

# REDUCTIONS IN TAXES

STATEMENT BY MR. SIMMONS

RANKING MINORITY MEMBER OF THE COMMITTEE ON FINANCE

AS TO THE BILL H. R. No. 1, SIXTY-NINTH CONGRESS,  
FIRST SESSION, WITH AN APPENDED TABLE OF  
SURTAXES UPON CERTAIN INCOMES



PRESENTED BY MR. SIMMONS

JANUARY 7 (calendar day, JANUARY 11), 1926.—Ordered to be printed



## REDUCTIONS IN TAXES

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Senator Simmons, ranking minority member of the Finance Committee, in giving out the following statement, said that the statement so given out by him represented the attitude of the minority only as to the items in the bill with which the statement deals; and that there are other important matters in the bill left to be dealt with as they are reached.

### STATEMENT

The reductions in taxes proposed by the minority members of the Finance Committee will amount to approximately \$500,000,000 and are as follows:

First. We propose reductions in income taxes of \$44,000,000 in excess of those provided in the House bill.

We accept the normal tax rates, the personal exemptions, and the surtax rates provided in the House bill upon incomes up to and including \$22,000;

But we do not accept the surtax rates in the House bill on incomes between \$22,000 and \$100,000, and propose with respect to these incomes to so adjust the brackets in the House bill as to provide for a reduction in the surtaxes of the incomes within these brackets of \$14,000,000.

If this readjustment—in the interest of equalizing reductions made on incomes in excess of \$22,000—is accepted by the committee or the Senate, the minority will accept the maximum surtax rate of 20 per cent as prescribed in the House bill.

The average reduction made in the House bill upon incomes between \$10,000 and \$20,000 is 25 per cent; upon incomes between \$20,000 and \$100,000 is 9 per cent; and upon the income in excess of \$100,000 is 50 per cent.

The schedule proposed by the minority will provide for an average reduction upon incomes up to \$20,000 of 25 per cent; upon incomes from \$20,000 to \$100,000 of 24 per cent; and on the income above \$100,000 of 50 per cent.

Second. The repeal of the capital-stock tax upon corporations. This tax is peculiarly discriminatory against the weaker corporations, and, in addition, is distinctively a nuisance tax.

Third. The abolition of all taxes upon admissions and dues.

The basic question for consideration in connection with tax reduction relates to the amount of money which should be raised by Federal taxation annually for the purpose of reducing the indebtedness of the Government. Under the present law, all moneys in the Treasury not specifically made applicable to some other purpose are applied to the reduction of the indebtedness. Under the bill as it

comes from the House it is proposed to reduce taxation to the extent of about \$325,000,000. If such reduction occurs, the amount applicable to payments upon the public indebtedness will be reduced by that amount.

Necessarily, therefore, we are called upon to consider primarily the amount of revenue which should be raised for the purpose of the reduction of the public debt. Under existing law, provision is made for a cumulative sinking fund. In round numbers, there is applied to the sinking fund from current Treasury receipts each year, \$253,000,000 and interest at an average of approximately 4 per cent upon all accumulated investments of the sinking fund.

The present indebtedness of the Government is approximately \$20,400,000,000. If this sinking fund is maintained, as contemplated by the present law, it will liquidate the entire principal of the indebtedness of the country, whether represented by bonds, certificates, or other obligations in not more than 32 years. The minority believes that this sinking-fund requirement, together with the interest charges, imposes annually upon the taxpayers of the country all the burden which should be borne by them in order to pay off the indebtedness.

Under the present law, the \$253,000,000 annually set apart as a sinking fund is raised by taxation and used for the retirement of our indebtedness; and in addition to that, the amount annually received (estimated for this year at more than \$175,000,000) from our foreign debtors is likewise applied to the retirement of our indebtedness.

The minority propose to apply to this sinking fund all receipts from foreign governments arising on account of their indebtedness, thereby reducing to the extent of these foreign payments the amount to be raised by taxation for purposes of the sinking fund.

This will enable the Government to pay off its entire indebtedness within 32 years and make provision at the present time for tax reduction of more than \$500,000,000 per annum, instead of the reduction of \$325,000,000 as proposed by the bill as it comes from the House.

*Surtax upon certain net incomes, \$20,000 earned income, and married man with no dependents*

Net income	Surtax under—			Per cent of reduction of House bill 1 from 1924 tax	Per cent of reduction of Democratic rates from 1924 tax
	1924 rates	House bill 1 rates	Democratic rates		
\$10,000.....	0	0	0	<i>Per cent</i>	<i>Per cent</i>
\$11,000.....	\$10.00	\$7.50	\$7.50	25	25
\$12,000.....	20.00	15.00	15.00	25	25
\$13,000.....	30.00	22.50	22.50	25	25
\$14,000.....	40.00	30.00	30.00	25	25
\$15,000.....	60.00	45.00	45.00	25	25
\$16,000.....	80.00	60.00	60.00	25	25
\$18,000.....	140.00	105.00	105.00	25	25
\$20,000.....	220.00	165.00	165.00	25	25
\$22,000.....	320.00	265.00	265.00	17	17

REDUCTIONS IN TAXES

Surtax upon certain net incomes, \$20,000 earned income, and married man with no dependents—Continued

Net income	Surtax under—			Per cent of reduction of House bill 1 from 1924 tax	Per cent of reduction of Democratic rates from 1924 tax
	1924 rates	House bill 1 rates	Democratic rates		
				<i>Average reduction House bill 9 per cent</i>	<i>Average reduction Democratic bill 24 per cent</i>
\$24,000.....	\$440.00	\$385.00	\$365.00	12½	17
\$26,000.....	580.00	525.00	485.00	9	16
\$28,000.....	740.00	685.00	605.00	7	18
\$30,000.....	920.00	865.00	745.00	6	19
\$32,000.....	1,120.00	1,065.00	885.00	5	21
\$34,000.....	1,320.00	1,265.00	1,045.00	4	21
\$36,000.....	1,540.00	1,485.00	1,205.00	3½	22
\$38,000.....	1,780.00	1,725.00	1,385.00	3	22
\$40,000.....	2,040.00	1,985.00	1,565.00	2½	24
\$45,000.....	2,730.00	2,665.00	2,075.00	2½	24
\$50,000.....	3,540.00	3,405.00	2,645.00	3¾	25
\$55,000.....	4,470.00	4,205.00	3,275.00	6	27
\$60,000.....	5,480.00	5,005.00	3,975.00	8	28
\$70,000.....	7,780.00	6,705.00	5,485.00	14	29
\$80,000.....	10,480.00	8,565.00	7,125.00	19	32
\$90,000.....	13,540.00	10,405.00	8,940.00	23	34
\$100,000.....	17,020.00	12,305.00	10,765.00	28	37

Percentage of reduction in surtax on all net income in excess of \$100,000 approximately 50 per cent.

