As you know, under social security each quarter the employer has to send in a report for every single employee; he has to give the total wages for that employee during that quarter, and the amount of tax that is deducted from his wage.

Under our proposed plan the only kind of report he would have to give in each quarter would be for all his employees put together. He would not have to put it down for each employee separately. He would have to show the total amount of wages paid, the total amount of taxes withheld.

That quarterly report is essentially a transmission document for the money he remits. He would have to give a separate report for each employee only at the end of the year, once a year. So that the quarterly return he has to make is much simpler than under the social-security system, and for that reason I think that you would have a good deal less delinquency.

Senator GERRY. Would have have to swear to the annual report of each employee, or did you take that out?

Mr. FRIEDMAN He just has to swear to the covering document.

Senator GERRY. Just one document?

Mr. FRIEDMAN. That is right. The reason I emphasize that is because I know one of the reasons you have a good many delinquent returns under social security is because it is quite a nuisance to prepare these statements for each individual employee. Many times the employer will just wait for the collector to come around and prepare it for him.

You will not have that problem quarterly with this system, because all they have to do is put down the total amount of money they have paid out and the total amount of money they have deducted. So, on that score, I think delinquencies would be less under this scheme than they would be under the social-security plan.

One more point might be made about this problem of Federal, State, and local government agencies.

We interviewed some of the specific offices in New York, the board of transportation, for example, and in other cities, and also one of our men in Chicago talked to an association there, the name of which I have forgotten for the moment, but it is an association of municipal and local governments, and the people who run that association were most cooperative.

They said immediately this bill became law they would start to prepare material for localities and municipalities that were their members, telling them exactly how to go about handling the withholding returns, and giving them a great deal of information and help, and these people thought that there would be no problem at all but there would be cooperation from their members.

That applies to the cities and municipalities. We, of course, did not cover the States.

One more point on that subject that is worth going into is on this table that is at the bottom of Mr. Paul's statement. It gives at the top the number of people who would be subject to withholding. You will notice in the last column, at the top, there is a total of 27,000,000 people who would be subject to the withholding tax, that is, people who would have money withheld from their salaries.

Of those 27,000,000 people, only three and one-half million are Federal employees and State and local employees. So that, while there is a very real problem there, it relates to a relatively small part of the total that this system would cover. Some 23,500,000 employees are now covered by the social security, or the railroad retirement plan, and they are the big bulk.

Now, to go on with the administrative problem, what I would like to do, if I may, is not to describe in great detail every step in the process, but, rather, to indicate the points at which what the people are required to do under withholding replaces what they are now required to do.

I think one factor that gives rise to some misunderstanding is that the withholding is interpreted as entirely new and completely in addition to what people are now doing. It is not that at all. That holds true even for industry.

Much of what is required under withholding replaces what they now do.

The first step under withholding is for the employer to find out from his employees whether they are single or married and how many dependents they have, and we have provided a form for that. Now, a good part of that the employer must now do, because when he files the information return, the forms 1099, showing the total wages he has paid to an employee, he is required to indicate on that whether the employee is single or married. He does not have to indicate the number of dependents, but he does have to fill out whether he is single or married.

A great many concerns now make it standard practice, before they file their information returns, to get in contact with each of their employees and to have the employees indicate on the statement what their present addresses are, and whether they are single or married.

I know the A. T. & T., for example, in most of their principal branches, do that. Mr. Gretz has said they do. Now, you see, insofar as they do that, what they are required to do under this plan replaces what they are required to do already, it does not add to it. It merely means that the employee has to fill out a bit more information, but the employer has nothing more to do. He distributes these forms to the employees for the employees to fill out, just as he does now.

So that first subject of getting the information on the marital status is not completely new. A large part of it duplicates what he now does. The new part is what comes in between figuring out for each employee the amount to be withheld, subtracting that from his wage or salary and remitting that amount to the collector every quarter.

Senator DANAHER. Before you go on any further, it is a fact, is it not, that under the proposed amended withholding plan, the information return, as it now exists, would be done away with anyhow?

Mr. FRIEDMAN. Absolutely. It would be replaced.

Senator CLARK. So it is substituting one form for another.

Mr. FRIEDMAN. That is right. They are going to come to that at the end of the year. In the middle of the year, or during the year when he is actually withholding the tax and turning that over to the Federal Government, that is new, that is additional, but it is not a new process for him, it is identically what he does now under the social security.

The only difference between that and social security is that he has a slightly different method of figuring the withholding. Instead of multiplying the wage by 1 percent, as he now does, or by 2 percent as you will after January 1, 1943, he looks it up on a table, or he makes a computation.

But the process of deducting it from the salary, or accumulating the amount so he knows how much he is taking from each employee and of paying it over to the Government follows in every detail what he now does under social security.

Now, we come to the end of the year. At the end of the year, he is required to send in a statement for each employee with the amount of wages he has paid him during the year, and the amount of taxes he has deducted, and that statement is almost the same as the present information return. This would do away entirely with the present information return, as Senator Danaher has remarked.

So, on the question of the amount of work, that is not an additional work. The only respect in which it is additional is that he now has to file the information return only for employees, if single, who earn more than $500 a year, under the House Ways and Means Committee bill, or for married people who earn more than $1,200. Under the withholding plan he would have to file such a return for all people from whom he withheld the tax, and that would be a larger number of persons.

So there is more work, because he has to do it for more people, but it is not entirely new or additional, for he saves all of his present work on information returns.

Now, it might be worth noting one point there, that in our plan as originally designed, you have a slightly different problem because we anticipated that he would enter that amount of money and that amount of tax on the same piece of paper on which he got the information from the employee at the beginning of the year about whether he was married, or single, and so on, and so forth.

The Ford Motor Co., especially, when we talked to them, objected to that procedure, because they said if they sent out these slips to the employees and for them to hand back, when they came back they would be grimy, dirty, and they could not put them through their machines, so they asked could we not give them two forms, one form at the beginning of the year to get the employee's status and another at the end of the year where they would fill out the information return just exactly as they do now.

So we modified that procedure to make it possible.

Senator DANAHER. The employer to retain the employee's statement and not send it in to us?

Mr. FRIEDMAN. That is right, but he would be required to retain it in his file so there would be a signed, certified statement, and if any question comes up we could go to the employer to get it.

A small employer would not want to do that, he would want to do what we first proposed. It would be simpler for him. But for the large employer it means he would get that file entered on his records and then forget about the file. I know the Ford people said that that would greatly simplify their task.

It is a very minor change, but it illustrates the type of change we have tried to make in response to the very practical problems such employers raised and that we had not foreseen.

That about completes the job for the employer. The withholding tax replaces the old information at source system. The additional problem is actually taking the money out of each pay envelope and accumulating it and paying it to the Government.

His quarterly return under this plan is much simpler than the quarterly plan under the Social Security. I do not think there is one employer that we went to that did not say, "Now, for God's sake, don't make us give a report for each quarter for each employee."

Senator DANAHER. On your master return, let me call it, the annual return, will he show the actual number of days worked, the period worked per employee?

Mr. FRIEDMAN. No.

Senator DANAHER. That would still be a matter of his own records anyhow?

Mr. FRIEDMAN. That is right. I am glad you raised that question, Senator Danaher, because one of the points that has aroused misunderstanding was the statement in the law that this return would show the period of employment covered.

All we have in mind by that would be, it would show whether the wages were for calendar year 1943 or for calendar year 1942. If the employer dismissed the employee, or if the employee left on July 1, let us say, the return would show this was for the period of calendar year 1943 up to July 1, but it would not show the number of weeks he had worked, or the number of days he worked. It would not have to show whether it was January, March, and April, or whether it was January, February, and March.

So, I am afraid some of the employers were misled by that statement in the law.

Senator GERRY. Is not one of your difficulties where there is a large increase in the factory due to war work and it increased the number of employees for a certain length of time and then they let them go, or they have a great many transient employees? Is not that one of the big difficulties, like these big contractors have, say?

Mr. FRIEDMAN. The employee who is employed, let us say, for 2 or 3 months raises no more problem than the employee who is employed for the whole year. He is treated just like the other fellow. The employer does not have to worry about where he goes to or where he came from.

When the employee comes into the hiring office and is hired, the personnel people will get from him this slip showing what his status is. That will be entered on the pay-roll record, when they make it out for him.

Senator GERRY. Yes; but where you have transients like that, of course, you are bound to increase your bookkeeping, because every new man that comes in you have to start with an original slip. Where you have a steady business, which may be very big or may be very small, a business that runs on the same scale from year to year, I do not imagine you have that problem.

The social-security statement, for example, must show exactly what you are going to put down, but it does not involve the detail of where you are starting out with a new type of work, a new development, and where you have a number of transient employees, if I may use that term.

Mr. FRIEDMAN. Senator Gerry, the employer, in any event, now even without withholding at source gets a personnel record for his files from each employee he hires, and in all cases he has to set up on his books for Social Security, if for no other reason, a separate account for the person. Now, he has to do that anyway, so that the only additional thing that this involves is that he gets the employee at the beginning to tell him if he is married, and if so, how many dependents he has, and he enters that on this same employment record that he has to have anyway.

The only addition is getting this information at the beginning and making this report at the end.

Senator GERRY. It does mean additional work, because you have got many more people.

Mr. FRIEDMAN. That is right.

Senator GERRY. And, of course, it enters into your Treasury difficulties, your Internal Revenue difficulties, because you have got the scattered reports coming in from all over the country of these transitory employees.

Mr. FRIEDMAN. You are certainly right on that point. The problem of this moving about is more serious from the Bureau's point of view than it is from the employer's point of view. He does have more reports, but it is worth pointing out that much of the work for that additional report he has to do for the Social Security anyway.

One of the items on that report is the total amount of wages that this man earned during the period, and he has to get that anyway for Social Security. That is not additional work; the only addition is to add up the amount of taxes he has deducted.

So far as the real transients are concerned, if I may use that term, the waiters employed over at the Raleigh Hotel at a banquet, that would raise a very serious problem. To meet that problem, we have suggested here, as Mr. Paul indicated, that if an employer had hired an employee for less than a week and paid less than $11, he would not have to fill out one of these forms.

Senator GERRY. Of course, you would get those cases, but those are much rarer cases. What I am thinking of is your large war work proposition, where you are bound to have a lot of transients, the sort of people who only go to work until they get a certain amount of money and then they move on, or for other reasons. You are bound to have more of them.

Mr. FRIEDMAN. We have one very interesting company that we interviewed up in Canada on that line, if you are interested in it, and that is the John English Co., that are making the Bren machine gun. Originally, 2 or 3 years ago, they were nothing but a small factory employing two or three hundred employees, and the factory now has 10,000 employees and is growing every day.

We went through their fiscal system in great detail. They were kind enough to show us the machines they were using and the actual forms that they were using. They have built up from a few hundred to 10,000 in the course of just a couple of years. The operations they had to go through in performing the collection-at-the-source function were identical, the machine operations were identical, with those that an American employer would have to go through under that scheme.

Now, as I say, we talked to them at great length, and they do not seem to be seriously troubled by the particular problem you are raising. They had, of course, the problem of building up their system so rapidly to meet such a rapid expansion of employees. I quite agree with you that, similarly, an American plant that was expanding very rapidly will have a problem anyway, but the additional problem raised by this is not as serious as it might at first appear.

Senator GERRY. I question whether your Canadian situation is comparable with ours. For example, Canada has been in the war longer. It is a very much smaller country. It is very much easier to administer, as a general proposition, because you come into Ontario, and certain sections of the country where your manufacturing is, and I think that is rather a different problem, especially on the transitory feature, from our problem here, where people go from one place to another and the whole concentration has not developed to anything like the degree it has in Canada, or you haven't got the same situation.

Now, did you go into the Province of Quebec, for example, and try to find out what they are doing there?

Mr. FRIEDMAN. No; we did not go into the Province of Quebec.

Senator GERRY. Because you have got a real problem there.

Mr. FRIEDMAN. On account of the language problem.

Senator GERRY. Yes.

Mr. FRIEDMAN. The English people were telling us they were replacing as many people as they could by women.

Senator GERRY. You have got Toronto, Ontario, and those cities where you have got a very strong English tie. They have been in the war much longer. I think you have got a slightly different problem in Quebec.

Senator DANAHER. Let us see if this is not the fact: Administratively, the headache will be the collector's and the employee's, rather than the employer's in the case of the drifters.

Mr. FRIEDMAN. That is right. I think that is entirely right in the case of drifters.

Senator DANAHER. The employer, in the last analysis, may have to make more computations if he turns a man over 12 times a year than if he keeps the same man on the rolls a year. The return to you and the payment to you will be the same in each case, would it not?

Mr. FRIEDMAN. I think that is entirely right. The drifters raise more of a problem for the collectors and for the employees in keeping their receipts and putting them together.

Senator DANAHER. It is to the man's self-interest to make certain that he has got the receipts, or else he will not be able to get credit for the tax that is due, is not that true?

Mr. FRIEDMAN. Just with one qualification. Under the plan as proposed, if he does not have the receipts, he can still get credit for the tax, but he cannot get a quick refund if he has overpaid.

If he has not overpaid, there is no problem.

Senator DANAHER. That is self-policing to that extent, anyway.

Mr. FRIEDMAN. That is absolutely right.

Senator GERRY. Now, what happens if he has made a mistake and not withheld enough?

Mr. FRIEDMAN. If accidentally he does not withhold enough, nothing will happen. All that will happen will be that at the end of the year the employee will claim credit for a smaller amount than he should have been able to claim credit for.

Of course, if any employer systematically withholds a greater amount than he should, that would be a matter for investigation by the Bureau and for checking.

One of the great advantages of having the collection at the source linked with a regular income tax instead of having it entirely separate is that you have room for that type of adjustment. If, for example, you were collecting at the source, and that was all there was to it, it would be awfully important to make sure that there were absolutely no mistakes whatsoever, because it would be to the detriment of the employee and to the detriment of the Government, but on a system like this, where at the end of the year the employee takes credit for the amount withheld and pays the rest, or where he can get a refund if too much has been withheld, minor errors do not cause much of a serious problem.

If an employee pays slightly more of his tax in advance than he otherwise would, that does not involve any permanent loss upon him, that does not involve any permanent loss to the Federal Government. I think that is one of the great virtues of maintaining the collection-at-the-source system and linking it with the regular income tax, because it gives you a margin for error, it gives you some leeway.

We can afford to use a simple table, like the one you have seen, which is not precise, just because it is a prepayment and it is not a final liability.

Senator DANAHER. Just curiously, I sometimes do have an idea, and I just had one.

I am wondering if you cannot integrate the possibility of allowing your employee, in case of suspected excessive withholdings, to pursue his complaint through the State departments of labor and factory inspection when available, and just tie in the possibility of utilizing already existing machinery where there are spot checks going on constantly, where there are Government and State employees in the State and Federal inspection services already, where they have the employer's records both as to individuals and as to the totals.

Mr. FRIEDMAN. I think that is an excellent idea, Senator Danaher.

Senator DANAHER. Now, this is a question that you have not covered. What are you going to do with the wife that is working and the husband that is working and each claims the credit? What is the employer's relation to that particular problem?

Mr. FRIEDMAN. On the slip which the employee fills out on his status, there is a question as to whether his wife is working. If he says his wife is working, the employer gives him only half the exemption for a married person whose wife is not working.

That is why, if you will notice, on that table there is a blank there for a married person whose spouse is employed.

In order to prevent injustice in those cases where the spouse may work only casually, for example a man's wife may clerk in a store for a week during the year; it would not be fair to give the man only half the exemption throughout the whole year.

The form also carries a question whether the spouse receives wages for regular services or for casual services. If the wife receives wages for casual services, the employer will give the husband the full exemption, but if the wife receives wages for regular services, the employer will give the husband only half the exemption. So that, I believe that problem is taken care of.

Senator GERRY. Now supposing the wife is working and the husband certifies that she is not, and she is working in one city, and he is working in another, and they both claim the total exemption? That means you have got to check up on them, the Treasury has got to check up on them; does it not?

Mr. FRIEDMAN. Well, the employer, of course, in that case, may I point out first, is entirely relieved from any responsibility. His only responsibility is to accept the employee's statement and put it into effect.

Of course, the Treasury does have to check it up, just as we now have to check it up on the information that people put in their annual returns once a year. What we would presumably do would be to make spot checks during the year on this type of thing and have the full check at the end of the year. I grant you there may be some cases of evasion through that method, but it is worth noting that that problem is not worse under this system than it now is, because under the present law if you do not withhold at all it is not until next January or February or March, when the man files his return, that you have a chance to check up on him.

If the husband and wife file wrongly you will have a chance to check up on them at that time. Under this, Senator, you can still check up on them at that time, but in addition, under this scheme, you can check up on them in advance.

Senator DANAHER. In any event, you would divide the credit between the two.

Mr. FRIEDMAN. Senator Gerry was citing the example where the husband had made a deliberate misstatement and said his wife was not working when she really was. Of course, there are very severe penalties provided for such misstatement.

We would catch up with him eventually, no question about that, because at the end of the next year we would put together his statement that his wife was not working and his wife's statement that she was working, and together with those statements would come the information from the employers that they were both working.

Senator GERRY. Probably, under that scheme, they would both work under different names.

Senator DANAHER. Yes; and they do right now, as a matter of fact.

Senator GERRY. They do right now. The only thing is, with the incentive of high wages, and that sort of thing, you are much more apt to have that sort of evasion attempted.

Of course, you have the other point that Senator Danaher raised, if you start checking up with the different agencies. There you could delay things terrifically, because if a lot of different agencies can go in and have a look at the books, especially in different localities, you are going to have the employers object to all the time having his records gone into.

I think on that point you will probably have to have one responsible head that does it, like the Treasury, that checks up, otherwise you would never stop having the books investigated.

Mr. FRIEDMAN. I think there is no question at all, Senator Gerry, but that there is room in this system, as in any system, for some evasion.

Senator GERRY. Yes.

Mr. FRIEDMAN. But the important thing, it would seem to us, is that there is no additional room for evasion over and above what there is in the present law, and there is much room for evasion under the present law. If this husband and wife wanted to both assume different names and file two income tax returns, both claiming the marriage exemption, say the husband filed as Mr. Jones and claimed the $1,200 exemption and the wife filed as Mrs. Smith and claimed the $1,200 exemption, you would still have the problem of trying to catch them.

So that those problems are all with us now.

Senator CLARK. That is prima facie evidence of fraud.

Mr. FRIEDMAN. It certainly is.

Senator GERRY. It is prima facie evidence of fraud, and the only question that passed in my mind is, would it be more difficult for the Treasury to check up on it? I doubt it.

Mr. FRIEDMAN. It would be the same problem, I think, as we have now.

Senator GERRY. I was just raising the question.

Mr. FRIEDMAN. Yes, sir.

Senator GERRY. I think the problem might be the same. Of course the only thing I can see, there is more incentive in this to do it, because you are withholding more.

Mr. FRIEDMAN. But there is no more incentive with the same tax rate. You ultimately have the same incentive. In fact, I would say the incentive is less. Let me explain why I think that.

You come to the end of the year with no withholding and you are suddenly faced with the problem of paying a lot of money in tax and you do not have that money, you scratch your head trying to figure how to get out of it, and one way to get out is to claim more exemption than you are entitled to. Under this plan you file your report with the employer at the beginning of the year, in advance, before you have any problem of paying the entire withholding. The money is going to be withheld, they are going to pay it in small amounts each week.

You know your employer is going to be awfully annoyed at you if you file erroneous information and he finds out about it, not because it is his business to check up on it, but he is not going to trust an employee who gives him wrong information for any purpose. I think it is more likely, for those reasons, that you will get correct information on this exemption certificate than you will at the end of the year when you suddenly come up against the problem of paying the income tax, and when you are dealing with the impersonal Federal Government and not the employer.

Senator GERRY. I think the Government would be more apt to catch up with him, in the long run, with this system. I think there is no question about that. I think you have made a good answer on that.

Mr. FRIEDMAN. So far as Senator Danaher's point is concerned, there is one point that I think ought to be mentioned, and that is that the employer has no incentive to withhold too much, unless he intends actually to abscond with the money, unless he intends not to turn over to the Federal Treasury the actual amount he has withheld.

I do not believe we are going to have many people like that, and I do not believe it is going to be difficult to catch people like that.

Senator DANAHER. Let me add, in further reply to Senator Gerry's comment about a surplus of agents having access to books, that my comment was limited to those cases of evasion to which you had already referred, Senator Gerry, and, second, to the fact that the unemployment compensation officers who are already on the job under existing law have complete records and, moreover, have access to records and do make complete checks all the time. Consequently, any individual employee complained that there was an intentional withholding of an excess from him, I was simply saying if you gave to such an employee access to an agency that is already on the ground and has that particular complaint run down, that the Treasury could take the result of the investigation and could make its report. You would not have to duplicate it, you would not have to duplicate what the Government is already paying for, and that is an inspection service that runs into every State. In my State there are at least 1,300 employees in the unemployment compensation division alone. So, you have got a considerable staff right on the ground, Senator.

Most of us overlook the fact that we have got a lot of agencies that we can utilize.

Senator GERRY. I think I misunderstood what you had in mind.

Mr. FRIEDMAN. I would like to point out in that connection, one additional thing, and that is that for almost 2½ million out of the 2,700,000 employees, you are already checking on them. You get almost the same figures for social security, the basic wage figures which are going to be the base of your check are the same essentially, with very minor differences, under this plan as under social security.

You already have a field staff that is investigating already those exact, same items and in that connection you have no really very great additional problem, because the Bureau of Internal Revenue handles that, of course. They already have their people out in the field checking on the social security returns. The same check does for both, except for the accuracy with which the employer computes the amount to be withheld. That is the only additional item, and that I do not think would be very serious, a very serious problem, because if the employer does not understate or misstate his wages for social security taxes, he is not going to misstate the amount he withholds for this purpose, because he has just as much an incentive in the one case as in the other.

Senator DANAHER. You will find the wages-and-hours law inspectors and the unemployment compensation people have almost always got it at hand.

Mr. FRIEDMAN. One of the things that employers repeatedly emphasize, that we had not realized along that line, is the extent to which they have had to change their records in order to comply with the wages-and-hours law. We have not realized the extent to which they have changed their pay periods to comply with it.

We have had people who paid semimonthly, and they paid—or they changed to pay weekly or biweekly, because the wages-and-hours law required them to pay on a weekly basis.

Senator CLARK. Of course, that is one of the complaints that I get most frequently from businessmen all over the country, is the diversity of forms that they are required to make out. A fellow will say he has already had the necessary information set up on his books by his own accountants and his own auditor, and then the O. P. A. will come along and require him to set up the same information on an entirely different set of forms, or the W. P. B. will require him to set up the same information on an entirely different set of forms, and the Social Security will do likewise, and so on.

The businessman claims that is a very great burden on him. In many cases, the same information is required by different bureaus to be set up on different forms.

Mr. FRIEDMAN. I think they have a very fundamental complaint on that score. We require the employer, for example, to make his quarterly report on a simple, 1-page form, which is identical with the first part of the more detailed Social Security form. In addition to that, the only other form the employer has to deal with is this form on which he reports the amount of wages and the amount of taxes, and that is replacing the information form that he now has to use.

That is not a new form, it just takes the place of what he is already using. So the only additional form we are introducing into this is the simple, 1-page form that accompanies the remission of taxes.

Senator DANAHER. You do not mean remission, you mean remittance, don't you?

Mr. FRIEDMAN. You are right, yes; I mean the remittance of taxes.

That is the only additional form, and that is practically identical, the top part is, with the Social Security form.

I note the objection that there is additional work involved, and that was the actual deduction of the amount each week from the employee's pay. Now, it is worth emphasizing in that respect that that too, entirely aside from Social Security, is not a new operation. We ask the employer in every case how many deductions he is now making from his pay.

We found 1 employer who is making over 20 deductions from the pay checks. The average number of deductions runs about 8 or 9.

Mr. PAUL. What were some of those other deductions?

Mr. FRIEDMAN. There were, of course, Social Security and War Bonds, the two that practically everybody had. Union dues are very widespread. Advances for vacations and for sickness, an insurance scheme that the plant had for perhaps medical insurance or hospital insurance, Red Cross, Community Chest, a deduction for badge fees, the amount that they paid for the badge, a deduction in one case, as I remember, for glasses that the firm sold to the employees because it was a type of work in which they need a special kind of glass.

Senator DANAHER. A retirement fund, probably.

Mr. FRIEDMAN. Yes, a retirement-fund deduction; a deduction, in the case of coal mines, for example, for goods bought at the company's store, and in some places for rent in company houses. I cannot remember very many of the others, but we were just amazed at the number.

We would say to an employer, when we first started, "Now, you have 1 or 2 other deductions," and he would start listing them, and lo and behold, there would be 10 or 12. The problem of deductions is not a new problem for the employers. They know how to do it.

Senator DANAHER. One of the leading officials of the American Federation of Labor sitting next to me at dinner not long ago told me that in one of the largest plants in a New England State which he has had occasion to investigate, the largest single payment in cash was $5.74, all the balance having been taken out of the employee's pay checks by way of deductions on one or another of these bases you mentioned. $5.74!

Mr. PAUL. There might be garnishee orders in some of these cases.

Mr. FRIEDMAN. We never heard an employer mention garnishee orders, I might say.

I think that about covers the problem for the employers, and I think it really is worth emphasizing that it is much less bad than it looks offhand, because to the extent to which it replaces the present work and to the extent to which it duplicates what he now has to do, it does not add any additional burden on him. I think there is no question but if you tried to introduce this in 1925, or 1935 even, before the social security system had gone into effect, it would have been a tremendously greater problem.

I think the introduction of the social-security deduction was a much greater problem than this, just because you were starting something brand new, you were giving the employer new operations to perform that he had never performed before. Now he is used to it, he knows how to handle it, he has got the set-up to handle it, and it is much less serious than it would have been if you had not had all the experience with social security, with union-dues deductions, with war-bond deductions, and the like.

I think many of the estimates that the employers had given on the extra cost and the extra machine needs are definitely overestimates, simply because they had not worked out the plan in detail.

As they have time really to fit the plan into their operations, and especially the business-machine companies have time to absorb it and to give advice to their clients about ways to handle it, the extra work is going to diminish.

I know I myself was in Detroit, interviewing employers there, and we went to the business-machine companies, the Elliott Fisher and the Sundstrand Co., the Burroughs Co., and the International Business Machines Co., and in the course of our discussions with them we were able to work out three, or four, or five, or six different things that we had never thought about before, that would reduce the work of handling this on the different machines these people had.

All the people told us once this thing went into effect, they would get their people immediately to working out simplifications in handling it, and would immediately advise their clients about the simplifications, and would help the clients in figuring out ways to put it on the books.

That kind of thing that you can foretell in advance makes a tremendous difference.

Let me give you one example. We visited the Detroit Timken Axle Co. in Detroit. They were using the International Business Machines setup. They figured they would need several additional machines of several expensive types, or multiply their machine forms, or multiply the books. When we talked to the I. B. M. people who service this outfit, we worked out with them a scheme that would eliminate the additional machines, and they developed a very simple process that they could handle on the present machines. The people at the Detroit Timken Axle Co. could not have conceivably thought of that in advance, but they will be informed by the I. B. M. people about the possibility of using this system. Their need for the machines, which we included in our figures because they stated they needed them, will be completely wiped out.

I am personally convinced there will be many cases of that type in here.

I would like to pass on, if I may, to the dividend part of it. What we are requiring of them on the dividend part of it is not all new. As you know, they now have to furnish information at the end of the year for every person to whom they have paid dividends of more than $100 a year. That covers about 40 percent, or something like that, of the people to whom they pay dividends.

But in order to know whether they are going to pay a person more than $100 a year, they have to keep track of a great many people, a great many more people than that, because they do not know until the final dividend is declared and the final dividend is paid, and they do not know because a person may buy more shares of stock in the meantime, they do not know until the end of the year to which people they are going to pay more than $100. In fact, they give reports for 40 percent, they keep the records now for perhaps 60 or 70 percent of the people, and the records that they would have to keep under this system would be identical. They would have to accumulate the total amount of dividends paid, and 5 percent of which to people who were subject to the withholding would be withheld and they would enter that on the same kind of form that they now use, Form 1099.

Under our revised procedure they could run off a duplicate of that at the same time that they were making it. Almost all of these people make it on special forms, on the fanfold type of typewriters, and they could very easily have a carbon slipped in. They could use that duplicate as a receipt to send to the dividend recipient and they are through with it. They do not have any extra operation at all except to send this receipt to the dividend recipient, and they can do that by inclosing it either in the last dividend check of the year, or the first dividend check of the next year, so they do not have the additional mailing.

Senator DANAHER. Or the next stockholder's letter telling them where there is no dividend.

Mr. FRIEDMAN. Yes.

Mr. PAUL. I noticed in this morning's paper the dividend deductions had not been as serious as had been anticipated.

Mr. FRIEDMAN. The only other additional work the dividend recipient has to do is on these exemption certificates that corporate owners and individuals with low incomes now file.

Now, what happens is this: The corporation, or the dividend payer, now maintains a dividend record. What he would do is to separate that dividend record into two parts, one part for people from whom they could receive exemption certificates, but that part they would do everything exactly as they are now doing, except at the end of the year they would send us the exemption certificate indicating on it the amount of dividends paid, like the information return.

As for the other part, I have already described it. Their only extra procedure is to put on 95 percent of the dividends instead of 100 percent of the dividends, and to send the stockholder a receipt at the end of the year, which would be a duplication of the information return they send to us. So the extra work involved is very minor.

Senator DANAHER. Suppose we have an individual with a portfolio of 20 stocks, none of which yield $100 per year, and assume an aggregate receipt, let us say, of $1,000, would there be any withholding at any stage of the game from that particular citizen?

Mr. FRIEDMAN. Yes.

Senator DANAHER. Where would that occur?

Mr. FRIEDMAN. I am sorry, I am afraid I did not express myself very clearly.

This $100 requirement is the present requirement for the information return. It would be eliminated in the withholding plan. One of the great advantages of the dividend withholding plan is, it is possible now for the man to receive $1,000 in dividends from twenty corporations and yet for us to have no record that he receives a cent of dividends, because he is not required to report unless he receives more than $100 from any corporation.

Under this plan we will have a record for every cent he has received. That, I think, is one of the advantages under this plan in tightening up the control on the dividend angle of it.

I had not mentioned, in that connection, that the estimates that the American Bankers Association made on dividends were just several times, or many times as large as their actual cost, because they were making the system out to be about as complicated as it could conceivably be made, while we make it as simple as it can conceivably be made.

They received 5 receipts for each dividend check, or 20 receipts, and under our new, modified plan they would have 1 instead of 20, and that one would be a duplicate of the form they now make in a great many cases. So I do not think the amount of extra work involved in that is at all significant.

We had an estimate from the American Telephone & Telegraph Co. as to their approximate costs. They were the company that Mr. Paul referred to as saying it would cut their costs in half if we substituted the annual receipt for the quarterly receipt. Now, I followed that estimate up on the basis of the American Bankers Association statement that there were 100,000,000 dividend checks a year, and totaled them up for the whole country, and the total for all dividend payors was something in the neighborhood of about a billion and a half dollars, and the total amount of tax that would be withheld by them was in the neighborhood, in 1943, of about $200,000,000 and in 1944 of about $400,000,000.

I might add that the A. T. & T. estimate is an overestimate.

Senator DANAHER. Now, what would be the effect if it was traded in the open market, unless there is a gross withholding?

Mr. FRIEDMAN. Under the nominee system, if a man had stock under the nominee he would have 5 percent of gross withheld from his dividends, and then the corporation would send to the nominee a receipt for the amount of dividends withheld, just as it now sends the information slip for the amount of dividends that had been paid.

The nominee is now required, in order to clear himself on the books from that amount, to break that one information slip down into a slip for each actual owner, which he is required to send to the Bureau of Internal Revenue as an information slip. We would use exactly the same procedure, except the broken-down receipt would be made in duplicate, one copy would go to the actual owner and one copy to the Bureau.

That would be the only extra step in particular aside from that extra step, that is, making out the duplicate to send to the actual owner so the actual owner would know what has been withheld, there is no bit of difference between that procedure and what we now do.

Senator DANAHER. Let me see if I can pursue that one step further and perhaps clear up any possible doubt on it.

Suppose an individual citizen goes to a broker and places an order for 100 shares of some stock, the withholding tax having adhered against the prior owner, how does that new customer, the new buyer, suffer in withholding, or, in the alternative, how does he ascertain that that amount in fact has been withheld so that he buys, as I put it earlier, ex-dividend, or ex-tax?

Mr. FRIEDMAN. There is no problem of ex-tax in that sense, because the tax is a part of the dividend essentially, and ex-dividend and ex-tax are the same thing. What happens in that case depends on how these 100 shares of stock were held before.

If they were held in the name of the actual owner, why, then there is no problem, because when the 100 shares of stock are transferred there is an entry made in the books of the corporation that the 100 shares of stock were transferred. The former individual is closed off on the books. In that case a slip will be sent to him showing the amount of dividends paid, the amount of tax withheld, and a duplicate of that will go to the Bureau. That is all there is to it. You start a fresh page.

On the other hand, however, suppose the 100 shares was held in the broker's name for the actual owner so the broker got the dividend in the first instance, and then passed it on to the actual owner, and suppose when it is transferred the broker still holds it in his own name as nominee, the broker is now required to break up the dividends he has received into the parts attributable to each person, and to send the Bureau a statement to that effect.

He would do the same thing under this procedure, except he would send a duplicate of it to each actual owner. So the broker has no additional work except to make the forms out in duplicate instead of one copy. That is the present Form 1087. It is the form that Mr. Atkeson drew to your attention the last time as W-6, I think it was.

So, your whole system is not changed in the slightest, except for this duplicate.

Finally, let us come to the problem of the Bureau. In the case of the Bureau, too, much of the work that is required under withholding replaces what they are now doing.

As Mr. Paul pointed out, the Bureau estimated that there would be 100,000,000 forms of all kinds. As he also pointed out, 75 to 80 million of those would be necessary in the absence of withholding, because the Bureau now gets information slips from all employers about their employees; it now gets information slips from dividend payors about the amount of dividend paid; it now has the problem of associating those information slips with the tax returns filed by the individuals.

It would still have identically the same problem. The only place at that point where the Bureau's problem is increased is that you would have more of these slips, you would increase the number of slips by about 20 or 25 percent, because instead of having the $100 limit of dividends, you would have no limit, and in the case of employees, instead of having $500 and $1,200 income the only question would be whether tax has been withheld.

Now, it is not a new kind of thing, it is doing the same kind of thing that they are now doing.

The Bureau now must check employer's records as to wages paid for Social Security purposes. It would still have to do that. That is not a new job. The only thing that is new is that in checking them it would have to check both the amount of tax withheld and the wage, so that through this process much of what appears to be extra work for the Bureau as well as for the employer and dividend payor merely replaces what those people and agencies now do.

I think there is nothing more on that score that I need to say about the Bureau, except I should say one thing in complete fairness.

There is one extra step that I have not mentioned in the matter of making these returns. The getting of these returns into the withholding agencies each quarter is a new step. It is similar to the Social Security return, but there is the extra amount of money in the handling and processing of those returns that is a completely new addition, but once again that, too, is more of the same rather than the new operation, because it is the same process as they now go through in getting Social Security returns in, and they would have to do just a little more than that. But nowhere in this withholding process is there anything of a new kind with which the Bureau has not had a good deal of experience.

Throughout, it is a question of doing some more of the same type of thing.

I think that is all I have to say, unless you would like me to go into the Canadian situation at any length.

Senator CLARK. Are there any questions?

Senator DANAHER. I have only one other thought on that point.

In the event of withholding from the owner of stock and no taxes due ultimately, where does he get his refund?

Mr. FRIEDMAN. You thinking of a corporation or an individual?

Senator DANAHER. I am talking about an individual.

Mr. FRIEDMAN. An individual will file an income tax return, and that income tax return will constitute an automatic claim for refund.

If he wishes to, he may attach his receipts that he got from the corporation, he might attach his receipts to his income tax form. In that case, if his refund is less than $50, the Bureau will pay it to him immediately on the evidence of the receipt. If his return is more than $50, the Bureau will have to wait until it has checked his receipts with the receipts of the employer, or the corporation, the duplicate copy that they have gotten, and then they will pay the refund.

But the income tax return which he files is an automatic claim for refund. He does not have to do anything else. Now, if it was an obligor corporation, if it was a corporation and, therefore, exempt, it would take the credit on its corporate income tax return. If it had a tax due it would offset the credit against the tax. There would be no problem.

If it were a deficit corporation and had no tax due, that would be a claim for refund just as in the case of the individual.

Senator DANAHER. Thank you.

Mr. PAUL. Senator Clark, you suggested earlier in the morning that you would like to hear something about the Canadian practice.

Senator CLARK. Yes; we will hear you on that briefly, Mr. Friedman.

Mr. FRIEDMAN. The Canadian tax sounds a lot different from ours, in the way it is applied now, but as it works out in the machine and pay-roll information, it is the same thing. What the Canadians do is to levy a gross tax, with two exceptions.

That is, they have, let us say, 5 percent on the total wage. The first exception is that that gross tax does not apply to anybody whose income is below the exemption limit. For a single person, as I remember it—and this figure is from my memory—it is $660, and for a married person it is $1,200. If a man receives less than that, if his rate of pay is less than that, they withhold nothing. If his rate of pay is more than that, they withhold 5 percent of the gross amount.

The second exception is that they allow for the number of dependents, and they do that by means of a tax credit. I do not remember the amounts.

Let us say, for example, it is 50 cents of tax per week per dependent. So, if a man has two dependents, they will take off a dollar from the tax as they would otherwise compute it.

Now, in order to know whether he is entitled to a $660 exclusion or a $1,200 exclusion, and how much of a dependency credit he is entitled to, they have to get from him information on his marital and dependency status, exactly as provided in our law. There too, if he changes his status, he has to notify them and they have to give it effect.

The computation of the tax, while it sounds different, works out about the same thing in actual operation as under the original plan as we had it in the bill, because they have to make a multiplication in order to get the tax and a subtraction to allow for his dependency credit. The only difference in our bill is that they subtract first and then multiply. The arithmetical operations of the process are the same, they are only done in a different order.

As I say, in the interview we made of the employers in Canada, we specifically went into the question: Suppose we substituted our tax for theirs, what would happen?

It would turn out that you would change the names of certain operations and the order in which you would do them, but you would perform exactly the same operation.

Under our table form, for many employers, with this table, it would be much simpler than what the employers themselves say. However, the employers are planning to introduce a new system of collection at the source in which they, too, plan to use a table method.

I should point out in that connection that the table method is not better for all employers, and we propose that it be made optional and not compulsory. There are certain types of machines under which the actual computation method is simpler than the table method, and we propose that those employers be permitted to use that method, and that the table method be made optional for those employers for whom it is the simpler.

The Canadians withhold from dividends and registered bond interest essentially the same way as we propose. There is no real difference there.

Senator GERRY. Is the Canadian system based a bit more on the English system? In other words, is not the Government granted larger powers than we grant the Treasury, on account of our Constitution, so that it is a board that has greater powers? They do have greater powers in England, I know.

Mr. FRIEDMAN. That is true.

Senator GERRY. Is the Canadian system the same system?

Mr. FRIEDMAN. That is true in the general tax administration of Canada, but as it happens it does not particularly affect the withholding at source.

Senator GERRY. It would apply in this way: In the case of appeal they would go before the board and it would have more flexibility.

Mr. FRIEDMAN. I think that is true. Although, as I say, while true, it is not a very important element in the collection at source. It is an important element in other parts of the tax system. The Canadian collection at source system is entirely different from the British.

The British system is a completely different system.

Senator GERRY. I did not intend to get into that. I was just raising that one point.

Mr. FRIEDMAN. As I say, as to the British system, every time I look at it again I am struck with amazement as to how they can do it.

Senator CLARK. Thank you very much, Mr. Friedman.

Mr. Paul, could you have this statement of yours prepared for the full committee?

Mr. PAUL. Certainly.

Senator CLARK. I mean, have enough copies for the full committee?

Mr. PAUL. Yes, sir.

Senator CLARK. I am going to have the record printed as soon as I can.

Mr. PAUL. I will have it mimeographed by Monday.

Senator DANAHER. What do you think of the suggestion of this gentleman who wrote to the Wall Street Journal, Mr. Friedman, please?

Mr. FRIEDMAN. Well, the suggestion of this gentleman—I just had a chance to look at it, look it over, very briefly here, so I will answer off the cuff, as it were—comes down to asking the same thing as we propose doing, with just one exception, and that one exception is that he proposes that people be allowed to credit the amount withheld against their last year's tax liability.

Instead of carrying it over until 1944 he proposes, if I understand him, that each quarter in 1943, as you pay your 1942 taxes, you could credit the amount withheld against the tax that was then due.

Now, as you may recall, at one stage the Treasury suggested something similar to that, on a part-and-part basis, whereby part of his withholding could be credited against the past and part into the future, but it was finally discarded because it complicated matters very considerably. In the Bureau's records you would always have to be comparing 2 different years' returns with the 1 year's withholdings. We had the problem of some people who would take advantage of it and some people who would not.

Finally, if you did it as he suggested, you would always be left a year behind, you would never catch up, because you would always be crediting the current year's withholding against the last year's tax. One of the great virtues of the Treasury's plan, that is in the H. R. 7378 bill, is that it enables you to catch up and get on a current basis.

Senator CLARK. By paying double taxes.

Mr. FRIEDMAN. By paying double taxes for those people who have not accrued their tax liabilities.

Senator DANAHER. Which means everybody, practically.

Mr. FRIEDMAN. I should dissent to that and say that I am at least a minority of one.

Mr. PAUL. I am a minority, too.

Mr. FRIEDMAN. That makes two of us.

Mr. PAUL. Otherwise I would not dare to come down here.

Senator DANAHER. All right, thank you very much.

Senator CLARK. Mr. Paul, it is pretty late. I do not know whether you want to go into the Ruml plan or not, but if you want to, I know the committee will be glad to hear it.

Mr. PAUL. It is late, so I think I ought to take the time to indicate my ideas on it very generally.

We do not like the plan as well as the House bill. Now, I appreciate the criticism you have in mind with respect to the House bill, that there is an extra load of 5 percent. That is why we made it only 5 percent the first year, to lighten that load and get over what we call the hump as easily as possible.

The House bill means that the taxpayer having a tax liability at the rate of 19 percent would have, in that particular next year, a tax liability of 24 percent. However, we think instead of it being a defect it is, in many respects, a virtue, because it will, in this first year, have a substantial anti-inflationary effect, and we do not think that the hardship will be too great, particularly if before the bill is passed certain provisions are included to take care of unusually difficult and harsh cases.

However, going to the Ruml plan itself, it seems to us that the plan itself accomplishes one objective which makes it commendable, and that objective is it gets taxpayers to a certain degree on a current basis, but not entirely. I say, "not entirely" because under the Ruml plan you are always faced with the problem of an additional tax the following year, because the year in which you pay your estimated tax has a smaller income than the subsequent year.

So, in a sense, the Ruml plan really has the same effect that H. R. 7378 has.

Our basic thought in connection with the Ruml plan, if it is adopted is, therefore, that it is very essential that it be linked or coupled with collection at the source at a very substantial rate. The reason we suggest that is because if you do not do that, if you take the original unamended Ruml plan you do not accomplish another important objective, that is, the synchronization of tax payments with the receipt of income.

It seems to us that, from the point of view of an adequate and flexible fiscal policy for wartime, that is a very serious defect in the Ruml plan which can be largely cured by coupling with collection at the source with the original Ruml plan, and I understand Mr. Ruml had no objection to it.

Senator CLARK. It was not included in the original Ruml plan as he presented it to the committee, but it was included in the statement he accompanied with it.

Mr. PAUL. He did not originally recommend that but, as I understood his testimony the other day, he had no objection, and I think was inclined to favor it.

Now, the other broad aspect of the Ruml plan to which we object is applying it in an unlimited way. We suggested in the memorandum which is made a part of the record in these subcommittee hearings, page 61, a modification of the plan.

That modification is given at page 65. We suggest two types of modification: One is to cancel the 1941 or 1942 liabilities, whichever are smaller, or that the forgiveness or cancelation of the tax in the plan be limited to the normal tax plus the first bracket rate of surtax.

Other types of modification could be adopted. One person suggested to me a modification involving forgiveness to taxpayers having incomes of not more than $10,000, but no forgiveness for taxpayers with incomes greater than $10,000. Our suggestion or modification is more generous than that.

For instance, if you forgave at the 1941 rate, 4 percent normal tax plus 6 percent first bracket of surtax, that is, 10 percent. A man having an income of $500,000 would thereby, under our modification, get a cancelation of tax liability of approximately $50,000, which would be very substantial. There would still remain a very substantial tax on an income of $500,000, and that we would suggest be spread as to payments over a reasonable period, say, 2 years.

Those are the two things we want to emphasize most. There are a lot of more minor aspects of the problem, but the two things we consider most important are, first, the coupling of the Ruml plan with collection at the source at a very drastic rate, say 20 percent. The 19 percent is the total in the House bill of the normal tax and first bracket of surtax.

Of course, that would be an awkward figure for withholding.

Senator DANAHER. Would you take, for example, a figure of income, annual income other than $500,000? I only know a couple of fellows that get that. I would like you to bring it down on an income like $20,000.

Mr. PAUL. Let us take a small one, something like $5,000, and one at $20,000.

While Mr. Friedman is computing that, I would like to bring out the other point, the other basic point, which is that we think a limitation should be put on the amount of tax forgiven.

First, the Ruml plan should be linked with collection at the source, and Mr. Ruml agrees with that; second, there should be a limitation on the amount of tax forgiveness.

As we pointed out the other day, that means you would, in practical effect, forgive the entire tax of 80 to 90 percent of the taxpayers. The only tax which would not be forgiven would be the limited remaining group, which limited remaining group is in a position financially to pay taxes and, generally speaking, does not need the Ruml plan.

Senator CLARK. Of course, you would defeat the primary purpose, which is to get the greatest amount of tax returns.

Mr. PAUL. You would defeat it as to only a small segment of the taxpaying group, and that is a segment which does not need the benefit of the plan.

There is one thing you do accomplish under our modification, that is, you enable corporations to get rid quickly, before, say 2 or 3 years, of the high-priced executives who are not worth the money that has been paid to them. They admit that.

Mr. FRIEDMAN. For a $20,000 income for a married man with no dependents, his 1942 tax, under the existing rates, which would apply to 1942, would be $4,614. The amount he would be forgiven would be $1,794. That is for a $20,000 man. That would leave him with $2,820 to spread over 2 years to pay.

For a $5,000 man I will have the figure in just a second.

Mr. PAUL. While he is getting the figure for the $5,000 man, I might add one word, which I think is important: If you do not link collection at the source with the Ruml plan particularly you have, in our opinion, some inflationary effect.

You are going to release certain sums of money into the purchasing stream. The reason I say that is because while I agree that most small taxpayers have not accrued, in any technical sense, their taxes, while I agree that only the rare taxpayer, like Mr. Friedman, is in the minority, I still think that a good many people have accomplished a sort of informal mental accrual, and that they will feel that they are relieved of this liability, that they can spend money which otherwise they would not feel free to spend.

Therefore, I feel somehow there will be some psychological release of spending power which would not be true otherwise.

Senator GERRY. Don't they have to buy more bonds then?

Mr. PAUL. Some will and some will not. I think you will find certain people were holding back on purchasing and will feel relieved, some will buy bonds, as you suggest, and others will say, "Now I can buy the cherished article that I felt I might go without."

Senator CLARK. Mr. Friedman, the other day you had three calculations on withholding, and Mr. Ruml suggested you make another one on the Ruml plan in connection with the withholding taxes. Did you do that?

Mr. FRIEDMAN. I did it the other day, but I do not have it here, I am sorry.

Senator CLARK. I would like to have that information.

Mr. FRIEDMAN. I have the example for the $5,000 man ready.

A married person with no dependents, his total liability at existing rates would be $375, he would have $330 forgiven, leaving him $45 to pay over 2 years. In this case a married man with no dependents having an income of $3,500, he would have everything forgiven and then up to $5,000 he only has a balance of $45 that he has to pay in 2 years.

Senator CLARK. Mr. Paul, what would you say as to Senator Johnson's plan, from an administrative standpoint, of collecting the tax monthly?

Mr. PAUL. That would be a worse headache, even the Commissioner admits. In fact, I settled with the Commissioner at one time on collection at the source if we did not have monthly payments. In other words, the Commissioner just shudders when anybody mentions the idea of monthly payments.

It is apparently very difficult from the administrative standpoint.

We had contemplated at one time in the Ways and Means Committee a somewhat more elaborate method of getting over the hump, which we replaced by this reduction of the rate of withholding from 10 to 5 percent. At that time, we had several conferences with the Commissioner, and he agreed that that would not be much preferable to the other more elaborate scheme we had contemplated.

At that time, somebody had suggested this idea of monthly payments and the Commissioner said, "I will be glad to take this 5 percent if you can get rid of this monthly payment idea."

One point I hope you keep in mind is the fact that 1941 was a big-income year. There was a big war income in 1941, and there is a good deal of inequity in forgiving a tax on that income. You will notice, in our modification set forth in the record, that we suggested the forgiveness in 1942 rather than in 1941.

Senator DANAHER. May I ask you a question there?

Is not the 1941 income the tax we are just paying?

Mr. PAUL. That is right. That is the one Mr. Ruml proposed to forgive.

Senator CLARK. Mr. Ruml proposed to take the payment made in 1942 based on the 1941 income, and credit it to the 1942 income.

I guess it is now too late to do anything more today. We will just have to meet whenever we can. The full committee will meet Monday. If we have any further meeting, we will get together.

Senator DANAHER. It has been a very helpful meeting, just the same.

Thank you.

(Whereupon, at the hour of 1 p. m., the committee adjourned, subject to the call of the Chair.)

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