the States' efforts in attaining uniformity.

A majority of States have, within the past 2 years or so, adopted specific legislation to provide the uniformity which the Judiciary Subcommittee had recommended.

Last year 14 State legislatures adopted the multistate tax compact, which was drafted to promote uniformity, facilitate taxpayer convenience, and avoid duplicative taxation.

Twenty-six States are active participants in the work of the Multistate Tax Commission, which was formed in Washington, D.C. last October. This Commission held its second meeting in January and is to meet again next month.

This, I submit, is an outstanding record on the part of the States in a very short period of time. Their action dramatically demonstrates States recognition of their own problems and a vigorous and affrmative program to correct such inequities as exist. These actions by State and local governments are to be commended and encouraged, certainly not discouraged and declared useless, as this Federal legislation, at this time, would do.

If the States had not moved to correct these problems, Mr. Chairman, that would be one thing. But they have and they are moving, and their actions render this legislation unnecessary, and indeed, undesirable.

Mr. MOORE. Mr. Chairman, I yield 3 minutes to the gentleman from Alabama [Mr. BUCHANAN].

Mr. BUCHANAN. Mr. Chairman, I rise in support of H.R. 2158 and commend the distinguished Committee on the Judiciary for bringing this bill to the floor of the House, fully believing, Mr. Chairman, that the present chaotic system of complex laws in the 50 States and thousands of local governments is unworkable. This is a meritorious attempt to improve the flow of commerce and will, in my judgment, work to the benefit and not to the detriment of the several States.

Mr. Chairman, I rise, however, because among the various types of industry which are seriously threatened by the present system for taxing interstate commerce, there is perhaps no single type of business which has more complex problems and companies which move household goods for persons who change their residences.

Although I know that the representatives of moving industries testified before the Committee on the Judiciary, and established a clear-cut need for relief, I am deeply concerned about the failure of the present bill to provide a solution to the very serious problems that confront this industry.

Mr. Chairman, H.R. 2158 is fine as far as it goes, but I wonder if the distinguished chairman, or one of the members of the committee, could enlighten me as to what the sponsors of the bill contemplate with respect to the problems of the moving industry?

Mr. MOORE. Mr. Chairman, if the gentleman will yield, what we had planned in this area is that we have reserved jurisdiction on this matter, and in every sense of the word in the public hearings it was made evident the necessity for further consideration of this matter, and we intend to consider the matter the gentleman brings to our attention. We feel that it merits consideration, and perhaps inclusion in the legislation.

Mr. BUCHANAN. I thank the gentleman from West Virginia for this assurance.

I believe the report of the committee itself made mention of this.

Mr. MOORE. The gentleman is correct. On page 5 of the committee report there is this specific indication of a desire to do exactly as I have indicated by my answer to the gentleman in response to his query.

Mr. BUCHANAN. I thank the distinguished gentleman, and I would impress further upon the committee the urgent need for action in this area of the moving industry.

Mr. Chairman, in support of H.R. 2158, the proposed Interstate Taxation Act, I would point out that the 6 years of comprehensive study of interstate tax problems by the Subcommittee on State Taxation of Interstate Commerce should not be taken lightly, and the fruit of their labors is worthy of support.

The present chaotic system of complex laws imposed by 50 States and thousands of local governments could be described as one which calls upon the taxpayer to comply with the uncompliable, and the tax administrator to enforce the unenforceable. Consequently, the present system is a serious impediment to the free flow of commerce among all the States.

It may well be that H.R. 2158 will restore free trade to our national economy, and encourage the development of local industry in every State. The revenues of all the States may, as a result, be increased by the passage of this measure. H.R. 2158 will substantially remove the trade barriers currently impeding interstate commerce. In my judgment, H.R. 2158 will benefit the business community as well as the States.

We are faced on the one hand with the competing demands of the States for revenue and, on the other, with the national need for a free flow of commerce. The Supreme Court has been unable to deal with the problem due to its inherent limitations since it can deal only with individual cases and is handicapped by its inability to explore fully the national import of a conglomeration of taxes imposed on interstate companies by all 50 States and their local governments. Hence, it must be the prerogative of Congress to deal with the matter.

Interestingly enough, it was a Supreme Court case involving one of my constituents which graphically portrayed the need for Federal legislation. In 1959, in the case of Williams against Stockham Valves & Fittings, Inc., of Birmingham, Ala., the Supreme Court decided that in the absence of Federal legislation a company could be required to pay a State income tax, even though it was engaged exclusively in interstate commerce in the taxing State. Prior to this decision the view had been widely held by the business community that a company could not be taxed by a State unless it engaged at least to some extent in intrastate commerce within the taxing State.

The reaction to this decision was one of dismay in the business community and one of confusion in the area of State government. One tax administrator, following the decision in the Stockham Valves case, stated:

> Prior to those court decisions, we "knew" that we could not constitutionally tax carriers operating solely in interstate commerce. Accordingly, we only had to make a finding that a particular carrier had no purely intrastate operations in order to automatically exclude that carrier from our prospective taxpayers list. So with the advent of those history-making decisions we again thought our problems were about over, but on the contrary we found that we still had problems.
>
> Before the referred-to decisions, the big question was, "whom *can* we tax?" Following the decisions, the big question was and still is to some extent "whom *shall* we tax?" We knew our legal rights, but what was to be our administrative policy and practice? Were we to go hog-wild and tax every carrier that entered or crossed the state, or should we designate some particular type or degree of operations in the state as a criterion for determining liability?

As a direct result of this case, Public Law 86–272 came into being which precluded a State or a subdivision from imposing an income tax in situations in which the company's only activities in the State were limited to the solicitations of orders by salesmen or the making of sales through independent contractors.

In a further step the 87th Congress initiated a study to scrutinize all matters pertaining to the taxation of interstate commerce.

The core of that study is found in title I of H.R. 2158 which establishes uniform jurisdictional standards for each of the four types of taxes which were included in the congressional study: corporate income taxes, capital stock taxes, sales and use taxes, and gross receipt taxes. Basically, these standards prohibit a company from being subject to the jurisdiction of any State in which it does not maintain a "business location"; that is, the owning or leasing of real estate, the maintenance of a stock of tangible personal property for sale in the ordinary course of business.

H.R. 2158 is a monumental bill as far as it goes, but I wish to reiterate that it does not go quite far enough, since transportation industry in general and the moving industry in particular as represented by the irregular common carriers are not covered under this bill with respect to ad valorem taxes imposed by some of the States. Fortunately, title IV of this legislation provides for continued congressional scrutiny of the problems left unresolved by the bill.

I would suggest that clear need has been established and present action is clearly in order in the field of the moving industry and their irregular common carriers of household goods. One of my constituents was assessed by a neighboring State for more than $2,000 in ad valorem taxes within a year. Yet, this mover had no terminal or property within the particular State. He was, in effect, a victim of double taxation since he was already paying ad valorem taxes in Alabama. Since he was not a resident of the other State and owned no tangible or intangible property there, he was a victim of taxation without representation. Such policies could well contribute to the demise of a most serviceable industry.

The mover's service is a call-and-demand service, on irregular routes and

over extensive distances, for families whose origins and destinations are as varied as their possessions. It is a business with wide fluctuations between short and peak volume periods during the first and last weeks of each summer month and the low volume valleys during the remainder of the year.

In order to provide their essential service, movers must take great risks, and they are more exposed than others to the multiplicity of State taxes and their inconsistent requirements. The mover's inability to know at any time the extent of his tax liability is a great burden to him individually and to the industry collectively. In the vast and intricate body of State tax laws, changes are always in process. As a result, the mover can never know from day to day what the latest requirements may be of all the taxing jurisdictions.

My constituent, as well as countless others like him, has had vehicles and shipments detained, drivers arrested and fined, although there was no intention to violate the law—only human inability to keep up with the law. The very complexity of the system invites harassment and abuse. Audits made years after a particular tax year may result in large penalties as the outgrowth of a good-faith dispute over uncertain procedures of one of a multitude of taxing bodies.

It is my sincere opinion that movers are not trying to escape taxation. It is simply that they believe that a fair system of taxation must be rational, and rules are needed to simplify the tax systems and to prevent double and more than double taxation. Without such rules, the inequities, the uncertainties, and the complexities which now exist will continue to multiply with the result that the net revenue from these taxes will decrease, while the cost of compliance increases.

I strongly request, therefore, that the House not only pass this meritorious legislation, but also grant like relief to interstate and/or common carriers of household goods, and I invite the Senate in its consideration of this bill to consider the abuse of this important segment of our economy.

It is puzzling to understand why the Supreme Court in 1966 refused review of the case in which the State argued that the very nature of an interstate household mover's business is to make itself available to move anyone anywhere at any time, and, therefore, it is continuously in all localities of all States, and it is habitually and continually present in any given city or county, and is amenable to assessment. Ad valorem taxes imposed elsewhere than a carrier's home State invariably result in double taxation of value, since full tax is imposed in the home State either as an ad valorem tax or property tax included in license fees.

Relief for the interstate movers is in order if the future of such an important industry is to be made secure.

Mr. MOORE. Mr. Chairman, I yield 1 minute to the gentleman from Alaska [Mr. POLLOCK].

Mr. POLLOCK. Mr. Chairman, I have several questions I would like to address to the gentleman from North Carolina [Mr. WHITENER], or the gentleman from West Virginia [Mr. MOORE], or whoever can answer them.

First I would like to ask about the mail-order houses. A mail-order house that has no establishment in a State and conducts business within that State, can the State tax them under this legislation?

Mr. WHITENER. If the gentleman will yield, I believe the gentleman will find his answer in the decision of the Supreme Court of May 8, 1967, in the case of National Bellas Hess, Inc., against Department of Revenue of the State of Illinois.

There, National Bellas Hess, Inc., had no office, distribution house, or other place of business in Illinois, merely took orders by mail and delivered by mail, and the Court said, among other things:

> The very purpose of the Commerce Clause was to ensure a national economy free from such unjustifiable local entanglements. Under the Constitution, this is a domain where Congress alone has the power of regulation and control.

The CHAIRMAN. The time of the gentleman from Alaska has expired.

Mr. POLLOCK. Mr. Chairman, I am asking these questions to establish a legislative history on this.

I have another question.

From my reading of the definition of "business location" under section 511(c); location of property under section 512 (c) and (d); and employee under section 513, would indicate that Alaska probably could not tax a foreign corporation that uses the facilities of Alaska to conduct their fishing or other business because they live in another State of the country.

Am I correct in that interpretation?

Mr. WHITENER. I think the gentleman might want to read section 513(c) in reference in "Employee's Base of Operations." That seems to answer the gentleman's question.

Mr. POLLOCK. I have read this and I am not sure that you have answered my question.

My specific question is this:

Suppose someone is out in international waters and catches fish and then they go into Alaska and sell the fish and they do not have a place of business there. Can the State tax that person on the sale of those fish?

Mr. WHITENER. Then I will read it here. Section 513(c) reads as follows:

> (c) EMPLOYEE'S BASE OF OPERATIONS.—The term "base of operations", with respect to an employee, means a single place of business with a permanent location which is maintained by the employer and from which the employee regularly commences his activities and to which he regularly returns in order to perform the functions necessary to the exercise of his trade or profession.

I do not know how you can make the language any more clear.

Mr. POLLOCK. Does the gentleman from North Carolina assure Alaska that it can impose a tax in this kind of situation?

Mr. WHITENER. I do not think that we can undertake to answer every hypothetical case that might be stated here. You would have to have a lot of facts. You would have to know what the wharfage arrangement was, among other things.

Mr. POLLOCK. I ask the specific question whether Alaska could tax people who catch fish in international waters and sell them in Alaska and they do not have facilities there.

Mr. WILLIS. Does that concern lease docks or own docks in a port in Alaska?

Mr. POLLOCK. No; they go and sell the fish that they caught on the high seas.

Mr. WILLIS. How do they tie up at the docks?

Mr. POLLOCK. Is the gentleman asking how the vessel ties up to the dock?

Mr. WILLIS. How do they unload?

Mr. POLLOCK. They may rent some facilities from someone to load off or not—I do not know.

Mr. WILLIS. Let me answer the gentleman's question. If that concern owns real estate——

Mr. POLLOCK. They do not.

Mr. WILLIS. Or if that concern leases real estate. Did the gentleman say that they do not?

Mr. POLLOCK. They only go there to sell the fish.

Mr. WILLIS. Do they have permanent employees in Alaska?

Mr. POLLOCK. No.

Mr. WILLIS. Then they cannot be taxed because there has to be one of these four conditions—and please listen.

The conditions are as follows: First, ownership of real estate; second, lease of real estate; third, maintaining an inventory; and fourth, or having permanent employees.

If those criteria are not present, the answer is: No; they could not be taxed.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MONAGAN. Mr. Chairman, I support H.R. 2158, the Interstate Taxation Act. This legislation embodies many of the principles of a bill I introduced in the 88th Congress, and it represents a solution to a complex national problem that has for many years engaged the attention of the Congress.

It has long been apparent that some measure of relief must be accorded to companies confronted by the often conflicting overlapping tax demands of the States and localities into which business activity may extend. Sometimes predicated upon the most tenuous contacts with the taxing authority, the very existence of these demands, the administrative burdens they generate, the uncertainty of obligation they foster, all contribute to a slowing down of the stream of interstate commercial activity which adversely affects the entire Nation.

The exemption from the provisions of the act for companies with an average annual income of more than $1 million, recognizes that the burden of multiple tax obligations falls most heavily upon small and medium-sized firms. It is because I recognize the problems confronting these firms—most of them industrial and many of them located in the highly industrial Connecticut area I represent, that I have so actively initiated, followed and supported this form of legislation.

Congressional concern in this area, beginning with Public Law 86-272, resulted in a mandate to the Special Subcommittee on State Taxation of Interstate Commerce to conduct a thorough study of

this subject, and the measure we consider today is the product of years of effort by the subcommittee, aided by the work of a special advisory group of experts, and by the comments of interested members of the public.

The bill establishes firm bases of jurisdiction for the imposition and collection of corporate net income, capital stock, gross receipts, and sales and use taxes by the States. In addition, the companies covered by the act are protected by a prescribed formula, fixing the maximum amount of the income and capital which may be taxed.

Understandably, many State officials have voiced fears that enactment of this legislation would result in a serious diminution of their revenues. But as the results of the subcommittee study, introduced into the RECORD by the distinguished chairman, the gentleman from Louisiana [Mr. WILLIS], indicate, any loss of revenue to the States will be minimal. Some States, indeed, may expect to gain, and certainly, all taxing authorities will benefit from the stimulation to commerce that this legislation is expected to produce.

I therefore hope, Mr. Chairman, that the House will act favorably on this most important measure.

Mr. SCHWENGEL. Mr. Chairman, ever since I have been in public life dating back to the time I served in the Iowa Legislature I have been keenly aware of the inequities of the tax structure and their administration especially as it relates to business. It is for this reason, that I am glad that finally we are beginning to resolve some of the great problems of business.

So, I am proud now to add my support to H.R. 2158, the Interstate Taxation Act. This bill, after intensive deliberation and consideration for many years, appears now at last to near the stage of enactment. At long last the Congress is facing up to its responsibility for legislating uniform standards to be observed by the States in imposing taxes on income derived within the State from the conduct of exclusively interstate business activities. The diversity of existing State legislation and a number of court decisions have made it imperative for the Congress to act.

Another reason Mr. Chairman, that I am in favor of this legislation, is because it enhances and encourages what I call the fifth great freedom—the freedom of movement and men and goods. Without this, this grand idea we call free enterprise or private enterprise could not function to serve our people as well as it does. Another reason I support this is because it clearly will benefit the average businessman and business and industry throughout the Nation.

At the present time the average businessman is faced with a costly and bewildering maze of different laws and regulations in each State in which he does business. At present the various State tax laws covering interstate commerce are so diverse and so complex as to create widespread inequities. This complexity leads to confusion for auditors and administrators as well as taxpayers.

The defects are not limited to a particular form of tax or to particular States. Jurisdictional statements are often unclear, and guidelines for determining the amount of the tax due are vague or ambiguous. Inevitable byproducts are the widespread rejection of all tax obligations in States where companies have no business locations and inaccuracy in tax computations where reporting does occur.

This bill, H.R. 2158, will do a great deal to rectify a bad and unfair situation. Businessmen throughout the Nation will welcome a general solution which substitutes order and realism for the presently existing uncertainty and confusion. It will provide the certainty, uniformity, evenhandedness and simplicity which businessmen everywhere need. Interstate companies will be relieved of the red tape and uncertainties now incident to their tax payments, and will be assured that their competitors are paying their fair share. At the same time administration will be greatly aided by adoption of a set of rules that will assure a far higher level of compliance than now exists. It will enable every businessman, wherever he may have his home base of operations, to determine without difficulty the tax liability he will incur in each State in which he sells his wares.

Companies doing interstate business will be relieved of the likelihood of overtaxation. Uniform rules for the assignment of the tax base will protect the seller in interstate commerce from multiple taxation.

Most small businesses will have the decided advantage of having the prospect of having to pay business taxes only in the single State where they have an actual business location, even though their sales may be made in other States. In the case where small businesses do have business locations in one or more other States, the uniform and simplified report requirements called for in this bill will make possible far more accurate compliance with the taxes of those States from records which are easily maintained.

As an aid to a better understanding, let us look at how various kinds of businessmen and businesses would be more specifically affected by H.R. 2158. Manufacturers would have most of their tax liability limited to their own home State. Wherever feasible, the out-of-State manufacturer would be relieved of liability to collect a tax on sales to wholesalers or other middlemen. The interstate wholesaler who has an office and a warehouse in one State and supplies customers in adjoining States will be relieved of income and capital stock taxes levied by States other than his home State. Similarly as to retail sales taxes, businesses making all sales at wholesale will generally be freed of all out-of-State liability if they obtain registration numbers from their customers. Finally the retailer with stores in a number of States will find his compliance work significantly simplified. Mail-order retailers will not be required to collect sales taxes outside their "home State."

Let me assure those who fear that their own States might be in danger of losing revenues by this measure that available evidence does not bear out any justification for this fear. No tax is recommended for imposition or repeal. No change in any States tax rate is required. No businesses have been freed from State taxation. No businesses would be exposed to harmful tax-free competition from outside the State. And, perhaps most significant of all, the loss in revenue theoretically available from out-of-State companies will in almost all cases approximately be offset by a gain in revenue from companies located in the taxing State. The measure will work a change in taxpayers among the States, but the net effect of this exchange of revenue will be small.

Thus the simplification and more orderly collection procedures for taxation of interstate commerce will be, in the first instance, of great benefit to small businesses everywhere, but will also represent a great step forward in more equitable and more efficient collection of State and local taxes.

The arguments here presented along with the testimony and the excellent debate so far on the House floor dictates the immediate passage of this legislation and so I urge its favorable consideration by every Member of the House.

Mr. DADDARIO. Mr. Chairman, I would like to express my strong support for this bill, H.R. 2158, and at the same time compliment our distinguished colleague, the gentleman from Louisiana [Mr. WILLIS], and his subcommittee for the meticulous research which has gone into the development of this legislation.

H.R. 2158 deals with those problems of interstate taxation which have been found after prolonged study to be the most severe threats to the great common market existing among our 50 States. The bill offers sensible guidelines for determining liabilities for State and local corporate net income taxes, capital stock taxes, and sales, use, and gross receipt taxes with respect to sales of tangible personal property.

Deep concern for the eventual economic unity of this country prompted me, as far back as 1960, to introduce legislation directly related to the State use tax procedures covered in H.R. 2158. I also was grateful for the opportunity to testify as a witness before Mr. WILLIS' Subcommittee on State Taxation of Interstate Commerce, and I am now happy to see the results of their long exploration of this entire complex area of interstate taxation.

As background for this legislation, the Subcommittee on State Taxation of Interstate Commerce, with the advice of an outstanding group of legal scholars, has conducted a truly comprehensive study of interstate tax problems. Major aspects of the tax structures of all 50 States and several hundred local governments have been carefully scrutinized. The published findings are now a definitive work in this field, not only for the Congress but for all students of local and State fiscal problems.

I am convinced that the subcommittee's investigation has been both intense and impartial. The findings clearly demonstrate the need to bring some order to an extremely complex situation facing thousands upon thousands of businessmen throughout the Nation. My own per-

sonal correspondence from business firms backs up these findings conclusively.

Perhaps some idea of the tax complexities confronting the interstate businessman can be gained from the simple fact that a set of State tax laws along with regulations and supplementary material, as published by a major tax service, is some 80 volumes thick and 22 feet in height. Add on the potential problems involved in dealing with literally thousands of local jurisdictions and it is small wonder that the present situation has been described as calling upon the taxpayer to comply with the uncompliable, and the tax administrator to enforce the unenforceable.

At the time that the subcommittee conducted its study, there were some 120,000 mercantile and manufacturing companies engaged in interstate commerce in the United States. Obviously this number is much larger today. About half of these companies have fewer than 20 employees, a substantial number have fewer than 10 employees, and a significant minority have fewer than five employees. Yet these companies, typically market their products on a multistate basis, and a considerable number of even the smallest firms face the tax complexities involved in nationwide marketing.

H.R. 2158 provides the guidelines and relief from onerous complexities that thousands of small- and medium-sized companies need to continue to grow and penetrate new markets. It does this without substituting Federal administration or supervision, and with minimal interference with State taxing discretion and revenue.

In supporting this bill, I also want to make it clear that as a former municipal official, I am well aware of, and sympathetic to, the pressing financial needs of our State and local governments. My own State of Connecticut is a sales and use-tax State. We also have a tax on corporation business and unincorporated business. Connecticut therefore, has a strong interest in this area of interstate taxation, as do all States.

But I also recognize that Connecticut ships its fine products to every other State in the Union and, in turn, every day we receive products from other States. So the well-being of the people I represent rests upon a healthy economy across this entire Nation, as well as within my district and State. This is true for all parts of our country.

When State and local governments raise artificial barriers that interfere with the free flow of commerce, it is not only the people engaged in interstate commerce who suffer. As consumers denied access to competitive products by those barriers, all of us suffer. In the final analysis, State and local governments themselves suffer as tax barriers result in reprisals, a stagnating economy, and reduced tax revenues.

H.R. 2158 offers a sensible solution to pressing problems affecting interstate commerce, clearly an area of congressional responsibility. I am convinced that this measure in the long run can only help local tax revenues by encouraging development of industry in every State. I urge speedy enactment of this bill.

Mr. VAN DEERLIN. Mr. Chairman, H.R. 2158 would be a bad bill for California, and I therefore will vote against it.

I have been advised by Richard Nevins, chairman of the California State Board of Equalization, that enactment of this legislation would result in a first-year loss of revenue to our State of about $12.5 million through tax avoidance and the resulting higher cost of tax administration. This loss could be expected to increase as out-of-State companies took full advantage of the jurisdictional limitations imposed by H.R. 2158.

The bill would also place local California businesses at a distinct disadvantage to their out-of-State competitors, who could employ as many full-time salesmen as they wished to solicit orders in California without incurring sales tax liability or being required to collect the California use tax.

The use tax could be imposed only if the owner of the property in question had a business location or dwelling place in California, or regularly made deliveries to households in the State. The use tax would no longer turn, as is logical, on actual use of the property; for the first time it would be based instead on the status of the seller or buyer.

Our entire local tax program would also be jeopardized by a provision in the legislation limiting the allocation of sales and use taxes to the 58 counties and 399 cities of California. Local governments in California now raise about $375 million a year through State-administered sales and use taxes, and reduction of these revenues would be a damaging blow to them.

In short, the bill appears to infringe on the historic right of State and local governments to manage their own fiscal affairs within the framework of the Constitution. As a Californian, I cannot support this legislation.

Mr. BOLAND. Mr. Chairman, small businesses seeking markets beyond their own State borders must grope through a dense thicket of taxes that has grown up so rapidly over the years that it now engulfs States, counties, cities, and towns throughout the country.

The bill we are now considering—H.R. 2158—is the tool that the Special Subcommittee on State Taxation has developed for trimming this thicket down to manageable dimensions.

Aimed at simplifying and streamlining the country's State tax systems, the bill would stimulate the free flow of commerce among the States and the growth of business within the States. The need for this bill, Mr. Chairman, is pressing. Interstate commerce is now ensnarled in a tangle of tax laws imposed by the 50 States and thousands of local jurisdictions—tax laws that are often unworkable, unenforceable or simply unjust. H.R. 2158 would make order out of this chaos. And, in doing so, it would not jeopardize the States' taxing powers.

The bill does not call for the repeal of any existing tax, nor does it call for the imposition of any new tax. No change in any State tax rate is required under the bill's provisions. No businesses would be immunized from State taxation. No businesses would be made vulnerable to tax-free competition from outside State borders.

What H.R. 2158 would do—and what makes the bill so commendable—is establish a new set of jurisdictional rules for the imposition of State taxes on small businesses that make sales within a State without maintaining branch offices there. When this bill becomes law, small companies selling products in several States will be freed from a morass of laws and regulations now thwarting interstate trade.

H.R. 2158 has not been hastily conceived. Six years of sedulous and conscientious study have led to this bill. The Special Subcommittee on State Taxation of Interstate Commerce, under the able leadership of Congressman EDWIN E. WILLIS, of Louisiana, has been exceptionally thorough in examining various drafts of the bill. Congressman WILLIS, aware of the bill's highly controversial nature, has made a valiant effort to accommodate all reasonable objections to H.R. 2158. Many of the most strident objections stem from fears that the bill might threaten the States' sources of revenue. These fears, I feel, are groundless. Any loss in State revenue would be offset—indeed, more than offset—by gains in revenue from new business stimulated by the bill's provisions. By restoring free trade to the national economy and encouraging the development of local industry in every State, H.R. 2158 would spur major increases in State revenue over the next few years alone. Major increases would also stem from the greater ease of tax law enforcement and compliance under the uniform standards called for in the bill. State revenue, in any case, could not possibly drop more than a tiny fraction of 1 percent as an immediate result of H.R. 2158.

Business and industrial leaders throughout the country, Mr. Chairman, have pointed out that this bill would clear away the barriers now impeding interstate commerce. Letters and telegrams I have received from businesses in Massachusetts' Second Congressional District—the district I represent here in Washington—make clear the business community's vigorous support for H.R. 2158. Here is a representative sample of these letters and telegrams:

NORTH WILBRAHAM, MASS.,
May 21, 1968.

HON. EDWARD P. BOLAND,
Rayburn Building,
Washington, D.C.:

I honestly hope that you will support H.R. 2158 the Interstate Taxation Act. Thanks very much.

C. L. BLAKE,
President, Friendly Ice Cream Corp.

BOSTON, MASS.,
May 15, 1968.

HON. EDWARD P. BOLAND,
Washington, D.C.:

Understand that H.R. 2158 Interstate Taxation Act scheduled for House vote this week. A.I.M. strongly supports this bill because it would establish long-needed jurisdictional standards, defining States' authority to tax interstate business while respecting independence of States over internal policies. This bill will be particularly helpful to small and medium-size companies in Massachusetts. Urge your favorable vote.

ROBERT A. CHADBOURNE,
Executive Vice President, Associated Industries of Massachusetts.

EASTHAMPTON, MASS.,
May 16, 1968.

Hon. EDWARD P. BOLAND,
House Office Building,
Washington, D.C.:

Respectfully request your vote in favor of H.R. 2158. Sincerely feel this is one of the most significant issues affecting industry in the present Congress.

J. HARDY,
United Elastic Corp.

GREATER CHICOPEE
CHAMBER OF COMMERCE,
March 27, 1968.

Hon. EDWARD P. BOLAND,
House of Representatives,
Rayburn Building, Washington, D.C.

DEAR CONGRESSMAN BOLAND: The Greater Chicopee Chamber of Commerce is vitally interested in House Bill H.R. 2158, referred to as the Interstate Taxation Bill. This bill with its aim of providing a more uniform interstate taxation procedure, would be of great assistance to our Chicopee industrial business community.

Many members of our State & National Legislative Committee, who do business with the neighboring states of Connecticut and New York, realize the service that the passage of this bill will provide. They refer to the present system as "Taxation Without Representation" and feel this system puts an unnecessary burden on industry looking for a national market.

We would appreciate your assistance, on behalf of our Chicopee businesses, in seeing that this bill is promptly brought up for a vote and passed.

Sincerely,

LEO MANIATTY,
Chairman, State and National Legislative Committee.

SMALLER BUSINESS ASSOCIATION OF
NEW ENGLAND, INC.,
Boston, Mass., March 14, 1968.

Hon. EDWARD P. BOLAND,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN BOLAND: Our Association considers H.R. 2158, The Interstate Taxation Act, as one of the most important pieces of small business legislation to come before the Congress in the last few years. The bill has been reported out of the Rules Committee and is awaiting calendar action by the Speaker of the House.

We are very concerned that unless there is more expression of support for this measure to the House Leadership, then this bill will never be enacted.

We would very much want your support on this important legislation and ask whether or not you would support this measure when it is brought before the House of Representatives for a vote?

We would appreciate receiving your reply as to whether or not you favor H.R. 2158.

Very sincerely,

LEWIS A. SHATTUCK,
Executive Director.

UNITED SERVICE EQUIPMENT CO., INC.,
Palmer, Mass., March 12, 1968.

Congressman EDWARD P. BOLAND,
House of Representatives,
Washington, D.C.

DEAR MR. BOLAND: It is my understanding that H.R. 2158, known as the Interstate Taxation Act, cleared the House Judiciary Committee a year ago and cleared the House Rules Committee last July, but that it has not yet been brought out before the full House for debate and vote.

You have in your constituency a multitude of small businesses, such as ours, who would welcome most fervently a uniform taxing standard which each state would have to follow with respect to out-of-state companies doing business within their borders.

May I thus respectfully urge your best efforts to the end that H.R. 2158 be brought to the floor of the House for enactment.

Yours very truly,

STEVEN SCUDDER.

TAMPAX, INC.,
Palmer, Mass., March 11, 1968.

Hon. EDWARD P. BOLAND,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE BOLAND: As a Corporation involved in Interstate commerce, we are very interested in the proposed Interstate Taxation Act H.R. 2158. We understand this has cleared the House Judiciary Committee and the House Rules Committee and is now awaiting action of the full House.

We would appreciate any effort on your part to bring this to the floor of the House for action.

Thank you.

E.R. SPRAGUE,
Vice President.

RUSSELL HARRINGTON CUTLERY CO.,
Southbridge, Mass., March 8, 1968.

Rep. EDWARD P. BOLAND,
Springfield, Mass.

DEAR REPRESENTATIVE BOLAND: I am writing to you to express my interest in H.R. 2158 the Interstate Taxation Act which cleared the House Rules Committee last July.

This bill would bring reason and stabilization to a situation of concern to small companies selling country wide through area salesmen who work out of their homes rather than through company established area offices. The present set up where we are subject to 49 other state taxes as though we were 50 different countries is a tremendous burden of paper work and expense.

Please do what you can to expedite this bill. Any effort on your part will be appreciated by me and all the other manufacturers in Southbridge.

Very truly yours,

JOSEPH D. GALLERY,
President.

GENERAL FIBRE BOX CO.,
DIVISION OF LONGVIEW FIBRE CO.,
Springfield, Mass., April 11, 1967.

Hon. EDWARD P. BOLAND,
House of Representatives,
Washington, D.C.

MY DEAR MR. BOLAND: Congressman Edwin E. Willis and his Special Subcommittee on State Taxation of Interstate Commerce has presented bill H.R. 2158 to the House of Representatives. The important part of this bill is that in order for it to be necessary to collect sales and use taxes on states that require it, this bill will require a company to have a business office, a warehouse or some other definite business connection in that state.

Anyone doing business across state lines, and what business does not do so these days, will be adversely affected if this proposed legislation is not passed. The cost of collecting these taxes in other states would be prohibitive and I am sure would cause certain companies to cease their operations.

I urge your support for passage of H.R. 2158.

Very truly yours,

J. A. ROBINSON, *Vice President-Sales.*

OPTOVAC, INC.,
North Brookfield, Mass., March 24, 1967.

Hon. EDWARD P. BOLAND,
House Office Building,
Washington, D.C.

DEAR SIR: Without knowing your particular views on the matter I am writing to give my viewpoint in favor of the Willis Bill concerning the state taxation of interstate commerce (H.R. 2158). My company is a small company in North Brookfield, Massachusetts engaged in selling optical materials in interstate commerce and abroad. We do not have sales offices outside of Massachusetts but do solicit by advertising and direct mail. With the limited clerical help and legal facilities of a small company it would be a tremendous burden to be saddled with the legal obligation to collect sales taxes for the various states which so require. There are a great many procedures and regulations which businesses must necessarily comply with, but the collection of out of state taxes seems to me to be a great unnecessary burden which is particularly difficult for small businesses.

I will appreciate it very much if you will try to see if you can favor this particular viewpoint when H.R. 2158 comes up before you.

Very truly yours,

OPTOVAC, INC.,
WALTER A. HARGREAVES,
President.

NEW ENGLAND METAL CULVERT CO.,
Palmer, Mass., March 24, 1967.

Hon. EDWARD P. BOLAND,
House Office Building,
Washington, D.C.

DEAR SIR: I am writing to ask your active support leading to the enactment of H.R. 2158 which has to do with state taxation of interstate commerce. Too long have businesses such as ours who are interstate material suppliers been plagued with the necessity of reporting to various states with respect to business done and particularly being involved in the responsibility for state sales taxes, which almost invariably are handled differently in different states.

I believe that H.R. 2158 is a fair bill and approaches this overall subject in an equitable manner. Hopefully you will see fit to work for its passage.

Yours very truly,

EVERETT D. LANDEN.

JULY 6, 1967.

Hon. EDWARD P. BOLAND,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN BOLAND: I wish to call your attention to the proposed Interstate Taxation Pact HR2158 also known as the Willis Bill. We seek your favorable action on this legislation.

We firmly believe that action to the contrary would cause severe and unjust economic hardships on our friends in the mail order business.

Kindest personal regards.

Sincerely,

GORDON D. SHINNERS.

UNITED STATES ENVELOPE,
Springfield, Mass., April 20, 1967.

Hon. EDWARD P. BOLAND,
Rayburn Building,
Washington, D.C.

DEAR REPRESENTATIVE BOLAND: I am writing to express the support of this company for the proposed Interstate Taxation Act, H.R. 2158.

This company does a considerable amount of business, as you know, throughout the United States and we are finding it increasingly difficult to do business in some of the states, due to the wide variety of tax laws that we are forced to comply wtih. We are forced to collect sales tax, for example, in many states, even though we do not have a place of business or any inventory within the state. We are most interested in the passage of this bill because it would simplify for us considerably the administrative work that we have to do. In many instances, it costs us more to collect the tax and prepare the return than the amount of the tax that we must remit to the taxing authorities.

I would appreicate knowing what your stand happens to be on this particular bill.

Sincerely yours,

STANTON F. BENSON,
Treasurer.

HYDE MANUFACTURING CO.,
Southbridge, Mass., February 16, 1967.
Re: H.R. 2158 Interstate Taxation Act.
Hon. EDWARD P. BOLAND,
Rayburn Building,
Washington, D.C.

DEAR CONGRESSMAN BOLAND: The above bill has been introduced by Congressman Edwin E. Willis to free businesses of paying or collecting sales and use taxes or income taxes to states in which they maintain no place of business or have no full time employees.

Our company has headquarters in Southbridge, Massachusetts, which is in your new district. We sell our products to all of the fifty states as well as other countries.

You can appreciate what a nuisance this can be and if it goes it will cause a lot of unnecessary work and trouble. I hope that you will favor the passage of this bill.

Sincerely yours,
HYDE MANUFACTURING CO.,
R. U. CLEMENCE, *President.*

Basically this bill would help small businesses throughout the Nation in their interstate transactions. It would provide in the area of taxation of goods from out-of-State suppliers a greatly needed measure of uniformity, simplicity, certainty, and fairness. Businessmen would have firm guidelines that they could rely upon in computing their tax liabilities. They would be assured that they are being treated fairly and that their competitors are not receiving any benefits they do not share in. Administration would be greatly simplified—a great boon not only to the small businessman, but to State tax collectors, auditors, and others.

For each of the State taxes under consideration a uniform jurisdictional rule is set forth in this bill, together with uniform rules for attributing the tax base. Through such an approach a substantial reduction in compliance problems of companies doing interstate business can be confidently expected.

This bill marks a distinct step forward toward a more rational and efficient system of State taxation, and toward genuine fair play in taxation for small businessmen throughout the Nation.

I urge the swift passage of H.R. 2158.

Mr. DONOHUE. Mr. Chairman, as one of the original sponsors and advocators of interstate taxation legislation, I most earnestly hope that this House will speedily and overwhelmingly approve this measure, H.R. 2158, designed to bring a real measure of good sense and good order into the presently tangled and confused economic area and ramifications of State taxes imposed on interstate commerce.

The House Judiciary Committee, of which I am a member, together with the designated subcommittee of the distinguished Member from Louisiana and his dedicated associates, has devoted more than 6 years to a comprehensive study, by both majority and minority members, of the existing confusion surrounding interstate tax problems.

The study clearly revealed that the present system is chaotic, completely unworkable, almost impossible of compliance, defiant of enforcement, and a serious impediment to the free flow of commerce among all of the States.

The purpose of this bill before us is to carry out the special duty of the Congress to keep the paths of interstate commerce free and clear and grant reasonable protection and guidance to business enterprise from the burdening harassments of conflicting and chaotic multiple-State taxation.

It is by no means pretended here that this bill is perfect in every detail or that it will cure every ill of interstate taxation. But it is a wholesome, forward step in the right direction; it has great bipartisan support in the Congress and it has the endorsement of the great majority of business and tax authorities and associations throughout the country.

It is unquestionably in the great public interest and, as a pioneering effort, in a challenging field, subject to further impovement whenever experience may demonstrate the need, I hope this House will resoundingly approve it now without extended delay.

Mr. WILLIS. Mr. Chairman, I have no further requests for time.

Mr. MOORE. Mr. Chairman, we have no further requests for time.

The CHAIRMAN. There being no further requests for time, the Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Interstate Taxation Act".

TABLE OF CONTENTS

TITLE I—JURISDICTION TO TAX

SEC. 101. UNIFORM JURISDICTIONAL STANDARD.

No State or political subdivision thereof shall have power—

(1) to impose a net income tax or capital stock tax on a corporation other than an excluded corporation unless the corporation has a business location in the State during the taxable year;

(2) to require a person to collect a sales or use tax with respect to a sale of tangible personal property unless the person has a business location in the State or regularly makes household deliveries in the State; or

(3) to impose a gross receipts tax with respect to a sale of tangible personal property unless the seller has a business location in the State.

A State or political subdivision shall have power to impose a corporate net income or capital stock tax, or a gross receipts tax with respect to a sale of tangible personal property, or to require seller collection of a sales or use tax with respect to a sale of tangible personal property, if it is not denied power to do so under the preceding sentence.

TITLE II—MAXIMUM PERCENTAGE OF INCOME OR CAPITAL ATTRIBUTABLE TO TAXING JURISDICTION

SEC. 201. OPTIONAL TWO-FACTOR FORMULA.

A State or a political subdivision thereof may not impose on a corporation with a business location in more than one State, other than an excluded corporation, a net income tax (or capital stock tax) measured by an amount of net income (or capital) in excess of the amount determined by multiplying the corporation's base by an apportionment fraction which is the average of the corporation's property factor and the corporation's payroll factor for the State for the taxable year. For this purpose the base to which the apportionment fraction is applied shall be the corporation's entire taxable income as determined under State law for that taxable year (or its entire capital as determined under State law for the valuation date at or after the close of that taxable year).

SEC. 202. PROPERTY FACTOR.

(a) IN GENERAL.—A corporation's property factor for any State is a fraction, the numerator of which is the average value of the corporation's property located in that State and the denominator of which is the average value of all of the corporation's property located in any State.

(b) PROPERTY INCLUDED.—The corporation's property factor shall include all the real and tangible personal property which is owned by or leased to the corporation during the taxable year, except—

(1) property which is included in inventory,

(2) property which has been permanently retired from use, and

(3) tangible personal property rented out by the corporation to another person for a term of one year or more.

(c) EXCLUSION OF PERSONALTY FROM DENOMINATOR.—The denominator of the corporation's property factor for all States and political subdivisions shall not include the value of any property located in a State in which the corporation has no business location.

(d) STANDARDS FOR VALUING PROPERTY IN PROPERTY FACTOR.—

(1) OWNED PROPERTY.—Property owned by the corporation shall be valued at its original cost.

(2) LEASE PROPERTY.—Property leased to the corporation shall be valued at eight times the gross rents payable by the corporation during the taxable year without any deduction for amounts received by the corporation from subrentals.

(e) AVERAGING OF PROPERTY VALUES.—The average value of the corporation's property shall be determined by averaging values at the beginning and ending of the taxable year; except that values shall be averaged on a semi-annual quarterly, or monthly basis if reasonably required to reflect properly the location of the corporation's property during the taxable year.

SEC. 203. PAYROLL FACTOR.

(a) IN GENERAL.—A corporation's payroll factor for any State is a fraction, the numerator of which is the amount of wages paid by the corporation to employees located in that State and the denominator of which is the total amount of wages paid by the corporation to all employees located in any State.

(b) PAYROLL INCLUDED.—The corporation's payroll factor shall include all wages paid by the corporation during the taxable year to its employees, except that there shall be excluded from the factor any amount of wages paid to a retired employee.

(c) EMPLOYEES NOT LOCATED IN ANY STATE.—If an employee is not located in any State, the wages paid to that employee shall not be included in either the numerator or the denominator of the corporation's payroll factor for any State or political subdivision.

(d) DEFINITION OF WAGES.—The term "wages" means wages as defined for purposes of Federal income tax withholding in section 3401(a) of the Internal Revenue Code of 1954, but without regard to paragraph (2) thereof.

SEC. 204. ZERO DENOMINATORS.

If the denominator of either the property factor or the payroll factor is zero, then the other factor shall be used as the apportionment fraction for each State and political subdivision. If the denominators of both the property factor and the payroll factor are zero, then the apportionment fraction for the State where the corporation has its business location shall be 100 percent.

SEC. 205. CAPITAL ACCOUNT TAXES ON DOMESTIC CORPORATIONS.

The State in which a corporation is incorporated may impose a capital account tax on that corporation without division of capital, notwithstanding the jurisdictional standard and limitation on attribution otherwise imposed by this Act.

SEC. 206. LOCAL TAXES.

The maximum percentage of net income (or capital) of a corporation attributable to a political subdivision for tax purposes shall be determined under this title in the same manner as though the political subdivision were a State; except that the denominators of the corporation's property factor and payroll factor shall be the denominators applicable to all States and political subdivisions. For this purpose the numerators of the corporation's property factor and payroll factor shall be determined by treating every reference to location in a State, except the references in sections 202(c) and 203(c), as a reference to location in the political subdivision.

TITLE III—SALES AND USE TAXES

SEC. 301. REDUCTION OF MULTIPLE TAXATION.

(a) LOCATION OF SALES.—A State or political subdivision thereof may impose a sales tax or require a seller to collect a sales or use tax with respect to an interstate sale of tangible personal property only if the destination of the sale is—

(1) in that State, or

(2) in a State or political subdivision for which the tax is required to be collected.

(b) IMPOSITION OF USE TAX.—A State or political subdivision thereof may not impose a use tax with respect to tangible personal property of a person without a business location in the State or an individual without a dwelling place in the State; but nothing in this subsection shall affect the power of a State or political subdivision to impose a use tax if the destination of the sale is in the State and the seller has a business location in the State or regularly makes household deliveries in the State.

(c) CREDIT FOR PRIOR TAXES.—The amount of any use tax imposed with respect to tangible personal property shall be reduced by the amount of any sales or use tax previously paid by the taxpayer with respect to the property on account of liability to another State or political subdivision thereof.

(d) REFUND.—A person who pays a use tax imposed with respect to tangible personal property shall be entitled to a refund from the State or political subdivision thereof imposing the tax, up to the amount of the tax so paid, for any sales or use tax subsequently paid to the seller with respect to the property on account of liability to another State or political subdivision thereof.

(e) MOTOR VEHICLES AND MOTOR FUELS.—

(1) VEHICLES.—Nothing in subsection (a) or (b) shall affect the power of a State or political subdivision thereof to impose or require the collection of a sales or use tax with respect to motor vehicles that are registered in the State.

(2) FUELS.—Nothing in this section shall affect the power of a State or political subdivision thereof to impose or require the collection of a sales or use tax with respect to motor fuels consumed in the State.

SEC. 302. EXEMPTION FOR HOUSEHOLD GOODS, INCLUDING MOTOR VEHICLES, IN THE CASE OF PERSONS WHO ESTABLISH RESIDENCE.

No State or political subdivision thereof may impose a sales tax, use tax, or other nonrecurring tax measured by cost or value with respect to household goods, including motor vehicles, brought into the State by a person who establishes residence in that State if the goods were acquired by that person thirty days or more before he establishes such residence.

SEC. 303. TREATMENT OF FREIGHT CHARGES WITH RESPECT TO INTERSTATE SALES.

Where the freight charges or other charges for transporting tangible personal property to the purchaser incidental to an interstate sale are not included in the price but are separately stated by the seller, no State or political subdivision may include such charges in the measure of a sales or use tax imposed with respect to the sale or use of the property.

SEC. 304. LIABILITIES OF SELLERS ON SALES TO BUSINESS BUYERS.

No seller shall be liable for the collection or payment of a sales or use tax with respect to an interstate sale of tangible personal property if the purchaser of such property furnishes or has furnished to the seller—

(1) a registration number or other form of identification indicating that the purchaser is registered with the jurisdiction imposing the tax to collect or pay a sales or use tax imposed by that jurisdiction, or

(2) a certificate or other written form of evidence indicating the basis for exemption or the reason the seller is not required to pay or collect the tax.

SEC. 305. LOCAL SALES TAXES.

No seller shall be required by a State or political subdivision thereof to classify interstate sales for sales tax accounting purposes according to geographic areas of the State in any manner other than to account for interstate sales with destinations in political subdivisions in which the seller has a business location or regularly makes household deliveries. Where in all geographic areas of a State sales taxes are imposed at the same rate on the same transactions, are administered by the State, and are otherwise applied uniformly so that a seller is not required to classify interstate sales according to geographic areas of the State in any manner whatsoever, such sales taxes whether imposed by the State or by political subdivisions shall be treated as State taxes for purposes of this Act.

TITLE IV—EVALUATION OF STATE PROGRESS

SEC. 401. CONGRESSIONAL COMMITTEES.

The Committee on the Judiciary of the House of Representatives and the Committee on Finance of the United States Senate, acting separately or jointly, or both, or any duly authorized subcommittee thereof, shall for four years following the enactment of this Act evaluate the progress which the several States and their political subdivisions are making in resolving the problems arising from State taxation of interstate commerce and if, after four years from the enactment of this Act, the States and their political subdivisions have not made substantial progress in resolving any such problem, shall propose such measures as are determined to be in the national interest.

TITLE V—DEFINITIONS AND MISCELLANEOUS PROVISIONS

Part A—Definitions

SEC. 501. NET INCOME TAX.

A "net income tax" is a tax which is imposed on or measured by net income, including any tax which is imposed on or measured by an amount arrived at by deducting from gross income expenses one or more forms of which are not specifically and directly related to particular transactions.

SEC. 502. CAPITAL STOCK TAX; CAPITAL ACCOUNT TAX.

(a) CAPITAL STOCK TAX.—A "capital stock tax" is any tax measured in any way by the capital of a corporation considered in its entirety.

(b) CAPITAL ACCOUNT TAX.—A "capital account tax" is any capital stock tax measured by number of shares, par or nominal value of shares, paid-in capital, or the like, not including any tax the measure of which includes any element of earned surplus.

SEC. 503. SALES TAX.

A "sales tax" is any tax imposed with respect to retail sales, and measured by the sales price of goods or services sold, which is required by State law to be stated separately from the sales price by the seller, or which is customarily stated separately from the sales price.

SEC. 504. USE TAX.

A "use tax" is any nonrecurring tax, other than a sales tax, which is imposed on or with respect to the exercise or enjoyment of any right or power over tangible personal property incident to the ownership of that property or the leasing of that property from another, including any consumption, keeping, retention, or other use of tangible personal property.

SEC. 505. GROSS RECEIPTS TAX.

A "gross receipts tax" is any tax, other than a sales tax, which is imposed on or measured by the gross volume of business, in terms of gross receipts or in other terms, and in the determination of which no deduction is allowed which would constitute the tax a net income tax.

SEC. 506. EXCLUDED CORPORATION.

(a) IN GENERAL.—An "excluded corporation" is any corporation—

(1) more than 50 percent of the ordinary gross income of which for the taxable year—

(A) is derived from regularly carrying on any one or more of the following business activities:

(i) the transportation for hire of property or passengers, including the rendering by the transporter of services incidental to such transportation;

(ii) the furnishing of—

(I) telephone service or public telegraph service, or

(II) other communications service if the corporation is substantially engaged in furnishing a service described in subdivision (I);

(iii) the sale of electrical energy, gas, or water;

(iv) the issuing of insurance or annuity contracts or reinsurance; or

(v) banking, the lending of money, or the extending of credit;

(B) is received in the form of one or more of the following:

(i) dividends;

(ii) interest; or

(iii) royalties from patents, copyrights, trademarks, or other intangible property and mineral, oil, or gas royalties (but not payments of the type described in section 543 (a) (5) (B) of the Internal Revenue Code of 1954); or

(C) consists of ordinary gross income described in subparagraph (A) and other ordinary gross income described in subparagraph (B);

(2) which is a "personal holding company" as defined in section 542 of the Internal Revenue Code of 1954 or a "foreign personal holding company" as defined in section 552 of such Code; or

(3) which has an average annual income in excess of $1,000,000.

(b) ORDINARY GROSS INCOME.—The term "ordinary gross income" means gross income as determined for the taxable year under the applicable provisions of the Internal Revenue Code of 1954, except that there shall be excluded therefrom—

(1) all gains and losses from the sale or other disposition of capital assets, and

(2) all gains and losses from the sale or other disposition of property of a character described in section 1231(b) of the Internal Revenue Code of 1954 (determined without regard to holding period).

(c) AVERAGE ANNUAL INCOME.—A corporation's "average annual income" with respect to any taxable year (in this subsection referred to as the "computation year") shall be determined as follows:

(1) The period to be used in making the determination (in this subsection referred to as the "averaging period") shall first be established. Such period shall consist of the 5 consecutive taxable years ending with the close of the computation year; except that if the corporation was not required to file a Federal income tax return for 5 consecutive taxable years ending with the close of the computation year, its averaging period shall consist of the 1 or more consecutive taxable years, ending with the close of that year, for which it was required to file such a return.

(2) (A) The amount of the corporation's Federal taxable income for each of the taxable years in its averaging period shall then be determined. Such amount for any year shall be the corporation's taxable income for such year for purposes of the Internal Revenue Code of 1954 (determined without regard to any net operating loss carryback from a taxable year after the computation year), except as otherwise provided in subparagraphs (B) and (C).

(B) If for any portion of its averaging period the corporation's income was included in a consolidated return filed under the Internal Revenue Code of 1954, the corporation's Federal taxable income for that portion of such period shall be considered to be the total consolidated Federal taxable income included in such return (and the corporation's Federal taxable income for any portions of its averaging period to which this subparagraph does not apply shall be determined under the other provisions of this paragraph as though the corporation had no income for any portion of such period to which this subparagraph applies).

(C) If any taxable year in the corporation's averaging period is a period of less than 12 calendar months (and its taxable income for such year is not otherwise annualized for purposes of the Internal Revenue Code of 1954), the corporation's Federal taxable income for such taxable year shall be placed on an annual basis for purposes of this subsection by multiplying such income by 12 and dividing the result by the number of months in such year.

(3) The amounts determined under paragraph (2) for the taxable years in the corporation's averaging period shall be added together, and the total shall be divided by the number of such years. The resulting sum is the corporation's average annual income with respect to the computation year, unless paragraph (4) applies.

(4) (A) If the corporation is affiliated at any time during the computation year with one or more other corporations, its average annual income with respect to the computation year shall be the total of its own average annual income and the average annual income of each of the corporations with which it is so affiliated, as determined under paragraph (3) (with respect to such year) subject to subparagraph (B) of this paragraph.

(B) If two or more of the corporations to which subparagraph (A) applies with respect to any computation year included their income in the same consolidated return filed under the Internal Revenue Code of 1954 for any portion of the applicable averaging period, the total consolidated Federal taxable income included in such return shall be deemed to be their aggregate Federal taxable income for that portion of such period for purpose of subparagraph (A), and paragraph (2) (B) shall be disregarded to the extent that its application would result in a larger aggregate Federal taxable income.

(d) AFFILIATED CORPORATIONS.—For purposes of subsection (c), two or more corporations are "affiliated" if they are members of the same group comprised of one or more corporate members connected through stock ownership with a common owner, which may be either corporate or noncorporate, in the following manner:

(1) more than 50 percent of the voting stock of each member other than the common owner is owned directly by one or more of the other members; and

(2) more than 50 percent of the voting stock of at least one of the members other than the common owner is owned directly by the common owner.

The fact that a corporation is an "excluded corporation" shall not be taken into account in determining whether two or more other corporations are "affiliated".

SEC. 507. SALE; SALES PRICE.

The terms "sale" and "sales price" shall be deemed to include leases and rental payments under leases.

SEC. 508. INTERSTATE SALE.

An "interstate sale" is a sale with either its origin or its destination in a State, but not both in the same State.

SEC. 509. ORIGIN.

The origin of a sale is—

(1) in the State or political subdivision in which the seller owns or leases premises at which the property was last located prior to delivery or shipment of the property by the seller to the purchaser or to a designee of the purchaser, or

(2) if the property was never located at premises owned or leased by the seller, in the State or political subdivision in which a business location of the seller is located and in or from which the sale was chiefly negotiated.

SEC. 510. DESTINATION.

The destination of a sale is in the State or political subdivision where the property is delivered or shipped to the purchaser, regardless of the f.o.b. point or other conditions of the sale.

SEC. 511. BUSINESS LOCATION.

(a) GENERAL RULE.—A person shall be considered to have a business location within a State only if that person—

(1) owns or leases real property within the State, or

(2) has one or more employees located in the State.

(b) EXCEPTION.—If a corporation's only activities within a State consists of the maintenance of an office for gathering news the corporation shall not be considered to have a business location in that State for purposes of paragraph (1) of section 101, to own or lease real property within that State for purposes of section 202, or to have an employee located in the State for purposes of section 203.

(c) BUSINESS LOCATION IN SPECIAL CASES.—If a person does not own or lease real property within any State or have an employee located in any State (or in a case described in the last sentence of section 204), that person shall be considered to have a business location only—

(1) in the State in which the principal place from which its trade or business is conducted is located, or

(2) if the principal place from which its trade or business is conducted is not located in any State, in the State of its legal domicile.

SEC. 512. LOCATION OF PROPERTY.

(a) GENERAL RULE.—Except as otherwise provided in this section, property shall be considered to be located in a State if it is physically present in that State.

(b) RENTED-OUT PERSONALTY.—Personal property which is rented out by a corporation to another person shall be considered to be located in a State if the last base of operations at or from which the property was delivered to a lessee in that State. If there is no base of operations in any State at which the corporation regularly maintains property of the same general kind for rental purposes, such personal property shall not be considered to be located in any State.

(c) MOVING PROPERTY WHICH IS NOT RENTED OUT.—Personal property which is not rented out and which is characteristically moving property, such as motor vehicles, rolling stock, aircraft, vessels, mobile equipment, and the like, shall be considered to be located in a State if—

(1) the operation of the property is localized in that State, or

(2) the operation of the property is not localized in any State but the principal base of operations from which the property is regularly sent out is in that State.

If the operation of the property is not localized in any State and there is no principal base of operations in any State from which the property is regularly sent out, the property shall not be considered to be located in any State.

(d) MEANING OF TERMS.—

(1) LOCALIZATION OF OPERATION.—The operation of property shall be considered to be localized in a State if during the taxable year it is operated entirely within that State, or it is operated both within and without that State but the operation without the State is—

(A) occasional, or

(B) incidental to its use in the transportation of property or passengers from

points within the State to other points within the State, or

(C) incidental to its use in the production, construction, or maintenance of other property located within the State.

(2) BASE OF OPERATIONS.—The term "base of operations", with respect to a corporation's rented-out property or moving property which is not rented out, means the premises at which any such property is regularly maintained by the corporation when—

(A) in the case of rented-out property, it is not in the possession of a lessee, or

(B) in the case of moving property which is not rented out, it is not in operation.

regardless of whether such premises are maintained by the corporation or by some other person; except that if the premises are maintained by an employee of the corporation primarily as a dwelling place they shall not be considered to constitute a base of operations.

SEC. 513. LOCATION OF EMPLOYEE.

(a) GENERAL RULE.—An employee shall be considered to be located in a State if—

(1) the employee's service is localized in that State, or

(2) the employee's service is not localized in any State but some of the service is performed in that State and the employee's base of operations is in that State.

(b) LOCALIZATION OF EMPLOYEE'S SERVICE.—Service of any employee shall be considered to be localized in a State if—

(1) the service is performed entirely within that State, or

(2) the service is performed both within and without that State, but the service performed without the State is incidental to service performed within the State.

(c) EMPLOYEE'S BASE OF OPERATIONS.—The term "base of operations", with respect to an employee, means a single place of business with a permanent location which is maintained by the employer and from which the employee regularly commences his activities and to which he regularly returns in order to perform the functions necessary to the exercise of his trade or profession.

(d) CONTINUATION OF MINIMUM JURISDICTIONAL STANDARD.—An employee shall not be considered to be located in a State if his only business activities within such State on behalf of his employer are either or both of the following:

(1) The solicitation of orders, for sales of tangible personal property, which are sent outside the State for approval or rejection and (if approved) are filled by shipment or delivery from a point outside the State.

(2) The solicitation of orders in the name of or for the benefit of a prospective customer of his employer, if orders by such customer to such employer to enable such customer to fill orders resulting from such solicitation are orders described in paragraph (1).

This subsection shall not apply with respect to business activities carried on by one or more employees within a State if the employer (without regard to those employees) has a business location in such State.

(e) EMPLOYEES OF CONTRACTORS AND EXTRACTORS.—If the employer is engaged in the performance of a contract for the construction of improvements on or to real property in the State or of a contract for the extraction of natural resources located in the State, an employee whose services in the State are related primarily to the performance of the contract shall be presumed to be located in the State. This subsection shall not apply with respect to services performed in installing or repairing tangible property which is the subject of interstate sale by the employer, if such installing or repairing is incidental to the sale.

(f) The term "employee" has the same meaning as it has for purposes of Federal income tax withholding under chapter 24 of the Internal Revenue Code of 1954.

SEC. 514. HOUSEHOLD DELIVERIES.

A seller makes household deliveries in a State or political subdivision if he delivers goods, otherwise than by mail or by a common carrier, to the dwelling places of his purchases located in that State or subdivision.

SEC. 515. STATE.

The term "State" means the several States of the United States and the District of Columbia.

SEC. 516. STATE LAW.

References in this Act to "State law", "the laws of the State", and the like shall be deemed to include a State constitution, and to include the statutes and other legislative acts, judicial decisions, and administrative regulations and rulings of a State and of any political subdivision.

SEC. 517. TAXABLE YEAR.

A corporation's "taxable year" is the calendar year, fiscal year, or other period upon the basis of which its taxable income is computed for purposes of the Federal income tax.

SEC. 518. VALUATION DATE.

The "valuation date", with respect to a capital stock tax, is the date as of which capital is measured.

Part B—Miscellaneous provisions

SEC. 521. PERMISSIBLE FRANCHISE TAXES.

The fact that a tax to which this Act applies is imposed by a State or political subdivision thereof in the form of a franchise, privilege, or license tax shall not prevent the imposition of the tax on a person engaged exclusively in interstate commerce within the State; but such a tax may be enforced against a person engaged exclusively in interstate commerce within the State solely as a revenue measure and not by ouster from the State or by criminal or other penalty for engaging in commerce within the State without permission from the State.

SEC. 522. PROHIBITION AGAINST GEOGRAPHICAL DISCRIMINATION.

(a) IN GENERAL.—No provision of State law shall make any person liable for a greater amount of corporate net income tax, capital stock tax, sales or use tax with respect to tangible personal property, or gross receipts tax with respect to tangible personal property, by virtue of the location of any occurrence in a State outside the taxing State, than the amount of the tax for which such person would otherwise be liable if such occurrence were within the State (subject to section 523). For purposes of this subsection, the term "occurrence" includes incorporation, qualification to do business, and the making of a tax payment, and includes an activity of the taxpayer or of a person (including an agency of a State or local government) receiving payments from or making payments to the taxpayer.

(b) COMPUTATION OF TAX LIABILITY UNDER DISCRIMINATORY LAWS.—When any State law is in conflict with subsection (a), tax liability may be discharged in the manner which would be provided under State law if the occurrence in question were within the taxing State.

SEC. 523. APPLICABILITY OF ACT TO EXCLUDED CORPORATIONS.

Nothing in this Act shall affect the power of any State or political subdivision to impose or assess a net income or capital stock tax with respect to an excluded corporation.

SEC. 524. PROHIBITION AGAINST OUT-OF-STATE AUDIT CHARGES,

No charge may be imposed by a State or political subdivision thereof to cover any part of the cost of conducting outside that State an audit for a tax to which this Act applies, including a net income or capital stock tax imposed on an excluded corporation.

SEC. 525. LIABILITY WITH RESPECT TO UNASSESSED TAXES.

(a) PERIODS ENDING PRIOR TO ENACTMENT DATE.—No State or political subdivision thereof shall have the power after the date of the enactment of this Act, to assess against any person for any period ending on or before such date in or for which that person became liable for the tax involved—

(1) a corporate net income tax, capital stock tax (other than a capital account tax imposed on corporations incorporated in the State), or gross receipts tax with respect to tangible personal property, if during such period that person did not have a business location in the State; or

(2) a sales or use tax with respect to tangible personal property, if during such period that person was not registered in the State for the purpose of collecting tax, had no business location in the State, and did not regularly make household deliveries in the State.

(b) CERTAIN PRIOR ASSESSMENTS AND COLLECTIONS.—The provisions of subsection (a) shall not be construed—

(1) to invalidate the collection of a tax prior to the time assessment became barred under subsection (a), or

(2) to prohibit the collection of a tax at or after the time assessment became barred under subsection (a), if the tax was assessed prior to such time.

SEC. 526. EFFECTIVE DATES.

(a) CORPORATE NET INCOME TAXES AND CAPITAL STOCK TAXES.—Title II of this Act, and the provisions of section 101 and this title (except section 525) insofar as they relate to corporate net income taxes or capital stock taxes, shall apply in the case of corporate net income taxes only with respect to taxable years ending after the date of the enactment of this Act, and in the case of capital stock taxes only with respect to taxes for which the valuation date is later than the close of the first taxable year ending after the date of the enactment of this Act. Any corporation shall be permitted to adjust its reporting period for net income tax purposes to the extent necessary to comply with this Act, effective for the first taxable year to which title II applies.

(b) OTHER PROVISIONS.—The remaining provisions of this Act shall take effect on the date of the enactment of this Act

Mr. ADAMS (during the reading). Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman from Washington will state it.

Mr. ADAMS. Is the Clerk reading by title? I did not hear the announcement of the Chair. Or is the bill to be read word for word?

The CHAIRMAN. In answer to the gentleman's inquiry, the bill is being read by section. The Clerk will continue to read.

The Clerk proceeded to read the bill.

Mr. WILLIS (during the reading). Mr. Chairman, I ask unanimous consent that the bill be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

COMMITTEE AMENDMENTS

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Page 3, in the fourth line of the table of contents, strike out "to excluded corporations".

Page 5, strike out line 11.

Page 5, line 12, strike out "(2)" and insert "(1)".

Page 5, line 14, strike out "(3)" and insert "(2)".

Page 21, line 12, strike out "or".

Page 21, line 13, strike out the period and insert ", or".

Page 21, after line 13, insert the following:

"(3) regularly maintains a stock of tangible personal property in the State for sale in the ordinary course of its business.

For the purpose of paragraph (3), property which is on consignment in the hands of a consignee, and which is offered for sale by the consignee on his own account, shall not be considered as stock maintained by the consignor; and property which is in the hands of a purchaser under a sale or return arrangement shall not be considered as stock maintained by the seller."

Page 21, line 23, after "State", insert "or regularly maintain a stock of tangible personal property in any State for sale in the ordinary course of its business."

Page 28, lines 8 and 9, strike out "corporate net income tax, capital stock tax,"

Page 29, strike out lines 1 through 5 and insert the following:

"SEC. 523. APPLICABILITY OF ACT.

"Nothing in section 101 or in any other provision of this Act shall be considered—

"(1) to repeal Public Law 86-272 with respect to any person;

"(2) to increase, decrease, or otherwise affect the power of any State or political subdivision to impose or assess a net income or capital stock tax with respect to an excluded corporation; or

"(3) to give any State or political subdivision the power to impose a gross receipts tax with respect to a sale of tangible personal property if the seller would not be subject to the imposition of such a gross receipts tax without regard to the provisions of this Act."

The committee amendments were agreed to.

AMENDMENTS OFFERED BY MR. HUTCHINSON

Mr. HUTCHINSON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HUTCHINSON: Strike out title II (beginning on page 4, line 6, and ending on page 8, line 15); and renumber the succeeding titles and sections accordingly.

Mr. HUTCHINSON. Mr. Chairman, I offer also some conforming amendments and ask unanimous consent that they be read and the amendments be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The Clerk read as follows:

Amendments offered by Mr. HUTCHINSON: On page 2, in the table of contents, strike out the matter relating to title II; and on pages 2 and 3 renumber references to succeeding titles and sections accordingly.

On page 22, strike out the comma in line 5 and all that follows down through "203" in line 7.

On page 22, lines 12 and 13, strike out "(or in a case described in the last sentence of section 204)".

On page 22, strike out line 20 and all that follows down through page 24, line 23, and renumber the succeeding six sections (and amend the table of contents of the bill) accordingly.

On page 29, line 3, strike out "523" and insert "423".

On page 31, lines 20 and 21, strike out "Title II of this Act, and the provisions of section 101 and this title (except section 525)" and insert "The provisions of section 101 and this title (except section 425),".

On page 32, line 6, strike out "title II" and insert "section 101".

Mr. HUTCHINSON. Mr. Chairman, this amendment and the other amendments that conform it to the bill would strike out title II. Title II offers to a corporation which has an average annual income of $1 million or less—that is to say, the small corporation—an option in how they shall compute the base upon which a State may impose its income tax upon their income.

As the State income tax systems throughout the country have evolved, almost every State uses what is called a three-factor formula. They apply the total value of property owned by a corporation in their State to the total property of that corporation owned everywhere; and then they take the payroll of that corporation in their State as a numerator and the denominator is the total amount of the payroll everywhere; and the third factor is sales, in which they take the amount of sales in that State as a numerator and the denominator is the total amount of sales everywhere; then they average the three factors and the result is the percent of that total corporate income which is taxable by the particular State.

This bill in title II would say to a corporation, "You can forget all about sales. All you need to do is figure the payroll and the property and forget all about the sales." It seems to me that is an unnecessary intrusion into the internal tax policies of States. It seems to me if a corporation, regardless of its size, is admittedly subject to the jurisdiction of a State to pay it some income tax, the corporation ought to be required to pay the income tax figures on the same base as other taxpayers in that State who have to pay income tax.

That is why I think title II is a mistake in this bill. I feel quite strongly about it. I think the bill would be immeasurably improved if we could strike title II from it.

The gentleman from West Virginia [Mr. MOORE] in discussing this matter earlier in the day, referred to some compliance problems the smaller companies have. The gentleman says—and I think it is true—that the ordinary small company does not have the staff, either lawyers or accountants, to keep up with all the various tax laws of all of the several States. So they say, well, let us give them this option and they can forget about the sales. But really this argument does not answer the problem at all. If we have a small corporation, and we are troubled with the compliance problems, if we leave title II in this bill, that small corporation has to keep up with not only all the State laws in all the States in which it is located, but also with the Federal formula as well. Every year it has to compute its taxes in each of those States in two different ways. I say it has to—of course, it does not have to, but it certainly would—because the average businessman is interested in paying the least amount of taxes he can possibly pay, so it would be to his advantage every year to compute this tax according to both the State law and the Federal formula.

But, of course, he will not have to do it in every State in the Union. He would have to do it only in those States in which, under title I of this act, he is liable to pay a tax. In other words, I say title I is the protection of the small corporation in this bill, not title II. Title I protects the small corporation.

Mr. MOORE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, the Hutchinson amendment was presented for consideration in the committee. We considered the very persuasive arguments of the gentleman from Michigan, and the amendment was defeated because we felt title II was certainly supplemental to title I of the bill and was necessary. If we were to make the great mistake today of eliminating title II, all of the small business companies engaged in interstate commerce would continue to be exposed to this mass of various jurisdictional disputes presently torturing small business.

The real answer to the suggestion by the gentleman from Michigan [Mr. HUTCHINSON] is that today the small businessman is not presently paying the tax. He is living in the shadow of the prospects that some future day State taxing authorities will determine what his past and present liability is thought to be and then dump the whole load on him unexpectedly.

If we took title II out of the bill we would continue to compound the chaos which exists in the minds of small businessmen of the community and in reality does exist when they seek to determine what their actual tax exposure is in any jurisdiction.

Mr. WILLIS. Mr. Chairman, will the gentleman yield?

Mr. MOORE. I am happy to yield to the gentleman from Louisiana.

Mr. WILLIS. I should like to ask the gentleman, much as I sympathize with the purpose of my good colleague [Mr. HUTCHINSON], is it not a fact that this amendment was defeated both in the subcommittee and in the full committee?

Mr. MOORE. I thought I had made that clear in my observation. It was turned down by the subcommittee and by the full committee.

Mr. HUTCHINSON. Mr. Chairman, will the gentleman yield?

Mr. MOORE. I am happy to yield to the gentleman from Michigan.

Mr. HUTCHINSON. Might I point out that the record vote, or at least the show of hands, was 14 to 14. It was a tie. I will admit I did not win it, but on a tie I do not believe I lost it, either.

Mr. HUNGATE. Mr. Chairman, I move to strike the requisite number of words.

I wish to express my support for the position of the gentleman from Michigan [Mr. HUTCHINSON]. The vote in the committee stated is as I recall it also.

It is estimated that in its first 2 years this act would cost the State of Missouri $50,000,000 in lost tax revenues. Tax revenues lost because nonresidents would be permitted to earn income from the Missouri business community but would escape responsibility borne by local citizens.

Local intrastate businessmen support their community; roads and schools, police and fire departments, hospitals and libraries through payment of taxes to the State and community in which they live.

Interstate firms have, should have, and will continue to have the privilege of competing with these local businessmen, but if this bill passes they may escape paying their fair share of the taxes in the community in which they do business.

In addition, churches, service clubs, and veterans organizations are supported by voluntary contributions of the businessman residing in local communities and States, thus, this bill may strike a hidden blow adversely affecting local communities throughout the land.

As pointed out by the Council of State Governments, the States have been almost unanimous in their opposition to H.R. 2158 and its predecessor Willis bills. The major objections of the States were that such a measure: First, would impair the independence of State and local governments within the Federal system; second, would have a serious adverse effect on State and local revenues, especially on "market" States; third, would be particularly untimely in that any revenue loss would have to be made up somehow to meet current and prospective demands for State and local services; fourth, would give preferential treatment to certain taxpayers, in some cases exempting them from State and local taxation; fifth, represented a legislative "overkill" since in the Willis subcommittee's report it found that income tax compliance costs were not burdensome and the "prevailing system" for collecting sales taxes does not appear to be costly; sixth, would represent a radical departure from current practices and procedures; and seventh, was unwarranted in that most of the specific deficiencies alleged had already been or were capable of and working toward an interstate compact to deal with what problems remained or might appear in the future.

All these objections remain valid, but only the last will be enlarged upon here.

Presently, 41 States, including the District of Columbia, have corporation income taxes. In 19 of these States, a corporate income taxpayer is taxed under the provisions of the Uniform Division of Income for Tax Purposes Act. Fourteen enactments of the Uniform Act have occurred in the past 2 years.

Thirty-nine of the 45 States with sales taxes provide for credit for sales taxes paid elsewhere. The others are expected to add credit provisions in the near future.

Earlier this year, in the *National Bellas Hess, Inc.* v. *Illinois Department of Revenue* (87 S.Ct. 1389), the Supreme Court declared that a State cannot require collection of use taxes on purely interstate mail-order transactions, where the seller has no other connection with the taxing jurisdiction. In so doing, the Court destroyed a major argument put forth by Willis bill proponents—that only Congress can provide a remedy in jurisdictional disputes.

Also, 15 States have adopted the multistate tax compact, and several are actively considering it. Briefly stated, the compact: First, gives a taxpayer an option to be taxed under the Uniform Division of Income for Tax Purposes Act or other State laws which may be in effect; second, permits a small corporate taxpayer to use a short form in lieu of a detailed computation of tax liability; third, establishes an arbitration procedure available at the taxpayer's option only; fourth, contains a sales and use tax credit provision; fifth, provides for cooperative, multistate audits; and, sixth, sets up a multistate tax commission to study all aspects of multistate tax matters and to issue recommendatory rules and regulations for States with uniform or similar tax laws.

In view of the record, it is submitted that enactment of H.R. 2158 is unwise at this time.

Mr. WIGGINS. Mr. Chairman, I move to strike the requisite number of words.

I rise only to indicate my support for the amendment of the gentleman from Michigan. I believe it is quite important to the Members at least on this side, because it recognizes that once a State may tax another corporation from out of State, the manner of computing the tax is essentially a State responsibility.

The Federal Government is involved and should be involved in the question of whether or not the out-of-State corporation is subject to tax at all. Once that decision is arrived at by the imposition of jurisdictional standards in title I, then the manner of computing the tax should be left up to the individual State.

I believe that is the thrust of the amendment offered by my friend from Michigan, and I would hope that the Members on the Republican side could support it wholeheartedly. I support the amendment.

Mr. WHITENER. Mr. Chairman, I move to strike the requisite number of words.

I merely rise to say that I oppose the amendment. If title II of H.R. 2158 were eliminated, all of the small companies in interstate commerce would continue to be exposed to the chaos which comes from the present lack of uniformity of State apportionment formulas. A study conducted by our subcommittee indicates that the diversity among the various State formulas is so great as to make the entire present enforcement system unworkable.

I hope the amendment will be defeated.

The CHAIRMAN. The question is on the amendments offered by the gentleman from Michigan.

The question was taken; and on a division (demanded by Mr. HUTCHINSON) there were—ayes 18, noes 43.

So the amendments were rejected.

AMENDMENT OFFERED BY MR. SMITH OF IOWA

Mr. SMITH of Iowa. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SMITH of Iowa: On page 32 after line 9, add the following: "TITLE VI—TAXATION OF INDIVIDUALS

"SEC. 601. (a) no State or political subdivision thereof shall have the power to impose for any taxable year ending after the date of the enactment of this Act an income tax on the income of any individual—

"(1) which was earned or derived during any period while the individual was not domiciled in the State except to the extent the income was earned from sources within the State, or

"(2) which was earned or derived from sources without the State during any period while the individual was domiciled in the State except to the extent the tax exceeds any income tax paid on such income to the State (or political subdivision) in which the income was earned or derived.

"(b) For purposes of this Act—

"(1) the term 'State' shall include the District of Columbia, and

"(2) 'earned' means to acquire by labor, service, or performance and does not include the mere receipt of interest or dividend payments which are merely a return upon an investment and are not paid as a result of labor, service, or performance rendered."

Mr. WILLIS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

Incidentally, this is the amendment that was made in order by the rule.

Mr. SMITH of Iowa. That is correct.

The CHAIRMAN. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. SMITH of Iowa. Mr. Chairman, I was very much impressed by the arguments for the need for this bill to protect corporations against punitive actions by various State, but this amendment would give the individual the same kind of protection that the corporation receives under this bill. In fact, the individual needs the protection for additional reasons. They not only have the problems that a corporation has, but they may move during the year more often than corporations do and find that in that year they owe an income tax in two different States for their entire income for that year. In addition to that, many people have a summer home and they find at the end of the year that due to the definition an individual State is permitted to give "residence for tax purposes," they owe income tax on their entire income in the State where the summer home is located as well as in the State of their domicile.

In addition to that, there are a number of problems of businessmen, for example, who have a room in Washington, D.C., or some other city to which they commute and they may find keeping that room there for business purposes occasionally for business purposes and that may subject them to an income tax on their entire income in both the State of their domicile and the State where they maintain the room or another place of abode.

What this amendment would do would be to prevent that kind of punitive action and prevent an individual from having his income taxed but once—in one State or the other. Of course, the preference would be given to the State of his domicile, but any income earned from sources in another State could be taxed in the State where it is earned if they choose to tax it.

Mr. Chairman, I believe everyone should be for this amendment whether they are for the bill or not, and I do hope the committee will approve it.

Mr. WHITENER. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I think all of us understand the splendid motives of the gentleman from Iowa in presenting this amendment. I believe it would be inaccurate if I did not say that his amendment appeals to me.

But under the provisions of this bill we have a specific proviso to the effect that the Congress should continue to study the matter of State taxation. Every 4 years under title IV there shall be an evaluation of the progress which the several States and their political subdivisions are making.

Mr. Chairman, while I would not disparage the gentleman's intentions or the quality of his amendment, I do not believe it would be consistent with the attitude of our subcommittee to adopt his amendment. I say this because we have tried to study all of the facts, evaluate the revenue impact upon the several States, and to ascertain just where we are going before we made a single legislative recommendation.

Now, the gentleman, I am sure, will appreciate the fact that he does put us in a rather difficult position because his thoughts do appeal to us. But, honestly, we do not feel that we have enough information of record dealing therewith to accept the gentleman's amendment.

Mr. SMITH of Iowa. Mr. Chairman, will the gentleman yield?

Mr. WHITENER. I yield to the gentleman from Iowa.

Mr. SMITH of Iowa. I would like to respond to what the gentleman from North Carolina has said with regard to what the impact may be taxwise in the various jurisdictions. I do not care what it is because any tax collected now that would be prohibited under this amendment should not be collected and is unfair. I do not believe we need to study it for a period of years, because I do not care what it amounts to anyway.

Mr. WHITENER. What the gentleman is saying supports the position which the committee has taken on other tax matters which require that this bill shall be enacted. I am impressed by the gentleman's amendment. However, we are hopeful that we can get a half loaf, if not the whole loaf, and we believe that this bill can be passed in the House as well as in the other body if we do not load it down.

I would say to the gentleman from Iowa as I have said twice before, I, personally expressing my own opinion about the merits of the amendment, see merit in it. The amendment does appeal to me. However, the committee has not had an opportunity to make a thorough study of it.

Mr. Chairman, I yield back the balance of my time.

Mr. THOMPSON of Georgia. Mr. Chairman, I rise in support of the amendment.

Mr. THOMPSON of Georgia. I wonder if I could ask the author of the amendment if he would answer a question for me, please—the gentleman from Iowa?

Mr. SMITH of Iowa. Yes.

Mr. THOMPSON of Georgia. I am familiar with the decision in the State of Wisconsin affecting the airline pilots who fly over that State, but that decision could just as well be applied to truck drivers where the courts have held that the airline pilots may be taxed in the State of Wisconsin for that portion of their salary while flying over the State of Wisconsin.

I know that as a group the pilots are very concerned over this because they are concerned that they may not only have to pay this tax but pay the tax in the State in which they are domiciled.

Mr. SMITH of Iowa. In response to the question propounded by the gentleman from Georgia, I would say that whether or not they are airline pilots or truck drivers, they should not have to pay income tax in more than one State.

Mr. THOMPSON of Georgia. This procedure certainly should be limited to the State where he has his residence or where he is domiciled and then the States could argue over it if they wanted to.

Mr. SMITH of Iowa. Mr. Chairman, if the gentleman will yield further, he would not actually be relieved of any taxation under my proposed amendment. However, he would pay it to the State where he feels he should pay it and where he is domiciled. Then, if some other State feels it has a claim on his salary from the standpoint of taxation, that could be worked out between the States involved.

Mr. THOMPSON of Georgia. That would certainly be correct.

Mr. ASHBROOK. Mr. Chairman, will the gentleman yield?

Mr. THOMPSON of Georgia. I yield to the gentleman from Ohio.

Mr. ASHBROOK. Mr. Chairman, it is my opinion that the gentleman has brought out a very important point. Those of us who followed State and local taxation practices are very well familiar with the fact of the tax problems involved when a person moves from one State to the other.

I believe this is one of the reasons why we are all for this bill, because the same inclination is there as far as taxing business is concerned, and I believe the gentleman from Iowa has presented a very fine amendment, and I believe it is our obligation to protect those people who may be picked on because they do not happen to vote in the State.

Mr. THOMPSON of Georgia. I thank the gentleman for his comments.

Mr. Chairman, I urge the support of the Members of the House for the amendment presented by the gentleman from Iowa.

Mr. HOLIFIELD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I have asked for this time in order to ask the gentleman from Iowa if he believes the bill as now presented to the House would allow the District of Columbia, for instance, to pass an income tax on the Members of Congress, and their employees who live in various States, and that under these circumstances they would have to pay an income tax in the District of Columbia, or in Virginia, or in Maryland, if they happen to be domiciled there temporarily due to their jobs?

Mr. SMITH of Iowa. I would say to the gentleman that everybody like that but Congressmen and their top staff employees now are subjected to double taxation in the District of Columbia now, because the District of Columbia has a definition which includes having a place of abode in the District of Columbia for a portion of the year and only Congressmen and their top staff members are exempt.

Mr. HOLIFIELD. And I would say to the gentleman that I am paying a very heavy State income tax, and it has been doubled in the last year in California. I happen to live in an apartment in Virginia about 10 months out of the year.

Mr. SMITH of Iowa. In Virginia the gentleman would be subject to double taxation. In the District of Columbia, Congressmen are specifically exempt by the code, but businessmen who happen to have apartments or a residence here, or even a hotel room, may find that they are subjected to taxation on their entire income in both the District of Columbia and in their home State. In many cases they may not know this for 3 or 4 years.

Mr. HOLIFIELD. Mr. Chairman, I want to get this down very specifically, so that I understand it.

I happen to live in an apartment which I rent by the year in Virginia. The gentleman is telling me that unless his amendment is passed I could be assessed on my State income tax in Virginia, as well as in California?

Mr. SMITH of Iowa. The gentleman is at the mercy of the Virginia Commissioner of Taxation claiming he owes the tax in Virginia also.

Mr. WHITENER. Mr. Chairman, would the gentleman from California yield?

Mr. HOLIFIELD. I yield to the gentleman from North Carolina.

Mr. WHITENER. I am sure the gentleman does not want to imply, although his words may be construed that way, that because of this legislation this would come about. This legislation would not create the opportunity for double taxation.

Mr. HOLIFIELD. But is it not true that the amendment offered by the gentleman from Iowa would prohibit that from occurring?

Mr. WHITENER. As I understand the amendment offered by the gentleman from Iowa, that is the purpose of it.

Mr. HOLIFIELD. The purpose of the amendment is to prevent double taxation?

Mr. WHITENER. As I understand it, yes.

Mr. SMITH of Iowa. On individual income.

Mr. HOLIFIELD. From two different States?

Mr. SMITH of Iowa. Or it can be three States.

Mr. HOLIFIELD. It can be three States, or four States, whatever it might be. If I live in Virginia, for instance, and I work in the District of Columbia, I might be charged my full State income tax in Virginia, and also in California unless the amendment offered by the gentleman from Iowa is agreed to?

Mr. SMITH of Iowa. That is correct.

Mr. HOLIFIELD. That is quite revealing, I believe.

Mr. CORMAN. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment. I know this committee for some 5 years has been very careful in attempting to examine in detail the impact of the bill, but we have never sacrificed equity to the businessman because of a loss of revenue to the States, and insofar as the individual taxpayer is concerned, it is very simple; the individual taxpayer should not be taxed by two States on the same income. We do not need to worry about a complicated formula to figure out what that is.

The States, I am sure, are going to be turning more and more to progressive income taxes to finance their budgets, and that is as it should be.

I am not satisfied with a law which just exempts the Congressmen. I believe we owe it to the Amercan taxpayer as an individual, just as we owe it to taxpayers as businessmen, to protect them from this double taxation.

Mr. HOLIFIELD. Mr. Chairman, will the gentleman yield?

Mr. CORMAN. I yield to the gentleman.

Mr. HOLIFIELD. I am glad that the gentleman is supporting the Smith amendment because up until this good day I have never known of two States charging a State income tax on the same income.

The fact that the Members of Congress have to live either in the District of Columbia or nearby certainly does not mean, and if they are paying a heavy income tax in their State of residence where they must keep a domicile in order to be Members of Congress—I see no reason why the door should be opened for another State to tax them whatever amount they want to tax on State income tax.

I think this is a precautionary amendment that all of us should support.

Mr. CORMAN. The gentleman is precisely correct. We all know that from every State in the Union we have highly qualified people coming to work in the District of Columbia to work for the Government and they do not want to lose their residency in the States that they come from where they pay taxes. Unless we do adopt this amendment, then they are probably going to be taxed double or be forced to surrender their residency and voting rights in their home States.

Mr. PELLY. Mr. Chairman, will the gentleman yield?

Mr. CORMAN. I yield to the gentleman.

Mr. PELLY. Those of us who live on the Pacific coast know that there are certain fishermen who reside in California or Oregon and so forth and go to Alaska during the season and earn their livelihood there. The State of Alaska, as I understand it, taxes their income there. I think that perhaps the Smith amendment would cure that and I am going to support it.

Mr. CORMAN. Mr. Chairman, I urge the adoption of the Smith amendment.

AMENDMENT OFFERED BY MR. CLEVELAND TO AMENDMENT OFFERED BY MR. SMITH OF IOWA

Mr. CLEVELAND. Mr. Chairman, I offer an amendment to the amendment.

The Clerk read as follows:

Amendment offered by Mr. CLEVELAND to the amendment offered by Mr. SMITH of Iowa: After "income" in line 6 of the amendment, insert the following: "or to establish the rate of taxation on the income".

The CHAIRMAN. The gentleman from New Hampshire is recognized in support of his amendment.

Mr. CLEVELAND. Mr. Chairman, this is a very minor amendment and I have discussed it with the author of the major amendment and I believe it clarifies the amendment.

Mr. SMITH of Iowa. Mr. Chairman, will the gentleman yield?

Mr. CLEVELAND. I yield to the gentleman.

Mr. SMITH of Iowa. I think this further clarifies the amendment and it is acceptable to me.

Mr. HICKS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

One hundred and thirty Members are present, a quorum.

The Chair recognizes the gentleman from New Hampshire [Mr. CLEVELAND].

Mr. CLEVELAND. Mr. Chairman, I yield to the gentleman from Iowa [Mr. SMITH].

Mr. SMITH of Iowa. I would respond to the gentleman by saying that the amendment was intended to include this. I think it does clarify it and I would like to accept the amendment.

Mr. ADAMS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I will not take all of the 5 minutes because I know the House does want to move along in the consideration of this bill.

I would like to point out, on this bill, in addition to the remarks made on the income tax, that some of us testified before the Committee on Rules and we also testified before the committee that was hearing this bill, that when you have not had an analysis here of the effect—and what will happen on the movement of businesses, from income tax States to avoid the gross receipts tax and also the sales and use taxes—and the definition of employee here and the definition of what constitutes household deliveries, it means for example that the General Motors Co. which only 3 years ago we were able to bring into the area of State taxation, now moves its location into Oregon and excludes them from income in the State of Oregon and income from sales in the State of Washington and we cannot reach them with a business occupation tax and we cannot reach them with a sales tax and we cannot reach them with a use tax.

All of its activity is directed from the State of Washington and we will lose revenue just on that one business alone.

We were hopeful that there would be a chance for some discussion of this bill and that it would not be put through this evening. We have opposed it in the past. We are hopeful that some of these amendments can be put in and that we can make this bill so that the States can have an alternative system of taxation other than the income tax. I disagree with one of the gentlemen who said that all of the States will go to the income tax.

Progressive thinking in State taxation now provides that there be a combination of the sales tax and the income tax because the Federal Government—and if we raise taxes in the next few weeks it will be even more so—is preempting the income tax field as far as the States are concerned.

Mr. GROSS. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Iowa is recognized for 5 minutes.

Mr. GROSS. Mr. Chairman, I rise in support of the Smith amendment and I rise in support of the bill.

Mr. GRAY. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Illinois is recognized for 5 minutes.

Mr. GRAY. Mr. Chairman, I rise in support of H.R. 2158. I had not intended to speak on the measure. I think it is a very important bill.

There are many misconceptions about H.R. 2158, the Willis bill on State taxation of interstate commerce. Here are some quick facts which I hope will clear up some of those misconceptions:

First. H.R. 2158 is not a tax bill. It will impose no taxes of any kind, Federal, State, or local.

Second. H.R. 2158 is purely bipartisan. Laboring hard for more than 6 years, dedicated members of both major parties amicably worked together to produce and perfect the bill now before us.

Third. H.R. 2158 will not deprive any State of any significant revenues it is now receiving, and if enacted, would insure all the States greatly increased revenues through continued expansion of the mutually beneficial interstate commerce which has made this Nation the richest in the world.

There are so many thousands of taxing bodies in the United States today that it is utterly impossible for small interstate sellers to keep up with their constantly changing tax rates, coverages, and exemptions. Yet thousands of interstate sellers today are vulnerable to sudden liability not only for current taxes, but for far-reaching back-years taxes, plus stiff penalties and interest—not only to one State or a few States, but to all 50 States, and literally thousands of local governments.

This is a dangerous and explosive situation that needs the immediate attention of Congress. For only Congress can possibly bring order out of the present chaos.

H.R. 2158 is the work of many dedicated minds. It has been hammered out over more than 6 years of labor. It has been perfected after full and complete study of every aspect of the problem. It is a sound, workable and brilliant answer to a crying need of our national economy, and should receive the support of every Member of this body.

Mr. Chairman, on a personal basis this bill affects several hundred jobs in my congressional district. The Smyler Bros. Manufacturing Co. plant in Herrin, Ill., makes and sells ladies' dresses to out-of-State mail-order houses. If taxes are forced on the out-of-State buyers, they will merely go elsewhere for their merchandise. This would jeopardize these hundreds of jobs in my district. I am sure this situation exists in

many other districts throughout the country. I strongly urge approval of this bill. Thank you.

Mr. TAFT. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Ohio is recognized for 5 minutes.

Mr. TAFT. Mr. Chairman, I rise in opposition to this bill. I believe it will set a very dangerous precedent of Congress moving into the area of regulating State taxation. The bill itself, I believe, has some severe constitutional questions. I do not question the constitutional right to regulate interstate commerce, upon which the bill is based. But the powers go far beyond that.

Let me cite to you just one example of what I consider to be very doubtful draftsmanship in connection with the bill. Line 16, on page 3, and lines 3 through 5, on page 4, apparently give to States which under their own constitutions may not have power to levy income taxes the power to levy income taxes. There are some such States. There are other limitations of that sort.

By passing this legislation you will let the bars down. You are moving into a new field. The States and the local governments, it seems to me, have enough problems today without getting into this area.

I am familiar with the problems that are attempted to be handled by this bill. Indeed, I acted as attorney in a number of cases of this sort, attempting to solve problems of this sort. This bill will not solve the problems. It will also open the floodgates of litigation, because there are hosts of decisions under the State laws which will be thrown out and will have to be reinterpreted in the light of this bill. This bill is a lawyer's dream. It may be perfectly good law. It may even be constitutional. But it certainly is not good practice.

Mr. FOLEY. Mr. Chairman, I move to strike the requisite number of words.

The CHAIRMAN. The gentleman from Washington is recognized for 5 minutes.

Mr. HICKS. Mr. Chairman, I thank the gentleman for yielding.

I want to associate myself with his remarks, with the remarks of the gentleman from Ohio [Mr. TAFT], and the remarks of the gentlewoman from Washington [Mrs. MAY], as well as the remarks of the gentleman from Washington [Mr. FOLEY], previously delivered in the House.

I rise in opposition to H.R. 2158.

Mr. FOLEY. Mr. Chairman, I yield to the gentleman from New Mexico [Mr. MORRIS].

Mr. MORRIS of New Mexico. Mr. Chairman, H.R. 2158 is a revision of several previously introduced bills that were drafted by the Special Subcommittee on State Taxation of Interstate Commerce of the House Judiciary Committee. I opposed those earlier versions of the bill, and I oppose the current version contained in H.R. 2158.

The bill that is before us is a poor effort on the part of the Federal Government to mitigate some existing problems in the State taxation of interstate commerce. It deals with corporate net income, capital stock, gross receipts, and sales and use taxes. Actually, it tells the States what they can or cannot do. It even purports to tell them what is good for them.

In spite of the assertions of the supporters of the proposed legislation, enactment of the bill would have an adverse effect on the revenues of many of the States. Restrictions on the taxing authority of the State governments must necessarily reduce revenues because the limitations on the taxing jurisdiction will eliminate certain taxpayers completely from taxation and others from part of their tax liability. Under the income tax provisions, for example, unless the multistate corporation is deemed to have a business location, as defined by the bill, the State may not tax the company even though according to all commercial concepts the company would be transacting business in the State. In other words, the bill, through arbitrary and unrealistic definitions, allows companies to avoid taxation through certain manipulations. Some of the distorting operations include location of warehouse facilities just beyond the State's jurisdictional line, and use of independent contractors instead of company employees in order to avoid having a business location in the State for purposes of the bill. These procedures will result in confusion and complexity rather than simplification in the taxation of interstate income.

The avoidance of tax or reduction in the tax liabilities by certain multistate corporations will not only reduce the taxes payable by these corporations to the States but also result in a greater tax burden on the locally based businesses within the States. This fact has been brought out time and again during the discussions and hearings on H.R. 2158 and its predecessor bills.

I am opposed to this undue interference of the Federal Government in the affairs of the States for several reasons. First, the States understand their particular needs and are in a far better position than the Federal Government to provide appropriate solutions. Particularly since the congressional subcommittee has begun its study of taxation of interstate commerce, the States have come a long way in enacting legislation to overcome or lessen many of the interstate tax problems. For example, new Mexico and many other States have adopted uniform tax legislation dealing with allocation formulas and definition of income for tax purposes. The most recent action has been the adoption of a proposed interstate tax compact by an increasing number of States. Thus, it is not necessary for the Federal Government to tell the State governments how to put their house in order—they are already doing it. And I might add, they are doing a remarkably better job at it than any Federal legislation, such as proposed by H.R. 2158, could accomplish.

Although H.R. 2158 exempts corporations with incomes in excess of $1 million net income from the benefits of the provisions limiting the authority of States and their political subdivisions to impose income and capital stock taxes, the exemption does not apply to sales and use taxes or gross receipts taxes. New Mexico derives a substantial portion of its revenue from taxation on sales. Under the provisions of the bill, the State of New Mexico would be unable to collect tax on many transactions that are now taxable. Many companies could avoid their liability of tax under the New Mexico law by not establishing a business location in accordance with the definition contained in the bill. As in the case of the income tax, the tax that should rightfully be borne by multistate corporations will have to be borne by locally established businesses.

In conclusion, I am opposed to H.R. 2158 because it would attempt to fix or limit the taxing authority of the States. In New Mexico—as well as in most other States—it would have a detrimental effect on its revenues and distribution of tax burden among businesses operating within the State. Many States, including New Mexico, have made considerable progress in the last few years in cooperatively solving problems in taxation of interstate commerce. The States should be encouraged to continue to carry out their fiscal responsibilities in this commendable way. Enactment of H.R. 2158 will be a drastic and unfortunate setback in the progress States have already made in accepting and discharging their fiscal responsibilities. Thus, H.R. 2158 must be overwhelmingly defeated.

Mr. GIBBONS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I do not intend to take the 5 minutes. I merely seek to ask the committee members a question about the bill, if any Member wishes to answer this question: Did the gentlemen hear the remarks of the gentleman from Ohio [Mr. TAFT] about this bill giving authority to States to impose income taxes?

Mr. WILLIS. Mr. Chairman, if the gentleman will yield, I am not sure I understood the question.

Mr. GIBBONS. Mr. Chairman, as I understood the remarks of the gentleman from Ohio [Mr. TAFT] he remarked this bill would give to the States powers to levy income taxes.

Mr. WILLIS. Mr. Chairman, every State of the Union already has the power to levy income tax.

Mr. GIBBONS. Mr. Chairman, I beg to correct the gentleman's impression. There are some States that do not have it.

Mr. WILLIS. Some States may not have exercised it, but they have the power to levy it.

Mr. GIBBONS. Mr. Chairman, is it the intention of the drafter of this bill to grant to a State legislature the power to levy an income tax where that State legislature now does not have it?

Mr. WILLIS. We have no such provision. Each of the States has the power already.

Mr. GIBBONS. I am asking a direct question about the intention of the drafter of this legislation. In the State of Florida, the State legislature does not have the power to impose an income tax.

Mr. WILLIS. This would not give them that power.

Mr. GIBBONS. This would not give them that power?

Mr. WILLIS. Definitely not.

Mr. GIBBONS. That is the intention of the gentleman as the drafter, as the sponsor of this legislation?

Mr. WILLIS. Yes.

Mr. ICHORD. Mr. Chairman, with great reluctance I arise to oppose the chairman of one of the committees of which I am a member, the Honorable ED WILLIS, a gentleman for whom I have the greatest respect and admiration. However, I must oppose H.R. 2158 which I believe is an unwarranted intrusion of the Federal Government into a field traditionally reserved for the States. In addition this measure will have the effect of reducing tax revenues of several States. The measure is quite complicated and its effect is difficult to measure but it has been estimated that the receipts of my home State of Missouri will be reduced by as much as $50 million. The argument that this measure is supported by all taxpayers and opposed only by the tax gatherers. This is an argument which is not impressive to me. Of course, all taxpayers are in favor of lower taxes but someone must pay the taxes to support our State governments. If they don't obtain the revenues from the people who will have their taxes reduced by this bill they will have to obtain the taxes from other sources. So I am not impressed by that argument one iota.

Granted, the committee in reporting out this legislation is attacking a problem which needs to be solved but let us not solve the problem by sacrificing principles of State rights and the extension of further control of the Federal Government over State governments. This legislation does tell State governments what they can tax and how they can tax.

I submit to the Members that a better solution preserving State rights is the *multi-State* tax compact approach that has been recently adopted by 15 States including my own State of Missouri. I feel that we should at least wait to see if the problem can be solved by the use of the compact concept.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Hampshire [Mr. CLEVELAND] to the amendment offered by the gentleman from Iowa [Mr. SMITH].

The amendment to the amendment was agreed to.

The CHAIRMAN. The question now is on the amendment offered by the gentleman from Iowa [Mr. SMITH], as amended.

The amendment, as amended, was agreed to.

The CHAIRMAN. Under the rule the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CAREY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 2158) to regulate and foster commerce among the States by providing a system for the taxation of interstate commerce, pursuant to House Resolution 814, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT

Mr. HUTCHINSON. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. HUTCHINSON. I am, Mr. Speaker, in its present form.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. HUTCHINSON moves to recommit the bill H.R. 2158 to the Committee on the Judiciary with instructions to that committee to report the bill back forthwith with the following amendments:

Strike out title II (beginning on page 4, line 6, and ending on page 8, line 15); and renumber the succeeding titles and sections accordingly.

On page 2, in the table of contents, strike out the matter relating to title II; and on pages 2 and 3 renumber references to succeeding titles and sections accordingly.

On page 22, strike out the comma in line 5 and all that follows down through "203" in line 7.

On page 22, lines 12 and 13, strike out "(or in a case described in the last sentence of section 204)".

On page 22, strike out line 20 and all that follows down through page 24, line 23, and renumber the succeeding six sections (and amend the table of contents of the bill) accordingly.

On page 29, line 3, strike out "523" and insert "423".

On page 31, lines 20 and 21, strike out "Title II of this Act, and the provisions of section 101 and this title (except section 525)" and insert "The provisions of section 101 and this title (except section 425),".

On page 32, line 6, strike out "title II" and insert "section 101".

The SPEAKER. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit is rejected.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. HUTCHINSON. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 286, nays 89, not voting 58, as follows:

[Roll No. 148]

YEAS—286

Abbitt	Addabbo	Arends
Abernethy	Andrews, N. Dak.	Ashbrook
Adair	Ayres	Ashmore
Baring	Gettys	Patman
Barrett	Giaimo	Patten
Bates	Gibbons	Pepper
Battin	Goodell	Perkins
Belcher	Goodling	Pettis
Bell	Gray	Philbin
Berry	Green, Pa.	Pike
Betts	Griffin	Pirnie
Bevill	Gross	Podell
Bingham	Grover	Poff
Blackburn	Gubser	Price, Ill.
Blanton	Hagan	Price, Tex.
Boggs	Hall	Quie
Boland	Halpern	Quillen
Bolling	Hamilton	Railsback
Bow	Hammer-schmidt	Rees
Brademas	Hanley	Reid, Ill.
Brasco	Harsha	Reid, N.Y.
Bray	Harvey	Reifel
Brinkley	Hathaway	Reinecke
Brooks	Hays	Reuss
Broomfield	Hechler, W. Va.	Rhodes, Ariz.
Brown, Mich.	Heckler, Mass.	Rhodes, Pa.
Brown, Ohio	Helstoski	Riegle
Broyhill, N.C.	Henderson	Robison
Broyhill, Va.	Holifield	Rodino
Buchanan	Horton	Rooney, N.Y.
Burke, Fla.	Howard	Rooney, Pa.
Burke, Mass.	Hunt	Rosenthal
Byrne, Pa.	Irwin	Roth
Byrnes, Wis.	Jacobs	Roudebush
Cabell	Jarman	Roush
Cahill	Joelson	Rumsfeld
Carey	Johnson, Pa.	Ruppe
Cederberg	Jonas	Ryan
Celler	Jones, N.C.	St Germain
Chamberlain	Karth	St. Onge
Clancy	Kastenmeier	Sandman
Clark	Keith	Satterfield
Cleveland	King, N.Y.	Schadeberg
Cohelan	Kirwan	Scherle
Collier	Kleppe	Schneebeli
Colmer	Kluczynski	Schweiker
Conable	Kornegay	Schwengel
Conte	Kupferman	Scott
Corbett	Kuykendall	Shriver
Corman	Kyros	Skubitz
Culver	Laird	Smith, Calif.
Cunningham	Landrum	Smith, Iowa
Curtis	Langen	Smith, N.Y.
Daddario	Latta	Smith, Okla.
Daniels	Lloyd	Snyder
Davis, Ga.	Long, Md.	Springer
Davis, Wis.	Lukens	Stafford
Delaney	McCarthy	Stanton
Dent	McClory	Steed
Derwinski	McCloskey	Steiger, Ariz.
Devine	McCulloch	Steiger, Wis.
Dickinson	McDade	Stephens
Diggs	McDonald, Mich.	Stuckey
Donohue	McEwen	Sullivan
Dorn	MacGregor	Teague, Calif.
Dow	Madden	Thompson, Ga.
Downing	Mailliard	Thompson, N.J.
Dulski	Marsh	Thomson, Wis.
Duncan	Mathias, Calif.	Tiernan
Dwyer	Mathias, Md.	Tuck
Edwards, Ala.	Matsunaga	Udall
Edwards, Calif.	Mayne	Vander Jagt
Eilberg	Meskill	Vanik
Erlenborn	Michel	Vigorito
Esch	Miller, Ohio	Wampler
Eshleman	Mills	Watkins
Everett	Minish	Watson
Evins, Tenn.	Mink	Watts
Fallon	Monagan	Whalen
Farbstein	Moore	Whalley
Feighan	Moorhead	Whitener
Findley	Morse, Mass.	Whitten
Fino	Mosher	Widnall
Fisher	Moss	Wiggins
Flood	Murphy, N.Y.	Williams, Pa.
Flynt	Myers	Willis
Ford, Gerald R.	Natcher	Winn
Fountain	Nedzi	Wolff
Fraser	Nichols	Wyatt
Frelinghuysen	Nix	Wydler
Friedel	O'Hara, Mich.	Wylie
Fulton, Pa.	O'Konski	Wyman
Fulton, Tenn.	O'Neal, Ga.	Zablocki
Galifianakis	Ottinger	Zion
Gallagher	Passman	Zwach
Gathings	Patman	

NAYS—89

Adams	Casey	Denney
Albert	Clausen, Don H.	Dingell
Annunzio	Clawson, Del	Eckhardt
Aspinall	Conyers	Edmondson
Bennett	Cramer	Evans, Colo.
Biester	Dawson	Fascell
Brotzman	de la Garza	Foley
Burton, Calif.	Dellenback	Fuqua
Bush		Gardner

Gonzalez	Mass.	Rostenkowski
Gude	Machen	Roybal
Gurney	Mahon	Shipley
Haley	Martin	Sikes
Hansen, Wash.	May	Sisk
Harrison	Meeds	Slack
Hicks	Morgan	Staggers
Hosmer	Morris, N. Mex.	Taft
Hull	Morton	Talcott
Hungate	Murphy, Ill.	Taylor
Hutchinson	O'Hara, Ill.	Teague, Tex.
Ichord	Pelly	Ullman
Johnson, Calif.	Pickle	Utt
Jones, Ala.	Poage	Van Deerlin
Kazen	Pollock	Waldie
Kee	Purcell	Walker
Lennon	Randall	White
Lipscomb	Rarick	Wilson, Bob
Long, La.	Roberts	Wright
McClure	Rogers, Colo.	Yates
McFall	Rogers, Fla.	
Macdonald,	Ronan	

NOT VOTING—58

Anderson, Ill.	Green, Oreg.	Nelsen
Anderson, Tenn.	Griffiths	Olsen
	Halleck	O'Neill, Mass.
Andrews, Ala.	Hanna	Pool
Ashley	Hansen, Idaho	Pryor
Blatnik	Hardy	Pucinski
Bolton	Hawkins	Resnick
Brock	Hébert	Rivers
Brown, Calif.	Herlong	Saylor
Burleson	Holland	Scheuer
Burton, Utah	Jones, Mo.	Selden
Button	Karsten	Stratton
Carter	Kelly	Stubblefield
Cowger	King, Calif.	Tenzer
Dole	Kyl	Tunney
Dowdy	Leggett	Waggonner
Edwards, La.	McMillan	Wilson, Charles H.
Ford, William D.	Miller, Calif.	
	Minshall	Young
Garmatz	Mize	
Gilbert	Montgomery	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Ashley for, with Mr. Burleson against.
Mr. Garmatz for, with Mr. Herlong against.
Mr. Montgomery for, with Mr. Pucinski against.
Mr. Stratton for, with Mr. Hébert against.

Until further notice:

Mrs. Green of Oregon with Mrs. Bolton.
Mr. Hardy with Mr. Halleck.
Mr. Young with Mr. Minshall.
Mr. Rivers with Mr. Kyl.
Mr. Karsten with Mr. Mize.
Mr. McMillan with Mr. Nelsen.
Mr. O'Neill of Massachusetts with Mr. Anderson of Illinois.
Mr. Anderson of Tennessee with Mr. Brock.
Mr. Pool with Mr. Hansen of Idaho.
Mrs. Kelly with Mr. Saylor.
Mr. Tunney with Mr. Button.
Mr. Selden with Mr. Carter.
Mr. Charles H. Wilson with Mr. Dole.
Mr. Stubblefield with Mr. Cowger.
Mr. Hanna with Mr. Burton of Utah.
Mr. Blatnik with Mrs. Griffiths.
Mr. Dowdy with Mr. Edwards, of Louisiana.
Mr. Gilbert with Mr. Miller of California.
Mr. Hawkins with Mr. Brown of California.
Mr. William D. Ford with Mr. Leggett.
Mr. Olsen with Mr. Pryor.
Mr. Scheuer with Mr. Tenzer.
Mr. Waggonner with Mr. Holland.

Mr. PATTEN and Mr. GRAY changed their vote from "nay" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. WILLIS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

GRANTING SPECIAL 30-DAY LEAVE FOR MEMBERS OF UNIFORMED SERVICES WHO VOLUNTARILY EXTEND THEIR TOURS OF DUTY IN HOSTILE FIRE AREAS

Mr. PRICE of Illinois. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 15348) to amend section 703(b) of title 10, United States Code, to make permanent the authority to grant a special 30-day period of leave for members of the uniformed services who voluntarily extend their tours of duty in hostile fire areas, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

On page 1, line 4, strike out "the last sentence." and insert "'June 30, 1968', and inserting in lieu thereof 'June 30, 1970'."

Amend the title so as to read: "An act to extend the authority to grant a special thirty-day leave for members of the uniformed services who voluntarily extend their tours of duty in hostile fire areas."

Mr. PRICE of Illinois. Mr. Speaker, this bill passed the House unanimously in the form of permanent legislation. The Senate amended the bill by inserting a termination date of June 30, 1970, or a 2-year extension of the present law which authorizes the granting of a special 30-day period of leave for members of the uniformed services who voluntarily extend their tours of duty in hostile fire areas by a period of at least 6 months.

The Senate also amended the title accordingly to reflect the 2-year extension.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

Mr. HALL. Mr. Speaker, reserving the right to object, this is the bill and the amendment that the gentleman from Illinois made available to the Members of the minority previously. All it does, in fact, is amend the House bill to make a limit certain of 2 years. Is that correct?

Mr. PRICE of Illinois. Mr. Speaker, the gentleman is correct.

Mr. HALL. Mr. Speaker, there are no other Senate amendments thereto?

Mr. PRICE of Illinois. That is correct.

Mr. HALL. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

HOUR OF MEETING TOMORROW

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

ANNOUNCEMENT OF MOTION TO INSTRUCT MANAGERS ON PART OF THE HOUSE ON H.R. 15414, THE TAX BILL, TO INSIST ON EXPENDITURE REDUCTION OF $4 BILLION

Mr. BURKE of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. BURKE of Massachusetts. Mr. Speaker, I have taken this time to advise the House that on next Wednesday, May 29, I propose to offer a motion to instruct the managers on the part of the House at the conference on the bill, H.R. 15414, the tax bill, to insist on an expenditure reduction for fiscal year 1969 of $4 billion, instead of a $6 billion cut.

"HUNGER IN AMERICA"

Mr. BENNETT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. BENNETT. Mr. Speaker, I was deeply shocked and distressed to learn for the first time from the CBS program on hunger last night that some people do in fact die of hunger in our affluent and beloved country. There is simply no excuse for this. It happens despite the expenditure of many billions of dollars each year for the relief of poverty.

It must be because of redtape and lack of concentration on the areas of greatest need, for we all know that not everyone on relief in our country lives on anywhere near such a distressing level of existence.

So, I have just now introduced a simple bill designed to put the responsibility of meeting this challenge specifically on the shoulders of the Secretary of Health, Education, and Welfare, with great flexibility and discretion in his hands so that this horrible situation can be eliminated. The bill reads as follows:

H.R. 17439

A bill to eliminate hunger in the United States

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the War on Hunger Act.

SEC. 2. The Secretary of the Department of Health, Education, and Welfare, hereafter referred to as the Secretary, shall under such regulations as he may direct, utilize personnel in his department to ascertain all persons seriously suffering from hunger in the United States, its possessions, and its trust dependencies and in Puerto Rico and to provide them with the food necessary for their welfare.

SEC. 3. The Secretary shall create a Com-

mission on Hunger in said department to be composed of ten staff members from that department to advise and assist the Secretary in carrying out the purposes of this Act. Said Secretary is authorized to utilize wherever possible, the facilities and staffs of the Departments of Health of the various States and the facilities and staffs of the various State Welfare agencies to carry out his duties under this Act.

SEC. 4. The Secretary shall provide the information and facilities required by persons in families of low income to assist in meeting the problems of overpopulation.

SEC. 5. Said Secretary shall have available to him for the purposes of this Act all unused agricultural commodities and all unexpended funds provided for said Department and for the Department of Agriculture, and for the Commodity Credit Corporation, and for the foreign aid programs of the United States and under Public Law 83-480, as amended, together with such other funds as Congress may provide specifically for the purposes of this Act.

MY SON ANSWERS DREW PEARSON

Mr. TEAGUE of California. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. TEAGUE of California. Mr. Speaker, I hope the Members of the House will take the time to read the following letter from my son, Alan, in answer to Drew Pearson's article which appeared in the June issue of True magazine:

MAY 17, 1968.

DEAR PA: I'll attempt to point out some of Drew Pearson's errors (most of which you already know) and then I'll mention some of our employment conditions and benefits.

Obviously your family does not own Limoneira. There are approximately 180 stockholders. The following shows how our family fits into the picture:

MMT	400
Alfreda	75
Maiya	115
Lorea	100
Andrea	130
CMT (3.07%)	768
Alan	89
Judy	88
ATC (ABC Trust Co.)	390
Kathleen	88
Winifred	88
MCK. Corp	2,827
Shares out of a total of 25,000, or 20.63%	5,158

Limoneira is not the world's largest Lemon producer. It doesn't even approach that magnitude.

Yes, we employed Braceros. However, since the program's termination we have met every Federal regulation. To the best of our knowledge we have not hired any illegal aliens. (The latter was not mentioned by Pearson. I thought you'd like to know it anyway).

Pearson mentions you are " . . . a fearless champion of thrift, diligence, hard work, and free enterprise." What, may I ask, is wrong with that?

Patrols were never "organized to roam the fields and housing areas," for the purposes of ridding the area of what "looked like a union organizer." Also, it amazes me that Pearson says "ministers were captured, stripped off their clothes and held prisoners by the patrols." Absurd!

You were not born on a farm. You are not a rancher. If you were, maybe Betsy would be driving a Cadillac instead of a Volkswagen and I'd be telling these things to you in person instead of writing it out in longhand.

There are quite a few benefits available to our workers which you should know about.

C.P.S. (California Physicians Service, a group hospitalization and medical insurance program) is for the benefit of all employees. The company pays the employee's premium. If the employee wants his family covered he must pay that cost. However, that in itself is far cheaper than what a regular, non-group policy would cost.

Unemployment insurance covers all employees. It is completely paid for by the company.

We have a relatively liberal vacation policy. When 1,500 hours of work have been attained the employee is entitled to one vacation hour for every twenty-four hours worked. Of course this is paid vacation. In other words if an individual works for 40 hours a week for approximately nine months he gets 62 working hours of paid vacation. The situation improves the longer the worker stays on the payroll. Another example: a harvest worker accumulates X working hours, then leaves for several months, then returns again. He still gets credit for the X hours.

The company has a credit union completely managed by the employees. The company furnishes all materials and facilities. On savings, a 5% interest rate is paid. Loans are made at 1% per month on the unpaid balance. This has been averaging 6.3% so far. This program encourages the employee to save. Also, he knows he can borrow money much less expensively through the credit union than anywhere else. The company derives no income from this project.

Education classes are conducted on the ranch for all interested employees. Classes range from supervision courses to language instruction. Employees who go to night school are furnished transportation. If a tuition fee is involved and the individual completes the course, the company will pay that cost.

On the ranch there is a boys' club and a girls' club. Ranch personnel supply all the voluntary work. The ranch furnishes supplies and facilities.

The newly renovated company store provides grocery items and other necessities to its employees at prices comparative to any other independent store, incidentally, the store continues to operate at a loss.

In harvesting labor last year we had the least amount of turnover of any association in our district. I am enclosing a list of statistics relative to harvester's earnings. Most men were far above the $2,042 average. Women and children, of course, bring the average down. Also, children are not taken out of school to work in the fields. I mention that because someone might ask you.

Our housing, as you know, has been completely renovated. We meet county code requirements and we believe housing facilities on the ranch, though not the most luxurious, are certainly superior to the average farm labor housing.

I think one of the best indications that we are not taking advantage of the so-called downtrodden farm work is a recent effort made by the Ventura County Headstart program. After talking with the Headstart executive director it was mutually agreed that it would be nice to have a Headstart program at the ranch. Later we found out this would not be possible. The workers' earnings exceed the poverty line criteria.

In conclusion, I would gladly compare our facilities and overall working conditions with any other farming, processing organization. Certainly, there is area for improvement. Unfortunately, our efforts are seldom recognized. Often we are recipients of criticism which should have been directed elsewhere. If we had the ability to pass increased costs on to the consumer there are many improvements we could make. We are not Government subsidized nor are we structured as an industrial concern who can attach fixed unit prices. I'm sure we would gladly pay greatly increased wages if someone will devise a marketing system which will give us the necessary increase in revenue. Wouldn't it be nice to go to a Government commission and apply for a price increase on a product? They would audit us and state that "No, you're not getting your 5% or 6% return." And "Therefore, we decree that all top grade lemons will increase $1.25 per carton and oranges, $1.50 per carton."

Farm labor unionization is well on its way. Soon the small farm will dissolve. Also, some means of increased revenues to the growers will become a reality. The consumer will end up paying a great deal more for food.

Drew Pearson is a typical example of a negativist. He's a skeptic who simply can't accept fact. He does a lot of complaining, feels he's performing a service, and yet he's really offering no leadership and certainly no direction.

I'd like to own Limoneira. In that we get credit for ownership, it's a shame we don't reap more of the benefits.

If you have any questions, please let me know.

Sincerely,

ALAN.

PASSAGE OF H.R. 8176 TO AMEND THE FEDERAL VOTING ASSISTANCE ACT

Mr. BRADEMAS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. BRADEMAS. Mr. Speaker, the right to vote is basic to a free society. On May 20, 1968, the House approved an important measure, H.R. 8176, designed to help guarantee this right for American citizens living abroad.

Mr. Speaker, H.R. 8176 takes the form of an amendment to the Federal Voting Assistance Act of 1955. This earlier legislation recommended to the States that they provide a simple, uniform procedure for absentee registration and voting by military personnel, the merchant marine, and civilians employed abroad by the Federal Government and their families.

Since the passage of the Federal Voting Assistance Act, almost every State has enacted liberalized absentee voting legislation in accordance with the bill's recommendations.

However, in 1955, when the Federal Voting Assistance Act passed, the great expansion of American business, cultural, and other interests abroad had just begun. The act, therefore, did not recommend that the States extend absentee registration and voting procedures to private citizens residing abroad. With a dozen years of hindsight, this appears to be a serious omission.

Today, Mr. Speaker, the number of private citizens temporarily living overseas has multiplied to the point where estimates range from a low of 750,000 to a high of 3 million.

Many of these citizens are effectively disenfranchised by distance. Twenty-

three States and the District of Columbia require in-person registration. Moreover, other States which do not maintain such a requirement, nevertheless employ such cumbersome and restrictive absentee registration and voting procedures that their citizens residing abroad, as a practical matter, are prevented from exercising their right to vote.

Accordingly, Mr. Speaker, I am very pleased that the House has passed by unanimous consent H.R. 8176 to encourage the full enfranchisement of American citizens who are temporarily residing abroad. Specifically, H.R. 8176 recommends to the States—and I stress the word "recommend," Mr. Speaker—that they accord to such citizens the right to register and vote absentee by the simple, uniform Federal post card application procedure which has proved over 13 years of experience to be highly efficient and virtually fraudproof.

Mr. Speaker, I am proud to have been the author of H.R. 8176, and I am gratified for its cosponsorship by 12 of my distinguished colleagues in the House. I greatly appreciate its sponsorship in the other body by the distinguished chairman of the Subcommittee on Privileges and Elections, the Honorable HOWARD W. CANNON, of Nevada, and I am particularly grateful for the courteous consideration given to this proposal by the distinguished chairman of the House Elections Subcommittee, the gentleman from South Carolina [Mr. ASHMORE], and by the distinguished chairman of the House Administration Committee, the gentleman from Texas [Mr. BURLESON].

We have taken a long stride toward fulfilling the most fundamental obligation of our democracy—extending the right to vote to all of our fellow citizens.

THE NEED FOR SAFETY PRECAUTIONS IN THE DISTRICT OF COLUMBIA

Mr. ROGERS of Florida. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There mas no objection.

Mr. ROGERS of Florida. Mr. Speaker, I believe the Congress had better check into who is actually in charge of setting regulations, issuing permits, and insuring safety precautions as to fire and other matters in the "city" that has been built within Washington.

I notice in the afternoon Evening Star there is a picture of an open fire.

I checked with the Department of the Interior, which evidently issued the permit for this construction of plywood and plastic huts. I asked if there had been any regulations requiring fireproofing of this construction material or any other building or sanitation codes, and was told "Well, it is a District of Columbia matter." When we checked with the District of Columbia it was stated, "No, it is a Department of the Interior matter."

I am concerned that a great tragedy could occur there, if fire breaks out in that plywood "city," and the responsibility will be directly upon the Department of the Interior for allowing construction in this park area of this nature. That is particularly emphasized because I asked the question, "Would you allow construction of this type in any other national park?" And Mr. Nash Castro, the Regional Director of the National Capital Park Service, said, "No, I feel sure this would not be allowed because of its flammable makeup."

I hope that the Department of Interior will get together immediately with the District of Columbia. They had better take precautions, because if a fire broke out in that area there is no telling what might happen, and any injuries or deaths would undoubtedly be blamed on the Congress of the United States.

BEWITCHED, BOTHERED, AND BEWILDERED

Mr. MAILLIARD. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. MAILLIARD. Mr. Speaker, by Proclamation 3847, President Johnson set aside today—May 22—as National Maritime Day, 1968 "to remind Americans of the importance of the merchant fleet to our national life." Events of this week clearly indicate that it is not the general public but rather the administration which needs to be reminded of the essentiality of a strong and viable American merchant marine.

Quite frankly, Mr. Speaker, to use the title of a once popular song, I am "Bewitched, Bothered, and Bewildered" over the words of this administration when compared to its deeds affecting the American maritime industry.

You will recall that on January 4, 1965, in his state of the Union message, President Johnson said that he would recommend a new policy for our merchant marine. Almost three and a half years later—on Monday, May 20, 1968—Secretary of Transportation Boyd presented an administration maritime legislative program—not a "new" policy—before a subcommittee of the Senate Committee on Commerce. This administration program contains provisions similar in concept and, yes, even in language, to those contained in the completely discredited Interagency Maritime Task Force, chaired by the Honorable Alan S. Boyd, when Under Secretary of Commerce for Transportation, which contained much of the philosophy of the then controversial Maritime Administrator, Mr. Nicholas Johnson, and which served as the focal point for a prolonged acrimonious and nonproductive debate, clouding the best congressional efforts to revitalize the American merchant marine.

In other words, Mr. Speaker, much to the chagrin of a concerned Congress, a concerned public, and most particularly, a concerned maritime industry, it would seem that this administration simply has been spinning its wheels over the past several years. We appear to be still laboring under what I refer to as the "Nick Johnson syndrome"—stating preconceived conclusions and then attempting to justify them rather than the more rational approach of having conclusions flow from reliable and well documented data.

One need only compare the following excerpts from the Interagency Maritime Task Force report of October 1965, and the testimony of Secretary of Transportation Boyd just this past Monday, to appreciate the basis for my skepticism:

First, ship construction subsidies:

Task force report:

The Secretary of Defense and Commerce will jointly determine on an annual basis the level of private ship-building capacity required to meet national security needs which include military and civilian emergency requirements.

Secretary Boyd:

The proposed legislation would authorize the Secretaries of Defense and Transportation to recommend jointly to the President the level and character of ship construction subsidies.

Second, foreign ship construction:

Task force report:

After the level of shipbuilding to support national security needs has been met, ship purchasers would be free to build or repair ships abroad without subsidy support and without limitation as to the number of ships. These ships would be eligible for all privileges of U.S. registry including domestic privileges.

Secretary Boyd:

After the necessary level of ship construction in U.S. shipyards has been reasonably assured, American ship operators will be permitted to purchase their vessels in the world shipbuilding market, and these ships would be accorded the same treatment as ships built in American yards.

Mr. Speaker, I hasten to remind this body that it was the Honorable Alan S. Boyd who, during Senate confirmation hearings held on January 11, 1967 on his nomination to the Cabinet post of Secretary of Transportation, was questioned as to the whereabouts of the controversial Interagency Maritime Task Force report and who stated:

In the ash can, where it went immediately after it was published.

It would seem that Secretary Boyd has made a fast retrieval from the ash can into which he said he threw the report and has dusted it off for presentation to what he considers a naive Congress as a matter of expediency.

This is the same Secretary of Transportation who on Monday last when appearing before a Subcommittee of the Senate Committee on Commerce, categorically opposed S. 2650 and its companion bill, H.R. 13940, and others, notwithstanding the fact that subject to two excepted provisions, the legislation was the result of negotiations concluded about 6 months ago between Democratic congressional leaders and the President's representative, who was none other than the Honorable Alan S. Boyd. To quote the distinguished Senator from Alaska, Senator BARTLETT, concerning the origin of this legislation:

In all other respects, complete agreement was reached, and *in fact the bulk of the technical drafting is the work product of*

technical assistance provided by Secretary Boyd's staff.

Perhaps the final and most telling insult to this Congress, however, occurred only yesterday—May 21—when, after the Secretary of Commerce declined, the Acting Maritime Administrator and the General Counsel of the Maritime Administration appeared before our Committee on Merchant Marine. Both of the witnesses refused to respond to questions from committee members either as to the maritime program legislation then pending before it, or the substitute proposal offered by Secretary Boyd before a subcommittee in the other body.

As a matter of fact, when responding to a question from the gentleman from Virginia, Congressman DOWNING, the General Counsel of the Maritime Administration stated "All of a sudden I have got a mental block." One might say, Mr. Speaker, that this entire administration has a "mental block" when it comes to the American merchant marine. However, the incident does clearly point up one need—early action by the Senate on the House-passed bill, H.R. 159, calling for the establishment of an Independent Federal Maritime Administration, which I am pleased to see the distinguished Senator from Alaska, Senator BARTLETT, has ordered to be scheduled for hearings on a date after the Memorial Day recess of the Congress.

I hope the Senate will act promptly and favorably on this bill and, if necessary, that both the Senate and House will override a Presidential veto. Time is running out and the administration has left us no alternative.

USE OF NATIONAL PARKS BY THE PEOPLE

Mr. SNYDER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include correspondence.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. SNYDER. Mr. Speaker, I seek the advice of my senior colleagues in answering some of my constituent mail.

A few days ago I received the following letter from my constituent, Mr. John Hicks:

JEFFERSONTOWN, KY.

Hon. M. GENE SNYDER,
House of Representatives,
Washington, D.C.

MY DEAR CONGRESSMAN: I am considering making a trip to Washington to bring my family for a vacation and tour of the Capitol. I am thinking of bringing a trailer but in checking on camp sites I learn they are all out pretty far from the city.

I understand that you have a camp site near the Washington Monument with necessary sanitary facilities and utilities. This would be real convenient for me and my family. I would like to know what is necessary to get a reservation for the area and what rate if any I would have to pay. There would be me, my wife, my three sons and our dog.

Please let me hear from you soon as we want to make this trip right away.

Yours truly,

JOHN G. HICKS.

Mr. Speaker, I know that Mr. Hicks is a lawyer and I could not admit that the administration was likely to discriminate against him in the use of Federal property. In a "stalling move" I replied as follows:

MAY 20, 1968.

Mr. JOHN G. HICKS,
Jeffersontown, Ky.

DEAR MR. HICKS: I have your letter of recent date desiring to set up camp on the Mall. I believe there must be some mistake in view of the fact that on April 18, 1968, Secretary Udall said:

"I would think that our National Parks area . . . are parks for the use of all the people, and that we should follow the policies we always have. We have marches in parks and we have different kinds of activities in parks. But I think we are not—it would not be proper to turn park lands over to any group of people for permanent or temporary use for any kind of human shelter of any kind."

However, in an effort to get a direct answer to your inquiry, I have sent your letter to the Secretary of the Interior for a response.

Sincerely yours,

M. GENE SNYDER.

Today, I received the following letter from another constituent, A. A. Robinson:

ANCHORAGE, KY.,
May 17, 1968.

Congressman GENE SNYDER,
Jeffersontown, Ky.

DEAR MR. SNYDER: My family and I expect to arrive in Washington about August 1 on our vacation. I assume there will be a space available on the Mall for us to put up our tent. Since the Mall has been allocated as a place for campers, we think it will be much easier to get to the capitol, rather than have to commute from the present facilities outside Washington.

To assist you in your efforts to get us the necessary permit, our qualifications are as follows:

I have worked all my life and feel that now we have finally been able to put enough money aside, after taxes, to be able to attempt a trip to Washington. In fact, we feel that we own at least a small piece of this property.

We had not planned on any marches or demonstrations, even though we have to work to live, but if this is one of the qualifications we will have to ask to get us a parade permit, also.

One thing more I would like to know. Will there still be sanitary facilities and police protection while we are there, as there are in other national park camp sites?

The only other thing that might eliminate us is that we are white, we don't belong to any gangs of hoodlums, have never been arrested or filed bankruptcy. We have never looted any stores, engaged in a riot, or walked in any so-called peace marches, so you may have some difficulty, but anything you can do to get us a permit will be appreciated.

Your Constituent.

A. A. ROBINSON.

I plan to send him a similar "stalling letter" like I sent lawyer Hicks—but I know I cannot stall forever.

In anticipation of such mail, I wrote Secretary Udall on May 14, 1968, as follows:

HOUSE OF REPRESENTATIVES,
Washington, D.C., May 14, 1968.

Hon. STEWART L. UDALL,
Secretary of the Interior,
Washington, D.C.

DEAR MR. SECRETARY: Each of the three summers that I have served in the Congress, I have had six or eight requests for information concerning public and private camp sites within the Washington area from my constituents. These requests came from camping enthusiasts—most of whom are, for financial reasons, campers so they can take vacations with a minimum of cost. Their economic station in life is, in many instances, such that they could not afford hotels and motels.

In the past it has been necessary for me to refer them to private establishments some fifteen or twenty miles away from the Nation's Capital which they are visiting. In view of the fact that you have established a public camping ground on the Mall, I would like you to furnish me information which I can supply to my constituent campers in response to their requests for camp site locations. Such a centrally located camp site will be most attractive to them and, as I understand it, these facilities are available free of charge.

In your response, would you please let me know what services and facilities are going to be available at this site for my constituents, what the camp-site charges, if any, will be, and all other pertinent information which professional campers would normally expect to receive.

Mr. Secretary, I do not anticipate any special consideration for my campers. I do not want you to think, because of this Congressional inquiry, that I expect any special services, facilities or any special consideration above those which are anticipated to be furnished in the coming days to the campers who are presently locating on the Mall.

In the same fashion, Mr. Secretary, I do not anticipate that this Administration which is pledged to eliminate discrimination will, in this instance, engage in any discrimination in the use of this public property in the way of availability, protection and services to others than those who are now being provided these services.

May I have your prompt response?

Respectfully yours,

M. GENE SNYDER.

Mr. Speaker, I have only been here for two terms, but a few of my seniors tell me I will not get a satisfactory answer to these requests. I believe I recall that the 1964 Civil Rights Act prohibits distribution of Federal funds to governmental units that discriminate, and I would hate for lawyer Hicks or constituent Robinson to file an injunction suit prohibiting the Interior Department from receiving any further Federal funds.

I would appreciate some advice from my senior colleagues as to how to cope with this problem.

COLUMBIA LAW SCHOOL FACULTY TALKS SENSE ON THE CAMPUS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York [Mr. KUPFERMAN] is recognized for 15 minutes.

Mr. KUPFERMAN. Mr. Speaker, the many lawyers among our colleagues know that the right of dissent is one for persuasion and not for destruction or disorder.

Whatever the cause or the possible provocation, the shocking events of the last few weeks on the Columbia University campus have demonstrated the need for an understanding of the proper limits on demonstrations and protest.

The faculty of Columbia Law School, my alma mater, has stated the case very well, and I am pleased to bring to the attention of my colleagues their "declaration of confidence," as printed in

the New York Times, of Friday, May 17, 1968.

TEXT OF "DECLARATION OF CONFIDENCE" MADE BY 35 AT COLUMBIA LAW SCHOOL

(NOTE.—Following is the text of "A Declaration of Confidence in Columbia's Future" signed by 35 teachers and administrators of the Columbia Law School:)

Like the rest of Columbia University, the Faculty of Law has suffered grave disruption during the past several weeks. We believe that the suffering was needless. Because disorderliness threatens to become respectable among some students, we who are teachers or administrators in Columbia Law School join now in declaring our confidence in the orderly processes of change in American universities as well as in the larger society of which universities are a part.

THE ALLOWABLE LIMITS OF "CIVIL DISOBEDIENCE"

Organized protest is an eminently allowable activity, protected by the Constitution itself against interference by public agencies. Within independent universities like Columbia it is sanctioned by long practice and deep intellectual conviction of its worth. The permissible means of expressing disagreement with existing laws or policies are not, however, limitless. The limits are overstepped when protesters seize buildings or physically restrain the freedom of personal movement, in order to manifest dissatisfaction.

We do not assert that every act of "civil disobedience" is reprehensible. One way to challenge the validity of a statute is to ignore its commands, undergo arrest and prosecution, and then argue that the law is unconstitutional.

We recognize, too, that in rare instances persons whose voices might otherwise not be heard at all may engage in concerted violation of an admittedly constitutional law in order to proclaim their disapproval of it. In that situation, the violators are prepared to pay the penalty for their disobedience, hoping thus to dramatize opposition to the operative policies. Having in mind the difficulties sometimes experienced in drawing attention to public issues and to dissenting views, we cannot condemn this form of civil disobedience in every conceivable circumstance.

The Columbia episodes at the outset did not involve civil disobedience, but an effort to impose opinions by force. Without ascertaining whether other students shared their thoughts about academic and social issues, a relatively small group of students sought to immobilize the University until their conceptions of sound policy were adopted. Tactics like these have nothing in common with principled opposition or with democratic processes. They represented attempted intimidation.

The force of reason rather than the force of massed bodies must be the reliance of those who wish to influence a community guided by intelligence, as is Columbia. Disrupting institutional proceedings is an impermissible substitute for rational persuasion. Using muscles instead of minds to express dissent has no place in the academic setting.

We are confident that American students will themselves recognize the unwisdom of attempting to gain goals by illegal force. Violence begets violence. It beclouds rather than illumines issues. No problem that confronts Columbia or other American universities is beyond the capabilities of men who use the tools education has given them.

THE ISSUE OF PRIVACY

One action of the trespassers who occupied the office of the president of the university deserves special attention because it reveals with singular clarity the extent to which historic ideals have been flouted. The president's correspondence files were examined, and letters removed from them have been publicized.

The Fourth Amendment to the United States Constitution declares: "The right of the people to be secure in their persons, houses, papers and effects, against unreasonable searches and seizures, shall not be violated. . . ." The provision of our Bill of Rights reflects the revulsion felt by Americans, no less now than in 1791, against unwarranted invasions of personal privacy. Modern law upholds the right of privacy against destructive intrusions by private individuals as well as public officials.

But apart from any question of criminal law violation—and apart from the merits of the substantive issues, or the motivations of the persons involved—ransacking and publicizing the president's files must be condemned as a violation of basic decency.

We are confident that responsible students feel no sympathy with those who have so grossly misbehaved.

THE ISSUE OF POLICE ACTION

On April 30, Columbia students were forcibly removed from the buildings and offices in which they were resolute trespassers. The university requested the aid of the New York police only after the trespassers had repeatedly refused to depart. The trespassers insistently demanded capitulation to their demands and an unqualified "amnesty."

In the light of the facts as they are known to us at this time, we believe that the university did not act unreasonably when, at long last, it called for the help of law enforcement officers so that the work of this academic institution could resume for the benefit of its thousands of students, the innocent bystanders in this controversy.

During and after the removal operation various policemen apparently committed acts of needless violence. We deplore those acts and strongly support vigorous investigation into their occurrence, not only with a view to disciplining malefactors among the police, but also with a view to strengthening police administration in the future.

To our knowledge the university's request and instructions—which were apparently reflected in the instructions given by high police officials—were directly aimed at forestalling the violence that later occurred. The deeds that have aroused campus indignation—an indignation we fully share—were those of policemen who ignored their orders.

A broader question has been raised about the propriety of summoning the police at all. As to that, we hold the view that students are not a privileged class, free to break laws that rest upon the community at large. When internal efforts to terminate lawlessness have proved unavailing, an educational institution should not flinch from the necessity of summoning others to its assistance.

We are confident that excessive force used by individual policemen is not condoned by either Columbia University or the City of New York. Its altogether deplorable occurrence should be investigated fully—without forgetting, however, that the possibility of police brutality was created in the first instance not by Columbia, but by unyieldingly lawless intruders into the university's structures.

THE ISSUE OF "STUDENT POWER"

Underlying many distrubances on American campuses is the issue of "student power."

The appropriate role of students in formulating and administering academic policies deserves re-examination. We welcome an inquiry into the adequacy of existing mechanisms for expressing and considering relevant student views.

We remark, however, that some advocates of "student power" apparently seek the role of sole decider rather than adviser or even participant. Their opinions, they seem to think, must be adopted regardless of the weight of other opinions.

Without foreclosing further examination, we note now that students are markedly diverse in motivation, experience, and outlook. No tested means exists for ascertaining the true sentiment of students in a large university composed of many loosely federated divisions and faculties. Moreover, a student's career within a university is brief. Decisions that may seemingly meet some interest or need of the immediate moment may often be hurtful in the long term.

We strongly endorse the view that student opinions, whatever may be their tenor, should be known and properly considered. The efficacy of available means of assuring that consideration is now under intensive study.

We are confident that Columbia can and will find ways of strengthening decisional processes without converting them into perpetual mass meetings in which the loudest, not necessarily the wisest, counsels may prevail.

THE ISSUE OF DUE PROCESS

Much has been made recently of the University's alleged deficient practices in disciplinary matters affecting students. Committed as we are to law and order, we unqualifiedly support the principles that underlie the concept of due process. Fair procedure and reasoned judgment are its operative elements. We unhesitatingly assert that the university should always accord its students due process. Reinforcing existing safeguards against mistaken decisions is highly desirable, and we pledge ourselves to help in their perfection. We remark, however, that abusiveness seems not to have been characteristic of past disciplinary actions despite the absence of elaborate procedures.

We are confident that all elements of Columbia share the desire for disciplinary methods whose fairness is beyond challenge. The creation of impeccable procedures is a task well within the university's competence.

Charles D. Breitel, Earl V. Brown, William L. Cary, Henry P. de Vries, E. Allan Farnsworth, Wolfgang G. Friedmann, Nina M. Galston, Richard N. Gardner, Walter Gellhorn, Milton Handler, John N. Hazard, Alfred Hill, Carlos Israels, Harry W. Jones, Arthur O. Kimball, Oliver J. Lissitzyn, Louis Lusky, John G. Palfrey, Monrad G. Paulsen, Ellis L. Phillips, Jr., Richard Pugh, Willis L. M. Reese, Maurice Rosenberg, Albert J. Rosenthal, A. Arthur Schiller, Edwin G. Schuck, Willis E. Schug, Hans Smit, Joseph H. Smith, Malcolm L. Stein, Charles Szladits, Frank K. Walwer, William C. Warren, Herbert Wechsler, William F. Young, Jr.

Professors Robert Hellawell, Louis Henkin, William K. Jones and Michael Sovern, being involved in committee work for the university related to these recent events, have taken no position on the above statement.

MAYOR LINDSAY DISCUSSES PROPOSALS TO DEAL WITH UNEMPLOYMENT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota [Mr. QUIE] is recognized for 15 minutes.

Mr. QUIE. Mr. Speaker, on Monday the Select Subcommittee on Labor of the Education and Labor Committee was honored to hear the testimony of the very outstanding mayor of New York, the Honorable John V. Lindsay.

Mayor Lindsay came before the subcommittee to discuss both Republican and Democratic proposals to deal with unemployment. Those proposals, on the Republican side, embrace private employers by way of a tax credit proposal—see H.R. 16303, 16304, and 16305—as well

as public and private nonprofit employers through a proposed public service employment program—see H.R. 16623 and 16625. On the Democratic side there is a bill, H.R. 12280, to establish a public service employment program.

As mayor, John Lindsay has pioneered in efforts to decentralize city administration so as to involve city residents more actively in betterment of themselves, their city and its institutions.

He remains acutely aware of the need to harmonize and improve the many Federal, State, and local antipoverty efforts now underway, including various job training and employment programs, in order to focus these programs where most needed and avoid costly overlapping and duplication.

As one of 11 members of the President's Commission on Civil Disorders, Mayor Lindsay participated in the most comprehensive study to date of the urban-racial crisis, and is deeply committed to the implementation of the various Commission recommendations for action now at all levels of government and within the private sector, as well, to resolve the crisis. Indeed, since the report of the Commission has been published, he has been one of its most forceful and articulate champions.

The subcommittee and all concerned citizens were most interested in the mayor's remarks, because, as he himself stated, the principal proposal in the Commission's report was a call for millions of new jobs in the immediate years ahead—both private and public. As he points out:

Ten weeks have passed since the Commission reported to the Nation. In the interim, a great Civil Rights leader has been killed. One hundred and ten cities have been convulsed by new disorders and an army of poor people is marching on Washington. Yet the Administration and the Congress have shown small enthusiasm for the positive, strong programs the Commission proposed.

Mr. Speaker, I offer for inclusion in the the RECORD, Mayor Lindsay's statement, in the hope that every Member will thus be enabled and encouraged to read and reflect upon his testimony. We are, Mr. Speaker, gripped by a massive paralysis of national spirit in the face of the most graphic demonstrations of need and neglect. As Members of the Congress, it is our responsibility to determine an appropriate response to such need, and to overcome the neglect. I am confident that the place to begin is with jobs, and so, I might add, is Mayor Lindsay, who appreciates fully the gravity of the present situation.

I include Mayor Lindsay's testimony at this point:

TESTIMONY OF THE HONORABLE JOHN V. LINDSAY

Chairman Holland, Members of the Subcommittee:

I have been asked to testify this morning on behalf of the United States Conference of Mayors and the Urban Coalition. As a member of the Executive Committee of both organizations, I want to express our deep disappointment because of the Federal government's failure to respond effectively to the recommendations of the Presidential Commission on Civil Disorders. The principal proposal in the Commission's report, as you know, was a call for millions of new jobs—private and public.

The President appointed the Commission to probe beneath the fire and anger of Detroit, Newark, and some fifty other cities that erupted in violence last summer. The Commission found no easy answers. We found no immediate resolution of the urban and human decay that finally resulted in civil disorder. But we defined the problem, and, like others before us, we called for action—"compassionate, massive and sustained."

We called for action without delay to meet a problem of the gravest national urgency.

Many agreed with our assessment of the problem and with our recommendations, but there were others who said that the time was wrong, that money was needed elsewhere and that the problem was too large.

We had hoped that our report would end this debate.

We had hoped that the choice we defined for the Nation had left only one acceptable alternative and we had hoped that the response would be decisive and significant.

Ten weeks have passed since the Commission reported to the Nation. In the interim, a great Civil Rights leader has been killed. One hundred and ten cities have been convulsed by new disorders and an Army of poor people is marching on Washington. Yet the Administration and the Congress have shown small enthusiasm for the positive, strong programs the Commission proposed.

Now, another summer is upon us and we have not convinced the people in the slums that our government truly wants to help them. We have not yet adopted an effective national policy of interest, concern, and, most important, action. The $75 million summer jobs supplemental appropriation is blocked in conference, and Administration support for the program has not been visibly energetic.

The Urban Coalition and the Conference of Mayors have endorsed the Commission's recommendations across the board, in employment, education, welfare and housing. But this morning I want to concentrate on the need that my experience—on the Commission and on the streets of New York City—has convinced me comes first: More and better jobs.

Unemployment and underemployment led the list of the Commission's priorities. We agreed that nothing else affected other social needs as much and that no other need was as important to the future of the cities.

Approximately 2 million Americans are unemployed in our country today. Another 3½ million people are working part time who ought to be working full time. Nationally, much of our poverty can be accounted for by the substandard wages received by 6½ million people who work *full time* and yet do not earn enough to climb out of poverty.

These problems are most intense among Negroes. Unemployment rates for Negroes generally are 2½ to 3 times that for whites. The subemployment rate—covering both unemployment and underemployment—in central city ghettos in 1966 was 32.7 per cent.

We have begun to realize recently that about one hundred of our major urban areas have been going through what amounts to a "secret depression" for the past fifteen years. Prosperity in most of the Nation's 4500 urban communities has obscured the hidden and growing pockets of despair and neglect that have been collecting in most of our central cities. The critical significance of employment, especially for those in the ghetto, is clear. The ability to have and hold a "good job" is, the Commission found, "the fundamental test of participation in American society." Yet the ghetto resident is confronted with fewer possibilities to obtain meaningful work and possesses eroded or underdeveloped skills with which to handle any job he does obtain. The result is that those who do find and hold jobs are concentrated in the lowest skilled and lowest paying positions.

The system is unconscionable to an individual, and it is manifestly wasteful in our society. Millions of Americans, more Whites than Negroes, live frustrated, useless, unproductive lives at a time when the demand for skilled labor is ever increasing. At the same time, as a result of the ghetto resident's low or nonexistent earning—and buying—power, our central cities deteriorate while the surrounding areas flourish.

It should not be surprising, then, that there is increasing frustration, alienation and hostility against society in the black communities of our cities. In the Commission's words: "The pervasive effect of these conditions on the racial ghetto is inextricably linked to the problems of civil disorder."

According to Commission data, most of the rioters last summer were Negro males between the ages of fifteen and twenty-five. Almost all of the rioters who had jobs were underemployed—in short-term, low-paying, menial positions which they regarded as beneath their education, their capacity and their dignity. Twenty per cent of those arrested had no jobs.

In the cities where violence broke out, Negroes were twice as likely as whites to hold unskilled jobs—part-time, seasonal and "dead end." Negroes earned less than whites in all the surveyed cities, averaging barely seventy per cent of the average white income. They were more than twice as likely to be living in poverty.

The Commission reviewed our current efforts—Federal, state and local—to meet these problems. We particularly studied programs in cities that have a reputation for receiving substantial Federal funding, but which experienced serious disorders last summer.

In Detroit, to use but one illustration, Federal contributions to employment and manpower training programs totaled $19.6 million in the first three quarters of 1967. Although the dollar figure is impressive, the money, it seems clear, did not accomplish enough: Detroit sponsored twenty-two Federally-financed manpower programs, such as the Neighborhood Youth Corps. Almost fourteen thousand trainees were enrolled. Yet the unemployment rate at the time of the riot in Detroit was 2.7 per cent for whites and 9.6 per cent for Negroes. The fourteen thousand job training slots barely matched the number of jobless whites, but more than sixty per cent of all the unemployed were nonwhite.

The figures exemplify the limited reach of our existing manpower programs. They don't include enough people, and they don't lead to enough good jobs.

In New York City, the resources available are inadequate, dwarfed by the magnitude of the need. We devote $1.4 billion a year to welfare, merely keeping people alive, but only $64 million to manpower training. Every month, fourteen thousand new people go on the welfare rolls, yet only a fraction of that number can be drawn into job training. Clearly, we are losing the struggle against dependency.

During the first two months of this year our neighborhood manpower centers recruited eighteen thousand people who were ready to enter a job training program or begin work on a job. There were only sufficient job openings or openings in training programs for four thousand of these individuals, which meant that fourteen thousand employables had to be returned to the streets with no jobs and no optimistic prospect of finding one.

In response to the panoply of problems faced, the Commission called on Congress for action governed by three principles:

That programs be mounted on a scale equal to the dimension of the problem;

That programs aim for high impact in the immediate future;

And that programs be undertaken with the initiative and the imagination that can change the failure and frustration that now

dominate the racial ghetto and weaken our entire society.

Specifically applying these principles to the critical area of manpower programs, the Commission recommended a massive, unified manpower program to pull together the fragmented efforts now underway; to concentrate on the programs with a demonstrated capacity to create meaningful employment opportunities; and to add new programs where they show real promise of success. The Commission proposed the creation of 2 million jobs in 3 years, one million in the public sector and one million in the private sector.

The Commission recommended massive national action in this area only after noting that the financial resources of the cities are virtually exhausted. For example, the city's share of the tax dollar has declined from 50 cents in 1930 to 15 cents today, while the Federal share has doubled—from 33 cents in 1930 to 67 cents today. The state and local government payroll has jumped from 4 million workers in 1940 to over 8 million today to provide public services, while the number of Federal employees has gone from a million in 1940 to only 2½ million today. Half of our local increase has been in the field of public education alone. And we are still unable to meet the need.

Municipal government has reached its limit. If we are going to undertake a large scale job creation program, it will have to be a national effort.

The bills pending before this subcommittee advance in the directions recommended by the Commission. I would like to analyze some of these recommendations in greater detail with you.

Representative O'Hara's bill, H.R. 12280, provides for one million new public service jobs. In H.R. 16623, Congressmen Goodell, Quie and others have a more modest first-year proposal for 80 thousand public service jobs, in addition to the 220 thousand jobs they provide in the private sector under the bill presently before the Ways and Means Committee.

I cannot stress strongly enough the need to move forward. The 70 thousand new jobs requested by the Administration's JOBS program are plainly inadequate. On the basis of the Commission's findings, 300 thousand new jobs this year is the minimum acceptable response.

Public service employment must provide meaningful jobs—not dead end, make-work projects. The employment experience should add to the capabilities and broaden the opportunities of the employees to become productive members of the permanent work force. Our experience in New York has shown us the futility of providing jobs that have neither future nor meaning to an employee.

To create socially useful jobs, a public service jobs program should concentrate on the huge backlog of employment needs in parks, streets, slums, libraries and hospitals.

The job program should utilize the strengths of our Federal system so that much of the responsibility for solving the national employment problem will actually be given to local communities, where the unemployed reside and will work.

With our existing tax structure, Federal funds should be the major source of financial support for public service employment, but the actual employer should be state and local governments, nonprofit organizations, and private firms under contract.

The operation of the program should be keyed to specific, local unemployment problems and focused initially on those areas where the need is most apparent. This means that the program should have considerable flexibility, encouraging local initiative and easy adaptability to varied communities. In a city with a tight labor market and many unfilled industrial jobs, a public service employment program might concentrate upon those occupations where workers could gain the experience which would rapidly qualify them for those existing jobs.

Basic education, training, and counseling must, of course, be an integral part of any job training program.

Can we effectively train and employ the numbers of people w are asking be hired?

I would suggest that the answer lies in a close examinaiton of our recent experience.

First, public service employment has been expanding dramatically in the past two decades. State and local government alone have employed four million additional workers. Half of the public increase was in education. A large share of any future revenue growth from local taxes will be committed to these services on a permanent basis.

Second, we have been creating a network of manpower processing and developing agencies at the local level under five Federally-funded, locally-operated programs: OEO, MDTA, Vocational Education, Work Experience and New Careers. As a result, vast experience has been gained and a cadre of professional manpower personnel has been trained. The trained staff would be a ready-made resource for immediate national action when the funding becomes available.

Third, to find out how many socially useful jobs could be made available immediately, the Urban Coalition asked Dr. Harold Sheppard of the Upjohn Institute to survey a sample of major cities. Based upon a preliminary analysis of this survey, Dr. Sheppard has concluded that at least 141 thousand persons could be employed almost overnight in the 130 cities with population over 100 thousand. These would be jobs in regular city departments where supervisors are already available and work tasks are clearly defined. The Coalition estimates that if this sample were expanded to small cities, to county and state governments, and to jobs with private nonprofit organizations, it is likely that enough jobs could be found to put 500 thousand persons to work within six months.

In Dr. Sheppard's survey, the greatest number of jobs which could be filled immediately by unskilled and semi-skilled persons were in education, followed by police and fire protection, health and hospitals, social welfare, and parks and recreation.

A viable long-term solution to the problem of unemployment is not possible without the participation of private employers. As the Commission's Advisory Panel on Private Enterprise stated:

"We conclude that maximum utilization of the tremendous capability of the American free enterprise system is a crucial element in any program for improving conditions, in both our urban centers and our rural povety areas, which have brought us to the present crisis."

We stressed in the Commission Report the need to increase the amounts available to an employer under the OJT program to cover the expenses of participating in the program, including expenses for critically needed supportive services. We also recommended the use of tax incentives—with specific guidelines to ensure compliance—to increase the number of companies directly providing employment opportunities and training.

Direct grants for on-the-job training programs would be provided by increased appropriations under the MDTA, and tax incentives are being considered by the Ways and Means Committee. Senator Javits and Congressmen Goodell and Quie have introduced legislation in those areas that parallels in most respects the Commission's recommendations. I commend their bills to you.

The President's Commission called for a national corporation to be chartered to serve as the Federal government's primary instrument for job development in the private sector. This has been provided by H.R. 16623. The business community would play a major role in the corporation. The corporation would give employers a form of clearing house for personnel recruitment. With job development under the guidance of men from the private sector, familiar with its needs, job-seekers would stand a better chance of securing meaningful employment.

Both the O'Hara bill and the Goodell-Quie bill pending before you provide education and training programs to prepare those in public service employment for movement into the private sector. This was specifically recommended by the Commission and I urge that this provision be adopted.

The Commission also strongly recommended that special emphasis be given to the problem of motivating the hard-core unemployed. H.R. 16623 imaginatively provides that preference be given to local service companies owned by employees themselves. Thus, not only will these employees receive jobs, they will be jobs for their own corporations.

The Commission made a number of important recommendations that apply to both public and private sector employment and are adopted by HR 16623:

LOCAL COORDINATION

No matter how manpower programs are organized at the Federal or state levels, most of them must be brought together in the cities. Effective manpower programming requires interrelated services, including recruitment, counseling, placement, work experience, education, supportive training, follow-through and upgrading. Without a comprehensive system, the progress of an individual from unemployment to employment and on to better employment can never be assured.

This point is clearly recognized in Title One of the Economic Opportunity Amendments of 1967, which calls for Federal funding agencies to recognize in each community a "prime sponsor" with the capability for "planning, administering, coordinating and evaluating a comprehensive work and training program."

The Goodell-Quie bill wisely recognizes the value of this concept by providing that funds under the bill are to be channeled through "prime sponsors" under the Economic Opportunity Act wherever they exist. This is a rare example of the kind of coordination between different pieces of legislation and different Federal agencies which will enable cities to unify their programs.

LOCAL TAKEOVER

The Commission stressed that the termination of a project and Federal funding must not be allowed to mean the end of employment. We suggested, instead, that Federal assistance be gradually phased out rather than cut off suddenly. In this way local governments, state and city, may be able to absorb part or all of the programs. This is accomplished by H.R. 16623.

SUPPORTIVE SERVICES

Unlike some people who come to industry lacking only the knowledge of a specific training or trade, the hard-core unemployed often have severe health problems, cannot afford the transportation costs from home to job, have no experience in the management of their money, and have dependents or children who need constant supervision. The average applicant has only a fifth grade literacy level. Even more discouraging, to potential employers, especially, is the fact that almost half of the men reporting have criminal records.

H.R. 16623 provides or reimbursement of the full range of supporting services to cope with these factors. It explicitly recognizes that these services are to be treated as an integral part of the process of providing employment opportunities.

RECOMMENDATIONS FOR ADDITIONAL LEGISLATION

Most important, in both the public and private sector, is the development of programs to increase the upward mobility of minority groups once they obtain jobs. The Commission found that the percentage of Negroes in two of the lowest paying job categories, clericals and unskilled workers, is almost three times the percentage of whites employed in each of these areas. At the other end of the spectrum, the percentage of whites in the highest job levels, as managers and professionals, is three times the percentage of Negroes so employed.

In the words of Commission report: "This concentration of Negroes in the lowest paying, lowest skilled positions, is the single most important source of poverty among Negroes. It is even more important than unemployment."

In support of this argument, the Commission provided the following hypothetical calculation: If the percentage of Negroes unemployed was reduced to that of whites unemployed, 3.3 per cent, the income gain for nonwhites would total about $1.5 billion a year. However, if the nonwhite men currently employed were upgraded so that they had the same occupational distribution and incomes as all men in the labor force considered together, it would produce about $4.8 billion in additional earnings for the Negro community.

A job advancement program will be difficult to write. It will require sophisticated, innovative mechanisms to deal with such factors as discrimination in promotion policies. Because of the complexity of the task involved, employers, both public and private, should be brought into the legislative process to render advice and give guidance. They might consider, with this subcommittee, such policies as:

Federal subsidies for training workers on the job for higher positions; training supervisors to help subordinates move up; and provision of funds to hire counsellors to advise employees on the most effective ways of advancing their careers. Another important program would be to insure that we fully utilize the talents of returning Vietnam veterans, many of whom are not only employable, but capable of handling middle-management responsibilities as a result of their military experience.

Stepping back from the details of specific programs, several things are clear:

Unemployment is a serious problem for the country generally, but especially for residents of our central-city areas. At the same time, our cities face increasing demands for services which basically can be met only with increased manpower. But local government, for a variety of reasons, cannot fund such expanded services, leaving us with willing employers facing potential employees across a widening fiscal gap. Only the Congress has the means and the capability to join the two.

We also know that there is increasing unrest among the unemployed and underemployed. They have learned that poverty and arbitrary barriers to personal improvement are no longer inevitable. This unrest has been translated into action, but I do not agree with those who equate activity with destruction. The marchers on Washington come not to pillage but to petition. The bonds of our society are still intact. The issue facing us today is not how to deal with a fragmented society but what we are doing to hold our society together.

Exhortations, promises and rhetoric are irrelevant; what is imperative is performance.

You have before you bills that, when passed, will demonstrate our intention to meet the needs of the present before they become the tragedies of the past. As the Commission noted, we need to seek not so much the solution to our problems as the will to solve them.

Thank you.

NEW SECTION 236 MORTGAGE INTEREST SUBSIDY FOR NEW YORK'S MITCHELL-LAMA HOUSING PROGRAM

Mr. RYAN. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. RYAN. Mr. Speaker, the administration's housing bills, H.R. 15624 and S. 3029, contains a new section 236 of the National Housing Act which provides a mortgage interest subsidy program for middle-income housing where the mortgage is insured by FHA and the requirements of section 221(d)(3) are satisfied. This substitutes a direct subsidy of private market rate loans for FNMA takeouts. I discussed this provision when I testified on April 3 before the Housing Subcommittee of the House Committee on Banking and Currency on the administration's housing bill and the various housing bills which I have introduced.

Since I testified, New York City authorized 15-percent rent increases in 40 middle-income housing projects.

The New York State Mitchell-Lama middle-income housing program has become endangered by rising costs and by the credit squeeze to such an extent that an amendment to H.R. 15624 is in order to help rescue that program and similar programs in other States.

I have recommended to the chairman of the House Banking and Currency Committee, the chairman of the Subcommittee on Housing, and the Secretary of Housing and Urban Development that the administration's bill include in the new interest subsidy program loans made by a State or municipality, or an instrumentality thereof.

Under the Mitchell-Lama middle-income housing program, New York State floats bonds, the proceeds of which may be loaned to private sponsors of middle-income housing who agree to limit their rate of return. In most cases local real estate tax abatement also helps to keep down rentals.

New York City has a similar program. Under this program, attractive urban housing was formerly available at less than $30 per room per month. Families with incomes in the $7,000 to $12,000 range could not find comparable unsubsidized housing. The average cost per room per month has risen steadily from $17 in 1953 to $26 in 1961 to $38 in 1968. New housing is now coming in at a cost as high as $42 per room per month.

As a result of the credit squeeze, the cost of money to the State and city has increased to 4¾ percent, and a loan under the city Mitchell-Lama program now costs a private developer 5¼ percent interest. Rising construction and maintenance costs have added to the squeeze. Apartment rent for a family of four at $170 per month prices these apartments out of the range of families earning less than $10,000 a year.

The New York City Housing and Development Administration recently authorized rent inceases of up to 15 percent on 40 Mitchell-Lama projects.

Therefore, I have proposed that the new mortgage interest subsidy program proposed as new section 236 of the National Housing Act in the administration's housing bills, H.R. 15624 and S. 3029, be made applicable to State and municipally financed housing as well as housing financed with private loans by amending new section 236(b) as follows:

On page 31, line 15 of H.R. 15624 delete the period and add the following: *"Provided,* That interest reduction payments may be made with respect to a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section."

In the long run this proposal will be less expensive to the Federal Government. Under the proposed section 236, as it now stands, the Government will subsidize the equivalent of 5¾ percent interest on the outstanding principal of a privately financed 6¾ percent market loan to reduce it to 1 percent. But to reduce a 5¼ percent Mitchell-Lama loan to 1 percent will cost substantially less—only 4¼ percent. This is not a "double subsidy," since the State or municipality does not subsidize the interest rate; it simply offers a below-market interest rate based on the rate it pays to holders of its bonds.

Since the creation of the Federal rent supplement program, I have introduced legislation to extend it to Mitchell-Lama type housing. In the 90th Congress my bill, H.R. 1234, would amend the rent supplement program to permit State or municipality financed housing to have rent supplement tenants. I am pleased that the Senate Subcommittee on Housing has amended S. 3029 so that Mitchell-Lama housing and similar housing built through direct loan programs in five States in addition to New York may be eligible for rent supplements. This is a welcome addition. However, if such housing is made eligible for rent supplements without being eligible for the mortgage interest subsidy, there will be the anomalous situation of bringing this housing within the range of low-income families, but pricing it too high for middle-income families.

A natural complement to the Senate committee action would be to make publicly financed, privately built housing eligible for the new mortgage interest subsidy program. Otherwise, many urban middle-income families will no longer be able to afford decent middle-income housing. With conventional financing a two-bedroom apartment in New York City costs at least $275 per month. Therefore, some form of subsidy is required to construct any housing renting for less.

This amendment would be of benefit in Connecticut, Illinois, Massachusetts, Michigan, and New Jersey, which have direct loan programs similar to the New York Mitchell-Lama program.

When the House Subcommittee on Housing marks up the administration bill, I hope that it will adopt my amend-

ment, which is urgently needed if housing is to be built for middle-income families.

DISTORTION IN THE NEWS MEDIA

The SPEAKER pro tempore (Mr. CABELL). Under previous order of the House, the gentleman from Alabama [Mr. NICHOLS] is recognized for 5 minutes.

Mr. NICHOLS. Mr. Speaker, last night, CBS presented an hour long documentary entitled "Hunger in America." This program was another good example of how the news media can distort reporting by omitting a part of the story. In my State of Alabama, they chose to show the worst case they could possibly find. A woman who had 10 children and was expecting another was interviewed. She told a pitiful story, although I doubt seriously that she is unable to get any help whatsoever as she intimated. I am sure they could have found a similar situation right here in Washington or any other big city.

What they failed to report was what my State is doing to help those people who are truly unable to help themselves. As of today, every one of Alabama's 67 counties, with the exception of one, either has a commodity program or the food stamp program in operation, or has an application pending for one of the programs. The one county which has no program has made plans to submit an application shortly.

During the month of April, commodities totaling $1.4 million and food stamps totaling $386,000 were distributed free to a total of 258,000 people in my State. This, of course, does not include the seven counties which will soon begin a food stamp program. Last year, more than $20 million dollars worth of free food or stamps was distributed.

Alabama is making every effort to eliminate all hunger and malnutrition, and this should be the story CBS reports. Our State commissioner of pensions and securities says he was not contacted in any way by CBS in an effort to find out what Alabama was doing. We are concerned about the health of our poor people, and we want to help, and are helping those who are unable to help themselves.

Mr. Speaker, much has been said about the starving people in America recently. Much has been written and many statistics have been produced to show that hunger and malnutrition is widespread across our land. The chairman of the House Agriculture Committee, Chairman POAGE, has polled county medical officers in the so-called poorest counties of the Nation to get their comments. A portion of those comments are included in an article in this week's U.S. News & World Report, and I think it reveals some facts and figures CBS overlooked. I would like to insert this article at this point in the RECORD:

FACTS ON "STARVING AMERICANS"—REPORTS FROM BACK HOME

(NOTE.—Is it really possible that people are starving in affluent America? That is being asked after a citizens' group reported that 256 U.S. counties are plagued by hunger. An answer comes from the counties themselves—from health officials who are in day-to-day contact with the nation's poor people. In letters to the chairman of a congressional committee, they give a forthright appraisal of actual conditions in their own localities.)

A wave of concern over hunger and starvation has swept across the U.S. in recent weeks, touched off by news stories and editorials that followed the release April 22 of a report entitled, "Hunger, U.S.A."

This report stated that at least 10 million Americans are suffering from chronic hunger or malnutrition. It listed 256 counties in 20 States as "hunger areas" involving "desperate situations."

Findings were based on a study by a private group known as the Citizens' Board of Inquiry into Hunger and Malnutrition in the United States, with headquarters in Washington, D.C.

A sequel is being written to "Hunger, U.S.A." It is found in letters from health officials in nearly half the 256 counties that were cited as "hunger areas." Most of these officials are physicians or registered nurses.

Their letters were sent in response to a request from Representative W. R. Poage (Dem.), of Texas, who is chairman of the House Committee on Agriculture.

On April 27, Representative Poage wrote to health officers of each of the 256 counties, asking two questions:

1. Do you have any personal knowledge of any actual starvation in your county?

2. Do you have any personal knowledge of any serious hunger in your county occasioned by inability of the individual either to buy food or to receive public assistance?

As of midmonth, replies from 125 of the 256 counties had been received in Mr. Poage's office. In these letters, local officials who see the underprivileged people of America at first hand, tell their side of the story about hunger, malnutrition and starvation in the U.S. Excerpts from many of the letters follow.

Mississippi—Yazoo and Humphreys Counties. Dr. John V. James, director of the county health departments:

"Approximately a year ago . . . a citizens' group visiting areas of our State that include the two counties of which I am health director . . . gave a very distressing picture of poverty and especially hunger and malnutrition among the children of this area.

"By autumn of last year, our State Medical Association became so concerned that they sent teams of doctors from the University of Mississippi to these areas to investigate. Their report showed very little malnutrition and no hunger.

"This same citizens' group . . . disputed this finding. . . . The U.S. Public Health Service sent a team from an Ohio medical school down in January of this year to do physical examination and laboratory work on these so-called malnourished children. A report of each child examined was left in the health department.

"These reports showed every child to have a hemoglobin reading [an indicator of anemia stemming from malnutrition] within normal limits, but most all showed some form of intestinal parasites. . . .

"I do not have any knowledge of any actual starvation in my two counties. . . . I do not have any knowledge of any serious hunger occasioned by inability of individuals either to buy foods or to receive public assistance."

Florida—Washington County. Dr. W. G. Simpson, county health officer:

"I have no personal knowledge of any actual starvation in this county. My two public-health nurses of long years' experience in the county also have no knowledge of such conditions existing.

"The few malnourished individuals I see in the health department occur usually from ignorance of proper foods rather than inability to obtain them, such as an 11-month-old infant seen today that was severely anemic and malnourished—the first child of a mother who has not been taking proper care of the baby—practically all-milk diet, deficient in iron, etc."

Kentucky—Powell County. Dr. Linda S. Fagan, health officer:

"No! I know of no serious hunger in Powell County occasioned by inability of the individual either to buy food or to receive public assistance. Those persons who have no means of support or are unable to work do receive public assistance in the form of money and food. . . . I have not found a case of a person who was truly disabled with no means of support who was unable to qualify for public assistance."

Montana—Wibaux County. Dr. Clarence A. Bush, county health officer:

"I will pay $100 to any selected charity, if anyone will find in Wibaux County, Mont., or any adjacent county in Montana or North Dakota, one individual who has suffered for lack of food, or any other necessity of clothing or shelter, medical or hospital care and attention for any reason other than misuse, or failure to notify this correspondent or any other person in authority. I do not believe one can be found who has so suffered, even from these reasons of misuse or failure.

"For 25 years, I have known almost every resident of this and adjacent communities, and I say no such condition exists or has existed in that time. On many occasions of fire, storm, or other disaster, the citizens have responded with cash gifts of $1,000 or more to help those families so affected, and in not one instance has the welfare board ever refused any request that I have ever made for medical assistance, no matter how expensive it turned out to be."

Texas—Frio County. Dr. Emmett N. Wilson, health officer:

"I do not know of any family in Frio County that is suffering from hunger or malnutrition. There are no doubt borderline cases where persons are not eating a proper diet, but this is usually due to their own choice of foods. . . .

"Any family, if in need, is eligible for welfare aid and surplus commodities (from the U.S. Department of Agriculture, distributed through county offices). Even aliens are given aid in obtaining groceries by the county. Where anyone could have obtained any information listing this area as one of the 'hunger counties' I do not know."

Georgia—Greene, Morgan and Oconee counties. Dr. G. B. Creagh, district health director:

"There are no instances of actual starvation in any of these counties to my knowledge, nor any county in which serious hunger exists. . . . It is of interest to note the almost total absence of the deficiency diseases in the South today. Pellagra, beriberi, scurvy and rickets are examples of deficiency diseases that we would expect to find in an area where major undernutrition exists. . . .

"We are all sensitive to the possibility of a child's going hungry and this of course does happen. However, there have been several group studies on children and child development in this area in past years, and none . . . has reflected a major problem relative to undernutrition in children."

Virginia—Accomack County. Dr. Belle D. Fears, director, county health department:

"Having been born in Accomack County and having been a general practitioner for 15 years . . . I was well aware that much of the local employment depends on agriculture and is therefore seasonal, and that the average per capita income is well below the national average. However, I was not aware of widespread hunger and malnutrition. . . .

"There is only one situation that I have found recently and think can be improved. In some schools in the poorer communities there are not always enough free lunches to go around. . . . I believe that local officials can get together and reapportion the surplus food, ask for more, or make other adjustments. . . .

"I have two questions to which I would like to find an answer. How did the 'Citizens' Board' make its inquiry? In my recent investigation into the hunger problem, I find that no one in the health department or welfare department has been interviewed, no one has asked the school nurse any questions about hunger, and no one has seen any strangers inquiring about hunger. I would like to know how the 'Citizens' Board' arrived at its conclusions about hunger and malnutrition here and elsewhere in the United States."

Alabama—Randolph County, Dr. John G. Baxter, county health officer:

"I have, as county health officer, examined a great number of children each year who are entering the elementary schools for the first time.

"I can truthfully say I have never seen a hungry, malnourished child regardless of race, color, creed, or religion. The other members of the County Medical Society will attest to that statement."

Colorado—Conejos County. Mrs. Dixie Moulton, registered nurse, county public-health nurse:

"In many cases I am inclined to agree with your statement [Representative Poage's] that there is a problem of education and decision. I see innumerable children who are participating in the lunch program who wastefully dispose of most of the food served them. I feel that hungry children would eat. . . .

"We feel that there are many needy who do not participate in the food-stamp program . . . because of the inflexibility of the program.

"The possibility of hunger does exist, but I do not have knowledge of specific cases that couldn't be cared for. My contact with the population is limited because I am the only nurse in the county. Improvement of the flexibility of the food-stamp program would make it more beneficial to many."

Arkansas—Mississippi County. Dr. J. E. Beasley, medical director, county public-health department:

"It is my opinion that our county is not in great distress from a starvation standpoint. Neither do I feel that there is any gross presence of malnutrition. I arrive at this opinion from personal observation in contact with the low-income and indigent group and also from close questioning of my public health nurses who have a greater and closer contact with these groups than I do.

"The abundance of payroll checks and food stamps being disbursed by the welfare department, the hot-lunch programs in our school systems, the ready assistance available at our county mission, and the many efforts made by voluntary agencies to distribute food and clothing to the needy, makes a profound difference in the availability of food to needy unemployed and indigent families."

Mississippi—Tunica County. Dr. Cecil C. McKlemurry, director, county health department:

"I have no personal knowledge of a death in Tunica County due to outright starvation from lack of food [although] there are instances where death has occurred with malnutrition as an underlying cause.

"There are also a large number of children living in the county that suffer from malnutrition. Most of these children live in homes that have no family social structure. Eighty per cent of the population of this county is Negro-American with wide acceptance of birth out of wedlock as a normal way of life.

"Children born into such a home are deprived in many ways. They have no father to support them and their mother cannot work while having a new baby almost every year. . . . More jobs, better education, instruction of job skills, giving away food are measures that can help, but they overlook the No. 1 cause of malnutrition in these children—absence of family structure. . . . Some measures need to be taken to make it worthwhile for adults to become married to raise their families. As it stands now, this promiscuous relationship is actually being financed and subsidized by welfare and giveaway food programs. . . . The churches and religious leaders could do more for the people by instruction. . . . Unless a new approach is taken, I remain very pessimistic toward the future as far as eliminating malnutrition is concerned."

Illinois—Alexander and Pulaski counties. Margaret Cotton, registered nurse, acting health officer:

"I feel that I can say with truthfulness and confidence that to my knowledge there is no one in Alexander or Pulaski County starving to death. To verify this, I called on the two public-aid departments and the physicians in this area and they, too, agree that to their knowledge no one is starving. In regard to the clinics this health department serves, the clinicians assure me that none of these patients is undernourished. Even though we are in a low economic area, I'm happy to say that with the help of the various welfare agencies we are able to help our [poor] people with their health and welfare problems."

THIRTY-SIX MILLION AMERICANS GET SOME FREE FOOD NOW

About 36 million Americans—mostly children—share in the Federal Government's food programs. Cost of the food will be 906 million dollars in the year ending June 30. As to who gets it:

12.5 million children get free lunches at schools.

6.5 million children get lunches at less than cost, with the aid of surplus food from federal stocks.

10 million children get free milk at some point during a school day.

6 million people get surplus-food packages, or help through the food-stamp plan.

1.3 million people benefit from donations of food to charitable institutions and summer camps for needy children.

160,000 children in low-income areas get free meals from a new breakfast program at schools. (Source: U.S. Dept. of Agriculture.)

HOW HUNGER STUDY WAS MADE

From the "Hunger, U.S.A." report, issued by the Citizens' Board of Inquiry into Hunger and Malnutrition in the United States, a private group headed by Walter Reuther, president of the United Auto Workers Union:

". . . We have held hearings in Hazard, Ky. (covering mountain counties of eastern Kentucky, southern West Virginia and southwestern Virginia); San Antonio, Tex. (covering also counties of the Texas Rio Grande Valley); Columbia, S.C. (covering counties of Georgia as well as South Carolina), and Birmingham, Ala. (covering also counties of Georgia, as well as rural Alabama). We made one field trip each into east Kentucky, the San Antonio area; two into Mississippi; one to the Navajo reservation of Arizona and one to the Indian country of South Dakota; two into the migrant-labor camps of south Florida, and one each into the slums of Boston, Washington, and New York City. . . . The field visits were made by a Board team, including a physician and/or nutritionist. . . .

"The Board also solicited co-operation and material from State and federal agencies, food industries, physicians and appropriate private agencies in a broad attempt to gather all available information. . . ."

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. MESKILL) and to revise and extend their remarks and include extraneous matter:)

Mr. HOSMER, for 5 minutes, on May 23.

Mr. KUPFERMAN, for 15 minutes, today.

Mr. QUIE, for 15 minutes, today.

Mr. NICHOLS (at the request of Mr. SMITH of Iowa), for 5 minutes, today; to revise and extend his remarks and include extraneous matter.

EXTENSIONS OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. WHITENER to extend his remarks during consideration of House Resolution 814 and include extraneous matter.

(The following Members (at the request of Mr. MESKILL) and to include extraneous matter:)

Mr. RHODES of Arizona.
Mr. GUBSER.
Mr. MINSHALL.
Mr. ASHBROOK in two instances.
Mr. WYATT.
Mr. WYMAN in three instances.
Mr. REINECKE.
Mr. MICHEL.
Mr. RAILSBACK.
Mr. WAMPLER.
Mr. BROTZMAN.
Mr. SCHERLE.
Mr. ROUDEBUSH.
Mr. POLLOCK in two instances.
Mr. GURNEY in two instances.
Mr. BURTON of Utah in 10 instances.
Mr. DOLE in two instances.
Mr. KLEPPE in two instances.
Mr. BROOMFIELD.
Mr. DERWINSKI in two instances.
Mr. KING of New York in two instances.
Mr. RUMSFELD in two instances.
Mr. LUKENS.
Mr. STEIGER of Arizona.
Mr. WYLIE.
Mr. BOB WILSON in two instances.
Mr. WATSON.

(The following Members (at the request of Mr. SMITH of Iowa) and to include extraneous matter:)

Mr. OTTINGER.
Mr. BARING.
Mr. RESNICK.
Mr. BROOKS.
Mr. HANNA in two instances.
Mr. RARICK in five instances.
Mr. CELLER.
Mr. DOW in two instances.
Mr. FOUNTAIN in two instances.
Mr. MATSUNAGA.
Mr. RODINO.
Mr. TENZER in five instances.
Mr. MACDONALD of Massachusetts.
Mr. DINGELL.
Mr. FALLON.
Mr. HAWKINS.
Mr. EVINS of Tennessee in three instances.
Mr. HUNGATE.
Mr. KYROS in two instances.
Mr. BOLAND in two instances.
Mr. MURPHY of New York.
Mr. PICKLE.
Mr. GATHINGS.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 3068. An act to amend the Food Stamp Act of 1964, as amended; to the Committee on Agriculture.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 126. An act for the relief of Pedro Antonio Julio Sanchez;

S. 233. An act for the relief of Chester E. Davis;

S. 1040 An act for the relief of certain employees of the Department of the Navy; and

S. 2409. An act for the relief of the estate of Josiah K. Lilly.

ADJOURNMENT

Mr. SMITH of Iowa. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 55 minutes p.m.), under its previous order, the House adjourned until tomorrow, Thursday, May 23, 1968, at 11 o'clock a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1873. A communication from the President of the United States, transmitting proposed supplemental appropriation requests for fiscal year 1968 for certain agencies to carry out programs authorized or to meet unanticipated requirements (H. Doc. No. 317); to the Committee on Appropriations and ordered to be printed.

1874. A communication from the President of the United States, transmitting proposed amendments to the 1969 budget for certain programs and activities (H. Doc. No. 318); to the Committee on Appropriations and ordered to be printed.

1875. A letter from the Secretary of Commerce, transmitting the 83d quarterly report for the first quarter 1968, pursuant to the Export Control Act of 1949; to the Committee on Banking and Currency.

1876. A letter from the Chairman, Board of Governors, Federal Reserve System, transmitting the 54th annual report of the Board for the year 1967; to the Committee on Banking and Currency.

1877. A letter from the Acting Comptroller General of the United States, transmitting a report on the need to improve contractors' compliance with contract specifications in the construction of hospital buildings, Veterans' Administration; to the Committee on Government Operations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. DELANEY: Committee on Rules. House Resolution 1181. Resolution providing for the consideration of H.R. 17324, a bill to extend and amend the Renegotiation Act of 1951. (Rept. No. 1414). Referred to the House Calendar.

Mr. SISK: Committee on Rules. House Resolution 1182. Resolution providing for the consideration of S. 1028, an act to amend title 5, United States Code, to extend certain benefits to former employees of county committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, and for other purposes. (Rept. No. 1415). Referred to the House Calendar.

Mr. GARMATZ: Committee on Merchant Marine and Fisheries. H.R. 14796. A bill to change the provision with respect to the maximum rate of interest permitted on loans and mortgages insured under title XI of the Merchant Marine Act, 1936; with amendment (Rept. No. 1416). Referred to the Committee of the Whole House on the State of the Union.

Mr. GARMATZ: Committee on Merchant Marine and Fisheries. S. 2452. An act to provide for the adjustment of the legislative jurisdiction exercised by the United States over lands within the Crab Orchard National Wildlife Refuge in Illinois (Rept. No. 1417). Referred to the Committee of the Whole House on the State of the Union.

Mr. BOGGS: Committee on Ways and Means. H.R. 7735. A bill to make permanent the existing suspensions of duty on aluminum oxide when imported for use in producing aluminum, on calcined bauxite, and on bauxite ore; with amendment (Rept. No. 1418). Referred to the Committee of the Whole House on the State of the Union.

Mr. HERLONG: Committee on Ways and Means. H.R. 15798. A bill to extend for an additional temporary period the existing suspension of duties on certain classifications of yarn of silk; with amendment (Rept. No. 1419). Referred to the Committee of the Whole House on the State of the Union.

Mrs. GRIFFITHS: Committee on Ways and Means. H.R. 16654. A bill to continue until the close of June 30, 1970, the existing suspension of duties on certain forms of copper (Rept. No. 1420). Referred to the Committee of the Whole House on the State of the Union.

Mr. FULTON of Tennessee: Committee on Ways and Means. H.R. 17104. A bill to extend until July 15, 1970, the suspension of duty on electrodes for use in producing aluminum; with amendment (Rept. No. 1421). Referred to the Committee of the Whole House on the State of the Union.

Mr. POAGE: Committee on Agriculture. H.R. 16451. A bill to authorize the Secretary of Agriculture to cooperate with the several governments of Central America in the prevention, control, and eradication of foot-and-mouth disease or rinderpest (Rept. No. 1422). Referred to the Committee of the Whole House on the State of the Union.

Mr. POAGE: Committee on Agriculture. H.R. 17002. A bill to amend the tobacco marketing quota provisions of the Agricultural Adjustment Act of 1938; with amendment (Rept. No. 1423). Referred to the Committee of the Whole House on the State of the Union.

Mr. GARMATZ: Committee on Merchant Marine and Fisheries. S. 322. An act to restrict the disposition of lands acquired as part of the national wildlife refuge system; with amendment (Rept. No. 1424). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. FEIGHAN: Committee on the Judiciary. H.R. 2478. A bill for the relief of Josefina Policar Abutan Fuliar (Rept. No. 1405). Referred to the Committee of the Whole House.

Mr. CAHILL: Committee on the Judiciary. H.R. 5029. A bill for the relief of Maria Baluardo Frasca; with amendment (Rept. No. 1406). Referred to the Committee of the Whole House.

Mr. MacGREGOR: Committee on the Judiciary. H.R. 6673. A bill for the relief of Lee Ok Ja; with admendment (Rept. No. 1407). Referred to the Committee of the Whole House.

Mr. DOWDY: Committee on the Judiciary. H.R. 11322. A bill for the relief of Ricardo Siguancia Rosario; with amendment (Rept. No. 1408). Referred to the Committee of the Whole House.

Mr. RODINO: Committee on the Judiciary. H.R. 12071. A bill for the relief of Sung Nan Lee; with amendment (Rept. No. 1409). Referred to the Committee of the Whole House.

Mr. DONAHUE: Committee on the Judiciary. H.R. 12378. A bill for the relief of Demetroula Georgiades; with amendment (Rept. No. 1410). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 12850. A bill for the relief of Ku Eun Yong (Rept. No. 1411). Referred to the Committee of the Whole House.

Mr. RODINO: Committee on the Judiciary. H.R. 13863. A bill for the relief of Choi Sung Joo (Rept. No. 1412). Referred to the Committee of the Whole House.

Mr. DONOHUE: Committee on the Judiciary. H.R. 13912. A bill for the relief of Angeliki Giannakou; with amendment (Rept. No. 14–13). 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. BENNETT:

H.R. 17439. A bill to eliminate hunger in the United States; to the Committee on Agriculture.

By Mr. BOGGS:

H.R. 17440. A bill to create a marine resources conservation and development fund, to provide for the distribution of revenues from Outer Continental Shelf lands, and for Judiciary.

By Mr. CRAMER:

H.R. 17441. A bill to amend title 28 of the United States Code, "Judiciary and Judicial Procedure," and incorporate therein provisions relating to the U.S. Labor Court, and for other purposes; to the Committee on the Judiciary.

By Mr. DELANEY:

H.R. 17442. A bill to amend the Internal Revenue Code of 1954 to exclude from gross income the first $1,500 of the annual income of a retired veteran; to the Committee on Ways and Means.

By Mr. DOLE:

H.R. 17443. A bill to provide for an investigation and study of future water needs of the Missouri River Basin; to the Committee on Public Works.

By Mr. McDADE:

H.R. 17444. A bill to provide for improved employee-management relations in the Federal service, and for other purposes; to the Committee on Post Office and Civil Service.

H.R. 17445. A bill to insure that public buildings financed with Federal funds are so designed and constructed as to be accessible to the physically handicapped; to the Committee on Public Works.

By Mr. PODELL:

H.R. 17446. A bill to authorize preschool and early education programs for handicapped children; to the Committee on Education and Labor.

By Mr. PURCELL:

H.R. 17447. A bill to amend the Federal Food, Drug, and Cosmetic Act to include a

definition of food supplements, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. ROYBAL:

H.R. 17448. A bill to amend the National Housing Act to provide for a national program to improve the availability of necessary insurance protection for residential and business properties against fire, crime, and other perils, through the cooperative efforts of the Federal and State Governments and the private property insurance industry, to provide rehabilitation assistance for low-income property owners whose properties do not meet reasonable underwriting standards, to authorize Federal reinsurance with appropriate loss sharing by the States against insurance losses resulting from riots and other civil commotion, and for other purposes; to the Committee on Banking and Currency.

By Mr. SCHADEBERG:

H.R. 17449. A bill to amend the Internal Revenue Code of 1954 to grant an additional income tax exemption for each dependent of the taxpayer who is permanently handicapped; to the Committee on Ways and Means.

By Mr. BINGHAM:

H.R. 17450. A bill to provide support for public elementary and secondary education in the United States; to the Committee on Education and Labor.

By Mr. HANLEY:

H.R. 17451. A bill to amend title 5, United States Code, to provide certain services for Government employees in order to assist them in preparing for retirement; to the Committee on Post Office and Civil Service.

By Mr. GRAY:

H.R. 17452. A bill to amend the Internal Revenue Code of 1954 to provide that any unmarried person who maintains his or her own home shall be entitled to be taxed at the rate provided for the head of a household; to the Committee on Ways and Means.

H.R. 17453. A bill to amend the Internal Revenue Code of 1954 to increase from $600 to $1,200 the personal income tax exemptions of a taxpayer (including the exemption for a spouse, the exemptions for a dependent, and the additional exemptions for old age and blindness); to the Committee on Ways and Means.

By Mr. McCLURE:

H.R. 17454. A bill to enable the Secretary of Agriculture to extend financial assistance to desert-land entrymen to the same extent as such assistance is available to homestead entrymen; to the Committee on Agriculture.

By Mr. QUILLEN (for himself and Mr. RIVERS):

H.R. 17455. A bill to provide that a headstone or marker be furnished at Government expense for the unmarked grave of any Medal of Honor recipient; to the Committee on Armed Services.

By Mr. EDWARDS of Alabama:

H.J. Res. 1279. Joint resolution proposing an amendment to the Constitution of the United States to provide for the popular election of the judges of the Supreme Court, the circuit court of appeals and the Federal district courts; to the Committee on the Judiciary.

By Mr. FARBSTEIN:

H.J. Res. 1280. Joint resolution to provide that it be the sense of Congress that a White House Conference on Aging be called by the President of the United States in 1971, to be planned and conducted by the Secretary of Health, Education, and Welfare to assist the States in conducting similar conferences on aging prior to the White House Conference on Aging, and for related purposes; to the Committee on Education and Labor.

By Mr. BARRETT:

H. Res. 1183. Resolution to authorize the printing, as a House document, of the committee proceedings honoring the start of the 40th year in Congress of Hon. WRIGHT PATMAN; to the Committee on House Administration.

By Mr. RUPPE:

H. Res. 1184. Resolution the Middle East nonproliferation treaty on conventional weapons; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

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

By Mr. ADDABBO:

H.R. 17456. A bill for the relief of Letizia and Saverio Genna; to the Committee on the Judiciary.

By Mr. BURKE of Massachusetts:

H.R. 17457. A bill for the relief of Roberto V. Castaneda; to the Committee on the Judiciary.

H.R. 17458. A bill for the relief of Manlio DeGrandis; to the Committee on the Judiciary.

By Mr. BURTON of California:

H.R. 17459. A bill for the relief of Gianfranco Sandri, and his wife, Fiorella Borgatti Sandri; to the Committee on the Judiciary.

By Mr. BUTTON:

H.R. 17460. A bill for the relief of Armando B. Figueroa, M.D.; to the Committee on the Judiciary.

By Mr. EDWARDS of California:

H.R. 17461. A bill for the relief of Alfredo Augusto Maciel; to the Committee on the Judiciary.

H.R. 17462. A bill for the relief of Mrs. Maria Elvira Maciel; to the Committee on the Judiciary.

By Mrs. HECKLER of Massachusetts:

H.R. 17463. A bill for the relief of Barba Francesco; to the Committee on the Judiciary.

H.R. 17464. A bill for the relief of Degennaro Sabato; to the Committee on the Judiciary.

H.R. 17465. A bill for the relief of Antonio Trinchese; to the Committee on the Judiciary.

By Mr. HELSTOSKI:

H.R. 17466. A bill for the relief of Graziella and Liboria Spinnato; to the Committee on the Judiciary.

By Mr. MESKILL:

H.R. 17467. A bill for the relief of Slavko Firman; to the Committee on the Judiciary.

H.R. 17468. A bill for the relief of Edmund Kaminski; to the Committee on the Judiciary.

By Mr. MOORE:

H.R. 17469. A bill for the relief of Mr. Morris Moshe Chachmany; to the Committee on the Judiciary.

By Mr. O'NEILL of Massachusetts:

H.R. 17470. A bill for the relief of Thomas Dowling; to the Committee on the Judiciary.

H.R. 17471. A bill for the relief of Jose Costa Marques and Almerinda de Matos Sao Marcos Bom and their minor child; to the Committee on the Judiciary.

H.R. 17472. A bill for the relief of Amalia Placidi; to the Committee on the Judiciary.

By Mr. PELLY:

H.R. 17473. A bill for the relief of Patria M. Cordero; to the Committee on the Judiciary.

By Mr. POLLOCK (by request):

H.R. 17474. A bill to authorize the Secretary of the Interior to consider a petition for reinstatement of certain oil and gas leases; to the Committee on Interior and Insular Affairs.

By Mr. RESNICK:

H.R. 17475. A bill for the relief of Phillipp G. Leclercq; to the Committee on the Judiciary.

By Mr. VANIK:

H.R. 17476. A bill for the relief of Mohammed Mehdi Saghafi; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII,

322. The SPEAKER presented a petition of the City Council of the city of Trenton, N.J., relative to truck size and weight limitation on interstate highways; to the Committee on Public Works.

SENATE—*Wednesday, May 22, 1968*

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

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

O God our Father, our spirits are restless until they find the rest of Thy presence; our hearts are empty, our lives barren, our plans futile, until Thou dost possess our very souls.

At this high altar in the temple of public service, maintain, we beseech Thee, in those who here represent the people, the fidelity of those to whom much has been given and from whom much will be required.

In our hearts, we cherish the golden heritage that has been given us through the virtue and valor of those whose records within these legislative halls have helped to make the greatness of our free land.

In the midst of all that saddens and perplexes in this difficult, yet splendid day, give us an inner radiance, not knowing that our faces shine, but humbly glad that in a world that lieth in darkness we are the children of the light.

In the dear Redeemer's name. Amen.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Journal of the proceedings of Tuesday, May 21, 1968, be approved.

The PRESIDENT pro tempore. Without objection, it is so ordered.

OBJECTION TO COMMITTEE MEETINGS DURING SENATE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that all committees be authorized to meet during the session of the Senate today.

Mr. CARLSON. Mr. President, I am somewhat embarrassed to object this morning, but I shall have to do so, at the request of the minority leadership. I say it is embarrassing for this reason: It has been my hope that the ad hoc committee of the Committee on Foreign Relations could meet this morning to discuss and hopefully recommend to the full