

# CITY INCOME TAX WITHHOLDING

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HEARING  
BEFORE THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
EIGHTY-SIXTH CONGRESS  
SECOND SESSION  
ON  
**H.R. 3151**

AN ACT RELATING TO WITHHOLDING, FOR PURPOSES OF  
THE INCOME TAX IMPOSED BY CERTAIN CITIES, ON THE  
COMPENSATION OF FEDERAL EMPLOYEES

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JUNE 17, 1900

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Printed for the use of the Committee on Finance



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1900

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## CITY INCOME TAX WITHHOLDING

FRIDAY, JUNE 17, 1960

U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2221, New Senate Office Building, Senator Wallace F. Bennett presiding.

Present: Senators Byrd (chairman), Bennett, Frear, Douglas, and Curtis.

Also present: Elizabeth B. Springer, chief clerk.

Senator BENNETT. Gentlemen, because the Senate meets at 10:30, I think the chairman would feel all right if I started the meeting.

Before I do, may I read into the record this statement.

Senator Norris Cotton has advised the chairman of his opposition to this bill and previously indicated his desire to be present at this hearing.

Unfortunately, he is unable to be present this morning. He asked the chairman to indicate for the record his opposition to the bill as an unwarranted extension of the Federal Government into the field of local taxation. He has steadfastly opposed any action by the Federal Government which might appear to put the stamp of Federal approval on the principle of nonresidents' taxation by the State and regards this bill as another step in that direction.

Before proceeding I submit for the record the text of H.R. 3151, together with the reports of the Bureau of the Budget and Treasury Department, and statements from Senator Harrison A. Williams, Jr., of New Jersey, Senator Thomas C. Hennings, Jr., of Missouri and Representative Thomas B. Curtis, of Missouri.

(The material referred to follows:)

[H.R. 3151, 86th Cong., 2d sess.]

AN ACT Relating to withholding, for purposes of the income tax imposed by certain cities, on the compensation of Federal employees

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first section of the Act entitled "An Act relating to withholding, for State income tax purposes, on the compensation of Federal employees", approved July 17, 1952 (Public Law 587, Eighty-second Congress; 5 U.S.C. 84b), is hereby amended—*

(1) by striking out "State or Territory" each place it appears and inserting in lieu thereof "State, Territory, or city"; and

(2) by inserting immediately before the last sentence the following new sentence: "In the case of a city, such agreement may provide that the head of each department or agency of the United States shall comply with the requirements of such law in the case of employees of such agency or department who are subject to such tax and whose regular place of Federal employment is at a Federal installation which is within the same State as the city if any part of such installation is located within five miles of the corporate limits of such city."; and

(3) by adding at the end thereof the following new sentence: "For the purposes of this section, the term 'city' means only a city which is incorporated under the law of a State or Territory and which had a population (according to the last decennial census) of fifty thousand or more individuals."

Passed the House of Representatives February 17, 1960.

Attest:

RAULPH R. ROBERTS, *Chief*.

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., April 13, 1960.

HON. HARRY F. BYRD,  
*Chairman, Committee on Finance,*  
*U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: This letter is in response to your request for our views on H.R. 3151, a bill relating to withholding, for purposes of the income tax imposed by certain cities, on the compensation of Federal employees.

This measure would provide that the Federal Government withhold, from the compensation of Federal employees, local income taxes imposed by municipalities of over 50,000 population. It would also provide for withholding income taxes from the compensation of Federal employees who work at Federal installations not more than 5 miles from the city limits of a taxing jurisdiction eligible under this legislation.

The Treasury Department has recently submitted its views on this measure and has indicated that the Department "would favor enactment of H.R. 3151 if section 2 were deleted and if section 3 were revised to replace the 50,000 with a 75,000 population limitation."

The Bureau of the Budget is in full accord with these views and wishes to associate itself with the entire Treasury Department report on H.R. 3151.

Sincerely yours,

PULLIP S. HUGHES,  
*Assistant Director for Legislative Reference.*

OFFICE OF THE SECRETARY OF THE TREASURY,  
Washington, April 19, 1960.

HON. HARRY F. BYRD,  
*Chairman, Committee on Finance, U. S. Senate, New Senate Office Building,*  
*Washington, D.C.*

MY DEAR MR. CHAIRMAN: This is in reference to your request for the Department's views on H.R. 3151, relating to withholding, for purposes of the income tax imposed by certain cities, on the compensation of Federal employees.

H.R. 3151 would amend Public Law 587, 82d Congress (5 U.S.C. 81(b)) to extend its provisions to cities which according to the most recent decennial census have a population of 50,000 or more. Public Law 587 permits Federal agencies to cooperate with States and territories which employ withholding in the administration of their income taxes by withholding such taxes from the compensation of Federal employees pursuant to regulations promulgated by the President and agreements entered into by the Secretary of the Treasury. It specifically limits such cooperation with respect to employees whose regular place of Federal employment is within the State or territory imposing the income tax, excludes members of the Armed Forces, and safeguards the United States against "more burdensome requirements" than are imposed upon other employers. Agreements for the withholding of State income taxes from Federal employees are presently in force with all 19 States which employed this tax collection device at the beginning of the year. Since then another State (Georgia) has adopted withholding and an agreement to cover Federal employees is in process of negotiation.

In authorizing the Secretary of the Treasury to enter into agreements for the withholding of certain city income taxes from Federal employees, H.R. 3151 would provide for extending the scope of such agreements to cover Federal employees whose regular place of employment is at a Federal installation in the State located not more than 5 miles outside the corporate limits of the city imposing the tax. The purpose of this provision is to collect taxes from employees who reside within the city but are employed in nearby suburbs.

This Department supports the enactment of legislation to enable Federal agencies, to the extent practicable and economically justifiable, to give cities the kind of cooperation presently afforded States in the collection of their income taxes from Federal employees. Cooperation in this form, however, is practicable and economical only where the administrative costs assumed by Federal agencies bear a reasonable relationship to the amount of tax withheld for the benefit of the taxing jurisdiction. The special character of Federal payroll operations, coupled with existing variations in the withholding provisions of the hundreds of local jurisdictions imposing income taxes under varying State enabling statutes at rates ranging typically between  $\frac{1}{2}$  and  $1\frac{1}{2}$  percent, effectively limits the practicability of withholding local income taxes from Federal employees to the larger taxing jurisdictions. Such Government agencies as the Federal Bureau of Investigation, General Accounting Office and various bureaus in the Departments of Agriculture, Commerce, Interior, and Labor have centralized their payroll operations in Washington. Other agencies use regional payroll centers. The Internal Revenue Service, for example, pays all employees east of the Mississippi River from the service center at Lawrence, Mass., and those west of the Mississippi River out of Ogden, Utah. In these circumstances it is uneconomical to program local income tax withholding on mechanized equipment for relatively few employees. On the basis of data collected from several of the larger Federal agencies by the Bureau of the Budget in 1955, it was concluded that withholding of local income taxes from Federal employees would not be economically justifiable under prevailing tax rates in cities with a population of less than 75,000. In view of the general character of cost estimates of this kind, this Department is not prepared to fix firmly the population level below which the withholding of low rate level taxes ceases to be justifiable. It does deem it necessary, however, to make clear that because of the unusual character of Federal payroll operations, withholding costs per employee increase markedly (particularly in relation to the small amount of tax involved) as the population of the taxing jurisdictions and the number of Federal employees in each decrease. For this reason the Department would prefer a 75,000 to a 50,000 population limitation. The former would involve 15 city income taxes, the latter 22, on the basis of the 1950 census and local income taxes in force at the beginning of this year. The counties, smaller cities, towns, townships, boroughs, and school districts excluded by this legislation from the benefits of withholding could continue to obtain information on the amount of compensation paid Federal employees within their taxing jurisdiction by requesting it in accordance with the provisions of Bureau of the Budget Circular No. A-38.

Section 2 of the bill, which would authorize Federal agencies to withhold income taxes from Federal employees whose regular place of employment is within a 5-mile belt outside the corporate limits of the local taxing jurisdiction, would impose a more burdensome requirement on Federal agencies than are or can be imposed by cities upon other employers. In this respect it conflicts with a basic principle which underlies Public Law 587. Section 2 of that statute provides that "Nothing in this Act shall be deemed to consent to the application of any provision of law which has the effect of imposing more burdensome requirements upon the United States than it imposes upon other employers." Moreover, the "5-mile" provision would involve Federal agencies in jurisdictional tax conflicts which can be illustrated with reference to Allentown and Bethlehem, Pa. Each of these adjoining jurisdictions has a population in excess of 50,000 and each imposes an income tax. Their residents are subject also to the income taxes of other local jurisdictions. Under the provisions of H.R. 3151, Federal agencies could be required to withhold from the compensation of the same employee both Allentown and Bethlehem taxes, one on the basis of employment within the city, the other on the basis of the employment of a resident within 5 miles beyond the borders of the city. Public Law 587 properly precludes this kind of duplicate withholding from the same employee by limiting it to taxes imposed in the place of employment, irrespective of place of residence.

In view of the foregoing, the Department would favor enactment of H.R. 3151 if section 2 were deleted and if section 3 were revised to replace the 50,000 with a 75,000 population limitation.

The Bureau of the Budget has advised the Treasury Department that there is no objection to the submission of this report.

Sincerely yours,

JAY W. GLASMANN,  
Assistant to the Secretary.

## STATEMENT OF HON. HARRISON A. WILLIAMS, JR., A U.S. SENATOR FROM THE STATE OF NEW JERSEY

Mr. Chairman, and members of the committee, I am grateful for this opportunity to set forth my views—views shared, I should add, by many Members of both Houses of Congress—with regard to this legislation. In my opinion this bill will only aggravate the orderly administration of the financial problems encountered at every level of government.

Although I am opposed to this bill, I want to state at the outset that I am most sympathetic to the crying need of our city governments for adequate sources of revenue to meet the demands of the revolution in modern urban life, demands that have long since outstripped the financial resources of most city governments.

But it is my conviction that the tensions, hardship, and inherent injustice engendered by the application of municipal wage taxes to nonresidents do more to defeat than to achieve long-range solutions to the pressing problems facing our metropolitan governments.

It is often argued in support of the bill that the Federal Government should reciprocate the service provided by municipalities when they withhold the Federal income tax from the employees. In principle I agree with this concept of reciprocity, but the bill gives rise to related questions which I believe cast a serious doubt on the wisdom of the legislation.

First, I would like to draw attention to the costly and bothersome administrative burden that would be undertaken by the Federal Government should this bill be passed. Although it was originally designed to bolster the effectiveness of the municipal wage taxes imposed by two of our largest cities—Philadelphia and St. Louis—the population requirement has now been reduced from 500,000 to 50,000 so that a city of that size could impose an income tax and expect the Federal Government to withhold it from the salary of every Federal employee working in the city, whether actually a resident or not. There is even support in some quarters for abolishing the population limit altogether so that the Federal Government would find itself collecting a tax for every village hamlet that cares to levy one.

Incidentally, the Legislature of the State of Pennsylvania, as well as that of Missouri, has refused to perform the tax-collecting function with respect to State employees that this bill would impose on the Federal Government with respect to Federal employees. Thus two of the State bodies that have authorized municipal income taxation have had second thoughts about adding in the collection process. If these States are unwilling to provide this costly local service it is clear that the expense to the Federal Government will be no less of a burden.

Further complicating the administrative aspect of this tax collection service is a floor amendment adopted last February when the House passed the bill, which extended the geographic reach of the measure 5 miles beyond the limits of each taxing city. Any Federal installation within that distance from the taxing city would be required to withhold the tax from the salary of every city resident employed at the installation. So, for example, at the Wright-Patterson Air Force Base in Ohio, where 8,000 of the 22,000 employees are Dayton residents subject to that city's wage tax, the Federal Government would have to withhold the tax from the paychecks of just those employees. Thus the Federal Government would be obliged to graft onto its already complicated payroll procedure consideration of an employee's residence, the taxing city's rate schedule and the whole process of preparing extra withholding statements for the taxed employees.

And why the arbitrary 5-mile limit? Why shouldn't a Federal installation 15 or 25 miles away from a taxing city be required to withhold a wage tax, once the 5-mile radius concept is adopted?

By combining the concept of geographic extension with the lowering of the population minimum necessary for a city to qualify for Federal collection, the bill establishes a precedent that could open a Pandora's box of impoundables that the Federal Government should carefully consider.

It is true that the bill is designed to facilitate collection of taxes the legality of which are to be determined by forums other than the Congress of the United States. And although the advisability of municipal income taxation is not specifically called into question by the bill, we cannot ignore the fact that such taxes work grave inequities on those employees who only work in a taxing city and reside elsewhere. And in fairness, we cannot ignore the severe, adverse effect that passage of this bill would have on the problem.



Let me explain what I mean. A nonresident subject to a city wage tax pays the same tax as a resident but derives substantially fewer public service benefits from the municipality, and in some cases none at all.

For instance, a South Jersey resident who works at the Philadelphia Navy Yard takes a New Jersey ferry to work and back, and therefore completes his day's activity without so much as casting his eyes on Philadelphia proper. As a general rule, the nonresident employee enjoys only limited benefits of a city's services. The nonresident does not enjoy the city's school system. He has only limited need for the city's water and sewer facilities, its libraries and recreation areas. He has no need for 24-hour police protection or 24-hour use of the full range of the city's transportation facilities. Yet he has to pay for them as if he were a resident.

Another factor to be kept in mind is that the nonresident is often subject to the higher sales and excise taxes of his own community, taxes which serve as an alternative to local income taxation. Thus, to return to our example, the New Jerseyite working in Philadelphia pays the relatively higher New Jersey sales taxes and bears the added burden of the Philadelphia wage levy.

Given this reality, passage of the bill will be widely interpreted as giving the moral and symbolic support of the Federal Government to a tax that freezes rather than eases the conflicts between neighboring urban centers with different political jurisdictions. The cooperation of the separate political authorities is already seriously impeded by inequitable taxation of nonresidents, which breeds only bitterness and spiteful retaliation.

The adoption of this bill would only intensify that bitterness and conflict at a time when close, effective cooperation of separate communities is vital to the orderly and productive development of our metropolitan areas. And it is important to emphasize that many of our urban centers have spilled over State lines in the explosive growth of suburban population that is taking place in this country.

Consequently, I cannot help but feel that the approval of this bill would ultimately do more harm than good because it can only be taken as a Federal endorsement not only of the legality of these taxes on nonresidents, but of their propriety and advisability as well.

The real issue here is inevitably the wisdom and fairness of nonresident taxation. To have the Federal Government facilitate the collection of that tax would lend undue Federal support for inequitable taxes that have been a source of tension and dissatisfaction in many of our metropolitan areas.

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U. S. SENATE,  
COMMITTEE ON RULES AND ADMINISTRATION,  
June 17, 1960.

HON. HARRY F. BYRD,  
*Chairman, Senate Finance Committee,*  
*Washington, D.C.*

DEAR MR. CHAIRMAN: I am very pleased the Finance Committee is now considering H.R. 3151, concerning withholding of municipal taxes on Federal employees.

As you know, those of us from the States which currently would be affected are anxious to obtain passage of the bill this year. Failure to enact the legislation would mean continuation of revenue losses and unnecessarily high collection costs for the affected cities. It also would mean continuation of inconvenience for Federal employees who are faced each year with a lump-sum tax payment.

I have been gratified to note the overwhelming support for H.R. 3151, not only by the municipalities, but also by Federal employee organizations.

This bill would extend the same courtesy to the municipalities which they now extend to the Federal Government by withholding the latter's taxes on municipal employees. As one of the sponsors of the companion bill in the Senate, S. 2551, let me urge favorable committee action on this legislation at the earliest opportunity.

With every best wish, I am,  
Sincerely yours,

THOMAS C. HENNING, Jr.,  
*U.S. Senate.*

## STATEMENT OF HON. THOMAS B. CURTIS OF MISSOURI

Mr. Chairman, I appreciate the opportunity of addressing this committee to present the case for H.R. 3151, a bill to permit the Federal Government to withhold from the pay of Federal employees the "city earnings" taxes which are levied by a number of cities in the United States.

This measure does not impose a tax nor does it affect in any way the legality or illegality of the tax, the city earnings tax, that has been imposed. It would not, of course, be available to enforce payment of a tax which, in its entirety or in relation to a particular group, has been declared illegal.

What it does do is provide a more simplified and efficient, and thus a more economical, manner of collecting these taxes. The value of the withholding procedure is well established and its extension as contemplated in this proposal would benefit both the municipalities involved and the Federal employees.

In support of the statement that this would benefit both the municipalities and the Federal employees, I would like to quote from two letters. The first is a letter of January 18, 1959, which was circulated by the National Postal Clerks Union:

"MEMBERS OF CONGRESS: On behalf of the overwhelming majority of our membership which is affected by the measure, we wish to urge your support of H.R. 3151, which permits the Federal Government to withhold on a regular basis, the taxes which our members owe to certain municipalities.

"Those who have opposed this bill in the past have attacked it on the grounds that it is a tax bill. It is not. Whether or not the municipalities should impose such taxes is not at issue. The fact is that they do, and our members are legally bound to pay them.

"The issue is merely whether our members should be granted the same privilege enjoyed by all private, State, and city employees (in fact, all employees except Federal employees) to pay these taxes by the same convenient withholding method they use to pay their Federal taxes.

"Passage of this legislation will end an unreasonable hardship being imposed on our members, and we urge your favorable consideration.

"Very sincerely yours,

"DAVID SILVERGLEID, *Secretary-Treasurer.*"

The second letter which I would like to quote is one dated February 2, 1960, from the American Municipal Association:

"DEAR CONGRESSMAN: During the last session of Congress we wrote to you concerning H.R. 3151, which was brought up on September 1, 1959, under a suspension of the rules.

"We advised you of our interest in this legislation, which would permit the Federal Government to withhold income taxes owed by Federal employees to municipalities, as it presently withholds similar taxes owed to the States.

"This legislation has the approval of the Treasury Department and Budget Bureau, and is also endorsed by all of the major national associations representing Government employees including the American Federation of Government Employees, the National Association of Letter Carriers, the National Postal Clerks Union, and the National Association of Mail Handlers.

"The bill does not levy a tax on anyone, but merely provides for the municipalities the same simplified collection method provided for the States, and for the employees the same convenient withholding method of paying their taxes which is enjoyed by all private employees \* \* \*.

"Sincerely yours,

"PATRICK HEALY, Jr., *Executive Director.*"

It is true, I feel, that we extend to the local governments the reciprocity which we have already granted to State governments. Municipalities, like States, withhold taxes from their employees for the benefit of those employees and the Federal Government. In this bill I advocate that the Federal Government, in turn, withhold taxes from the pay of affected employees of the Federal Government for their benefit and that of the municipalities involved.

Senator BENNETT. The Chair is very happy to welcome Senator Joseph S. Clark, of Pennsylvania. Senator Clark, will you proceed.

**STATEMENT OF HON. JOSEPH S. CLARK, A U.S. SENATOR FROM THE  
STATE OF PENNSYLVANIA**

Senator CLARK. Thank you very much, Senator Bennett.

I am most grateful to the committee for giving me this opportunity to appear and you, in particular, sir, for starting the hearing so promptly in view of our mutual commitments elsewhere.

H.R. 3151, which is the subject matter of this hearing, as introduced and reported unanimously last year by the House Ways and Means Committee, directed the withholding of city wage taxes on Federal wages and salaries in cities of more than 75,000 population.

In my Commonwealth of Pennsylvania, this would include the cities of Allentown, Altoona, Erie, Philadelphia, Pittsburgh, and Scranton.

Mr. Chairman, we apologize for starting ahead of you. I am most grateful for the opportunity to appear.

The CHAIRMAN (presiding). Sorry I was late.

Senator CLARK. During debate on the House floor in February, two amendments were added which decreased the necessary urban population to 50,000 or more, and this brought in two additional Pennsylvania cities: Bethlehem and Lancaster. So that as the bill presently stands there are eight Pennsylvania cities which would be very much helped indeed by this legislation.

Senator BENNETT. May I interrupt?

Senator CLARK. Yes.

Senator BENNETT. The bill passed then with 50,000, which is the number suggested in the amendment to the committee, and not the 75,000 mentioned in the report; is that correct?

Senator CLARK. The Senator is correct.

Senator BENNETT. Thank you.

Senator CLARK. The second change made by the House was an amendment which included within the coverage any Federal installation within 5 miles of the municipal border of qualifying cities.

This, I believe, was sponsored by our friends from Dayton, Ohio, where, as I guess the Senators know, we have that very large Air Force installation quite close to Dayton where thousands and thousands of people who live in Dayton work.

As I understand it, the Treasury and the Bureau of the Budget approve this bill only if the two floor amendments which were added in the House are removed by the Senate.

I have here a letter from Mr. Glasmann, the assistant to the Secretary of the Treasury, directed to Senator Byrd which the committee has put in the record.

My own position is that the changes made by the House were salutary and good changes, but I wouldn't want to prejudice the adoption of a bill which would give substantial relief for a number of cities by holding out for something more comprehensive. So that speaking for myself, in view of the attitude of the administration and the great desirability of having the administration's support for any bill which is considered by the committee, I would not be terribly upset if the committee took the House amendments out, although I do think they are both sound.

Now, Senator Bennett and I had an informal colloquy before I began to testify and I should like to call his attention to H.R. 3151

as it was passed by the House. The Senator raised the question as to whether it was legal to include a withholding requirement on a Federal employee who is working in an installation outside the city limits, and I replied then and reply now that while I can't give you the court decisions by name and citation, I am clear in my own mind, there was a subject which we had very much before us when I was mayor of Philadelphia, that the courts have universally held that jurisdictional taxes can be based either on a place of business or place where a man works - or woman - or on the residence of the individual taxed.

I point out in page 2 of the bill as it passed the House, occur the words:

In the case of employees of such agency or department who are subject to such tax and whose regular place of Federal employment is in the Federal installation or which is located within the city or within 5 miles of the corporate limits.

I think the key words are "who are subject to such tax," which clearly leaves it up to the courts, and I am quite clear the courts have decided that this is a legal jurisdictional tax.

Senator BENNETT. In other words these people are subject to tax for reasons other than the fact they work in Federal installations 5 miles outside of town.

Senator CLARK. That is correct.

Now the philosophy behind this, and it is appealing to me, is that a man owes an obligation to support some part of the public services not only where he lives, which I think has been clear since the beginning of the Republic, but where he works, because the place he works renders him a lot of public services for which I suggest, it is only fair to ask him to pay a share. He gets police protection, he gets fire protection, he gets the use of the streets, he gets the use of the municipal water supply, he gets the use of the municipal sewage system. In short, services rendered by the municipality are essential to his having a place where he can work and earn his living.

So this possibility of dual taxation, I think, is a matter for the States to work out through their own laws, and where desirable, with interstate compacts; and the Senators will recall that arrangement is now being worked out between the city of New York and the States of New Jersey and Connecticut, so that any inequities resulting from double taxation will be allayed.

But this has to do with the philosophy of the tax and not with procedure for collection, and I would like, if I may, Mr. Chairman, to offer for the record at this point a statement on behalf of the city of Philadelphia and its Mayor Richardson Dilworth, which spells out in two and a half pages the reasons why Philadelphia is so strongly in favor of this measure, you and I think it is fair to say that the other Pennsylvania cities with wage taxes would feel the same way and support the position of Mayor Dilworth.

In that connection I would also like to offer for the record, if I may, a letter directed to me under date of February 18 by the Chamber of Commerce of Greater Philadelphia, signed by its chairman, Philip Sterling. The Chamber of Commerce of Greater Philadelphia takes in the whole metropolitan area, including the suburban districts, and I think it is quite significant that the chamber of commerce for the greater area approves this withholding tax despite

the fact that many of its members live in the suburbs and consequently might not feel too kindly disposed to paying a tax to the city of Philadelphia.

I also would like, if I may, to offer a letter for the record - a letter directed to me by Thomas J. Monaghan, mayor of the city of Lancaster, advising me that he and his city council would like to register their approval of this bill and asked me to ask you gentlemen on the Finance Committee to move the bill to the floor.

Also a letter from David Berger, solicitor of the city of Philadelphia.

(The documents referred to follow:)

STATEMENT OF HON. RICHARDSON DILWORTH ON BEHALF OF CITY OF PHILADELPHIA  
RE H. R. 3151 AND S. 2551

There are approximately 68,000 Federal employees employed in Philadelphia by 204 agencies. The total annual tax liability to the city of Philadelphia by these employees is approximately \$4,723,000. Of this amount, these employees pay only about \$2,770,000 voluntarily within the current year. The remainder becomes an enforcement problem resulting in delinquencies accruing over the years. In 1959, the total amount of delinquent wage tax together with interest and penalties collected was approximately \$3,738,000. The cost of collection and processing in the case of current payments, including personnel services and overhead is approximately 5 percent. The collection and enforcement of delinquencies is more odious and complex, requiring investigation, court action, etc. and the cost to the city amounts to approximately 11 percent, or more than twice as much as the collection of current taxes.

The withholding by the Federal Government would result in a very substantial reduction of these costs. In addition to the reduction in costs, it is readily apparent from the above figures that there would be an increase in actual revenue to the city of Philadelphia since the payment of this tax by all persons liable would be assured. Without this legislation, the city will, as in the past, continue to lose a very substantial portion of its revenue.

In addition to the reduction in costs, and increase in actual revenue to the city, there are certain benefits to Federal employees in having this tax withheld at the source.

(a) Federal employees are presently required to file quarterly returns estimating their income for the quarterly period and a tax payment must accompany the return. This requires them to accumulate or set aside taxes accruing on each of their pay checks over a 3-month period. Frequently they find themselves in a position where payment of the accrued amount in a lump sum is burdensome.

(b) The city wage tax imposes a penalty of 1 percent per month and interest at the rate of one-half percent per month on all delinquencies. The accrual of such interest and penalties continues on the unpaid balances until they are completely liquidated and in many cases the amount is prohibitive. Withholding by the Federal Government would eliminate this burden.

The Revenue Commissioner has met with officers and representatives of the Federal Employees' Union and other Federal employees' associations and they have consistently joined with the city in urging the adoption of the proposed legislation. We are therefore convinced that the vast majority of such employees would prefer and indeed welcome such legislation.

It must also be pointed out that although the great number of Federal installations in the city of Philadelphia are exempt from direct taxation they are, nevertheless, the beneficiaries of all the multiplicity of services furnished and made available by the city of Philadelphia at the expense of the city's taxpayers, these include police, firefighting, maintenance of streets and highways, and all the other services which a metropolitan city furnishes. It is only fitting that the Federal Government should cooperate with the city in its collection of wage taxes payable by Federal employees which help to provide the city with the wherewithal to make these services available to these very important Federal installations.

Finally, I should like to point out that the city of Philadelphia renders a similar service to the Federal Government in withholding Federal income taxes from its over 28,000 employees at great expense and inconvenience to the city, but one which the city nevertheless willingly performs.

From the foregoing, it is clear that the enactment of this legislation will be of great benefit not only to the city and to the Federal Government, but will render it much more convenient and expedient for the employees to bear their just share of the tax burden borne by other employees in the city of Philadelphia.

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CHAMBER OF COMMERCE OF GREATER PHILADELPHIA,  
ECONOMICS AND TAXATION COUNCIL,  
*Philadelphia, Pa., February 18, 1960.*

HON. JOSEPH S. CLARK,  
*U.S. Senate,  
Washington, D.C.*

DEAR SENATOR CLARK: I am writing to remind you of the interest that the Chamber of Commerce of Greater Philadelphia has had over the past decade in legislation permitting the withholding of wage taxes from Federal employees. We are most happy with the passage of H.R. 3151 by the House and wish to offer you all possible support in obtaining Senate approval.

As you know, approximately 70,000 Federal employees working in or near Philadelphia are subject to Philadelphia's 1½ percent wage tax and the city stands to gain \$1 million annually from an efficient withholding form of collection in this one category.

It is the hope of the chamber's economics and taxation council that the U.S. Senate will shortly give its wholehearted approval to H.R. 3151.

Very truly yours,

PHILIP STERLING, *Chairman.*

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CITY OF LANCASTER,  
*Lancaster, Pa., February 25, 1960.*

Senator JOSEPH S. CLARK,  
*Senate Office Building,  
Washington, D.C.*

DEAR SENATOR CLARK: City council and I would like to register our approval of H.R. 3151, the bill to withhold city income taxes from Federal employees. This bill has recently passed the House of Representatives and I understand that it is now in the Senate Finance Committee. This letter is to request that you ask the members of the Senate Finance Committee to consider this legislation as soon as possible and move the bill to the floor without Senate hearing.

We further hope that when this bill comes to the floor of the Senate that you will cast your vote in its favor.

Very truly yours,

THOMAS J. MONAGHAN, *Mayor.*

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CITY OF PHILADELPHIA,  
*June 15, 1960.*

HON. JOSEPH S. CLARK,  
*Senate Office Building,  
Washington, D.C.*

DEAR SENATOR CLARK: Enclosed is a statement concerning H.R. 3151—S 2551 proposing Federal withholding of city income tax by Federal departments and agencies.

These comments are necessarily very brief but I believe they cover the high spots.

Thank you very much for your interest in this legislation which is so important to the city of Philadelphia.

Kindest personal regards,  
Sincerely,

DAVID BERGER, *City Solicitor.*

Senator CLARK. Now there is another point which I would like to stress, and then I shall be through.

We have quite a lot of experience in Philadelphia with respect to this collection of the tax on nonresidents.

The total liability of Federal employees in the Philadelphia area, those who either live in the area or work in it, and there are 68,000 of them, employed by 204 agencies, is approximately \$4,723,000 a year.

Of this amount the employees are paying voluntarily \$2,776,000 or slightly more than half. The remainder become an enforcement problem resulting in delinquencies accruing over the years. I should point out that the form of collection proposed is a withholding at the source, which is the same system used by the Federal Government in collecting the Federal income tax.

Now, the cost of collection and processing in the case of current payments is about 5 percent. But the cost of collecting delinquencies—which are much more difficult and complex requiring investigation and court action and the like—runs up to about 11 percent or more than twice as much, so that this bill, if passed, would be of great administrative assistance to all the cities which have this wage tax.

But moreover, it is, I think, only simple justice to the employees, and it is interesting to note that our Philadelphia revenue commissioner, he is our tax enforcement agent, has met with officers and representatives of the Federal Employees Union and other employees associations and they have consistently joined with the city in urging that this deduction at the source should be authorized by the Federal Government.

You may well ask why?

The answer is clear that human frailty being what it is, these leaders of the employees know, and I think most of the employees themselves know, that it is far better to have this tax collected at the source at the time that it becomes due, and if there is any legal question as to whether it was properly collected or not, affecting even a small group, they can always test that action in the courts.

But if they don't pay it and then the cities have to go after them later, they are really in a bad jam, because most of them have spent their salaries, they don't have the backlog of surplus necessary. They are having penalties assessed on them, they are having interest assessed on them and if this thing runs for 2 or 3 years, this can be really a crushing blow to a Federal employee or any other employee who either through inadvertence or design has failed to pay the tax, so I feel very strongly that this bill is in the interest of the employees as well as in the interest of the municipality.

My last comment is that in terms of reciprocity we might almost say in terms of senatorial courtesy, the municipalities willingly collect from their employees at the source, the Federal income tax which those employees are required to pay, and it seems only a matter of justice and reciprocity to have the shoe on the other foot, and to permit the Federal installations to make the same deductions at the source which all private corporations do in the area with respect to their employees.

One of the interesting things which developed in Philadelphia as a result of the cooperation of the chamber of commerce, has been the Radio Corp. of America which is located in Camden, N.J., is presently deducting for the city of Philadelphia from the wages and salaries of employees of that corporation who live in Philadelphia, the Philadelphia municipal wage tax and this has been acquiesced in without protest by all of those individuals who are only too happy to have this

deduction made. Although there is no way in the world by which the city of Philadelphia could require the Radio Corp. of America to do that.

This came about because for some years they didn't do that, and then the city was obliged under the terms of its law, to try to enforce the tax by police action which was unpleasant and expensive for all concerned. Such enforcement action could be avoided if this bill were passed.

Mr. Chairman, I thank you again for your courtesy in permitting me to appear here and I do hope this bill can be favorably reported and passed before we adjourn.

The CHAIRMAN. Thank you, Senator.

Senator CLARK. Thank you, sir.

The CHAIRMAN. Thank you very much, sir, it is always a pleasure to have you.

Congressman Brown, it is a great pleasure to have you with us.

#### STATEMENT OF HON. CLARENCE J. BROWN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Brown. Thank you.

Mr. Chairman and members of the committee, I appreciate very much the courtesy which has been extended to me by permitting me to appear so promptly because of other commitments I have on the other side of the Capitol.

The cities of Dayton and Springfield, Ohio—Springfield happens to be in my own district—both have local city income taxes and have been interested in legislation of this type for a long, long time.

Last session this particular bill, which is now before you, was reported out of the Ways and Means Committee. It came before the Rules Committee and perhaps I was instrumental in having it sent to the floor under a rule adopted for its consideration.

Then rather to my amazement, after I returned to my duties and responsibilities in the Rules Committee, by inadvertence an amendment was put into the bill which would limit the distance from a city to a Federal installation in which persons who should pay city income taxes would be due might be employed. As a result, to my great amazement when the bill cleared the House, and I might also add to my embarrassment, an amendment which struck out any opportunity for the city of Springfield to collect these city income taxes, or to have them collected for them of the employees living in Springfield who were working at Wright Patterson Air Force Base, which has something like 40,000 employees, was adopted.

I suggest that if this committee is to report this legislation, or to consider it seriously, it might be wise and advisable to make the distance provision apply to about the usual driving distance from Federal employment. We have people who drive 45 and 50 miles perhaps to work in these various Government installations, and certainly the mileage limitation in this bill would be very unfair and unfortunate to the city of Springfield, and to my district. So I think it would establish an unfair rule of thumb whereby there might be some responsibility on the part of the Federal Government to collect the city income taxes.



So I would like to urge, Mr. Chairman, and members of the committee, if I may, that if this legislation is to be reported, and that of course is a matter for your own wisdom and your judgment, that it contain an amendment, or that you consider an amendment, which would fix the distance of Federal employment away from the city collecting city income taxes of somewhere around 40 or 50 miles. I believe the average driving distance to work is that for I said a moment ago, a great many people drive 40 to 50 miles each day to work in some of these places. It would be very helpful to that rather hard stricken city of Springfield, a city which has a great deal of unemployment, it needs these tax funds if it may get the tax collections provided in this bill, for it has had difficulty in collecting taxes from Federal employees who have worked at these Federal installations.

This completes my statement. If there are any questions you wish to ask me I shall be glad to attempt to answer them.

The CHAIRMAN. Thank you very much, Congressman.

Any questions?

Mr. BROWN. Thank you very much, I appreciate your courtesy.

The CHAIRMAN. The next witness is Senator Case of New Jersey.

Senator, we are delighted to have you, sir.

#### STATEMENT OF HON. CLIFFORD P. CASE, A U.S. SENATOR FROM THE STATE OF NEW JERSEY

Senator CASE. Thank you, Mr. Chairman, First, Mr. Chairman, if I may apologize for being late.

Mr. Chairman, and members of the committee, I am grateful for this opportunity to testify on H.R. 3151. I am against this bill. It provides that or would provide that the Federal Government should withhold compensation of Federal employees local income taxes imposed by municipalities having a population of over 52,000 people. Mr. Chairman, I think this bill would make a local tax collector out of Uncle Sam, and before I outline briefly my reasons for opposing the bill, perhaps it might be helpful to explain a little of the background of the double taxation dispute which has proved very disturbing to New Jersey residents who work in New York and Philadelphia, and I may say at least one other Pennsylvania community, Easton, Pa.

There is a double burden of taxation.

New Jerseyites who work in New York pay New York income taxes on their New York income earnings, and New Jerseyites who work in Philadelphia and Easton pay taxes to these cities; at the same time New Jersey citizens pay their full share of the cost of New Jersey State and local government. They realize it represents double taxation, I think it is clear, from the fact that the New York income tax law grants reciprocal exemptions to residents of other States which impose an income tax. But we in New Jersey don't have an income tax. We are very fortunate up to now in that regard, at least in other respects than this particular one, and New York gives no recognition to the various property and other taxes by which New Jersey residents support their State and local governments.

Of course, Philadelphia and Easton don't give reciprocal exemption to anybody.

Up until now, neither New York State nor Philadelphia nor Easton I may say has indicated any willingness to cooperate in eliminating this particular kind of double taxation which particularly affects New Jersey residents.

Even the very modest proposals of Governor Rockefeller which would have given New Jersey residents equal treatment with New Yorkers under the New York State income tax law, which doesn't at all meet the double taxation problem, was turned down by the New York State Legislature.

I may say this isn't a party matter. There were Republicans involved in the turndown as well as Democrats. Several thousand residents of southern New Jersey work for the Federal Government in the Philadelphia Navy Yard. They have got to pay the Philadelphia wage tax.

Despite the fact that the Navy and not the city provided all day-time services and naturally enough they feel strongly that the Federal Government hasn't any moral right to step into their dispute with Philadelphia. I strongly concur with this and I am opposing the efforts of Philadelphia and the Pennsylvania Senators, Republican and Democratic, to pass this withholding bill.

So much for the background of the dispute which involves in all several hundred thousand New Jersey residents.

But I think these facts are pertinent to our consideration of H.R. 3151. For even though since 1952 the Federal Government has been withholding State income taxes owed by its employees this bill, H.R. 3151, opens the gates to a new and I think very undesirable area. Proponents will say the bill has the support of the Treasury as it passed the Senate. I think this—as it passed the House and I think this is clearly not a fact. When it was first introduced it applied to cities with populations of more than 500,000 people. As reported by the House Ways and Means Committee it applied to cities of over 75,000, and as amended by the House the scope of the bill was still further expanded to bring in all cities of 50,000 and more. The Treasury flatly opposes this latest expansion, and if you believe the proponents of the bill in the House debate, I think the committee would realize that this is only the beginning.

It is the clear intention of the proponents to bring eventually into this burdensome bookkeeping operation every municipality in the United States where an income or wage tax is levied and, accordingly, administrative costs for the Federal Government, I think, would become prohibitive.

H.R. 3151 is aimed specially at nonresidents of those cities which levy income taxes. To put the Federal Government in the role of local tax collector, I think, Mr. Chairman, is to place it in the wrong side of the hot dispute. Furthermore, it is untrue for the proponents to suggest that there is no cloud under the legality of the particular tax we are talking about. I am talking now especially about the Philadelphia wage tax as applied to New Jerseyites who work in the Philadelphia Navy Yard. There is considerable doubt on this point. My constituents who are associated with the wage tax protest. New Jersey, all Federal employees of the Navy Yard and taxpayers in

Philadelphia are challenging the legality of the wage tax in the Federal courts. I think this Congress ought not to put the seal of Federal approval on municipal income taxes on nonresidents. Moreover to do so, in my judgment would lower the morale of the Federal employees in such installations as the shipyard in Philadelphia. Where the nonresidents, my constituents, are struggling to free themselves from the burden of double taxation and passage of the bill I think would undoubtedly encourage other communities to levy an income tax since the Federal Government would do some of the collecting and the bookkeeping at its expense.

If the committee is minded to consider the bill at all, I urge strongly that it remove one of the objectionable features by restricting the application of the bill to workers who reside in the taxing jurisdiction, and accordingly prevent its application or didn't at least encourage and assist its application to nonresidents.

I hope, however, that the committee will go further than this, and seize this opportunity of putting an end once and for all to the whole gross unjust burden of double taxation.

The committee can do this and I urge that it consider seriously and I hope that perhaps it will report as a substitute for or in addition to this bill, my proposal which is Senate Joint Resolution 67, which would amend the U.S. Constitution so as to deny States and cities the right to tax the incomes of nonresidents.

This constitutional amendment would end the double taxation evil once and for all.

I appreciate the opportunity to appear before you, and I am confident that in your wise and humane hands my constituents will be protected.

The CHAIRMAN. Thank you, Senator Case. We hope you will come again.

Senator CASE. Thank you, Mr. Chairman.

The CHAIRMAN. Any questions? Thank you very much.

The next witness is Congressman Cahill.

#### **STATEMENT OF HON. WILLIAM T. CAHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. CAHILL. Mr. Chairman and members of the committee, first of all many I express to you my appreciation for this opportunity of appearing before this committee. I have listened to the witnesses who preceded me, and certainly I do not want to repeat what they have said. I have just heard Senator Case present what I consider to be a very forceful and accurate statement of the facts, and he said pretty much what I had intended to say.

There are just a few things that were not said that I would like to call to the attention of the committee. First of all, I want to say to the committee I represent the First District of New Jersey which is immediately across the Delaware River from the city of Philadelphia and a great many people of my district work in the city of Philadelphia. They are compelled to pay the Philadelphia wage tax even though, contrary to what Senator Clark indicated to the committee, they do not receive any services from the city of Philadelphia. Particularly is this true, as was indicated by Senator Case, of the resi-

dents of south Jersey who work in the Philadelphia Navy Yard. As a matter of fact, Mr. Chairman, there are many of them who get to the Philadelphia Navy Yard from the State of New Jersey without ever going into the city of Philadelphia.

So that aside from the inequity of the tax, it is my thought that the Federal Government should not assist by aiding in the collection of this unjust tax.

I think, however, the most important thing before this committee is this question: As was indicated by Senator Case in his testimony, when this bill was first introduced it applied to cities of 500,000 or more, and it is my understanding there were only two cities encompassed by the bill, Philadelphia and St. Louis. Since it has been in the Congress of the United States the two cities have now grown to about 20 cities. The population has been reduced from 500,000 to 50,000 and has extended, I think from about two States to almost six States which is an indication if the Senate of the United States and the Congress of the United States places its stamp of approval on this form of taxation you can count on any city in the United States imposing such a tax, particularly those cities who have the benefit of a great number of nonresidents who are working in the city and living outside the city. The result of course is as was indicated double taxation.

Now I would like to specifically point out the problems which confront the Federal Government if this bill is approved.

Take, for example, a special agent of the FBI who is stationed in the Richmond office, and is assigned and transferred by the Department to the Philadelphia office, and is there for a period of 6 months. It is incumbent upon the Federal Government to withhold from that Federal agent's salary the Philadelphia wage tax. Now just imagine a multitude of accounts the Federal Government is going to be confronted with when Federal employees have to be assigned into those areas where there is a tax comparable to the tax as it exists in the city of Philadelphia and the city of St. Louis.

Secondly, I would like to indicate that Senator Clark, as he pointed out, I think this is a very forceful argument against him, Senator Clark pointed out, that since the local municipalities are collecting the Federal income tax, the Federal Government should reciprocate and collect the local tax. I would like to point out to the committee that it is very interesting to note that the Legislature of the Commonwealth of Pennsylvania introduced a bill wherein they tried to compel the State of Pennsylvania to collect the Philadelphia wage tax from people living outside of the city of Philadelphia, but within the Commonwealth of Pennsylvania, who work in the city of Philadelphia, and the State legislature refused to pass that bill, so in effect, Pennsylvania is asking the Congress of the United States to do something that their own State legislature refused to do.

I heard Senator Clark make the statement that RCA was collecting this tax. It was my understanding that they were not.

But I had my office call RCA to find out, and I have a message from the clerk of the committee here where Mr. Ewing, Samuel Ewing, who is general counsel for RCA, apparently gave the information that they are not: that they have supplied the names, addresses, and salary rates to the Philadelphia authorities but that they are not col-

lecting the tax for the city of Philadelphia. This is one of the things, Mr. Chairman, I argued in the House, that if the Congress of the United States makes it necessary and mandatory for the Federal Government to collect, then it seems to me every industry in the country is going to be put in the same position.

So, in conclusion, may I urge the committee to evaluate the cost to the U.S. Government, to consider the number of new employees that will be required, to consider the number of new municipalities who will in my opinion, enact this type of taxation, and to consider the great cost that it is going to be to all of the people of the United States who will be paying solely for the benefit of the few municipalities who will benefit by this tax.

Thank you very much, Mr. Chairman, for this opportunity to testify.

The CHAIRMAN. Thank you very much, Mr. Congressman.

Any questions?

Senator Symington, come forward, please, sir.

It is an honor and pleasure to have you before the committee.

#### STATEMENT OF HON. STUART SYMINGTON, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator SYMINGTON. Thank you, Mr. Chairman. It is an honor and pleasure to see you and the other members of the committee.

Mr. Chairman, I would like to present the No. 1 mayor of the country today, inasmuch as he is president of the American Municipal Association. He is here from my city of St. Louis and I have a very short statement, with the committee's indulgence, that I would like to read.

Mr. Chairman, may I urge favorable consideration by your committee of H.R. 3151, the bill providing for withholding of income tax imposed by certain cities on the compensation of Federal employees.

I was a cosponsor of the companion measure in the Senate, S. 2551, introduced by Senator Clark at the last session.

Under existing law, the Federal Government is directed to enter into agreements with States whereby State income levies are withheld from salaries of Federal employees. The measure before you is an extension of these provisions to cities over a certain size which levy taxes on incomes.

H.R. 3151, as I see it, is an equitable bill. It extends to cities the same courtesy they extend to the Federal Government, the withholding of taxes imposed by the other instrumentality. The bill does not impose any new taxes. It only provides for collection of taxes which are rightfully owed to the cities. Approval of this bill will assist our cities in meeting their financial burdens as the cities assist the Federal Government in meeting its burdens.

Thank you, Mr. Chairman.

May I present Mayor Raymond Tucker of St. Louis to this committee?

The CHAIRMAN. Thank you very much, Senator Symington.

Senator SYMINGTON. Is the committee ready to hear the mayor at this time?

The CHAIRMAN. Mayor Tucker, will you come forward, please?

Senator SYMINGTON, Senator Byrd, Mr. Chairman, Senator Frear, Senator Bennett, this is Mr. Raymond Tucker, very able mayor of the city of St. Louis.

The CHAIRMAN. Mr. Mayor, take a seat, sir, and proceed.

### STATEMENT OF MAYOR RAYMOND R. TUCKER, ST. LOUIS, MO.

Mr. TUCKER. Mr. Chairman and members of the committee, I am Raymond R. Tucker, mayor of St. Louis, and I am president of the American Municipal Association.

The proponents of the legislation you are considering could summon many witnesses from various parts of the country to appear before you. However, we are quite aware of the tremendous pressures your committee is operating under at this point of the session.

We know that the sugar bill, tariff bill, social security and medical care for the aged, and other matters must be acted on in the short remaining weeks of this session.

We appreciate your consideration in granting us hearings under these circumstances. In order to conserve your time, all of the municipalities affected by the legislation have agreed to have me testify on their behalf.

I think I should review briefly for you the history of this legislation. In 1952 Congress enacted legislation (66 Stat. 765) providing that where State or territorial laws require the collection of a tax by withholding by employers, the Federal Government upon request is to enter into an agreement to withhold the State or territorial tax from compensation paid Federal employees who are employed in the State or territory.

This law was enacted because of the refusal of the State of Vermont to withhold the Federal income taxes owed by its State employees unless the Federal Government reciprocated in withholding the taxes owed by Federal employees to the State of Vermont. In 1952 there were only two States, Vermont and Oregon, and the Territories of Alaska and Hawaii, which used the withholding method. At the present time there are 32 States which impose income taxes, of which 21 collect through the withholding method.

Municipal taxes which provide for withholding on compensation presently are in effect in five States: Alabama, Kentucky, Missouri, Ohio, and Pennsylvania.

The present law, in the form originally sponsored by Senator Flanders, provided:

Where any statute or provision of law of any State, Territory, or possession of the United States, or any political subdivision thereof, provides for the collection of a tax by imposing upon employers generally the duty of withholding sums from the compensation of employees and making returns of such sums to the authorities of such State, Territory, or possession, or any political subdivisions thereof:

withholding is authorized.

The American Municipal Association believes that the original wording of the Flanders bill was sound, and that it should have applied to all political subdivisions, without limitation.

As you gentlemen are well aware, all of our municipalities throughout the Nation are creatures of the several States, and their taxing powers are granted them as an exercise of the sovereign powers of the States in which they are situated.

Therefore the reciprocity granted the States under the present law, which was a recognition of the sovereign rights of the States, should have been applied to the political subdivisions of these States, which are exercising their taxing powers granted by the States.

In fact in 1956 the American Municipal Association, representing more than 13,000 municipalities throughout the country, adopted as part of its national municipal policy the provision that the provisions of the present law as they apply to the States should be extended to the political subdivisions thereof.

However, the Treasury Department objected to these provisions as they applied to political subdivisions in the original Flanders bill on the grounds that it would create too complex an administrative problem for the Federal agencies.

The objections have never seemed valid to us, because as you know, this withholding is done through a machine punch operation. The same mechanism which has been set up to make the withholding for the States can be utilized for the cities.

However, it was necessary to defer to the judgment of the Treasury Department in order to get their approval for a bill which would straighten out the Vermont situation.

The provisions as they affected political subdivisions were stricken from the bill by the House Ways and Means Committee.

The American Municipal Association held a series of meetings with the Treasury Department and the Bureau of the Budget. Agreement was reached that they would favor a bill which provided for withholding for cities with a population of 75,000 and over, and legislation was introduced in the House and Senate at the beginning of this session. Both the House Ways and Means Committee and the Senate Finance Committee were informed by the administration that it favored the legislation in this form.

The cities affected by the bill in this form were Allentown, Altoona, Erie, Philadelphia, Pittsburgh, Scranton, Pa.; St. Louis, Mo.; Louisville, Ky.; Canton, Cincinnati, Columbus, Dayton, Springfield, Toledo, Youngstown, Ohio.

The bill was approved unanimously by the House Ways and Means Committee, and early this year H.R. 3151 was passed by the House by a vote of 221 to 160.

Before passage by the House, the Ways and Means Committee accepted on the floor, and the House enacted, two amendments to the bill.

One amendment lowered the population figure from 75,000 to 50,000 and brought under the provisions of the bill the additional cities of Covington and Lexington in Kentucky, and Bethlehem and Lancaster in Pennsylvania.

The other amendment provided that the provisions of the bill would apply to Federal installations located within a 5-mile radius of the city, provided the installation was located in the same State as the city affected. This would be of benefit primarily to the city of Dayton.

Since then in our conferences with the administration we have been informed that the amendments inserted on the House floor are unacceptable to the administration, and I believe the latest report to this committee takes the same position.

We do not believe that either of these amendments would impose cumbersome burdens on the Federal Government. However, we

realize realistically that this legislation can only become law with the administration's approval. We are therefore willing to have the bill amended back to the original form in which it was presented to the House and Senate, in order to have this legislation enacted.

Now, what are the reasons for favorable action on this legislation by your committee?

First, it is a simple matter of comity and reciprocity. As the House Ways and Means Committee report on H.R. 3151 pointed out, in its report on H.R. 5157 in 1952 it recommended favorable action on the present law because of the cooperation of the States in withholding Federal income taxes from their employees.

The report on H.R. 3151 continued:

Your committee believes that the same reasons should also require the Federal Government to withhold city income taxes from Federal employees. The cities also have cooperated with the Federal Government with respect to fiscal matters generally and also withhold Federal income taxes from compensation paid their employees.

The bill is favored by the American Municipal Association and the U.S. Conference of Mayors and with your permission I have a resolution which I will present now, of the U.S. Conference of Mayors—since it would obviously simplify the collection procedures and costs for the municipalities.

Thus it would improve their revenues and help them meet the mounting costs of municipal services. It would also relieve them of the necessity of harassing Federal employees who are delinquent by dragging them into court and imposing heavy penalties on them.

The city of Philadelphia, which is the largest municipality affected by the bill and, incidentally, has a population much greater than many of the States granted withholding, estimates that it is losing \$1 million a year through lack of withholding, both in added collection costs and lost taxes.

Secondly, the bill is favored by the overwhelming majority of the Federal employees who are subject to these taxes. The Federal employees feel that they are entitled to the same convenient regular withholding method of paying these taxes which are enjoyed by all other classes of employees, including private, State, and municipal employees.

Without withholding they are subject to large lump-sum payments and penalties and interest when they fall behind in these payments. As proof of this point the bill was heartily endorsed in the House by the national organizations representing Federal employees, including the American Federation of Government Employees, the National Association of Letter Carriers, the National Postal Clerks, and the National Association of Mail Handlers.

Third, the bill is favored by the Treasury Department and Bureau of the Budget. The argument that the bill would saddle the Federal Government with any significant costs has been analyzed by the Treasury Department and the Budget Bureau and found not to be true. It would merely require making a machine punch on a card presently equipped for such an operation.

Nevertheless, it must be acknowledged that there is opposition to the bill, and I am sure that witnesses will appear before you in opposition to it.



From having studied the argument before the House Ways and Means Committee and on the House floor, we can anticipate what the opposition argument will be. I think you will find, if you analyze these arguments, that they are arguing against this bill as if it were a tax bill under which the Federal Government were imposing taxes on someone.

It is not a tax bill. It does not affect the tax liability of any person in the United States one way or another.

The opposition to the bill arises because in some instances the taxes are imposed on nonresidents, and in some instances on residents of another State. But the jurisdiction of a city to tax any employee or group of employees is not affected by this proposed legislation. In fact the bill specifically does not consent to the application of any provision of a city's law which has the effect of imposing more burdensome requirements upon the United States than it imposes upon other employers. It does not subject the United States or any of its officers or employees to any penalty or liability as a result of this law.

It also provides that withholding by the Federal Government will not be required with respect to taxes of a city which invokes withholding only with respect to nonresidents.

It requires withholding only with respect to Federal employees whose regular place of Federal employment is within the boundaries of the city imposing the withholding tax. No withholding of city taxes is permitted on members of the Armed Forces.

In other words, no additional liability for paying taxes can be imposed on any Federal employee as a result of any provisions of this law.

If withholding is permitted on all other classes of employees under the sovereign taxing powers of the several States, and the legality of these taxes have been upheld by the Federal courts, then obviously Federal employees must pay them just as any other class of employees subject to the State law must pay them.

This bill merely provides for the method of payment. If the courts should decide in any instance that the taxes are illegally levied then they would impose on the cities the requirement of repaying any taxes levied illegally with back interest.

No liability is imposed on the Federal Government. The argument that in passing this law you are using the powers of Congress to collect illegal or unjust taxes is fallacious.

On the same grounds any city administration could take the position that they should not withhold Federal taxes owed by their employees, on the grounds that there are inequities in the Federal income tax law.

Another fallacious argument is that by passing this law you will encourage more cities to impose taxes on nonresident Federal employees. No court would uphold a city income tax if it were levied discriminatorily on Federal employees on terms other than those which would apply to all other types of employees.

Federal employees represent only a tiny fraction of the employee group subject to such taxes, and the power to withhold on all other types of employees presently exists.

Therefore, additional power of withholding granted by this bill would not be a significant incentive for any city to impose income

taxes which it does not presently impose or which it would consider imposing.

I can justify the imposition of these taxes on nonresidents, as we do in St. Louis. But I do not feel called on to do so, because that issue is not germane insofar as this bill is concerned.

I appreciate the opportunity to appear before you, and I hope that you will give favorable consideration to this legislation.

The CHAIRMAN. Thank you very much, Mr. Mayor.

Are there any questions?

Senator BENNETT. Mr. Chairman, I am sure the mayor would like to go back and look at the statement he made:

In view of the fact that the bill provides -

he says -

It requires withholding only with respect to Federal employees whose regular place of Federal employment is within the boundaries of the city imposing the withholding tax.

The bill says:

an honest regular place of Federal employment is at a Federal installation which is within the same city as the city if any part of such installation is located within 5 miles of the corporate limits of the city.

So it does in effect impose a tax on Federal employees outside the corporate limits of the city under certain circumstances.

Mr. TUCKER. May I locate that here?

Senator BENNETT. It is about 400 words from the end of your statement.

Mr. TUCKER. I recall, sir, that is one of the amendments which the American Municipal Association has agreed to accept, if that is the interpretation of the bill, because that is not the intent.

Senator BENNETT. Then, I am sure you would like to indicate then rather than flatly stating that the bill provides withholding only with respect to employees whose regular place of employment is within the boundaries of the city, that you would be willing that the bill should so apply.

Mr. TUCKER. I recall that statement. I said that would only affect the city of Dayton.

The CHAIRMAN. Only affects what?

Mr. TUCKER. I had better locate it. It is near the end.

This is the form. I am informed that it was presented originally, in the bill, by the Treasury Department and was accepted by them.

Senator BENNETT. That is right, but the bill was changed in the House so I just want to make clear you understand that the bill does apply to employees employed 5 miles outside of the city limits.

Mr. TUCKER. And living within the city.

Senator BENNETT. Yes, but you don't contain that qualification in your statement. You just make the flat statement that it applies only to employees working inside the city and I thought you would like to correct that statement, sir.

Mr. TUCKER. Thank you.

The CHAIRMAN. Thank you very much.

At this point I would like to insert in the record telegrams and views endorsing the views expressed by Mayor Tucker from Harold L. Baumes, executive secretary of the League of Virginia Municipalities, Richmond, Va., the Honorable Thomas J. Monaghan, mayor of Lau-

caster, Pa., the Honorable Arthur J. Gardner, mayor of Erie, Pa., Mr. W. Parent, Director of Finance of the city of Dayton, Ohio, Mr. Charles Ledecker of the Pennsylvania State Association of Boroughs, Harrisburg, Pa., Morton E. Rotman, revenue commissioner of the city of Philadelphia, Pa., Mayor Richard J. Colbert of Lexington, Ky., and James C. Carey, legislation representative, Philadelphia Post Office Clerks Union, all endorsing the views expressed by Mayor Tucker.

Thank you very much, Mr. Mayor.  
(The documents referred to follow:)

LEAGUE OF VIRGINIA MUNICIPALITIES,  
Richmond, Va., May 20, 1960.

HON. HARRY F. BYRD,  
U.S. Senator,  
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: H.R. 3151, which is described in the enclosed report of the Committee on Ways and Means, has passed the House and is now pending in the Senate Finance Committee. It would merely authorize Federal agencies to do for certain cities what they already do for States that levy income taxes, namely, withhold city income taxes from the compensation of Federal employees located in those cities that levy them. These cities withhold from their city employees' compensation the income taxes levied by the Federal Government, and it only seems fair that the Federal Government should reciprocate.

Although the bill would not presently affect the Virginia cities, our league cooperates with the municipal leagues of other States and their member cities through the American Municipal Association which has endorsed this bill as part of its national municipal policy. It seems like such a fair and reasonable measure that we are pleased to request your support. I would be glad if you would give this matter your attention and lend whatever support you feel you can to the measure.

With kindest personal regards, I am,  
Very sincerely yours,

HAROLD I. BAUMES, Executive Secretary.

LANCASTER, PA., June 9, 1960.

HON. HARRY F. BYRD,  
Chairman, Senate Finance Committee,  
Washington, D.C.

DEAR SENATOR BYRD: The Council of the City of Lancaster request an early hearing on House Resolution 3151. We further authorize Mayor Raymond Tucker, of St. Louis, to testify on our behalf in reference to this bill.

THOMAS J. MONAGHAN, Mayor.

ERIE, PA., June 10, 1960.

HON. HARRY F. BYRD,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D.C.:

This municipality in conjunction with other interested municipalities respectively request an early hearing on H.R. 3151 in the interest of expediting action by your committee. We agree to have Hon. Raymond R. Tucker, mayor of St. Louis, Mo., president, American Municipal Association, testify on our behalf.

ARTHUR J. GARDNER,  
Mayor, City of Erie, Pa.

DAYTON, OHIO, June 14, 1960.

Mrs. ELIZABETH B. SPRINGER,  
Chief Clerk, Senate Finance Committee,  
New Senate Office Building, Washington, D.C.:

To conserve the committee's time no personal appearance will be made by Dayton, Ohio, who favors H.R. 3151 as passed by the House. This bill will not make additional employees taxable but will make payment easier for employees

who now pay municipal tax direct. Mail questionnaire to local Government employees show 2½ to 1 ratio favoring tax withheld same as private industry. If compromise would assure passage Dayton stands with American Municipal Association position to be presented by Mayor Raymond Tucker, St. Louis, president.

W. PARENT, *Director of Finance, Dayton, Ohio.*

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HARRISBURG, PA., June 10, 1960.

Senator HARRY F. BYRD,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D.C.:*

The Pennsylvania State Association of Boroughs request Senate Finance Committee to schedule a hearing on H.R. 3151, the bill to authorize the Federal Government to withhold municipal income taxes from Federal employees. We request that Mayor Raymond R. Tucker, president of the American Municipal Association, be permitted to testify for all municipalities interested in this legislation.

CHARLES F. LEEDECKER,  
*Executive Director, Pennsylvania State Association of Boroughs.*

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PHILADELPHIA, PA., June 17, 1960.

HON. HARRY F. BYRD,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D.C.:*

It is urgent both from the viewpoint of the financial aid seriously needed by our municipalities and the convenience and financial saving to Federal employees that bill, H.R. 3151, be afforded a public hearing as soon as possible. In order that action by your committee be expedited it is agreeable to my department which is vitally interested in this matter that the Honorable Raymond Tucker, mayor of St. Louis and president of the American Municipal Association be the sole witness to appear on behalf of all of the municipalities involved and it is further agreeable with my department for the convenience of your committee that the hearing be limited to 2 hours.

Respectfully yours,

MORTON E. ROTMAN,  
*Revenue Commissioner, City of Philadelphia.*

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LEXINGTON, KY., June 16, 1960.

Senator HARRY F. BYRD,  
*Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D.C.:*

Request an early hearing on H.R. 3151 and in the interest of expediting action by your committee we are willing to have Mayor Raymond Tucker testify on behalf of the city of Lexington, Ky.

RICHARD J. COLBERT,  
*Mayor, City of Lexington, Ky.*

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PHILADELPHIA, PA., June 16, 1960.

HON. HARRY FLOOD BYRD,  
*Chairman, Senate Committee on Finance,  
New Senate Office Building, Washington, D.C.:*

To alleviate a serious financial hardship on Federal and postal employees in this area we urge your committee to favorably report to the Senate without amendment, H.R. 3151, the city income tax withholding bill.

JAMES C. CAREY,  
*Legislative Representative, Philadelphia Post Office Clerks Union.*

Mr. TUCKER. Mr. Chairman, may I present for the record this resolution from the U.S. Conference of Mayors?

The CHAIRMAN. Without objection it will be inserted in the record. (The document referred to follows:)

U.S. CONFERENCE OF MAYORS,  
Washington, D.C., June 16, 1960.

HON. RAYMOND R. TUCKER,  
Mayor, City Hall,  
St. Louis, Mo.

DEAR MAYOR TUCKER: As you know the U.S. Conference of Mayors has over the past several years strongly supported legislation which would authorize cities to make arrangements with Federal agencies for the withholding of city income taxes from the wages of Federal employees. We are indeed pleased that the House of Representatives has approved H.R. 3151 and that the Senate Committee on Finance will hold hearings on this bill on Friday, June 17.

In the interest of expediting consideration of H.R. 3151 we have decided to forego a personal appearance before the Senate Committee. I would appreciate it if you would, at the time of your appearance on behalf of the American Municipal Association, place in the record of the hearings the resolved portion of the resolution on this subject approved by the U.S. Conference of Mayors at its 1960 annual conference meeting in Chicago on May 13 this year.

I would also ask that you assure the Committee on Finance of the Senate that this resolution was unanimously adopted by the several hundred mayors in attendance and that we in local government stand united in our support for the pending proposal.

The text of the resolution is:

"WITHHOLDING OF CITY INCOME TAX ON FEDERAL EMPLOYEES

*"Resolved by the U.S. Conference of Mayors, That the Congress be, and it is hereby, urged to promptly enact legislation to enable cities to make arrangements with Federal agencies for the withholding of city income taxes from the wages of Federal employees."*

With warm personal regards.

Sincerely yours,

RICHARDSON DILWORTH,  
Mayor of Philadelphia,  
President, Conference of Mayors.

The CHAIRMAN. The next witness is Mr. James C. Carey, Philadelphia Post Office Clerks Union.

Mr. Carey, will you come forward?

Is Mr. Carey here?

The next witness is Mr. Fred Devine of the Wage Tax Protest League.

Mr. Devine, take a seat and please proceed.

**STATEMENT OF FRED DEVINE, WAGE TAX PROTEST LEAGUE**

Mr. DEVINE. Mr. Chairman, I would like to thank the committee for this opportunity to come before this committee as an American citizen to present our views in opposition to the withholding, wage tax withholding. Before I begin, would it be proper to clarify, comment on, several previous statements which have been made?

The CHAIRMAN. I didn't understand you, what did you say? Will you repeat that?

Mr. DEVINE. Several statements have been made previously by the speakers. May I comment on several of them?

The CHAIRMAN. Of course.

Mr. DEVINE. Congressman Cahill anticipated me on the RCA question, I was going to bring that to your attention, that RCA is not deducting Philadelphia wage taxes.

The point was made about simple justice, and I believe we can say with equal frankness that is what we are seeking.

With respect to some of the statements that have been made, I think we should look through, rather than at them.

The statement has been made that 68,000 Federal employees and 204 agencies will pay to the city of Philadelphia \$4,723,000 a year, \$2,776,000, which will be half of the total, paid voluntarily and the balance will have to be collected by legal means.

Now this is a very baffling point, the exact number of Federal employees involved. Before the House Ways and Means Committee on August 27 of 1957 Mayor Dilworth of Philadelphia told us that some 86,000 Federal employees would pay \$3,100,000 in wage taxes. We have read in the Philadelphia Evening Bulletin that perhaps 45,000 Federal employees will be liable for this tax, and we have on another occasion heard that 70,000 Federal employees would be liable.

Now we have an interesting point here. In the Philadelphia eight-county area there are a total of 70,000 Federal employees. If 70,000 are subject to this tax, it would seem to me they are claiming that everybody in the eight county area should pay this tax, which would be preposterous.

Senator BENNETT. May I ask a question, Mr. Chairman?

Do you agree that the employees who live in Philadelphia who actually live in Philadelphia should pay the tax?

Mr. DEVINE. I do not believe we can argue on that point, they have—

Senator BENNETT. OK. How many of these 70,000 actually live in Philadelphia, do you know?

Mr. DEVINE. Of the 70,000 who actually live in Philadelphia, I would hesitate, anything I would say would be a guess, I would say maybe perhaps half.

Senator BENNETT. We are not talking about 70,000 people who would have to be reached by this program, we are talking about approximately half of that number, sir.

Mr. DEVINE. Yes; but the point made by Senator Clark was 68,000, I don't think it has ever been determined just how many Philadelphia residents are Federal employees.

Senator BENNETT. That is the point I am trying to make.

Mr. DEVINE. Now we have heard statements about the taxing powers granted to cities. What we are concerned with here is the abuse, what we believe to be the abuse, of the taxing power and the question comes up about the harrassing of so many thousands upon thousands of Federal employees, and why they refuse to pay, and if I may make this statement, I believe it may clarify the issue. It is probably a natural thing to resent bad laws, and we have heard that the power of the people and the power of the press can change bad laws under our American Democracy. We have a situation in Philadelphia that may throw some light on why they don't pay.

There is great controversy with the Sunday law, and the city has taken an outstanding stand with respect to this law, and we have in the words of Mayor Dilworth "it is a ridiculous law" and "we will

ignore the law," and "we will protect a certain individual from the State if he chooses to ignore the law," so I think it is a human thing when we feel it is an injustice.

Now, to my prepared statement.

My name is Fred Devine. I am an employee of the Philadelphia Naval Shipyard with approximately 20 years of service and I am chairman of the Publicity Committee of the Wage Tax Protest League of New Jersey, Inc. I am appearing before this committee on behalf of our league to urge defeat of the wage tax withholding bill H.R. 3151.

"It is natural, it is a privilege; I will go further, it is a right which all freemen claim, to complain when they are hurt," so spoke Andrew Hamilton at the trial of Peter Zenger. And Zenger walked from the courtroom a freeman. It is reasonable to assume the full import of the trial was not realized at that time. Who could foresee that the very foundation of the United States of America had been laid that day?

It would seem that we are in a position analagous to that of Zenger.

The 86th Congress is the latest of many Congresses that have been asked to enact municipal wage tax withholding legislation. Is there anything more just, reasonable or necessary in H.R. 3151 than has appeared in the previous bills that have been defeated?

Can we prove this legislation is less desirable today than it has ever been in the past? We believe we can.

This tax withholding bill is unfair, it discriminates. The city of Philadelphia and the city of Louisville and the city of St. Louis, to the best of our knowledge, are the only cities to enjoy carte blanche with respect to wage, income, or occupational license taxes in their areas. Let us look at Johnstown, Pa.

The Federal Government will become the tax collector for that city. However, for the tiny communities around Johnstown who also levy the tax, the same Federal Government will not deduct the wage tax.

It would seem our opponents, the proponents of this bill, are not unaware of this situation. From the Congressional Record of February 17, 1960, we read these words by Congressman Johnson of Colorado:

But I would say to the gentleman that this bill merely proposes that we recognize withholding taxes in cities of 75,000 population or greater and if we try to live with that experience we can leave to subsequent Congresses the question of any amendments.

The bill as it was finally passed by the House of Representatives was amended to include cities of 50,000 or over. Eventually the U.S. Government will be collecting taxes for every school district, every town, village, and hamlet in the Nation. Is it wise to involve the Federal Government in this thing?

It is interesting to note that the Commonwealth of Pennsylvania still refuses to deduct wage taxes from the salaries of State employees.

The State of New Jersey has not acquiesced to the impassioned plea of the city of Philadelphia to act as its tax collector. The State of New Jersey will authorize the deduction of Federal taxes. It does

recognize the supremacy of the U.S. Government. However, it will not serve municipalities.

What might happen when the Federal Government becomes involved in the palities of this thing at the municipal level? I have here several receipts from the Philadelphia wage tax office. They are for the years of 1942, 1943, and 1944. Included in the group of receipts are two for each of those years marked "Paid in full." Now what happened? Returns were filed for the years mentioned and the returns were accepted in accordance with the requirements of the wage tax ordinance. However, the first three paid-up receipts were issued before the present time administration had made their power absolute. They are dated in the year of 1951. The second group of receipts are dated in the year of 1955.

The wage tax office reaudited the accounts of the previous administration and beat more wage tax from the hapless victims. I was one of those victims and the receipts I have here are in my name. The Philadelphia Evening Bulletin carried a glowing story of the prowess of the Philadelphia revenue commission. Did he not increase collections by some 1,300 percent? I do not credit this as an indication of prowess or special ability. Any person could do the same thing if the law is changed and the enforcement officer is given a jail cell as a club.

At this very moment in the city of Philadelphia a Federal employee is contesting the right of the city to collect wage taxes for money received for annual leave, sick leave, and gratuities. These taxes are being attacked all over this Nation. People are demanding something be done about double taxation. Eventually corrective measures will have to be taken. Why involve the U.S. Government at this late date?

This bill, as well as the tax it proposes to deduct, is immoral. As recently as June 12, Senator Joseph S. Clark commented on the minimum wage paid in Pennsylvania. The Senator stated that a minimum wage of 80 to 85 cents is disgracefully low. In a letter to the Senator the question was asked, "Is it not a disgraceful shame to take a 2-percent wage tax from that disgracefully low wage?"

Perhaps the Federal Government should investigate the possibility of levying a flat rate Federal income tax with no exemptions, no deductions. The tax would be on everybody's shoulders, "broad base." All would have a feeling of belonging, so to speak. Regardless of wealth or poverty, everybody would contribute from the very first penny earned.

The executive director of the Philadelphia Chamber of Commerce on August 27, 1957, told the Ways and Means Committee of the U.S. House of Representatives:

Whether you consider that tax right or wrong, that is unimportant in this case. It is simply a matter of efficient collection. We want you to help us enforce the law.

Shall we listen as Congressman Ashley speaks on the floor of the U.S. House of Representatives on February 17, 1960?

This bill does not say whether a city earnings tax is good, bad, or indifferent. It simply says that where there is a local city earnings tax, the Federal Government will give some reciprocity to the collection of it—

said the Congressman.



To those present in this room who may be parents we pose a question. Would you teach your child that whether it is right or wrong, good, bad or indifferent, it is unimportant? It is simply a matter of efficiently getting the thing! The answer to that question is obvious.

Is this tax right or wrong? It is now 10 years and 2 days since Senator Kefauver made this statement before another Senate committee:

If there was some way of getting that question before the Federal courts it would be a different matter.

The Senator was then speaking of our own peculiar problem with the Philadelphia wage tax. Seven years passed before the Secretary of the Navy granted the naval base workers the right to try to find the answer to that statement.

The city of Philadelphia would not concur—agree to a test case. However, in the best interest of the Navy, the Secretary ordered, directed the case to be tried. The arrest of George E. Thompson on the naval base and the hearing before the Federal district court occurred on October 9, 1957.

The memorandum opinion of the court announced in December of 1957 was in favor of the city. On May 12, 1958, Mr. Thompson appeared before the court of appeals in Philadelphia. On July 18, 1958, the decision of the court of appeals favored the city. Less than one month later, August 16, 1958, an assistant solicitor for the city of Philadelphia made a television appearance in rebuttal to the appearance of three naval base workers 4 days previous, August 12. During the course of his remarks, the gentleman said—and gentlemen, I have a serious point here:

The court somewhat ducked the issue by stating that the request for a writ of habeas corpus was premature; they should go into State court first and ask for it. Don't come down here to Federal court and bother us. And they want we call dicta, a law which means side comment. did state however that they felt the city was justified in taking the body into custody.

In December of 1958, the Supreme Court of the United States returned the case of George E. Thompson to the State courts and on March 23, 1959 the city of Philadelphia took possession of his body. Twenty-six hours later, after a night in Moyamensing Prison, after a round of seven Philadelphia judges, Thompson was released. And there the case stands today. On June 7, 1960, just 10 days ago, four more constituents of Senator Case were transported from the jurisdiction of the U.S. Government by Government officials into the jurisdiction of the city of Philadelphia.

Some went into the prison cell.

This *capias* procedure used by the city of Philadelphia which is contrary to the Constitution but not unconstitutional as explained by a Philadelphia lawyer in a public discussion, is unnecessary because a better way is available and is in fact used on other individuals.

This other procedure is a suit to *assumpsit* with 20 days to appear in the city. Why is this discrimination permitted?

As a result of the last raid we have taken what is perhaps an unprecedented action. We realize the serious nature of the questions we have asked. The Federal court judges in Philadelphia have been asked to explain—

1. Why did the Federal courts duck the issue?

I have a copy of the letter to Chief Judge John Biggs asking him that question with some comments on the Declaration of Independence.

2. Why are we, the people, a bother to the Federal courts?

3. Why did the Federal courts only feel the city had the right to take our bodies?

In addition to the *Thompson* case there are three other cases pending against the city of Philadelphia, in Philadelphia. Here in Washington the case of Mr. Odie Geiger is still pending against the Civil Service Commission and the Secretary of the Navy. However, Mr. Geiger is no longer with us. He has answered the inevitable call. He passed away with his dream unfulfilled—his dream of walking back through the naval base gate, his name and record cleared.

Passage of this bill will bring us completely under the domination of the city of Philadelphia. The way will be clear for more and more wage tax. It is proposed to raise the rate to 2 percent. The mayor hopes it will not go beyond that. The city will be in an even more favorable position to raise matching funds for Federal dollars to the disadvantage of less fortunate communities. It is quite possible passage of this bill will sound the death knell of our fight for justice.

You have heard the claim made by the city of Philadelphia that it is not getting its fair share of State and Federal funds. The city solicitor, Mr. David Berger, on June 20, 1957, told the people of the Philadelphia area the following facts:

All year he (Mayor Dilworth) has been going up to Harrisburg at least once or twice a week for the purpose of pleading, cajoling, begging, threatening, and otherwise maneuvering to get a fair share of the tax money for Philadelphia. We've gone so far as to find out and prove to these people, the legislators, that almost 40 percent of the money that's collected by highway taxes and other taxes comes right out of Philadelphia, and when we found out what we were getting we were astounded to learn it was less than 1 percent. We weren't really getting a fair shake.

We come now to May 15, 1960, the "Philadelphia Evening Bulletin Forum" is being telecast. Pennsylvania State Senator Edward J. Kessler is discussing the same subject with Mayor Dilworth. Shall we listen as Senator Kessler speaks?

"Do you realize Mr. Mayor \* \* \* Wait a minute Mr. Mayor \* \* \* Isn't it true Mr. Mayor," the Senator went on.

Category after category was explained by Senator Kessler. Finally the Senator said:

It's true that Philadelphia pays probably 10½ percent of the total general fund income into the State and I think the return will be somewhere between 12 and 14 percent that comes back to Philadelphia.

They receive back 66 percent not 2.5 percent.

A Dr. Leon Osby has stated it somewhat different. To the contention that Philadelphia should get back as much as it gives the doctor told us.

I would only say in direct response, that it's impossible, literally impossible, for Philadelphia to get as much as it gives. It is too wealthy to be in that position.

The gentleman also pointed out with respect to property taxes:

I think it's fair to say: although I will not give you my source, I think it's fair to say that in the city of Philadelphia some people are paying [property tax] on an assessment of only 10 percent of the full market value.

The mayor has repeatedly told us that we are being used so that the city of Philadelphia can enjoy the lowest real estate tax rate among the major cities of the Nation.

Contained in H.R. 3151 is a vaguely worded clause that spells trouble for the U.S. Government and I am happy to note it may be stricken. But may I call your attention to the remarks of Congressman Carnahan in the Congressional Record, page 2545, February 17, 1960, in which Representative Carnahan calls to the attention of the House of Representatives the fear that exists among the postal workers in the St. Louis area who do not live or work in the city of St. Louis?

Their paychecks are made up in the city of St. Louis. The 5-mile "supergovernment" amendment added to this bill contains these words:

\* \* \* who are subject to such tax \* \* \* located within 5 miles of the corporate limits of such city.

Will some judge or city solicitor at some future date point the finger at the postal workers of Glenolden, Pa., and say, "You are subject to the Philadelphia wage tax"?

Will the U.S. Government then pay the price in resentment and discontent that the many years of litigation will cause?

Let us not forget the naval base and the words in the Buck Act, "Having jurisdiction to tax," one of the strong points in our 18-year-old controversy with the city of Philadelphia.

It is claimed by our opponents that the majority of the Federal workers want withholding. May we point out that to the best of our knowledge no vote has ever been taken to establish that fact. No honest vote would ever be had unless all the true facts surrounding this tax could be made known.

I have two illustrative letters here—one from a man we shall call in the skilled labor class: one we shall call a semiskilled worker.

(The letters referred to follow:)

GLENOLDEN, PA., June 10, 1960.

Chief Judge JOHN BIGGS,  
U.S. Third Circuit Court,  
U.S. Courthouse, Philadelphia, Pa.

DEAR JUDGE BIGGS: A most interesting point in the Bible reading controversy was brought to our attention in the Philadelphia Evening Bulletin, issue of March 12, 1959.

You put the question to Councilman Henry W. Sawyer, counsel for the couple who objects to having their child exposed to the Bible in the public schools.

The newspaper article stated, "A Federal court asked today what would happen to the inscription, 'In God We Trust,' on coins if it banned Bible reading in the Pennsylvania public schools."

I would like to believe the question asked by you was with the intent to probe the councilman's mind with respect to his knowledge of the Declaration of Independence, a document the President of the United States has told us we revere second only to the Bible.

It would seem upon proper analysis, the councilman's answer showed a serious lack of knowledge of the Declaration of Independence. This dismays me, due to the prominent position enjoyed by the councilman in the organization known as the American Civil Liberties Union.

To the question relative to "In God We Trust" on coins and the practice of opening Pennsylvania legislative sessions with a prayer, Mr. Sawyer said, "I regard the practices as 'de minimus,' so minimal as not to be subject to any ruling made by the court." Can any court rule on the legality of "In God We

Trust" and prayer? Permit me to call to your attention the last paragraph, the last line of the Declaration of Independence:

"And for the support of this Declaration, with a firm reliance on the protection of Divine Providence, we mutually pledge to each other our lives, our Fortunes, and our sacred Honor."

If the Declaration of Independence still has a place in our life and if it is to be revered second only to the Bible, then it would seem to me in view of the fact the Founding Fathers had a conscious belief and faith in some power higher than themselves it is only fitting and proper that "In God We Trust" should appear on our coins and in fact should have a place in government without the fear of oversensitive people that separation of church and state is being violated. Am I thinking good? What is your opinion?

Simple logic should tell us that it is a matter of economics. Can you imagine the size of coin that would be required to place in readable size the words, "With a Firm Reliance on the Protection of Divine Providence." Compare this with "In God We Trust" and I think you will see the point.

On the surface it would seem the rights of one segment of our population is being violated. To the Catholic, the Protestant, and the Jew, in fact to all who believe in the, shall we say, Higher Power there should be little objection.

We dismiss the agnostic. If he can't make up his mind then he is stuck with it. This leaves the atheist. It would seem the word "God" on the money in his pocket would burn intensely. But should it? Can he not rationalize and say, "Thou fools, you have taken the first letters of my creed and created a myth. You lack the courage to face the truth as I do. By your myth you hope to obtain overtime in an imaginary hereafter. You see, I get oblivion at death."

The foregoing reasoning may be so much hogwash if we consider the facts brought out by the Philadelphia Evening Bulletin in its July Fourth editorial for 1959. The editorialist points out, "It (the Declaration of Independence) contains few sentences that seem applicable to our time, or could move modern Americans to take up arms in a fight for freedom. Its grievances against a petty tyrant belong to the past."

Can any tyrant ever be a petty tyrant to those under his heel?

Insofar as taking up arms the statement seems somewhat facetious, facetious, that is, so long as amendment 1 in the Bill of Rights is the last to go.

The editorialist points out there are only two phrases in the document touched with immortality, "a decent respect for the opinions of mankind." Lifted out of context the words are meaningless and most certainly not immortal.

I violently disagree with the Bulletin's editorialist with respect to his statement there are few sentences that seem applicable to our time.

"With a firm reliance on the protection of Divine Providence \* \* \*. They, too, have been deaf to the voice of justice and consanguinity \* \* \*. We have conjured them by the ties of our common kindred to disavow these usurpations \* \* \*. We have appealed to their native justice and magnanimity \* \* \*. We have warned them from time to time of attempts by their legislature to extend an unwarrantable jurisdiction over us \* \* \*. In every stage of these Oppressions We Have Petitioned for Redress in the most humble terms; Our repeated Petitions have been answered only by repeated injury. A Prince whose character is thus marked by every act which may define a Tyrant, is unfit to be the ruler of a free people \* \* \*. For taking away our charters, abolishing our most valuable laws, and altering fundamentally the Forms of our Governments \* \* \*. For transporting us beyond the Seas to be tried for pretended offenses \* \* \*. For depriving us in many cases of the benefits of Trial by jury \* \* \*. For imposing Taxes on us without our Consent \* \* \*. He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our people, and eat out their substance \* \* \*. He has refused to assent to Laws, the most wholesome and necessary to the public good \* \* \*. He has forbidden his Governors to pass Laws of immediate and pressing importance, unless suspended in their operation till his Assent should be obtained; and when so suspended, he has utterly neglected to attend them \* \* \*. We hold these truths to be self-evident \* \* \* all men are created equal \* \* \* endowed by their creator with certain unalienable Rights, that among these are Life, Liberty, and the pursuit of Happiness \* \* \* deriving their just powers from the consent of the governed \* \* \*. The Right of the People to alter or to abolish it \* \* \* their Safety and Happiness \* \* \*. But when a long train of abuses and usurpations, pursuing invariably the same Object, evinces a design to reduce

them under such Government for their future security \* \* \* a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States."

"A decent respect for the opinions of mankind," indeed. You will note I did not include it. It is worthless. Let us assume you are a dictator and I am a dictator. The world is divided between us. Can we not have a decent respect for the opinions of mankind? We are mankind. There are many immortal phrases and sentences in the Declaration that will always be applicable. May I respectfully suggest that you look about you right here in the Cradle of Liberty, the city of the Declaration's birth and spot the violations?

Just this week four honorable citizens were transported from the jurisdiction of the U.S. Government into the jurisdiction of the Birthplace of Democracy to be tried for a pretended offense. See how it works? They were placed in a pressure chamber known as the Moyamensing Prison wage tax jail cell.

May I respectfully request that you try to explain to me the statements of the Philadelphia assistant city solicitor relative to the fact the Federal court ducked the issue in the *Thompson* case, said we, the people, were a bother and it, the court, only felt the city had the right to abduct naval base workers and hold for ransom?

Would you also care to join with me and lift the pall that hangs over Independence Mall, restore its true meaning and no longer consider it merely a tourist attraction?

Could we firmly resolve to lend our efforts to improve the quality of the heritage we will hand down to the inheritors of the heritage, our children, that is assuming there will be a heritage to hand down, that we continue under the protection of divine providence and not under the protection of the ICBM? The ICBM will help, but \* \* \*

Respectfully yours,

FRED DEVINE.

UPPER DARRY, PA., June 24, 1959.

MR. FRED DEVINE,  
Glencolden, Pa.

DEAR MR. DEVINE: While on the job today, at the Philadelphia Naval Base, I was notified by my supervisor to appear at our personnel office, that the Philadelphia Wage Tax Authority was in to pick me up. I did as I was requested, and was transported to the base security by the yard police.

There I was interviewed by a navy yard security officer in the presence of two men from the Philadelphia sheriff's office. The officer gave me the opportunity of making telephone calls prior to being escorted to the main gate.

In their conversation I overheard them say that a workman from 31 shop, for whom they had a warrant, had skipped out, and that they had a warrant for another man, and a summons to serve on another.

After spending 2½ hours in yard security, I was driven outside the gate by the yard police and turned over to the Philadelphia authorities who served me with a writ of capias and drove me to the criminal division of the sheriff's office, where I was held in \$300 bail.

Had not my lawyer been able to produce that amount in cash, I would have been taken to the county prison and held as a criminal until it was produced. Since my wife was at Brownie Day Camp with the children until 4 o'clock, I could not have contacted her until after that time, and there would have been no opportunity to get that amount of cash after the banks had closed.

This they call justice, and Communists and racketeers are protected by our Constitution and its fifth amendment.

Sincerely,

GUSTAV LESSER.

Mr. DEVINE. Let us assume that H.R. 3151 has become the law of the land. We will then be at the mercy of the Philadelphia philosophy best expressed by Mr. Leonard Drake in these words:

We find surprising little objection to it because for the average person it is deducted before he ever see his wages. It's a psychological thing that the man in the street does not raise the question of this wage tax even at 1½ percent.

It would seem a better way to analyze the situation would be to accept the fact that the average person accepts with apathetic resignation the fact that he cannot escape.

From Boston we have heard it said that those who oppose higher and higher taxes are political beatniks. It would seem proper to say that we have been "nikked" so much we are "beat." Representative Samuel L. Devine, Congressional Record, February 17, 1960, page 2550, has made an interesting statement worthy of deep consideration:

To me the whole proposition of withholding is repugnant to the American way of life. The taxpayers of the Nation have already been lulled into apathy forcing them into a philosophy that is contrary to the traditional American freedoms.

Our opponents, they who would have the U.S. Government become a municipal tax collector, have reduced "taxation without representation" to just a slogan, a shibboleth.

We can never accept that as the truth. The President of the United States has told the world we revere the Declaration of Independence second only to the Bible in our way of life.

This being so it is then obvious every word, every line in that document is meaningful. It is utterly impossible to imagine this line of thinking, "This is a slogan which may have been meaningful when God handed it down to Moses but I think today in the complex life that we have in this country, there are many illustrations of stealing which apparently do not seem to irk the general population."

This has been said with respect to the line in the Declaration of Independence, "For imposing taxes on us without our consent."

Just as it is true that it is impossible to live up to the moral code completely it is also obvious we cannot live up to our ethical code in a perfect sense. It would seem these words by the same assistant city solicitor is a tribute to the tolerance of the American people:

I feel that when we substitute slogans for thought often we can have difficulty and this is a slogan which may have been meaningful when he was imposing taxation on the Colonies but I think today in the complex life we have in this country, there are many illustrations of taxation without representation which apparently do not seem to irk the general population.

The key word is "irked." Tolerance should not negate a principle and principle it remains. It is our right as free people to demand redress of grievance. It does not seem right that the Congress of the United States should lend its support to the ripping of any line from the Declaration of Independence. If we agree with the President then it seems only right and proper that H.R. 3151 be defeated.

However, there is an alternative. There is always an alternative. In contrast perhaps the thinking of the Philadelphia Evening Bulletin is closer to the truth.

In its 4th of July editorial for 1959 it was pointed out the Declaration of Independence contains few sentences that seem applicable to our time, or could move modern Americans to take up arms in a fight for freedom. It was a list of grievances against a petty tyrant—can any tyrant ever be a petty tyrant to those under his heel?

The editorial states that two phrases in the Declaration of Independence are touched with immortality, "a decent respect for the opinions of mankind." Reduced to such a state it hardly seems to be a document to revere second only to the Bible. About the document the Bulletin said, "Today many Americans might find its argument difficult to follow."

If the views of the Bulletin have become the general belief then it would seem obvious that we have little with which to argue for the defeat of H.R. 3151.

Would it not be better for the Congress to step aside and permit us to settle this issue without the yoke of withholding to shackle us?

The CHAIRMAN. Mr. Devine, thank you for your statement.

I submit for the record a statement by Raymond H. Ross, chairman, Legal and Legislative Committee, Wage Tax Protest League of New Jersey, Inc.

(The document referred to follows:)

STATEMENT BY RAYMOND H. ROSS, CHAIRMAN, LEGAL AND LEGISLATIVE COMMITTEE OF THE WAGE TAX PROTEST LEAGUE OF NEW JERSEY, INC.

The proposal to infiltrate through the withholding procedures a method of enforced collections of taxes from Government employees without their consent or regard to any admitted liabilities.

Mr. Chairman and members of the committee, I am grateful for the opportunity to again express my objections to the further efforts of the proponents of bill H.R. 3151; advocating the confiscatory collections of unjust taxes imposed by certain municipalities in certain instances where no known services are rendered.

This being my third appearance before various committees of this illustrious branch of our Government in the past 10 years, I have learned it is here that measures of this kind are more soberly evaluated; and consideration of individual rights and the blessings of liberty entrusted to us by God, will be cherished and protected.

It was on June 15, 1950, hearings were held on the subject matter by the U.S. Senate Subcommittee on the Judiciary; Senators Withers and Kefauver presiding, at which time the constitutionality of this kind of taxes (when applied to nonresidents) was questioned; neither was it possible to determine what kind of tax Philadelphia was imposing; was it an income tax, occupational tax, or a license to be purchased by the worker as authority to work for the Federal Government?

This has been clarified we find in the preface of the "Income Tax Regulations and Ordinances of the City of Philadelphia" (p. iv), quote: "It is of utmost significance to remember that the tax imposed by this ordinance is not a personal income tax, it is a property tax." With this in mind it is suggested every caution be taken that our Government will not be obligated at some later date to collect taxes for real estate, water, gas, and electric, etc.; these are categories where other cities are also having difficulties in its collections.

In order to curtail time for the committee members for other issues, which are so vitally required for seeking solutions at this time to more important national and world problems, I feel it would be in the best interest of our Government that we of the Wage Tax Protest League of New Jersey, Inc., rest our case on the presentations and statements of our New Jersey's former Congressman, Charles A. Wolverton, our counsel John J. O'Dowd; Vaux Owen, president, National Federation of Federal Employees, and others as recorded in the hearing on bill H.R. 6745 before the Ways and Means, House of Representatives (85th Cong.) on August 27, 1959.

You will find in pages 44 through to its conclusion a sufficient number of reasons and substantiated facts that the enactment of legislation of this nature should not be approved or permitted to become law.

The CHAIRMAN. The next witness is David Berger, the city solicitor of the city of Philadelphia.

Mr. Berger?

The committee will adjourn.

(By direction of the chairman, the following is made a part of the record:)

WASHINGTON, D.C., June 17, 1960.

THE SENATE FINANCE COMMITTEE,  
Room 2227, New Senate Office Building,  
Washington, D.C.;  
(Attention Mrs. Elizabeth B. Springer, Chief Clerk.)

Subject testimony of John Rush representing city of Whitehall, Ohio, population approximately 20,000. It is adjacent to the city of Columbus and approximately 5,000 Whitehall residents work in the city of Columbus and are subject to Columbus city income tax. During the year 1959, Whitehall having the same financial needs as some other 54 Ohio municipalities enacted a city income tax. The Columbus General Supply Depot is partly within city of Whitehall and Columbus and employs in excess of 4,000 persons; at least 3,500 of these employees are subject to Whitehall city income tax. The city of Whitehall probably has more Federal employment per capita than any other municipality in Ohio. The Federal Government is the largest single employing agency in the city. The amount of city income tax that would be withheld by this one agency would be in excess of \$150,000 per year. This represents a major portion of the city's income tax yield. We feel that an amendment should be considered that would require any Federal agency or department be required to withhold city income tax regardless of their population if they have any Federal agency or department within such city that employs in excess of 2,000 employees. The limitation on population as contained in the present bill seems to be both fair and reasonable. We do not feel that it would serve the best interest to lower the population factor. City of Whitehall is not asking for any special consideration only reasonableness.

Respectfully submitted.

JOHN RUSH, BROOKS & ASSOCIATES,  
Certified Public Accountants, Warren, Ohio.

CHAMBER OF COMMERCE OF GREATER PHILADELPHIA,  
ECONOMIC AND TAXATION COUNCIL,  
Philadelphia, Pa., June 14, 1960.

HON. HARRY F. BYRD,  
Chairman, Senate Finance Committee,  
Capital Building, Washington, D.C.

DEAR MR. BYRD: The Economics and Taxation Council of the Chamber of Commerce of Greater Philadelphia strongly supports H.R. 3151 (permitting the withholding of certain city taxes from wages of Federal employees).

The wage and income tax is an important source of revenue to the city of Philadelphia, second only in yield to the real estate tax. For the most part, this tax is withheld by employers at the source, and because the rate is only 1½ percent, it is not particularly burdensome to the taxpayer. However, in the absence of a withholding arrangement for Federal employees, this group of citizens must report and make returns quarterly. This, at best, is a hardship on the taxpayer. Of course, a large number become delinquent each quarter, and it is necessary for them to pay penalties and interest. Many others attempt to escape payment entirely, with much resulting unpleasantness which has sometimes included heavy fines and confinement in prison. From the economic standpoint, these procedures which are so distasteful to the Federal employee, are very expensive to the city of Philadelphia. It would therefore be to our mutual interest to place Federal employees on the same withholding basis as other wage-earning taxpayers.

We urge that you and members of your committee report the bill favorably to the Senate floor as promptly as possible.

Very truly yours,

PHILIP STERLING,  
Chairman, Economics and Taxation Council.



SOUTHERN ILLINOIS CITIZENS' LEAGUE,  
*Granite City, Ill., March 31, 1960.*

HON. HARRY FLOOD BYRD,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR: With full faith and confidence that you as a U.S. Senator conscientiously represent the people in the entire United States as well as the people of the State which you were elected to represent, I am taking the liberty of writing to you to fully acquaint you with the stand taken by our organization on the bill to withhold taxes from the salaries of Federal employees which was passed by the House of Representatives on February 17, 1960, and on the subject of taxation of nonresidents generally.

Permit me, first of all, to give you a brief history of our organization. The Southern Illinois Citizens League is a nonprofit organization chartered in the State of Illinois certificate No. 12745. We represent approximately 35,000 Illinois residents, many of whom are Federal employees, who work within the city of St. Louis, Mo. Our purpose, as stated in our constitution and bylaws, is to promote equitable taxation and to do any and all things necessary thereto. This means that we were organized for the purpose of opposing, through legal and honorable means, the taxation of Illinois residents by the State of Missouri and by the city of St. Louis, Mo.

In connection with our original purpose, you may now be aware through news release, that we have filed suit in the U.S. district court in St. Louis against the State of Missouri on the 18th of February 1960, seeking to have their income tax law declared unconstitutional insofar as pertains to Illinois residents. On the 1st of March 1960, our league filed suit against the city of St. Louis seeking to have their earnings tax law declared unconstitutional as it is applied to Illinois residents. Here the matter rests until our case is heard.

The position of this league with regard to the taxation of nonresidents is as follows:

A. The constitutionality of taxation of incomes of nonresidents has not been conclusively determined by the Supreme Court of the United States. We have challenged both the State of Missouri income tax and the city of St. Louis earnings tax in the U.S. district court of St. Louis.

B. No withholding tax laws should be enacted by the Congress of these United States until the Supreme Court of the United States has had an opportunity to rule on the constitutional questions raised in our cases.

C. The Southern Illinois Citizens League views the withholding bill as a retaliatory measure by Representative Curtis of Missouri since our organized opposition against the city of St. Louis earnings tax was formed and to a great extent is directed by Federal employees.

D. The adoption of any withholding bill tends to lull taxpayers into a sense of complacency, making it increasingly difficult to cause these unjust taxes to be removed.

E. Increased efficiency in the city government of St. Louis in itself would eliminate the necessity for the adoption of a controversial tax such as the earnings tax upon nonresidents.

F. For the sake of a few additional dollars, taxation of nonresidents creates resentment and hostility against the taxing city which is not healthy. Cries to boycott the city of St. Louis are becoming louder. If such a boycott were employed jointly by Illinois residents on the one side and the county residents on the other, St. Louis would soon strangle. The city needs the nonresident patronage in order to survive.

G. Nonresidents employed within the city of St. Louis, or any other major city, greatly enhance that city's economic position rather than add to the cost of operation of the city. We maintain that the cost of operating the city of St. Louis could not be reduced one red cent if the Illinois residents were no longer employed within the city.

In short, the Southern Illinois Citizens League is unequivocally opposed to the taxation of nonresidents and to withholding of city earnings taxes from the pay of Federal employees. We urge you, therefore, to oppose the bill to withhold these taxes. To support withholding measures is, in our estimation, tantamount to official congressional sanction of the controversial topic of taxation of nonresidents.

We solicit any comments you care to make on these subjects.

Sincerely yours,

RALPH F. ARNOLD, *President.*

PHILADELPHIA, PA., June 6, 1960.

Senator HARRY F. BYRD,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D.C.

DEAR SIR: If Congress approves and passes the bill that allows Philadelphia, Pa., to withhold its wage tax from the salary of postal employees who work in Philadelphia, but who do not live in Philadelphia, is it not aiding and abetting a trespass upon the delegated power of Congress to regulate interstate commerce.

Because it is physically impossible for Philadelphia to serve me as a local government, the wage tax is actually a tax on the interstate commerce in which both the U.S. Post Office Department and I are partners. To the extent of, or in the amount of my salary, I am engaged in moving the U.S. mail between the States, and I receive my income from the same source as does the U.S. Post Office Department—the mailers in all our 50 States.

The Philadelphia wage tax against nonresidents employed, but not self-employed in Philadelphia, is like a wall and moat that hinders entry and commerce, and can very well incite other areas to give measure for measure. Surely, such a tax war is against the public interest.

I sincerely hope that instead of aiding and abetting Philadelphia, that the Congress will, instead, order Philadelphia to stop demanding tribute for the privilege of working in the second U.S. Post Office regional district.

Sincerely yours,

PHILIP RIFKIN.

WILSON, WOODS & VILLALON,  
Washington, D.C., March 16, 1960.

Re H.R. 3151, a bill to authorize Federal withholding of city income taxes from compensation of Federal employees.

Hon. HARRY FLOOD BYRD,  
Chairman, Senate Finance Committee,  
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: I have been instructed by the president and other officers of the National Association of Alcohol and Tobacco Field Officers, a Government employee organization, to register with you as chairman of the Senate Finance Committee, the opposition of the association to the enactment into law of H.R. 3151, a bill to authorize Federal withholding of city income taxes from compensation paid to Federal employees.

It is our understanding that this bill was recently passed in the House of Representatives and sent to the Senate for consideration by your committee. The bill would add another item to the long list of deductions which already can be made from Federal employee compensation. Aside from the additional accounting expense and nuisance which such withholding would cause to the Federal Government, it should be pointed out that in many States, including Kentucky which is one of the States which supposedly would be aided by the proposed legislation, the constitutionality under State constitutions of a city income tax is either being litigated or is open to substantial doubt. To expand the accounting functions of the Federal Government in aid of city tax collection from Federal employees exposes the Federal Government to needless expense and possible involvement in time-consuming litigation. It also tends to establish a tax collection discrimination as between Federal employees and private employees.

The association respectfully requests that its views with reference to this legislation be made a part of the committee record.

Yours very truly,

WARREN WOODS,  
Counsel for National Association of Alcohol & Tobacco Field Officers.

STATEMENT OF VAUX OWEN, PRESIDENT, NATIONAL FEDERATION OF FEDERAL EMPLOYEES

My name is Vaux Owen. I am president of the National Federation of Federal Employees.

Our organization is on record, at successive national conventions, in strong opposition to the objective of H.R. 3151.

This legislation would extend the provisions of Public Law 587 of July 17, 1952, to allow the collection of local taxes by mandatory deductions from Federal salary checks.

Mr. Chairman, we do not believe that the Federal Government should be made a collecting agency for local taxes. We contend that it is wrong in principle and, in addition, that it would cause many complications.

In opposing this legislation, the 1958 biennial convention of the National Federation of Federal Employees adopted a resolution, by unanimous action, which pointed out that "an extension of the scope of the said law (Public Law 587) would create innumerable instances of jurisdictional complications, one of which would be the difficult legal problem of distinguishing between residence and domicile as the basis for tax collection."

It was further emphasized that "the Federal Government would be placed in the untenable position of acting as a tax referee between local governmental units and between such units and citizens thereof, which is not a proper one for the Federal Government."

Other important points made in our convention resolution read in part as follows:

"An extension of the scope of said law would cause the Federal Government a bookkeeping and tax collecting expense which equitably should be borne by the respective subordinate units of local government benefiting by the tax.

"There is no evidence tending to show that Federal employees do not presently pay fair and just local taxes as readily as other groups of employees."

I would like to present to the committee some facts with respect to the question which inevitably would arise as to whether residence or domicile is the basis for collecting a municipal tax, just one of the many intricate problems posed by this legislation.

An employee might be domiciled in one city and earn his livelihood in another city. That is a situation which is increasingly common in this day when many persons commute long distances to their places of employment.

The city in which he is domiciled could ask the Federal Government to deduct income taxes on the basis of such domicile and other city could request the Federal Government to deduct income taxes on the ground that the Federal employee is working in that city.

I may point out to the committee that such vexatious questions already have arisen in the past, for example, regarding deductions for State income taxes in cases where a Federal employee lived in the District of Columbia or Virginia but worked in Maryland, and vice versa.

Mr. Chairman, we submit that the whole Federal, State, and municipal tax structure is already so complex that it would be unwise to add further to that complexity by legislation of this character.

Moreover, we feel that the premise on which it is predicated is unsound and does not justify the action proposed. Federal employees certainly should not be singled out for the kind of special tax legislation here contemplated. It is demonstrable that, as our resolution pointed out, "there is no evidence tending to show that Federal employees do not presently pay fair and just taxes as readily as other groups of employees."

We urge that H.R. 3151 be not reported and that no action be taken to extend the provisions of Public Law 587.

We appreciate the opportunity of presenting the views of the National Federation of Federal Employees to the Finance Committee on this important matter.

(Whereupon, at 11:20 a.m. the hearing was adjourned.)

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