

[CONFIDENTIAL]

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# REVENUE ACT, 1936

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## HEARINGS

BEFORE THE

### COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

SECOND SESSION

ON

## H. R. 12395

AN ACT TO PROVIDE REVENUE, EQUALIZE TAXATION  
AND FOR OTHER PURPOSES

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PART 6

MAY 15, 1936

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Printed for the use of the Committee on Finance

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[CONFIDENTIAL]

## REVENUE ACT, 1936

FRIDAY, MAY 15, 1936

UNITED STATES SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D. C.*

The committee met in executive session, pursuant to adjournment, at 10 a. m., in the committee room, Senate Office Building, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), King, George, Walsh, Barkley, Connally, Bailey, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Couzens, LaFollette, Metcalf, Hastings, and Capper.

Also present: Herman Oliphant, General Counsel for the Treasury Department; Guy T. Helvering, Commissioner of Internal Revenue; Charles T. Russell, Deputy Commissioner of Internal Revenue; C. E. Turney, Assistant General Counsel for the Treasury Department; Arthur H. Kent, Acting Chief Counsel, Bureau of Internal Revenue; Lawrence H. Seltzer, Assistant Director of Research and Statistics, Treasury Department; L. H. Parker, Chief of Staff, Joint Committee on Internal Revenue Taxation, and members of his staff; Middleton Beaman, legislative counsel, House of Representatives; John O'Brien, assistant legislative counsel, House of Representatives.

The CHAIRMAN. The committee will be in order. Mr. Oliphant, are you ready to proceed?

Mr. OLIPHANT. Mr. Russell is here prepared to present the following items of information:

All corporations having incomes of over \$1,000,000, whether statutory net income or income from dividends, actual incomes of over \$1,000,000, with the tax result in 1934 as compared with the results under the new bill.

Second, 15 individuals, so far as we have been able to go on the study of individuals, showing the taxes they paid on their 1934 income, under the 1934 taxes, and the taxes they would pay under the proposed bill.

Then, third, 278 corporations, requested by Senator Byrd, the tax paid in 1934 and the tax they would have paid under the new bill, and

Fourth, million dollar corporations with statutory net income of less than \$1,000,000 but dividends in excess of \$1,000,000, comparing them on the 1934 basis and under the new bill, and

Fifth, million dollar corporations showing statutory net loss but having dividends of over \$1,000,000, with a like comparison under 1934 and under the bill, and

Finally, all the public utilities segregated out of the lists I have enumerated, in accordance with your request.

The CHAIRMAN. All right, Mr. Russell.

Mr. OLIPHANT. The first thing is all the million-dollar corporations summed up.

The CHAIRMAN. You are going to give us first all of the million-dollar corporations?

Mr. OLIPHANT. Yes.

The CHAIRMAN. Mr. Russell, what is this first item, so we can get it all straight?

Mr. RUSSELL. I will give you the original of this, Senator, so it will be easy for you to read it.

The first is a recapitulation study of 776 corporations which we classed in the million-dollar classes. As Mr. Oliphant explained to you, those having a statutory net income in excess of a million dollars; those having a statutory net income less than a million dollars but dividends in excess of a million dollars are included in that list.

Senator CLARK. That includes everybody that has an actual income, every corporation that has an actual income of \$1,000,000?

Mr. RUSSELL. Either statutory or dividends.

The CHAIRMAN. The first item is dividends paid, is it not?

Mr. RUSSELL. No, sir; the first one is the recap of the total. It shows the tax paid on the 1934 income, under the 1934 rate, of \$284,456,138.

Senator KING. How many corporations does that cover?

Mr. RUSSELL. Seven hundred and seventy-six. They would have paid under the new bill \$437,699,049.

Senator KING. That is more than their net income, is it not?

Mr. RUSSELL. No, sir.

Senator KING. I thought you gave the net income as \$484,000,000.

Mr. RUSSELL. That is the tax actually paid under the 1934 act.

The CHAIRMAN. The approximate tax under the proposed bill would be \$437,000,000 plus?

Mr. RUSSELL. That is right. That is an increase over the old tax, at the 1934 rates, of \$153,242,911.

Senator BYRD. Now, Mr. Russell, have you got the surpluses of these companies?

Mr. RUSSELL. No, sir.

Senator BYRD. You have got to go back to that, because the company that has a surplus is not going to pay 42 percent tax. In other words, there is no incentive to distribute their earnings in that particular year. All these companies have surpluses and they certainly would not pay a 42-percent tax.

Mr. RUSSELL. All these corporations did not pay a 42 percent tax.

Senator BYRD. You assumed that a corporation that might not have distributed in 1934 would not distribute in 1935?

Mr. RUSSELL. Senator, these even include your list where they paid no tax at all, this list does.

Senator HASTINGS. This is not based on the 42 percent, is it?

Mr. RUSSELL. This is based on actual distribution. Some distributed 3 percent, some distributed 4 percent, and some distributed as high as 42 percent.

Senator BYRD. You submitted a list yesterday of 75 companies that did not make any distribution in 1934.

Mr. RUSSELL. That is right.

Senator BYRD. You assumed, of course, that under the pending law they would pay 42 percent, did you not? I mean, that is in your calculation?

Mr. RUSSELL. We would apply the rate of 42.5 to those corporations.

Senator BYRD. That goes back then to the financial condition of those particular companies, because if they had surpluses they would distribute the earnings and would not pay the 42 percent tax.

The CHAIRMAN. Perhaps, Senator, an explanation of the whole chart would show what you want. That is the total number of corporations that are making more than a million dollars.

Senator COUZENS. Except utilities.

Mr. RUSSELL. Utilities are included in there.

Senator BLACK. As I understand it, the actual taxes paid was \$284,000,000 and you have figured it on the income for that year just as though the new law had been in effect and they had retained what they did retain and distributed what they did distribute?

Mr. RUSSELL. I made no assumptions; I merely took the figures as they existed.

Senator BYRD. Did you take into consideration in your calculation the so-called debt-ridden companies?

Mr. RUSSELL. No, sir.

Senator BYRD. Maybe some of these corporations that retained the earnings were in the debt-ridden class.

That is not a fair statement, I submit, Mr. Chairman, at all, unless we know how many were debt-ridden companies, because if they did not declare any dividends in 1934 they may have been a debt-ridden company and paid the debt, and they would be in a special class. Yet he put them at 42.5 percent.

The CHAIRMAN. Out of this number of 776 to which you called attention, how many of these companies had paid no dividends?

Mr. RUSSELL. There were 75 corporations that paid no dividends.

The CHAIRMAN. How much tax did they pay?

Mr. RUSSELL. They paid \$27,004.892.

The CHAIRMAN. What would they have paid under this proposed bill?

Mr. RUSSELL. \$96,570,286.

Senator COUZENS. That is the point I would like to make here. Obviously what Senator Byrd wants cannot be obtained, for the very reason that you would have to base what they would have to pay under the new bill on an assumption.

Mr. RUSSELL. It would take 6 months to analyze the balance sheet.

Senator COUZENS. I mean even if you analyze it you could not determine in advance the dividend policy of the corporation.

Mr. RUSSELL. No, sir.

Senator COUZENS. Being unable to determine in advance the dividend policy of the corporation you cannot tell what they would pay under the new bill.

Senator BYRD. What right have you got to assume, Mr. Russell, that they are all in the 42-percent class.

Mr. RUSSELL. I am not assuming anything, Senator, I am giving you the figures, that is all.

Senator BYRD. Some of these may have been debt-ridden companies, some of them may have come under the 22.5-percent class,

or they may have come under the debt-ridden corporations and paid 15 percent.

Mr. RUSSELL. Also, in regard to some of these corporations, that 22.5 percent that they would pay, to offset those there would be some that would pay more than the actual rate that would be applied to that proposition.

Senator BYRD. But you figured all at 42 percent.

Mr. RUSSELL. Not all of them. Seventy-five out of seven hundred seventy-six.

Senator BYRD. Just one second. Let me get this straight. You have got 75 companies that distributed net earnings in 1934.

Mr. RUSSELL. That is right.

Senator BYRD. You assume that all of the 75 companies would pay 42 percent?

Mr. RUSSELL. I could only go on the figures that I have.

Senator BYRD. Cannot you ascertain whether they are debt-ridden companies or not? Cannot you ascertain whether they come under deficit class of 15 percent?

Mr. RUSSELL. Not in any reasonable period of time. In the first place, Senator, after you find a company is debt-ridden you have to ascertain how much they are going to amortize each year under the present plan.

Senator BYRD. Do you think these figures mean anything then?

Mr. RUSSELL. I think they are indicative.

Senator LA FOLLETTE. As I understand it, Mr. Russell, you have taken this whole group of corporations and assumed, as you did in furnishing information in response to Senator Byrd's request, that their dividends and their policies were as they were in 1934.

Mr. RUSSELL. That is right.

Senator LA FOLLETTE. That was the only basis that you could operate on, just the same as in furnishing the information that Senator Byrd wanted about the corporations that heretofore paid a lesser tax?

Mr. RUSSELL. That is right.

Senator LA FOLLETTE. This is a recapitulation of all of these corporations, as I understand it.

Mr. RUSSELL. Yes.

Senator LA FOLLETTE. Applying the same theory and giving us the total of the information, in addition to what the specific information is that you furnished in response to Senator Byrd's questions?

Mr. RUSSELL. That is right.

Senator LA FOLLETTE. As I understand it—if I am wrong I want to be corrected—insofar as Senator Byrd's information is any reflection on the loss of taxes, this is on the same basis and equally informative as to what would be the effect on this whole group of corporations?

Mr. RUSSELL. That is my thought.

Senator BYRD. I differ with Senator La Follette entirely on that, because this bill, as I understand it, has three different taxations with respect to these companies that do not declare the earnings. One is they have 42 percent, another is that they have 22.5 percent, and for debt-ridden companies there is some provision of 15 percent, so you can replenish a deficit that was incurred in the past year.

Mr. RUSSELL. I think that is still 22.5 percent.

Senator BYRD. It seems to me you ought to follow these 75 companies through, that made no declaration of dividends in 1934, and see whether they come within the 15-percent class, the 22.5-percent class or the 42.5-percent class, assuming, of course, that they will not pay out all the earnings in the future.

The CHAIRMAN. You say it would take you 6 months to do it?

Mr. RUSSELL. Absolutely.

The CHAIRMAN. And you might not be able to do it within that time?

Mr. RUSSELL. Yes. I would like to say that I want to keep away from assumptions. If I must go into them I would say that probably the increases between 1934 and 1935 and 1936 would approximately offset any credit for debt-ridden companies, insofar as that is concerned.

The CHAIRMAN. Let each member of the committee put his own interpretation on whether or not this represents the true facts. Let us go to dividends, let us go to less than 45 percent of the taxes. How many of those corporations were there?

Mr. RUSSELL. There were 89 corporations.

The CHAIRMAN. What tax did they pay?

Mr. RUSSELL. \$35,099,710.

The CHAIRMAN. What do you estimate they would have paid?

Mr. RUSSELL. \$78,791,731.

The CHAIRMAN. Of course, the same doubt applies to them, as pointed out by Senator Byrd, as in the other number of 75. Now, how many corporations paid more than 45 percent, or less than 75 percent, how many corporations were there?

Mr. RUSSELL. One hundred and eighteen.

The CHAIRMAN. And how much tax was paid?

Mr. RUSSELL. \$81,465,352.

The CHAIRMAN. And those who paid dividends of more than 75 percent?

Mr. RUSSELL. Two hundred and seventy-eight.

The CHAIRMAN. What taxes do they pay?

Mr. RUSSELL. \$138,017,237.

The CHAIRMAN. And how much would they pay under this bill?

Mr. RUSSELL. \$26,052,353.

Senator COUZENS. There is a loss of about \$110,000,000 right in that item.

The CHAIRMAN. What is the explanation of that?

Mr. RUSSELL. That would be paid out in dividends.

Senator BLACK. Mr. Russell, you have not traced down to see who got those dividends that naturally some in the higher brackets would get the dividends and the Government would not lose, even though the corporation does pay a smaller tax.

Mr. RUSSELL. That is right.

Senator COUZENS. That is on the assumption that nobody has got any proof here.

Mr. RUSSELL. Even the Treasury Department.

Senator COUZENS. Even the Treasury Department. It would take a year to put this evidence in.

The CHAIRMAN. Let me ask you as to that item, the item of \$26,000,000 in dividends paid by the 278, who paid more than 75

percent of their dividends, they paid a tax of \$138,000,000, that is the corporations paid that?

Mr. RUSSELL. Yes, sir.

The CHAIRMAN. Under the proposed bill you have taken into consideration what they would have paid to the stockholders too or just for the corporation?

Mr. RUSSELL. We are just merely giving credit for the dividends they paid, Senator.

The CHAIRMAN. You do not know what the tax would be after it was collected from the various stockholders?

Mr. RUSSELL. No, sir.

Senator BYRD. The point that I make, Mr. Chairman, is that there would not be any additional tax involved except the 4-percent tax.

Senator KING. Mr. Russell, I presume some of these corporations in your list were included in that general statement which I saw in the newspaper a short time ago to the effect that there were a large amount of dividends in the aggregate, I think it was \$40,000,000,000, at any rate a huge sum, and the net earnings were less by far than the dividends distributed.

Mr. RUSSELL. That was the case of every corporation that Senator Byrd had, and his corporations are included in here.

Senator KING. I saw it in the newspapers. The sum was considerable.

Senator BYRD. I did not make any such statement as that.

Senator KING. The amount that was distributed as dividends was startling, measured by the amount of net income. It went into the billions, and it showed that the distribution exceeded the net income by several billion dollars.

Mr. RUSSELL. I did not see that statement, Senator.

The CHAIRMAN. Now, let us go down to the fifth.

Mr. OLIPHANT. That list included deficit corporations as well as corporation earnings. It included the deficit corporations. It shows that if you took all corporations, those making money and those losing money, that the dividend distributed was more than the earnings but it included the deficit corporations.

The CHAIRMAN. Now, let us take statutory net income of less than a million dollars. The others have been over a million dollars.

Senator BYRD. Wait a minute, Mr. Chairman. I do not think we have gotten a list of those companies that will not pay any income tax.

The CHAIRMAN. We want to get down to these others first.

Senator BYRD. I mean this is in reference to those that distributed as much as 75 percent. What about those that distributed 100 percent?

Mr. RUSSELL. They would not pay any tax. They are included in the 75.

The CHAIRMAN. More than 75 percent.

Senator GERRY. Mr. Chairman, are we going to have copies of this?

The CHAIRMAN. It will be in the record. Statutory net income less than \$1,000,000 but dividends received more than \$1,000,000. How many such corporations are there?

Mr. RUSSELL. Sixty-nine corporations.

The CHAIRMAN. What tax was paid?



Mr. RUSSELL. \$2,868,947.

The CHAIRMAN. How much do you estimate under the proposed bill?

Mr. RUSSELL. \$24,063,837.

Senator GEORGE. Why is that?

Mr. RUSSELL. Because the dividend is not taxed to the corporation.

Senator GEORGE. Is that the normal tax?

Mr. RUSSELL. That is the regular corporation tax.

Senator GEORGE. The regular corporation tax?

Mr. RUSSELL. Yes, sir; under the 1934 act.

Senator KING. Mr. Chairman, at the conclusion of Mr. Russell's testimony I would like to put into the record some figures from page 36 of this report.

The CHAIRMAN. Let us wait until we get through with this.

Senator CLARK. Mr. Russell, these figures are comparable figures, as I understand it. They are the actual figures in 1934, the figures of what they actually paid in 1934, and the figures of that they would have paid under the 1934 rate if the proposed law had been in effect.

Mr. RUSSELL. The actual tax paid for the year 1934, Senator, and the tax which they would have uaid.

Senator BLACK. Under the proposed act?

Mr. RUSSELL. Under the proposed bill.

Senator BYRD. Let me correct this, for the purpose of the record. That is not correct, because there has been no analysis of these debt-ridden companies which got a different rate. He figured them all at 42 percent. When the company made no distribution in 1934 he figured the 42-percent rate, which may or may not be correct, because there are two classifications under this bill that they will come under.

Senator LA FOLLETTE. When the Treasury answered Senator Byrd's request we made the same assumptions.

Mr. RUSSELL. That is right.

Senator BYRD. Senator La Follette, there was not any question about the company that distributed all its earnings not uaying any taxes, but a company that did not distribute any earnings comes into three classes, 15 percent where there is a deficit, 22.5 percent for debt, or 42 percent.

Senator GEORGE. Mr. Russell said frankly that he assumed, where they paid no taxes, they would pay 42.5 percent.

Mr. RUSSELL. That is right.

Senator GEORGE. In other words, your calculation was the highest possible maximum that could be realized.

Mr. RUSSELL. That is right.

Senator GEORGE. Applying the highest possible rate.

Mr. RUSSELL. On the 1934 income.

Senator GEORGE. That is all there is to that.

The CHAIRMAN. The next one is statutory net loss but dividends received in excess of \$1,000,000. How many of such corporations were there?

Mr. RUSSELL. One hundred and forty-seven.

The CHAIRMAN. What was the tax paid?

Mr. RUSSELL. No tax paid.

The CHAIRMAN. How much would you receive under this bill?

Mr. RUSSELL. \$125,412,358.

Senator BLACK. What list was that?

The CHAIRMAN. That was where there was a statutory net loss but the dividends received were in excess of \$1,000,000.

Senator HASTINGS. You have not taken into account the tax paid by the corporation that declared those dividends?

Mr. RUSSELL. It was impossible to work that out.

Senator HASTINGS. This is not an actual increase in funds to the Treasury, because those corporations must have paid the normal tax before they declared the dividends and paid it over to these corporations.

Mr. RUSSELL. I assume that would be the case.

Senator HASTINGS. It is true, is it not, that this amount of new tax does not actually mean there would be that additional increase?

Mr. RUSSELL. That is a hard question to answer, Senator. I am stating just what the returns show.

Senator HASTINGS. Is it not a reasonable assumption that the corporations that paid a dividend to these corporations which you are now talking about must have paid the normal tax before they declared the dividends and paid them over to those corporations?

Mr. RUSSELL. I would say they must have paid the normal tax, or pretty close to it. There are other questions involved there.

Senator BYRD. There is no net gain to the Treasury, is there, Mr. Russell, in your judgment?

Mr. RUSSELL. I think there would be a gain to the Treasury.

Senator BYRD. It would not be anything like you would estimate, though, that you would get?

Mr. RUSSELL. I would say it would be something like it. How much less it would be I do not know.

Senator KING. Let us see if I can get this in my mind. I am reading from the Treasury report. Assume that the statutory net income in 1930 of all corporations was \$6,428,813,000, and the total cash dividends paid by corporations amounted to \$8,202,241,000.

Mr. RUSSELL. What is the total dividends paid?

Senator KING. That was more than two billions in excess of all the net income.

Mr. RUSSELL. In 1930?

Senator KING. Yes. I am reading from the Treasury report here. The explanation for it is what I am trying to get at. The 1930 statutory net income was \$6,428,813,000, and the total cash dividends paid by all corporations for that year was \$8,202,241,000.

Mr. RUSSELL. Those are not the figures that I have, Senator.

Senator KING. Just look at your report here. That table was put in at the hearings by Mr. McLeod in the House hearing.

Mr. RUSSELL. I had \$8,542,000,000, but that included dividends received from other corporations. That is the figure that I have here.

Senator KING. Is there any inaccuracy in Mr. McLeod's figures?

Mr. RUSSELL. Not that I can see. I have different figures here. I have the total net income and he just has the statutory net.

The CHAIRMAN. On this chart it is the last item.

Senator KING. The total net income as against the statutory net income, what do you mean by that?

Mr. RUSSELL. I mean that figure there excludes the dividends received from other corporations.

Senator BLACK. Mr. Chairman, I would like to ask that the figures that he has there be put in the record exactly as he has them, so that

we may have those figures if we want to see them, instead of having a long discussion on each item and having to read 50 pages where they could just as well be on one page.

The CHAIRMAN. Immediately following the testimony that he gives we will put this table in the record.

Senator BLACK. Very well.

The CHAIRMAN. Now, the next item is public utility corporations. You say they were included in the 776 total?

Mr. RUSSELL. Yes, sir; they are included in the figures I just gave you, but they are set aside for a separate study.

The CHAIRMAN. Public utility corporations with dividends more than \$1,000,000 or net income in excess of \$1,000,000. How many are there?

Mr. RUSSELL. One hundred and ninety-two.

The CHAIRMAN. What was the total tax paid?

Mr. RUSSELL. \$71,264,598.

The CHAIRMAN. What would they pay under this bill?

Mr. RUSSELL. \$60,331,089.

Senator KING. They would pay less?

Mr. RUSSELL. Yes.

Senator KING. \$10,000,000 less.

Mr. RUSSELL. Approximately \$11,000,000 less.

The CHAIRMAN. Is there any other question of Mr. Russell?

Senator LA FOLLETTE. Let us have the rest of the data.

The CHAIRMAN. In this connection we will have this table go into the record.

(The table referred to is as follows:)

*Recapitulation schedules, corporations 1934, furnished Senate Finance Committee*

Statutory net income more than \$1,000,000	Number of corporation	Tax paid	Approximate tax under proposed bill
1. Dividends paid: None.....	75	\$27,004,892	\$99,570,286
2. Dividends paid: Less than 45 percent.....	80	35,699,710	78,791,731
3. Dividends paid: More than 45 less than 75 percent.....	118	81,465,352	86,808,484
4. Dividends paid: More than 75 percent.....	278	138,017,237	26,052,353
Subtotal.....	560	281,587,191	288,222,854
5. Statutory net income less than \$1,000,000 but dividends received more than \$1,000,000.....	69	2,868,947	24,063,837
6. Statutory net loss but dividends received in excess of \$1,000,000.....	147	None	125,412,358
7. Grand total.....	776	284,456,138	437,699,649 284,456,138
8. Public-utility corporation with dividends more than \$1,000,000 or net income in excess of \$1,000,000.....	192	71,264,598	153,242,911 60,331,089

Mr. OLIPHANT. The next item is the 15 individuals.

Mr. RUSSELL. During the afternoon and late last night we were able to find about 15 or 16 individuals where we could apply the 1934 income and the 1934 taxes.

Senator KING. Was it a hit-and-miss selection?

Mr. RUSSELL. It was mostly hit and miss. It had to be, Senator.

Senator KING. I was wondering whether you attempted to make a selection to fit any particular theory.

Mr. RUSSELL. No, sir.

The CHAIRMAN. Why is it that Ford is not in this list here?

Senator BARKLEY. They did not hit him.

The CHAIRMAN. All right. I had some curiosity.

Mr. RUSSELL. We tried to find him.

The CHAIRMAN. All right, you may proceed. The first list is the large individual taxpayers. All right, proceed, Mr. Russell.

Mr. RUSSELL. E. C. Sams, one of the principal stockholders of J. C. Penney Co.

The CHAIRMAN. With a net income of \$18,404,000?

Mr. RUSSELL. A net income of \$18,404,000.

The CHAIRMAN. Just say "\$18,000,000 plus", because this thing will go in the record and then we will get it.

Mr. RUSSELL. \$18,000,000 plus. Dividends paid by the corporation \$11,000,000 plus.

Senator KING. Paid to him by the corporation?

Mr. RUSSELL. Dividends paid by the corporation out of the \$18,000,000, dividends paid to this particular individual.

The CHAIRMAN. Dividends paid to individuals?

Mr. RUSSELL. That should be this particular individual here. When I say "individuals" that means this group of individuals down here.

The CHAIRMAN. All right.

Mr. RUSSELL. \$419,000 plus. His share of undistributed earnings was \$263,000 plus. The total income of the individual was \$393,207. The tax paid by the corporation on this individual's total interest—I am talking now about the dividends he received from it and his undistributed earnings.

The CHAIRMAN. All right.

Mr. RUSSELL. The tax paid on that by the corporation was \$93,883. The tax the individual would have paid had all of his share been distributed would have been \$334,708.

Senator HASTINGS. More than he did pay?

Mr. RUSSELL. No.

The CHAIRMAN. It would have been \$150,000.

Senator CONNALLY. Wait a minute. He did pay some, though. Did you subtract what he did pay?

Mr. RUSSELL. I merely went by the figures that were asked for by the Senator.

Senator CONNALLY. You just said they paid \$400,000.

Mr. RUSSELL. That is right.

Senator CONNALLY. He paid an income tax on that, or a surtax at least, did he not?

Mr. RUSSELL. Yes, sir.

Senator CONNALLY. You subtracted that, did you?

Mr. RUSSELL. I was not asked to, sir.

Senator BARKLEY. You said this company paid to Mr. Sams \$419,000?

Mr. RUSSELL. That is right.

Senator BARKLEY. Then later on you said his net income was \$300,000 and some odd.

Mr. RUSSELL. He probably had losses, Senator, to cut it down.

Senator CONNALLY. As a matter of fact he paid a surtax on all those dividends if he paid \$300,000, did he not?

Mr. RUSSELL. What I was asked to do, Senator, was to show the tax that the corporation paid upon his total share of earnings, and to show the tax that he would have paid had he gotten his total share of the earnings.

Senator BARKLEY. Can you tell us how much more he would have paid than he actually paid, so as to get at the net result?

Senator KING. You could not tell what his losses were, could you?

Mr. RUSSELL. No.

The CHAIRMAN. Except by looking at his returns.

Mr. RUSSELL. We could look at his returns; yes, sir; but not as to all of his returns, because in the Bureau we only have the punched cards, the transcripts. The returns are out in the field.

The CHAIRMAN. All right, Mr. Russell.

Mr. RUSSELL. He had been given credit for what he actually paid in the figure.

The CHAIRMAN. I did not catch that.

Mr. RUSSELL. He had been given credit for what he actually paid in the figure that I just read to you. The schedule shows how the figure was arrived at.

Senator GEORGE. Won't you repeat it then, Mr. Russell? I did not catch it.

The CHAIRMAN. Dividends to the individual were \$419,000 plus.

Mr. RUSSELL. Yes, sir. His share of the investment earnings were \$263,000.

Senator GEORGE. \$263,000, and the corporation paid on that how much?

Mr. RUSSELL. The corporation paid \$93,883.

Senator GEORGE. On that?

Mr. RUSSELL. Yes, sir.

Senator HASTINGS. On his whole share?

The CHAIRMAN. On the individual's share of his earnings.

Senator HASTINGS. His whole share?

Mr. RUSSELL. Yes, sir.

Senator BARKLEY. That would be 15 percent on the corporate net earnings before distribution.

Mr. RUSSELL. It might be 15; it might not, Senator.

Senator GEORGE. You say he would have paid \$315,000?

Mr. RUSSELL. \$334,000.

Senator GEORGE. And the corporation paid \$93,000?

Mr. RUSSELL. Yes, sir.

Senator CONNALLY. How much tax did he pay?

Mr. RUSSELL. Actually?

Senator CONNALLY. He had \$300,000 net income, you say?

The CHAIRMAN. The individual paid \$393,000 plus, and the tax by the corporation on his share was \$93,000 plus.

Senator CONNALLY. He would have paid that. I want to see what he actually paid.

The CHAIRMAN. The total income of the individual was \$393,000 plus. Is that right, Mr. Russell?

Mr. RUSSELL. You want to know what the tax actually paid by the individual was?

Senator CONNALLY. Yes.

Mr. RUSSELL. \$184,389.

Senator BARKLEY. So that again there would be a difference between that and \$310,000.

Mr. RUSSELL. If you want to know the difference between what he actually paid and what he would pay, that is on the tax sheet here.

The CHAIRMAN. What does this item mean, no. 7, total income of the income of the individual? That does not take into consideration his losses?

Mr. RUSSELL. No, sir. On the attached sheet it shows the individual actually paid \$184,389.

Senator CONNALLY. He actually paid that?

Mr. RUSSELL. Yes.

Senator GEORGE. And how much did the corporation pay for him?

Senator CONNALLY. \$93,000.

Senator GEORGE. And how much would he pay under this bill?

Mr. RUSSELL. \$349,691.

Senator CONNALLY. He actually paid, and the corporation paid for him, \$277,000?

Mr. RUSSELL. That is right.

Senator GEORGE. Under this bill to what extent does the 4 percent normal tax that he is now required to pay apply; how much is to be figured into it?

Mr. RUSSELL. I have not figured that, Senator. I merely give the figures that I was requested to give.

Senator GEORGE. Of course the 4 percent normal was not figured in the 1934 tax.

Mr. RUSSELL. No, sir.

Senator HASTINGS. Mr. Russell, I would like to find out something about this: My understanding is he paid \$184,000 and that the corporation paid for him \$93,000, making a total of \$277,000. Now, then, was that figured on the 1934 rate for the individual?

Mr. RUSSELL. It was figured on the 1935 rate for the individual.

Senator HASTINGS. That is the same as it is under the present act?

Mr. RUSSELL. The same as it is under the present act.

Senator HASTINGS. That is what I want to find out. What would he have paid under the present act on his total income?

Mr. RUSSELL. \$349,691.

Senator BARKLEY. Now, the \$184,000 which he actually paid, was that paid on the dividends that he got from this company, or did he have other income that entered into that?

Mr. RUSSELL. That was his total tax paid, sir.

Senator BARKLEY. You do not know how much of that was due to this dividend?

Mr. RUSSELL. No, sir.

Senator KING. Have you anything there to indicate the losses or exemptions which he claimed, the depreciation, and what not?

Mr. RUSSELL. No, sir.

Senator BARKLEY. Of course, his losses were the same on what he received as they would have been on the total. If he received the total he would have gotten six-hundred-thousand-odd dollars from this company, but he would not have any additional losses, because he figured them all in anyhow.

Mr. RUSSELL. That is right.

The CHAIRMAN. Does the committee want to go over each individual item?

Senator BLACK. Yes, sir.

The CHAIRMAN. The next is Frank C. Rand, of the International Shoe Co.

Senator CONNALLY. Is that the 1934 tax that you are talking about or the 1935 tax?

Mr. RUSSELL. That is the 1934 tax actually paid in the corporation and what he would have paid under the present tax, which is the 1935 act.

Senator CONNALLY. The 1935 act is a higher rate than the 1934 act?

Mr. RUSSELL. That is right.

Senator CONNALLY. If you figure what he would have paid under the 1935 act, as compared to what he actually paid in 1934, it would not be quite correct, because the surtaxes in the 1935 act were considerably increased over 1934, is that not true?

Mr. RUSSELL. If he got in the higher brackets.

Senator COUZENS. He paid the 1935 rate because he got the revenue in 1935?

Mr. RUSSELL. This is the distribution of 1934 income, Senator.

Senator COUZENS. For him personally?

Mr. RUSSELL. Yes, sir.

Senator CONNALLY. I thought you figured it on the 1935 income.

Senator HASTINGS. What we ought to do, in order to get a fair comparison, is to find out what he would have paid in 1934 if it were the same rate as in 1935.

Senator CONNALLY. That is what I thought.

Mr. RUSSELL. I could not see, Senator, if you will excuse me for saying it, I could not see how much more benefit you would get from the 1934 act, because the 1935 act is in force now.

Senator HASTINGS. The point I am trying to make—I understand he actually paid \$349,000, was it?

Senator CONNALLY. \$184,000.

Senator HASTINGS. \$184,000. Now, if you figure that on the 1935 rate it would be interesting to know what he would have paid instead of the \$184,000.

Mr. RUSSELL. On the 1935 rate?

The CHAIRMAN. Under the 1935 rates.

Mr. RUSSELL. You can do that.

Senator CONNALLY. If you figure what he would have paid under the 1935 rate it is fair to figure what he did pay in in 1934 had the 1935 rates been in effect.

Senator BARKLEY. The reason you cannot do that is that you have not got the figures available in 1935 on his income tax, so as to know what he actually paid. The nearest comparison you can make as to what he would have paid under this bill is to estimate what he would have paid in 1934 under the 1935 rates, based on his income in 1934, applying the 1935 rates. That is the nearest approximation you can make to a comparison between what he actually would have paid in 1935, and possibly did pay, and what he will pay under this bill.

Mr. RUSSELL. That is right. The tax he actually paid included all of his income.

Senator COUZENS. Of course.

Senator HASTINGS. Have you got his actual income?

Mr. RUSSELL. Yes, sir.

Senator HASTINGS. What was it?

Senator KING. That is income for 1934, as I understand it?

Senator HASTINGS. I want to see if we can figure out what it would be.

Mr. RUSSELL. \$393,207, as I have it.

Senator HASTINGS. Is that all that he received from any source, so the rates would be the same?

Mr. RUSSELL. I could not tell you the source, Senator. It would be impossible for us to analyze all of this stuff in detail.

Senator BYRD. In figuring up the individual items you are figuring that these companies will have 100 percent distribution of earnings in that year, are you?

Mr. RUSSELL. We figure what the individual's share was of the total share of corporate earnings, whether distributed or not.

Senator BYRD. You are figuring that there is 100 percent distribution in that particular company that he would pay taxes on, based on 1935?

Mr. RUSSELL. That is right.

Senator BYRD. Don't you think that that may vary a great deal, because a corporation can retain 30 percent and only pay a 15 percent tax under this very bill, so there will not be 100 percent distribution?

Mr. RUSSELL. That is true, Senator. All I am giving in these schedules is what I was asked to give.

Senator BYRD. I just want to make it clear that this is based on 100 percent distribution.

Senator BLACK. Mr. Chairman, I want to call attention to the fact that some of us believe that they should be taxed, whether they are made through the corporate device or made by an individual. That being true, the only thing we could do to get a fair figure, in line with that idea, is to find out how much profit the man actually made through his corporate device, and then figure the income tax on it for an individual. Therefore, as far as some of us are concerned, it is very liberal. It may not be for others.

Senator BYRD. I simply want it understood that this is based on 100 percent distribution by these companies. The result would probably be a very would distribute 100 percent unless they wanted to do it, because they would distribute 70 percent and pay the same tax that they are now paying.

Senator BLACK. I want to clear up that it was also based on 100 percent taxes on the profit made by the corporation, the same as any individual would have paid if he was not fortunate enough to have it in the corporation.

Senator GEORGE. Why not then just assume that you have got \$1,000,000 earned by the individual and \$1,000,000 earned by the corporation, and figure that out? That gives you a true picture then, of course, of what you have got to deal with. When you are dealing with specific cases there are so many assumptions, so many variables, that it does not give me any true picture.

Senator BLACK. There are variables in connection with the corporation taxes, in trying to put in a list of corporations to show that the corporations paid more or that the corporations paid less. There is no objection to that. Everybody knows when those are put in to show the corporation would make more less it is not giving one-twentieth part of the picture, where there are subsidiaries through which



the corporations drain their profits. None of them are accurate, but they all give light on the facts.

The CHAIRMAN. I think we all might agree that these pictures might be variable, if they retain 30 percent, 40 percent, or if they are debt-ridden, if they have a deficit, and all that, but they do indicate the picture of these large shareholders in these corporations.

Mr. RUSSELL. Yes, sir.

Senator GEORGE. You think they do, but when the individual is supposed to pay his tax you find out they do not.

The CHAIRMAN. Let us go to the others and go down the line. The next is Frank C. Rand, International Shoe Co.

Mr. RUSSELL. Frank C. Rand, International Shoe Co. The net income of the corporation was \$11,513,071. Dividends paid by the corporation, \$6,671,000. This individual was paid \$215,000. His share of the undistributed earnings was \$155,000. His net income was \$189,000. The tax paid on this individual's share was \$51,000.

Senator KING. By the corporation?

Mr. RUSSELL. By the corporation. The tax he would have paid on complete distribution was \$159,000. There is a difference of \$88,868.

The CHAIRMAN. All right, take the next one.

Senator KING. Do you know what the corporation was owing?

Mr. RUSSELL. I do not have the least idea.

The CHAIRMAN. You do not know on any of these corporations whether or not they declared all, or whether they owed anything, whether they had a deficit?

Mr. RUSSELL. No, sir.

Senator BLACK. Who was the individual?

The CHAIRMAN. Frank C. Rand.

Mr. RUSSELL. Frank C. Rand, of the International Shoe Co.

Senator CONNALLY. Now, Mr. Russell, you are assuming, of course, what he would have paid if it had all been distributed?

Mr. RUSSELL. Yes, sir.

Senator CONNALLY. If none of it were distributed he would have paid 42.5 percent, his share would be 42.5 percent instead of a possible 60 or 70 percent. Do you think it is fair to state that? Your whole theory of this bill is that no matter whether they distribute it all or do not distribute it all the Government is going to get the same aggregate total average tax. Now, when you go into the individual cases you cannot generalize, you cannot hit the same level on every tax based, is that not true?

Mr. RUSSELL. I will be very glad to answer any questions that you might ask, or anybody else, if I can. I am only furnishing information which I was asked for.

Senator CONNALLY. I am not criticizing you. I was wondering if you could tell, from the data which you have there, how much that would have been had none of it been distributed.

Mr. RUSSELL. You mean on the corporation?

Senator CONNALLY. Yes. I refer to the 42.5 percent.

Senator BLACK. What was the amount? We can figure it in about 1 minute.

Mr. HELVERING. \$11,000,000.

Mr. RUSSELL. There is about 60 percent distribution.

The CHAIRMAN. The next is W. H. Moulton, of the International Shoe.

Mr. RUSSELL. The same income of the corporation and the dividend applies as in the case of Rand, but to Moulton the corporation paid \$138,000 in dividends, and his share of the undistributed earnings was \$99,000. His total income was \$115,000. The tax paid by the corporation on his share was \$32,000. The tax he would have paid had there been complete distribution would be \$88,000. There is a difference of \$52,000.

Senator KING. That is assuming he had no obligations, no losses and nothing to subtract from the aggregate amount?

Senator LA FOLLETTE. He has already subtracted the \$10,000 loss.

Senator BYRD. Now, are you calculating, Mr. Russell, the loss that will occur to the Government by reason of the fact that the corporation is not going to pay any tax under this bill? You say this man would pay \$52,000 more. If the corporation will not pay anything, if they distribute all their earnings, then will not the Government lose?

Mr. RUSSELL. That is all I was asked for, Senator.

Senator BYRD. There is another gross discrepancy.

Senator CLARK. What is the total?

Mr. RUSSELL. I do not have that, Senator, but it would be approximately—you cannot tell from these figures here, what they would pay. The total income, Senator, was \$11,513.

Senator CLARK. Under this proposed bill if they paid out all that they earned they would not have to pay any taxes, only the corporation income tax?

Mr. RUSSELL. That is my understanding, under the new bill.

Senator CLARK. So that the amount by which the individual stockholder's income would be increased should be deducted, the amount which the International Shoe Co., as a corporation paid in 1934?

Senator BARKLEY. That is the proportional part of it.

Senator CLARK. Yes.

Mr. RUSSELL. Yes.

Senator BYRD. You haven't made that calculation?

Senator BLACK. That was \$32,000, as I understand it.

The CHAIRMAN. Well, let us take Mr. Horton Watkins now. All these considerations apply to each of these propositions. Let us take Mr. Watkins, of the International Shoe Co. All right; proceed.

Mr. RUSSELL. Mr. Watkins was paid \$150,000 in dividends. His share of the undistributed earnings was \$108,000. His income was \$132,000. The corporation paid \$35,618 tax. On his total share he would have paid, had it been distributed, \$103,000. There is a difference of \$67,000.

The CHAIRMAN. Mr. Oliver F. Peters, still of the International Shoe.

Mr. RUSSELL. The corporation distributed to him \$126,000. His share of the undistributed earnings was \$91,000. His income was \$124,000. Tax paid by the corporation on his share was \$26,000. Had it all been distributed to him it would have been \$89,000. The difference is \$48,000.

The CHAIRMAN. Well, let us take C. S. Woolworth, of the F. W. Woolworth Co.

Mr. RUSSELL. The net income of the corporation was \$31,468,175. The dividends paid by the corporation were \$23,400,000. Dividends paid to C. S. Woolworth, \$172,000.

The CHAIRMAN. You haven't got that here. You have got \$500,000.

Mr. RUSSELL. The dividends to the individual were \$500,175.

The CHAIRMAN. All right.

Mr. RUSSELL. His share of the undistributed earnings was \$172,457. His income was \$668,295. The tax paid by the corporation on his share of the earnings was \$92,000. The tax he would have paid had his total share been distributed would have been \$438,000. There is a difference there of \$99,000. Giving effect to what he has paid, as shown by the individual sheet over here—

Senator CONNALLY (interposing). What did he pay?

Mr. RUSSELL. He actually paid \$339,000, the total tax that he paid.

The CHAIRMAN. Let us take the next—Jessie W. Donahue.

Senator LONERGAN. She is a daughter of Mr. Woolworth.

Mr. RUSSELL. Jessie W. Donahue was paid dividends of \$1,474,000. Her share of the undistributed was \$508,000. Her income was \$1,317,000. The tax paid by the corporation on her share was \$272,000. Her tax would have been, had she paid it on the entire share, \$1,018,000 and there is an actual difference between the tax paid and what she would have paid of \$299,000.

Senator HASTINGS. Mr. Chairman, I would like the attention of Senator Connally for a moment. In the first name on the list it shows tax paid of \$184,000, and the corporation's proportion of that individual's tax, was \$93,000, making \$277,000. Mr. Russell says that under this new act that particular person would have paid \$349,000, making a difference of \$72,000. But if you take that \$184,000 which he paid in 1934 and apply the 1935 rates to it, it would have added to his tax \$29,000.

Senator CONNALLY. And if you add 4 percent you add \$13,000 more.

Senator HASTINGS. I do not think so. It makes a difference of \$29,000, so that the \$72,000 difference is reduced to \$43,000, the actual difference.

Senator CONNALLY. Did you include the normal tax of 4 percent? If you add that it would be \$13,000 more.

Senator HASTINGS. The tax experts say that is not correct, because that is not subject to the normal tax, in 1934.

Senator CONNALLY. It would be under this bill.

Senator HASTINGS. That figures \$349,000. The actual difference, the tax experts tell me, is \$29,000. That applies, of course, to all of these cases, Mr. Chairman.

Mr. RUSSELL. Each one has a sheet attached explaining all about it. You can get the tax that he paid, the total income, and everything.

The CHAIRMAN. Let us take the next, Horace Havemeyer.

Mr. RUSSELL. Horace Havemeyer is one of the principal stockholders of the Great Western Sugar Co. The total income of the corporation was \$7,000,000. They distributed no dividends and he received no dividends from the corporation. His share of the undistributed earnings was \$209,000. His total income was \$647,000. The taxes paid by the corporation on his share was \$28,751. Had

it been distributed he would have paid a tax of \$449,977, on that particular income, and there is a difference between the tax he actually paid and the tax he would have paid of \$121,000.

Senator CONNALLY. Just a minute. How much were his dividends?

The CHAIRMAN. No dividends were paid.

Senator CONNALLY. I mean his interest in the earnings.

Mr. RUSSELL. \$209,000.

Senator CONNALLY. A lot of that tax would have come out of his other profits, because they were \$400,000.

Mr. RUSSELL. Senator, we took the tax actually paid and then we added this.

Senator CONNALLY. I mean there would not be that much difference just on his earnings from the sugar company, would there?

Senator LA FOLLETTE. Why not?

Mr. RUSSELL. Those are the only earnings they added onto it.

Senator CONNALLY. How is that?

Mr. RUSSELL. Those are the only earnings they added onto it.

Senator CONNALLY. I know, but I thought you said his share was \$200,000. The difference in his tax would have been how much?

Mr. RUSSELL. \$121,000.

Senator CONNALLY. That is 42.5 percent on \$200,000?

Mr. RUSSELL. No.

Senator CONNALLY. If they had distributed it fully they would not have paid 42.5 percent, would they?

Mr. RUSSELL. Here is what we did, Senator: We took his total income as he reported it, on his return, then he paid so much tax, then we added onto it his undistributed share of this, had he gotten that as dividends, and that figured out another tax, and the difference between the two taxes is \$121,000.

Senator CONNALLY. If you take the two cases, that is the case in which they did not pay out anything, and where they paid it all out—you could not assume that they paid it all out, but that they paid 42.5 percent, or whatever it was, is that not true?

Senator LA FOLLETTE. He is assuming that it was based on 100 percent distribution. When you put a slice of income on top of the income in the 1934 returns you kick the whole business up to the upper brackets, you help to pull the rest of them up, whether you shove it in at the bottom, it affects the totality of the rate all the way up.

Senator CONNALLY. If it is distributed; yes.

Senator LA FOLLETTE. Certainly. All this shows is the inducement which exists under the present system for a man in his situation to have the Great Western Sugar Co. not distribute it.

Senator CONNALLY. Exactly.

Senator BYRD. Suppose the Great Western Sugar Co. owed money and could not distribute it, what then?

Senator COUZENS. Let us go ahead with the next on the list.

Senator KING. I just want to ask one question. Where did he get the residue of his income from?

Mr. RUSSELL. I haven't the least idea.

Senator KING. He did not make it all from this corporation.

Mr. RUSSELL. He had \$647,000 from other sources.

Senator HASTINGS. Mr. Helvering, you do not remember whether any action was taken against that company for withholding dividends, do you?

Mr. HELYERING. I do not recall.

Senator KING. Is there anything to indicate the indebtedness of the Great Western?

Mr. RUSSELL. No, sir.

Senator KING. The next one is Mahlon D. Thatcher.

Mr. RUSSELL. He received no dividends from the Great Western Sugar. His share would have been \$62,000. His total income was \$106,000. The tax on his share would have been \$9,946 paid by the corporation. His total tax would have been \$64,011. The tax he saved was \$33,000.

Senator KING. That is assuming that there had been a distribution by the corporation?

Mr. RUSSELL. Yes.

Senator KING. Proceed. The next is Charles B. and Elizabeth Bohn.

Mr. RUSSELL. Charles B. and Elizabeth Bohn, of the Bohn Aluminum Brass Corporation. Their total income was \$1,576,000. Dividends paid by the corporation \$1,057,000, and dividends to this individual were \$94,000. His share of the undistributed earnings was \$46,000. Total income of the individual was \$234,000. The tax paid by the corporation on his share was \$19,000. His total tax would have been \$124,000.

Senator COUZENS. Next is Albert D. Lasker.

Mr. RUSSELL. Albert D. Lasker, of Lord & Thomas, Inc.

The net income was \$1,374,000. Dividends paid by the corporation \$1,247,000. Dividends to this individual \$939,000. His share of the undistributed earnings was \$95,000. He showed a loss on his return of \$767,000. The tax paid by the corporation on his share was \$142,000. Tax paid by the individual \$116,000. He had a savings of \$52,000.

Senator KING. If he had a loss exceeding his income, would he pay a tax?

Mr. RUSSELL. That is probably net, a capital net loss where he would only get a \$2,000 benefit, where it would be computed at capital loss rates.

Senator KING. Charles B. Van Dusen, of the S. S. Kresge Co.

Mr. RUSSELL. The total income of the S. S. Kresge Co. was \$10,906,000. Dividends paid by the corporation, \$4,804,000. Dividends to Charles B. Van Dusen, \$45,000. His share of the undistributed earnings was \$57,000. His total income was \$105,000. The tax paid by the corporation on his share was \$13,000. The total tax to him had it been distributed would have been \$65,000. There was a saving of \$32,000 to this individual.

Senator KING. Did you state the amount of tax that he paid individually? It was \$105,000, is that right? He received \$45,000 dividends and his share of undistributed earnings was \$57,000, and he paid \$105,000, and the corporation paid \$13,000?

Mr. RUSSELL. His total income was \$105,000, Senator.

Senator KING. Yes, sir. There is \$13,000 paid by the corporation?

Mr. RUSSELL. That is right; yes, sir.

Senator KING. For him?

Mr. RUSSELL. Yes.

Senator KING. His share of the dividends?

Mr. RUSSELL. His total share of the earnings.

Senator KING. Next is J. E. Aldred. That is the Gillette Safety Razor Co.

Mr. RUSSELL. The net income of the corporation was \$5,009,000. Dividends paid \$3,548,000. Dividends to Aldred, \$33,000. His share of the undistributed earnings was \$24,000. His income was \$80,000. The tax paid by the corporation on his share was \$8,000. Total tax to him on his share had it been distributed, \$29,000.

Senator KING. Under complete distribution?

Mr. RUSSELL. Under complete distribution on his total share. He made a savings in tax of \$11,634.

Senator KING. Next is Pierre S. du Pont, of General Motors.

Mr. RUSSELL. The total income was \$104,000,000. Dividends paid by the corporation \$73,000,000. Dividends paid to Pierre S. du Pont, \$225,000. His share of the undistributed earnings was \$107,000. His total income was \$648,000. The tax paid by the corporation on his share was \$36,000. Had the total income been distributed to him his tax on the total, on his total share, would have been \$391,000. He made a saving of \$61,549.

Senator KING. Colby M. Chester.

Mr. RUSSELL. Colby M. Chester, of the General Foods Corporation; net income of the corporation was \$12,719,000; dividends paid out by the corporation \$9,452,000; dividends to Colby M. Chester were \$36,307. His share of the undistributed net earnings was \$12,549. The total income of Mr. Chester was \$116,000. The tax paid by the corporation on his share of the earnings, \$778. The net tax would have been on his total share had it been distributed, \$44,000, indicating a saving of \$8,000.

Senator KING. Edward F. Hutton, General Food Corporation.

Mr. RUSSELL. The corporation paid a dividend to Edward F. Hutton of \$112,000.

Senator KING. The net income of the corporation was what?

Mr. RUSSELL. The same as before stated in connection with Mr. Chester. They paid a dividend of \$9,452,000. The dividend to Mr. Hutton was \$112,000, and his share of the distributed net earnings was \$39,000. The income of this individual was \$111,000; tax paid by the corporation on his share was \$20,900; and the tax he would have paid from his total share had it been distributed was \$54,000. He made a saving of \$20,305.

Senator GEORGE. I do not know that I understand the relative figures. You said that his share of the undistributed earnings was only \$39,000. Is that what you said?

Mr. RUSSELL. That is right.

Senator GEORGE. And if it had all been distributed?

Mr. RUSSELL. On the total share?

Senator GEORGE. It all was distributed but the \$39,000?

Mr. RUSSELL. That is right. What is the question, Senator?

Senator GEORGE. How much saving did he effect by it?

Mr. RUSSELL. \$20,000.

Senator GEORGE. He effected a saving of \$20,000?

Mr. RUSSELL. Yes, sir.

Senator GEORGE. I did not understand. What was the last figure that you gave?

Mr. RUSSELL. I thought it was \$20,000.

Senator GEORGE. Maybe so.

Senator CONNALLY. What was the \$54,000?

Mr. RUSSELL. \$54,000 was the amount of tax that he would have paid from his total share had it been distributed. His total share was \$112,000 plus \$39,000. We were asked what his tax would be on his total share.

Senator GEORGE. Oh, yes; I see.

Senator COUZENS. What is the next one you have?

Senator GEORGE. Everything would enter into it.

(1) List of large individual taxpayers, (2) names of principal corporations in which they owned stock, (3) net income, (4) of and dividends paid by the corporations, (5) amount of dividends received by individual, (6) amount of dividends in addition which they would have received if principal corporation had distributed all net income, (7) total income of the individuals, (8) tax paid by corporation in individual share of corporate earnings, (9) tax individual would have paid if earnings fully distributed, (10) and difference, representing tax loss to Government as a result of incomplete distribution)

(1) Name of taxpayer	(2) Principal corporation	(3) Net income of corporation	(4) Dividends paid by corporation	(5) Dividends to individual	(6) Share of undistributed earnings
E. C. Sams	J. C. Penny Co.	\$18,404,090	\$11,307,108	\$410,493	\$263,298
Frank C. Rand	International Shoe Co.	11,513,071	6,671,742	215,208	155,926
W. H. Moulton	do.	11,513,071	6,671,742	138,528	99,821
Horton Watkins	do.	11,513,071	6,671,742	150,298	108,895
Oliver F. Peters	do.	11,513,071	6,671,742	126,550	91,688
C. S. Woolworth	F. W. Woolworth Co.	31,468,175	23,400,000	500,175	172,457
Jessie W. Donahue	do.	31,468,175	23,400,000	1,474,200	508,295
Horace Havemeyer	Great Western Sugar Co.	7,055,079			209,101
Mahlon D. Thatcher	do.	7,055,079			62,248
Chas. B. and Elizabeth B. Bohn	Bohn Aluminum & Brass Corporation.	1,576,751	1,057,254	94,624	46,494
Albert D. Lasker	Lord & Thomas, Inc.	1,374,306	1,247,813	939,777	95,267
Chas. B. Van Dusen	S. S. Kresge.	10,908,774	4,804,403	45,593	67,911
J. E. Aldred and wife	Gillette Safety Razor Co.	5,009,250	3,548,769	33,739	24,536
Pierre S. du Pont	General Motors Corporation.	104,090,074	73,541,037	225,345	107,875
Colby M. Chester	General Foods Corporation.	12,719,912	9,452,614	36,307	12,549
Edward F. Hutton	do.	12,719,912	9,452,614	112,958	39,044

(1) Name of taxpayer	(2) Principal corporation	(7) Total income of individual	(8) Tax paid by corporation on individual share of earnings	(9) Tax individual would have paid on complete distribution	(10) Difference
E. C. Sams	J. C. Penny Co.	\$393,207	\$93,883	\$334,708.00	\$150,319
Frank C. Rand	International Shoe Co.	189,291	51,026	159,352.00	88,868
W. H. Moulton	do.	115,353	32,772	88,694.00	52,710
Horton Watkins	do.	132,990	35,618	103,117.00	67,309
Oliver F. Peters	do.	124,174	20,911	89,065.00	48,495
C. S. Woolworth	F. W. Woolworth Co.	668,295	92,486	438,954.00	99,169
Jessie W. Donahue	do.	1,317,545	272,693	1,018,771.00	299,894
Horace Havemeyer	Great Western Sugar Co.	617,758	28,751	449,977.00	121,680
Mahlon D. Thatcher	do.	106,642	9,246	64,011.00	33,857
Chas. B. and Elizabeth B. Bohn	Bohn Aluminum & Brass Corporation.	234,223	19,403	124,089.00	26,673
Albert D. Lasker	Lord & Thomas, Inc.	(767,486)	142,318	116,981.76	52,488
Chas. B. Van Dusen	S. S. Kresge.	105,011	13,289	65,187.00	32,882
J. E. Aldred and wife	Gillette Safety Razor Co.	80,249	8,012	29,188.00	11,634
Pierre S. du Pont	General Motors Corporation.	648,191	36,120	391,518.00	61,549
Colby M. Chester	General Foods Corporation.	116,375	778	44,080.00	8,033
Edward F. Hutton	do.	111,145	20,900	54,100.00	20,305

Taxpayer: E. C. Sams (owns 3.71 percent of outstanding stock).  
Corporation: J. C. Penny Co.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$18,404,096	\$682,792				
Dividend income received.....	None	None				
Adjusted net income.....	18,404,096	682,792				
Dividends paid by corporation.....	11,307,108	419,493				
Balance undistributed income.....	7,096,988	263,298				
Tax paid by corporation.....	2,530,563	93,883				
Total income reported.....			\$393,207		\$184,389	
Dividend from J. C. Penny Co.....			419,493	\$57,680	181,389	
Other income (net loss).....			(26,280)			
Taxpayer's share of undistributed corporate income.....			263,298	30,203		\$150,319
Taxpayer's share if entire earnings were distributed.....			682,792	93,883		349,691
Total income.....			656,506			334,708

Taxpayer: Frank C. Rand (owns 322 percent of outstanding stock).  
Corporation: International Shoe Co.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$11,513,071	\$371,104				
Dividend income received.....	965	30				
Adjusted net income.....	11,514,036	371,134				
Dividends paid by corporation.....	6,671,742	215,298				
Balance undistributed income.....	4,842,294	155,920				
Tax paid by corporation.....	1,583,047					
Total income reported.....			\$189,291		\$73,499	
Dividend from International Shoe Co.....			215,208	\$29,591	73,499	
Other income.....			(25,917)			
Taxpayer's share of undistributed corporate income.....			155,922	21,439		\$95,868
Taxpayer's share if entire earnings were distributed.....			371,104	51,026		173,607
Total income.....			345,187			159,352



Taxpayer: W. H. Moulton (69,264 shares of 3,338,500 outstanding; 2.0747 percent holding).

Corporation: International Shoe Co.

Earnings for corporation: \$3.4488 per share.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$11,513,071	\$238,329				
Dividend income received.....	965	20				
Adjusted net income.....	11,514,036	238,349				
Dividends paid by corporation.....	6,671,742	138,528				
Balance undistributed income.....	4,842,294	99,821				
Tax paid by corporation.....	1,583,047	32,772				
Total income reported.....			\$115,353		\$35,984	
Dividend from International Shoe Co.....			138,528	\$19,047	35,984	
Other income.....			(23,175)			
Taxpayer's share of undistributed income.....			99,821	13,725		\$52,710
Taxpayer's share if entire earnings were distributed.....			238,349	32,772		101,208
Total income.....			215,174			88,694

Taxpayer: Horton Watkins (75,149 shares of 3,338,500; 2.25 percent).

Corporation: International Shoe Co.

Earnings per share, \$3.4488; distributed per share, \$2.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$11,513,071	\$259,173				
Dividend income received.....	965	20				
Adjusted net income.....	11,514,036	259,193				
Dividends paid by corporation.....	6,671,742	150,298				
Balance undistributed income.....	4,842,294	108,895				
Tax paid by corporation.....	1,583,047	35,618				
Total income reported.....			\$132,990		\$45,155	
Dividend from International Shoe Co.....			150,298	\$20,665	45,155	
Other income.....			(17,308)			
Taxpayer's share of undistributed income.....			108,895	14,973		\$67,309
Taxpayer's share if entire earnings were distributed.....			259,193	35,639		112,464
Total income.....			241,885			103,117

Taxpayer: Oliver F. Peters (63,275 shares of 3,338,500).  
 Corporation: International Shoe Co.  
 Earned per share, \$3.4488; distributed per share, \$2.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$11,513,071	\$218,222				
Dividend income received.....	965	16				
Adjusted net income.....	11,514,036	218,238				
Dividends paid by corporation.....	6,671,742	126,550				
Balance undistributed income.....	4,842,294	91,688				
Tax paid by corporation.....	1,583,047	26,011				
Total income reported.....				\$124,174	\$40,570	
Dividend from International Shoe Co.....				126,550	\$17,400	40,570
Other income.....			(2,370)			
Taxpayer's share of undistributed income.....			91,688	12,607		\$48,495
Taxpayer's share if entire earnings were distributed.....			218,238	30,007		90,354
Total income.....			215,862			89,065

Taxpayer: C. S. Woolworth (owns 208,415 out of 9,750,000 shares 2.1375 percent).  
 Corporation: F. W. Woolworth Co.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$26,353,765	\$563,312				
Dividend income received.....	5,114,410	109,320				
Adjusted net income.....	31,468,175	672,632				
Dividends paid by corporation.....	23,400,000	500,175				
Balance undistributed income.....	8,068,175	172,457				
Tax paid by corporation.....	3,623,643					
Total income reported.....			\$668,295		\$330,785	
Dividend from F. W. Woolworth Co.....			500,175	\$68,774	276,172	
Other income.....			168,120			
Taxpayer's share of undistributed income.....			172,457	23,712		\$99,169
Taxpayer's share if entire earnings were distributed.....			672,632	92,486		375,351
Total income.....			840,752			438,954

Taxpayer: Jessie W. Donahue (owns 614,250 out of 9,750,000 shares, 6.30 per cent).  
 Corporation: F. W. Woolworth Co.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$26,353,765	\$1,660,287				
Dividend income received.....	5,114,410	322,208				
Adjusted net income.....	31,468,175	1,982,495				
Dividends paid by corporation.....	23,400,000	1,474,200				
Balance undistributed income.....	8,068,175	508,295				
Tax paid by corporation.....	3,623,643					
Total income reported.....			\$1,317,545		\$718,877	
Dividend from F. W. Woolworth Co.....			1,474,200	\$202,702	718,877	
Other income.....			(156,655)			
Taxpayer's share of undistributed income.....			508,295	69,891		\$299,894
Taxpayer's share if entire earnings were distributed.....			1,982,495	272,593		1,111,197
Total income.....			1,825,840			1,018,771

Taxpayer: Horace Havemeyer (owns 2.985 percent of outstanding stock).  
 Corporation: Great Western Sugar Co.

Year, 1934	Analysis corporations income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$7,005,079	\$209,101				
Dividend income received.....	0	0				
Adjusted net income.....	7,005,079	209,101				
Dividends paid by corporation.....	0	0				
Balance undistributed income.....	7,005,079	209,101				
Tax paid by corporation.....	963,198	28,751				
Total income reported.....			\$647,758		\$328,297	
Dividend from Great Western Sugar Co.....			0	0		
Other income.....			647,758			
Taxpayer's share of undistributed income.....			209,101	28,751		\$121,680
Taxpayer's share if entire earnings were distributed.....			209,101	28,751		449,977
Total income.....			856,858			

Taxpayer: Thatcher, Mahlon D. (owns .96 percent of outstanding stock).  
Corporation: Great Western Sugar Co.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$7,005,079	\$62,248				
Dividend income received.....	0	0				
Adjusted net income.....	7,005,079	62,248				
Dividends paid by corporation.....	0	0				
Balance undistributed income.....	7,005,079	62,248				
Tax paid by corporation.....	963,198	9,246				
Total income reported.....			\$106,642		\$30,154	
Dividend from Great Western Sugar Co.....			0	0		
Other income.....			106,642			
Taxpayer's share of undistributed income.....			62,248	9,246		\$33,857
Taxpayer's share if entire earnings were distributed.....			62,248	9,246		
Total income.....			168,890			64,011

Taxpayer: Bohn, Chas. B. and Elizabeth B. (owned 8.95 percent of total outstanding stock).  
Corporation: Bohn Aluminum & Brass Corporation.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$1,576,739					
Dividend income received.....	12					
Adjusted net income.....	1,576,751	\$141,119				
Dividends paid by corporation.....	1,057,254	94,624				
Balance undistributed income.....	519,497	46,494				
Tax paid by corporation.....	216,802	10,403		\$19,403		
Total income reported.....			\$234,223		\$97,414	
Dividend from Bohn Aluminum & Brass Corporation.....			94,624		48,823	
Other income.....			139,599		48,591	
Taxpayer's share of undistributed income.....			46,494			\$26,673
Taxpayer's share if entire earnings were distributed.....			141,118			75,496
Total income.....			280,717			121,087

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Taxpayer: Albert D. Lasker (owns 75.314 percent of outstanding stock).  
Corporation: Lord & Thomas, Inc.

Year 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$1,264,933	\$952,709.30				
Dividend income received.....	109,323	82,335.52				
Adjusted net income.....	1,374,306	1,035,044.82				
Dividends paid by corporation.....	1,247,813	930,777.38				
Balance undistributed income.....	126,493	95,267.44				
Tax paid by corporation.....	188,967					
Total income reported (loss).....			\$767,486.00		0	
Dividend from Lord & Thomas, Inc.....			930,777.38	\$129,219.39	\$64,493	
Other income.....			0			
Taxpayer's share of undistributed income.....			95,267.44	13,099.27		\$52,488.76
Taxpayer's share if entire earnings were distributed.....			1,035,044.82	142,318.66		553,676.44
Total income.....			267,558.82			116,981.76

Taxpayer: Chas. B. Van Dusen (owns 52,102 shares of 5,487,314 shares outstanding; 0.0949 percent).  
Corporation: S. S. Kresge Co.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$10,766,739	\$102,171				
Dividend income received.....	140,505	1,333				
Adjusted net income.....	10,900,714	103,504				
Dividends paid by corporation.....	4,804,403	45,593				
Balance undistributed income.....	6,102,311	57,911				
Tax paid by corporation.....	1,476,669					
Total income reported.....			\$105,911		\$32,305	
Dividend from S. S. Kresge Co.....			38,740	6,326	17,333	
Other income.....			67,171			
Taxpayer's share of undistributed income.....			57,911	7,062		\$32,832
Taxpayer's share if entire earnings were distributed.....			96,651	13,289		40,315
Total income.....			163,822			65,187

Taxpayer: Mr. and Mrs. J. E. Aldred (own 33,739 out of 1,998,769 shares, or 1.687 percent).

Corporation: Gillette Safety Razor Co.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$4,085,956	\$47,535				
Dividend income received.....	923,300	10,740				
Adjusted net income.....	5,009,256	58,275				
Dividends paid by corporation.....	3,548,769	33,739				
Balance undistributed income.....	1,460,487	24,536				
Tax paid by corporation.....	561,819					
Total income reported.....			\$80,249		\$17,554	
Dividend from Gillette Safety Razor Co.....			33,739	\$4,639	10,976	
Other income.....			46,510			
Taxpayer's share of undistributed income.....			24,536	3,373		\$11,634
Taxpayer's share if entire earnings were distributed.....			58,275	8,012		22,420
Total income.....			104,785			29,184

Taxpayer: Pierre S. du Pont (116,897 shares of 43,500,000 common, 10,000 shares of preferred, out of 1,875,366).

Corporation: General Motors Corporation.

Earnings per share, 2.177 percent (common).

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$93,818,245	\$304,484				
Dividend income received.....	10,277,829	23,736				
Adjusted net income.....	104,096,074	333,220				
Dividends paid by corporation.....	73,541,637	225,345				
Balance undistributed in income.....	30,554,437	107,875				
Tax paid by corporation.....	12,900,009	36,120				
Total income reported.....			\$648,191		\$329,969	
Dividend from General Motors Corporation.....			225,345	\$30,984	329,969	
Other income.....			422,846			
Taxpayer's share of undistributed income.....			107,875	14,832		\$91,549
Taxpayer's share if entire earnings were distributed.....			333,220	45,817		152,777
Total income.....			756,066			391,518

Taxpayer: Chester, Colby M. (owned .3841 percent of stock outstanding).  
Corporation: General Foods Corporation.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Tax paid by corporation attributable to individual's share	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$1,476,275	\$5,670				
Dividend income received.....	11,243,637	43,186				
Adjusted net income.....	12,719,912	48,857				
Dividends paid by corporation.....	9,452,614	36,307				
Balance undistributed income.....	3,267,298	12,549				
Tax paid by corporation.....	202,676	778				
Total income reported.....			\$118,375		\$36,047	
Dividend from General Foods Corporation.....			36,307	0	10,617	
Other income.....			82,068		10,430	
Taxpayer's share of undistributed income.....			12,549	\$778		\$8,033
Taxpayer's share if entire earnings were distributed.....			48,856	778		24,650
Total income.....			130,924			44,680

Taxpayer: Edward F. Hutton (owns 62,761 shares of outstanding 5,251,440 shares; 1.195 percent).  
Corporation: General Foods Corporation.

Year, 1934	Analysis corporation's income and tax	Individual taxpayer's share	Analysis individual's income	Taxes paid by corporation attributable to individuals	Tax actually paid by individual	Tax of individual if corporation made complete distribution
Statutory net income.....	\$1,476,275	\$17,641				
Dividend income received.....	11,243,637	134,361				
Adjusted net income.....	12,719,912	152,002				
Dividends paid by corporation.....	9,452,614	112,958				
Balance undistributed income.....	3,267,298	39,044				
Tax paid by corporation.....	202,676					
Total income reported.....			\$111,146		\$33,795	
Dividend from General Foods Corporation.....			112,958	\$15,531	33,795	
Other income.....			(1,813)			
Taxpayer's share of undistributed income.....			39,044	5,368		\$20,305
Taxpayer's share if entire earnings were distributed.....			152,002	20,900		55,061
Total income.....			150,189			54,100

Senator KING. Is there anything else, Mr. Russell?

Mr. RUSSELL. Oh, yes.

Senator KING. Proceed.

Mr. RUSSELL. Here is a list of 278 corporations on which Senator Byrd asked us to show the tax actually paid and the approximate tax under the new bill.

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SCHEDULE 2.—Corporations with statutory net income of more than \$1,000,000, which distributed as dividends 75 percent or more of total net income, including dividends received from other corporations

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax made tax under new bill
1. The Cream of Wheat Corporation.....	\$1,440,130	\$149,100	\$1,589,230	\$1,350,000	84.95	\$198,018	\$08,814
2. Standard Brands, Inc.....	10,308,821	2,287,015	12,595,839	13,138,907	104.31	1,417,463	.....
3. The Fairmont Creamery Co. (of Nebraska).....	1,181,025	7	1,180,946	1,100,000	132.35	162,253	.....
4. Borden's Milk Products Co., Inc.....	1,330,453	0	1,330,453	7,123,000	139.72	182,937	.....
5. Maxwell House Products Co., Inc.....	1,524,501	0	1,524,501	1,191,000	65.61	209,619	165,789
6. The Jell-O Co., Inc.....	1,210,808	0	1,210,808	3,350,000	94.98	166,486	.....
7. Postum Co., Inc.....	4,240,180	0	4,410,830	3,000,000	79.00	358,025	254,410
8. The City Ice & Fuel Co.....	2,709,714	0	2,709,714	3,061,555	133.13	242,282	.....
9. Beech Nut Packing Co.....	1,763,054	300,425	1,662,777	1,673,753	81.15	219,804	116,472
10. Royal Baking Powder Co.....	1,598,577	0	1,604,777	1,400,000	87.25	249,018	.....
11. Liebig & Myers Tobacco Co.....	29,268,313	0	22,780,739	17,269,682	75.77	3,068,018	.....
12. R. J. Reynolds Tobacco Co.....	24,694,849	337,763	24,728,642	30,000,000	121.32	3,395,542	1,670,862
13. United States Tobacco Co., Inc.....	9,530,559	136,800	3,807,737	3,415,671	89.70	504,754	108,791
14. P. Lorillard Co., Inc.....	2,545,175	133,300	2,645,175	4,839,238	182.33	346,377	.....
15. General Cigar Co., Inc.....	2,460,023	13,300	2,473,326	3,013,556	133.69	297,003	.....
16. Geo. W. Helms Co., Inc.....	29,826,223	5,045,730	26,836,223	23,719,186	88.38	2,919,465	920,080
17. The American Tobacco Co.....	1,467,015	1,703	1,468,718	2,746,250	231.21	163,215	.....
18. Wisconsin Telephone Co.....	1,167,015	44,244	1,511,181	1,440,000	95.29	201,718	21,587
19. The Chesapeake Potomac & Telephone Co. of Virginia.....	2,536,549	114,254,611	116,823,160	167,960,475	143.77	351,568	.....
20. The Bell Telephone & Telegraph Co.....	8,825,462	12,102	8,855,071	9,000,000	101.64	1,215,908	.....
21. The Bell Telephone Co. of Pennsylvania.....	14,974,881	2,574,328	35,667,230	35,329,000	99.11	4,547,600	101,846
22. South Western Bell Telephone Co.....	1,574,009	329,333	14,361,219	15,364,985	105.37	1,962,384	.....
23. North Western Bell Telephone Co.....	2,374,002	2,287	5,356,893	4,112,052	76.76	736,258	374,983
24. New Jersey Bell Telephone Co.....	5,840,022	329	6,621,736	6,621,736	113.38	803,014	.....
25. Indiana Bell Telephone Co.....	2,830,248	29,119	1,859,353	1,650,000	88.74	251,659	58,436
26. The Chesapeake & Potomac Telephone Co. of Baltimore.....	2,826,265	5	2,826,265	2,310,000	81.73	388,611	150,733
27. Liberty Bells Ford Glass Co.....	1,953,580	0	1,953,580	2,943,680	150.68	298,617	.....
28. United States Gypsum Co.....	1,217,063	496,246	2,349,205	2,035,208	118.75	167,429	140,952
29. Corning Glass Works.....	2,252,615	96,590	2,349,205	1,896,491	80.73	309,734	.....
30. Corning Glass Works.....	7,924,511	0	7,928,511	1,531,800	91.09	1,090,170	135,918
31. Island Creek Coal Co.....	3,980,748	75,865	1,860,114	1,639,463	96.37	206,832	18,059
32. Campbell Soup Co.....	5,674,150	14,000	3,660,738	4,720,000	82.71	540,476	196,537
33. Corn Products Refining Co.....	9,305,151	2,500,476	5,688,150	5,271,407	90.89	730,196	146,265
34. The American Sugar Refining Co.....	1,856,027	2,791,704	11,816,927	9,291,752	78.73	1,279,500	737,061
35. The Franklin Sugar Refining Co.....	1,600,830	0	4,647,731	4,049,984	87.14	255,204	172,630
36. The Horn & Hardart Co.....	1,284,283	0	1,090,830	2,000,000	118.28	232,489	.....
37. The Horn & Hardart Co.....	1,284,283	0	1,284,283	1,314,362	102.34	176,589	.....



39. General News Bureau, Inc.	1,435,282	3,000	1,140,000	79.26	197,351	91,090
40. Gyulashy Engineering & Manufacturing Corporation.	1,067,777	4,100	1,912,710	85.13	146,819	46,447
41. Quinlan Trust Co. of New York.	3,170,415	227,850	18,000,000	529.68	453,932	—
42. The First Boston Corporation.	1,721,371	3,631	2,994,961	167.62	236,689	—
43. Reading Co.	3,086,077	403,846	1,727,025	150.23	424,336	—
44. DuPont, Messabe & Northern Railway Co.	1,313,276	0	23,703,123	1,937.24	180,369	—
45. Washburn Crosby Co., Buffalo, N. Y.	1,313,276	0	1,800,000	98.10	231,251	10,442
46. E. I. DuPont de Nemours & Co.	22,577,544	25,033,430	40,861,349	35.82	3,104,414	1,904,439
47. Hercules Powder Co.	2,388,383	402,423	2,680,806	103.30	314,653	60,001
48. The Barret Co. (New Jersey).	1,200,022	—	1,000,000	83.33	105,003	—
49. General Chemical Co.	3,762,760	—	3,300,000	90.70	517,325	213,197
50. National Amunite & Chemical Co., Inc.	6,844,701	579,028	7,100,000	111.42	259,146	—
51. Air Reduction Co., Inc.	1,573,908	—	3,452,139	108.26	216,977	—
52. The Press-O-Lite Co., Inc.	9,823,620	138,175	1,379,580	87.55	364,970	—
53. Ethyl Gasoline Corporation.	2,801,895	—	7,940,000	79.10	1,350,748	54,022
54. The Carboline Petroleum Co.	3,831,184	—	2,724,360	97.23	1,350,748	630,910
55. Standard Oil Co. of California.	3,632,903	1,998,119	13,102,900	96.11	526,788	63,337
56. Vacuum Oil Co., Inc.	4,312,717	2,458,338	5,000,000	138.19	601,249	—
57. Standard Oil Co. of New York, Inc.	1,681,735	7,326,638	6,950,000	167.90	388,334	—
58. Magnolia Petroleum Co.	1,270,136	—	1,798,098	106.92	231,259	—
59. Standard Oil Co., Inc.	4,929,017	—	1,500,000	113.61	174,644	—
60. International Harvester Co. of America.	2,062,363	—	5,599,934	87.29	677,740	—
61. American Machine & Foundry Co., Inc.	1,216,716	653,262	1,800,000	537.76	283,578	80,721
62. General Oil Sales Co., Inc.	1,511,295	—	6,453,053	37.80	167,298	—
63. Standard Oil Co. of Brazil.	1,040,993	—	2,160,306	81.40	248,442	84,332
64. The Coca-Cola Fountain Sales Corporation.	1,040,993	—	1,230,050	120.92	207,791	85,633
65. Lady Esther Co.	1,062,229	—	1,040,993	114.44	150,182	—
66. Chrysler Export Corporation.	2,943,285	—	1,258,769	97.88	404,702	—
67. Southern Banana Corporation.	9,461,179	120,786	2,999,081	127.41	303,662	17,507
68. R. H. Macy & Co., Inc.	1,537,493	5,000	12,086,000	115.86	211,405	—
69. The Great Atlantic & Pacific Tea Co. (New Jersey).	1,387,513	6,000	1,781,348	225.46	190,783	—
70. Swayne Stores, Inc.	1,306,430	50,000	3,141,800	94.08	179,654	23,251
71. W. G. Manufacturing Corporation.	2,219,982	—	1,276,048	90.09	305,248	63,424
72. Novadale Argene Corporation.	1,929,351	—	2,000,000	98.21	285,296	66,138
73. International General Electric Co., Inc.	1,184,656	—	1,701,840	86.30	215,568	—
74. American Supplies, Inc.	1,056,159	—	1,034,200	87.01	103,440	44,149
75. The Bon Ami Co.	5,929,750	—	1,056,159	99.02	145,222	15,081
76. Belknap Hardware & Manufacturing Co.	3,407,491	—	5,871,329	90.30	815,341	16,941
77. F. W. Woolworth Co., Philadelphia.	3,025,483	—	3,245,841	100.51	468,530	102,690
78. The Kroger Grocery & Baking Co.	3,622,991	—	2,035,834	100.51	278,504	—
79. S. H. Kress & Co., New York City.	1,980,406	67,376	3,690,367	186.19	498,161	126,505
80. American Stores Co.	1,980,406	114,079	3,254,675	186.55	272,306	—
81. Standard Oil Co., Kentucky.	1,374,306	108,323	3,908,281	84.10	198,967	69,235
82. Lord & Thomas, Inc.	5,993,664	—	10,000,000	166.84	894,129	—
83. The First National Bank of the city of New York	2,825,472	—	1,400,000	86.30	215,568	—
84. United States Trust Co. of New York.	6,404,075	—	3,690,000	122.85	308,840	49,271
85. The Union Trust Co. of Pittsburgh.	1,103,801	—	2,600,000	151.73	186,470	—
86. American Cigar Co.	6,404,075	—	6,000,131	92.81	880,540	—
87. United States Smelting Refining & Manufacturing Co.	47,355	—	2,443,159	215.59	215,092	129,298
88. Reynolds Metal Co.	2,940,126	50,000	2,968,964	99.29	404,207	8,542
89. The Niagara Falls Power Co.	—	—	—	—	—	—

## REVENUE ACT, 1936

SCHEDULE 2.—Corporations with statutory net income of more than \$1,000,000, which distributed as dividends 75 percent or more of total net income, including dividends received from other corporations.—Continued

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax under new Bill
90. Southern California Gas Co.	\$1,619,923		\$1,619,923	\$4,409,339	27.2	\$22,739	
91. Kentucky, West Virginia Gas Co.	1,078,472		1,078,472	1,097,150	101.73	138,290	
92. United Natural Gas Co.	1,865,367		1,865,367	1,694,000	90.81	56,505	\$41,961
93. The Brooklyn Union Gas Co.	4,540,544		4,540,544	3,716,529	81.85	24,325	242,147
94. The Lone Star Gas Co.	2,789,063		1,533,336	1,350,000	88.91	213,584	57,694
95. The Ohio Fuel Gas Co.	1,839,276	\$15	2,709,078	2,322,504	85.73	372,496	108,363
96. Hope Natural Gas Co.	3,699,823	12,690	1,201,966	2,796,930	232.70	163,323	
97. Ajax Pipe Line Co.	3,038,042	540	3,960,368	3,200,000	80.80	544,476	224,418
98. The Texas Empire Pipe Line Co.	7,038,494		5,368,042	4,642,760	86.49	738,106	214,721
99. The Texas Empire Pipe Line Co. of Texas	7,169,667		2,058,494	1,570,440	76.29	283,043	150,955
100. Magnolia Pipe Line Co.	4,126,439		7,169,667	1,570,440	101.47	985,829	
101. Texas Gulf Sulphur Co.	12,732,146	70	4,126,529	3,730,000	138.8	567,398	
102. National Biscuit Co.	7,825,146	2,585	12,734,761	19,939,342	156.6	1,750,674	
103. Wm. Wrigley, Jr. & Co.	1,215,033	113,737	8,038,883	6,937,542	87.53	1,089,708	275,613
104. Pioneer Ice Cream Brands, Inc.	1,968,318	105,430	1,215,463	1,540,000	126.69	167,067	
105. Continental Baking Co.	1,116,745	185,880	2,073,818	2,190,000	105.60	270,712	
106. Hawaiian Commercial & Sugar Co.	1,449,302		1,302,625	1,400,000	115.15	153,552	
107. Alaska Juneau Gold Mining Co.	1,050,669	19,241	1,449,502	1,760,549	121.46	199,306	
108. Sunshine Mining Co.	1,021,949		1,069,850	862,500	80.62	862,500	60,624
109. Glen Alden Coal Co.	1,815,990	10,293	1,021,349	1,012,359	99.12	140,435	2,917
110. The Union Pacific Coal Co.	2,654,748	7,500	1,826,283	1,750,486	95.85	248,699	20,870
111. The Union Pacific Corporation	8,228,181		2,062,238	1,750,000	84.86	282,528	89,363
112. Esso Petroleum Corporation	1,511,915		8,228,181	10,000,000	121.53	1,131,375	
113. The Carter Oil Co.	1,388,439	52,422	1,511,915	3,500,000	231.49	207,888	
114. Phelps Dodge Corporation	1,369,733		1,910,861	2,671,461	139.80	190,910	
115. E. I. du Pont de Nemours & Co.	7,521,727		1,369,733	1,500,000	109.51	188,341	
116. United Fruit Co.	5,643,994		5,643,994	8,717,985	115.90	1,034,237	
117. Southern California Edison Co., Ltd.	1,671,034	2,478,992	4,150,026	12,129,939	214.93	775,982	
118. Northern States Power Co. (Minnesota)	1,028,716		4,108,716	5,291,362	127.49	229,767	
119. Turners Falls Power & Electric Co.	2,152,979	74,244	2,237,223	2,585,064	115.55	297,410	\$31,896
120. Louisville Gas & Electric Co.	1,857,369	3,349	1,860,717	1,743,013	93.67	255,388	143,597
121. Central Illinois Light Co.	1,044,341		1,860,717	1,486,554	142.34	202,994	
122. Indianapolis Power & Light Co.	1,476,319		1,476,319	1,898,717	128.57	141,448	
123. Virginia Electric & Power Co.	1,473,688	56,734	1,530,322	3,016,416	197.11	202,618	
124. Ohio Edison Co.	1,557,662		1,530,322	1,275,000	81.55	214,179	83,074
125. Delaware Power & Light Co.	2,072,307	146	2,072,307	2,054,195	99.12	343,170	5,920
126. The Toledo Edison Co.	2,495,779	420,786	2,916,565	3,417,856	117.19	280,739	
127. Appalachian Electric Power Co.	2,041,862		2,041,862	2,382,422	116.68		
128. New York Power & Light Co.							

129. Buffalo General Electric Co.	1,301,888	1,421,888	2,351,046	185.34	179,010
130. The New York Edison Co.	12,051,153	19,534,642	15,698,982	94.73	1,637,084
131. New York and Queens Electric Light & Power Co.	4,143,969	4,431,969	3,500,788	84.48	569,769
132. The United Electric Light & Power Co.	9,083,408	9,083,628	6,929,015	75.52	1,285,969
133. Pittsburgh Steamship Co.	2,351,569	2,386,028	3,276,100	137.26	52,541
134. The Firestone Tire & Rubber Co.	3,666,147	3,793,693	3,572,192	93.59	229,229
135. Fibreboard Products, Inc.	1,887,468	1,829,823	1,701,610	83.00	42,685
136. The Post Printing & Publishing Co.	1,946,120	1,846,371	1,800,000	92.49	37,872
137. The Tribune Co.	2,772,324	2,759,094	4,900,000	312.445	267,387
138. The Evening News Association	2,640,466	2,444,222	2,125,000	93.22	271,451
139. Booth Newspapers, Inc.	1,048,527	1,048,222	1,600,000	78.26	45,592
140. The New York Times Co.	5,736,905	5,052,712	1,052,712	100.39	290,561
141. The Curtis Publishing Co. of Pennsylvania	2,308,799	6,388,739	5,400,000	84.52	144,172
142. American Weekly, Inc.	1,843,115	2,308,739	2,415,000	104.60	733,824
143. International Magazine Co., Inc.	1,843,115	1,965,130	2,415,000	104.60	317,460
144. Mississippi River Power Co.	1,046,411	2,750,000	2,750,000	139.94	317,460
145. Dallas Power & Light Co.	1,184,071	1,051,459	1,054,068	100.24	283,703
146. Blackstone Valley Gas & Electric Co.	1,062,173	1,396,845	1,396,845	117.97	143,882
147. Los Angeles Gas & Electric Corporation	3,406,304	1,112,667	1,160,364	104.28	162,810
148. Great Western Power Co. of California	1,802,534	3,406,904	5,371,098	197.24	146,049
149. The Connecticut Light & Power Co.	2,822,379	2,102,944	2,698,643	125.35	468,367
150. New England Power Co.	1,927,105	2,844,932	4,030,250	141.66	246,848
151. Fall River Electric Light Co.	1,064,443	1,927,105	1,818,556	94.38	388,077
152. Kansas City Power & Light Co.	3,522,662	1,004,443	848,000	84.42	294,977
153. Nebraska Power Co.	1,135,780	1,340,738	3,127,500	134.15	138,111
154. Public Service Electric & Gas Co.	23,068,406	34,496,328	1,798,354	88.78	484,366
155. The Cleveland Electric Illuminating Co.	4,303,352	4,303,352	27,767,500	380.259	213,509
156. Houston Lighting & Power Co.	1,436,474	1,436,474	6,025,842	140.03	494,366
157. Duke Power Co.	2,763,521	1,836,474	2,115,033	147.24	197,515
158. Central Hudson Gas & Electric Corporation	1,427,697	3,851,780	3,553,026	92.24	380,259
159. Edison Electric Illumination Co. of Boston	7,385,398	1,437,780	1,621,900	112.80	196,308
160. Consolidated Gas, Electric Light & Power Co. of Baltimore	6,060,912	4,767,198	4,813,576	101.65	658,073
161. Detroit Edison Co.	1,762,026	6,245,250	5,361,504	85.85	833,375
162. Aluminum Manufacturers, Inc.	1,008,259	1,785,186	5,065,777	298.77	242,279
163. The Wisconsin Corporation of Virginia	2,890,043	1,008,259	826,720	81.99	158,636
164. DuPont Reson Co.	3,173,662	2,950,043	3,000,000	101.60	405,631
165. Carolina Farm, Inc.	3,015,375	3,173,662	1,176,000	496.379	436,379
166. Conroe Mills	1,241,482	1,241,580	2,464,100	81.72	414,614
167. C. P. Cops (Rhode Island), Inc.	2,608,327	2,646,185	2,257,386	89.59	358,644
168. Clark Thread Co.	2,320,369	2,329,865	2,896,750	121.77	75,604
169. The Richmond Loan & Investment Co.	1,460,887	1,628,667	2,790,000	171.31	200,872
170. The Noonan Co.	1,811,120	1,811,120	1,787,460	98.69	249,029
171. Willington Bros. Co.	2,342,960	1,354,740	1,182,427	87.02	184,061
172. The Noonan Co.	2,010,898	2,010,898	1,510,751	75.12	154,167
173. Electric Bond & Share Co.	7,194,296	10,201,124	8,433,930	92.68	276,499
174. Industrial Bankers of America, Inc.	1,100,375	1,253,363	1,109,642	87.83	976,841
175. Great Atlantic & Pacific Tea Co. of America	15,085,316	16,573,157	16,429,770	90.13	151,302
176. Consolidated Holding Co.	4,315,259	1,775,026	2,200,000	86.03	294,578
177. Sterling Products, Inc.	1,536,048	6,092,672	6,563,845	211.283	180,848
178. Allied Chemical & Dye Corporation	1,645,365	2,927,112	15,703,374	526.48	211,283
179. Goodyear Investment Corporation	2,060,005	2,518,045	6,500,000	268.13	305,171
					283,333
					88,040
					2,069,779
					46,873
					110,710
					2,069,779
					88,040
					249,810
					53,773
					5,174
					50,317
					154,167
					510,056
					43,314
					47,349
					305,171
					283,333

SCHEDULE 2.—Corporations with statutory net income of more than \$1,000,000, which distributed as dividends 75 percent or more of total net income, including dividends received from other corporations—Continued

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Appropriate tax under new bill
180. American Brass Co.	\$1,423,528	\$891,475	\$2,224,813	\$12,750,000	573.08	\$195,736	---
181. Atlantic Pipe Line Co.	3,150,287	None	2,150,287	4,250,000	134.91	473,165	---
182. Sun Pipe Line Co.	1,853,287	None	1,853,287	1,500,000	91.58	318,055	\$22,653
183. Swapping Pipe Line Co.	10,611,656	None	10,611,656	8,144,575	76.75	1,459,103	742,915
184. Illinois Pipe Line Co.	1,923,146	None	1,923,146	1,800,000	93.60	263,423	32,906
185. Oklahoma Pipe Line Co.	2,884,581	None	2,884,581	1,800,000	62.48	327,880	182,816
186. Shell Pipe Line Corporation	8,147,354	None	8,147,354	10,520,000	133.17	1,191,261	---
187. Sinclair Prairie Pipe Line Co. of Texas	3,045,308	None	3,045,308	5,500,000	180.72	418,455	---
188. The Texas Pipe Line Co. of Oklahoma	1,053,722	None	1,053,722	9,980,000	144.87	144,887	45,660
189. General Pipe Line Co. of California	1,039,320	None	5,138,084	4,400,000	85.62	706,610	205,559
190. Cincinnati & Suburban Bell Telephone Co.	2,174,970	2,986	1,039,320	1,500,000	144.32	142,907	---
191. Southern New England Telephone Co.	2,615,826	2,549	2,177,326	2,473,956	113.62	595,088	---
192. Southern California Telephone Co.	8,231,524	7,670	2,621,575	2,400,000	91.56	359,570	50,916
193. Pacific Telephone & Telegraph Co.	2,458,020	7,670	19,236,774	15,750,000	81.66	1,145,585	238,039
194. Mountain States Telephone & Telegraph Co.	8,575,911	46,398	8,921,469	3,743,976	42.08	1,188,789	139,654
195. New England Telephone & Telegraph Co.	1,317,224	24,087	7,317,224	8,900,748	121.63	310,478	---
196. Lambert Pharmaceutical Co.	2,268,216	22,686	1,078,686	2,500,000	232.49	144,924	---
197. Bristol-Myer Co. (New Jersey)	1,493,281	None	1,498,281	4,900,000	172.35	314,630	---
198. Michigan Alhain Co.	3,708,368	None	3,708,368	1,500,000	86.01	206,284	59,995
199. Chas. H. Phillips Chemical Co.	1,020,014	None	3,708,368	2,868,000	50.63	509,928	---
200. Bayer Company, Inc.	1,323,808	None	1,323,808	2,700,000	124.18	221,489	---
201. Remet Solvay Co.	1,020,014	14,806	1,931,014	1,700,000	137.77	170,009	---
202. E. I. du Pont de Nemours & Co.	9,469,458	300,422	9,770,470	7,523,000	109.71	753,411	---
203. Eli Lilly & Co.	1,940,195	None	1,940,195	8,252,519	84.26	1,302,063	455,958
204. Ex-Lax, Inc.	2,202,481	48,701	1,866,372	197,313	94.83	143,027	14,869
205. Fels & Co.	1,225,352	3,363	2,274,844	1,879,623	82.44	312,684	64,791
206. The Glidden Co.	2,259,732	55	1,225,852	1,185,505	96.79	180,302	121,524
207. Westchester Lighting Co.	1,915,407	None	2,259,737	2,925,000	129.48	310,713	---
208. Stange Power Co.	1,457,470	438,120	1,915,407	2,047,880	106.92	263,368	---
209. Public Service Co. of Colorado	1,862,470	None	2,353,515	2,353,515	121.50	203,841	---
210. Connecticut River & Power Co.	1,147,470	None	1,920,597	2,353,515	108.24	187,772	---
211. Connecticut River & Power Co.	1,752,619	None	1,147,470	2,039,606	119.80	240,985	---
212. Ohio Public Service Co.	1,298,505	29,510	1,752,619	2,039,606	119.80	240,985	---
213. New York State Electric & Gas Corporation	2,361,671	None	2,831,019	2,831,019	218.10	174,419	---
214. Rochester Gas & Electric Corporation	4,963,866	40,880	5,001,746	2,481,914	105.09	354,780	---
215. West Penn Power Co.	---	---	---	6,155,289	122.99	682,532	---



SCHEDULE 2.—Corporations with statutory net income of more than \$1,000,000, which distributed as dividends 7½ percent or more of total net income, including dividends received from other corporations—Continued

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax under new bill
269. The Morris & Essex Railroad Co.	\$1,161,687	.....	\$1,161,687	\$1,161,687	100.00	\$159,792	.....
270. Pullman Car & Manufacturing Corporation.	2,516,455	.....	2,516,455	14,563,000	576.21	347,503	.....
271. Champion Spark Plug Co.	2,600,638	\$135	2,600,173	3,372,490	129.70	347,503	.....
272. Wisconsin Electric Power Co.	1,633,610	.....	1,634,210	1,376,365	84.22	227,691	576,333
273. Consolidated Telegraph, Subway & Electrical Co.	5,771,903	.....	5,771,903	4,709,875	81.61	453,637	307,532
274. The Astoria Light, Heat & Power Co.	3,482,775	.....	3,482,775	3,120,000	89.58	478,881	199,460
275. Norton Co.	1,608,194	557,881	2,166,075	1,981,576	91.44	227,227	56,686
276. The Carborundum Co.	1,579,825	348,648	1,928,473	2,546,325	132.04	217,226	.....
277. Hazel Atlas Glass Co.	1,576,504	65,189	1,641,693	2,172,045	132.31	16,709	.....
278. Great Lakes Steel Corporation	1,888,237	.....	1,888,237	2,300,000	121.81	259,638	.....
Grand total.	1,002,024,134	280,888,812	1,257,320,916	1,463,156,155	.....	138,017,237	26,052,353

Senator BYRD. Have you not already given that?

Mr. RUSSELL. I have given that in the totals, but here are the actual corporations.

Senator KING. Do you desire that read in ex tenso or placed in the record?

Senator BYRD. As I understand it by your other figures, those 278 corporations paid in around \$138,000,000—

Mr. RUSSELL. Interposing). And \$26,000,000 under the new bill.

Senator BYRD. They will pay \$26,000,000 under the new bill?

Mr. RUSSELL. That is right.

Senator BYRD. A loss of \$112,000,000 there.

Senator KING. Do you desire that placed in the record?

Senator BYRD. Yes.

Senator KING. All of them are going in.

Mr. RUSSELL. In accordance with the committee's request, here is a list of corporations which reported a net loss but which received dividends in excess of \$1,000,000. They are the group which paid no tax at all, and under the new bill would pay \$125,000,000.

(The list referred to follows:)

SCHEDULE 2.—Corporations reporting a net loss for 1934 which received dividends in excess of \$1,000,000

Name of corporation	Statutory net income (loss)	Dividends received	Adjusted statutory net income	Cash dividends paid	Percentage of dividends paid to adjusted statutory net income	Approximate tax under new bill
1. The United Light Railways Co.....	\$610,713	\$2,786,357	\$2,175,644	\$1,949,336	89.60	\$62,160
2. Washington Railway & Electric Co.....	49,253	2,400,000	2,350,747	-----	-----	969,067
3. New England Power Association.....	2,549,670	7,799,721	5,250,051	4,702,816	89.58	149,999
4. North Boston Lighting Properties.....	534,894	2,005,462	1,470,568	1,704,894	115.93	-----
5. Massachusetts Utilities Associates.....	232,001	1,841,927	1,609,926	1,447,599	89.92	45,997
6. Eastern Utilities Associates.....	233,261	2,085,901	1,852,640	685,504	37.01	444,633
7. New England Gas & Electric Association.....	1,581,601	1,900,486	408,885	520,804	127.37	-----
8. Western Massachusetts Companies.....	572,634	2,379,103	1,806,559	1,957,052	108.33	-----
9. First Bank Stock Corporation.....	67,976	1,012,383	944,407	616,500	65.28	106,245
10. Northern States Power Co. (Delaware).....	-----	5,291,362	5,291,362	5,201,362	100	-----
11. The Fairmont Creamery Co. (Delaware).....	30,527	1,800,000	1,769,473	720,858	40.74	389,284
12. New Jersey Investment Co.....	4,064	5,622,311	5,618,247	5,477,569	97.50	48,154
13. Wisconsin Securities Co.....	37,986	1,939,128	1,901,142	90,000	4.73	760,456
14. South American Mines Co.....	1,428	1,078,125	1,076,697	1,030,582	95.72	12,305
15. Alcorns Securities, Inc.....	324,619	2,020,634	1,696,015	1,607,119	94.76	24,229
16. Emerson's Bromo-Seltzer, Inc.....	5,425	1,411,107	1,405,682	1,481,188	105.37	-----
17. Straight Securities Corporation.....	191,238	1,153,220	961,982	1,261,352	131.1	-----
18. Northern Finance Corporation.....	306,353	3,842,464	3,536,111	2,550,000	72.11	306,464
19. The Pitealrn Co.....	82,294	1,254,181	1,171,887	976,052	83.29	58,594
20. The Fremker Corporation.....	269,295	1,676,903	1,407,608	1,330,179	94.50	24,271
21. Central Commercial Co.....	79,502	2,120,943	2,041,441	-----	-----	867,612
22. Massachusetts Power & Light Associates.....	66,914	2,287,510	2,220,596	-----	-----	943,753
23. The New York Great Atlantic & Pacific Tea Co., Inc.....	3,407	15,961,636	15,958,229	-----	-----	6,782,247
24. Southern California Gas Corporation.....	205,058	3,642,187	3,377,120	509,327	15.08	1,181,995

SCHEDULE 2.—Corporations reporting a net loss for 1934 which received dividends in excess of \$1,000,000—Continued

Name of corporation	Statutory net income (loss)	Dividends received	Adjusted statutory net income	Cash dividends paid	Percentage of dividends paid to adjusted statutory net income	Approximate tax under new bill
25. Transamerica Corporation.....	\$35,263	\$6,012,274	\$5,977,011	\$5,902,715	98.43	\$34,154
26. Transamerica Bank Holding Corporation.....	798,168	4,325,787	3,527,619	4,388,478	124.40	-----
27. Pacific Lighting Corporation.....	152,399	8,500,109	8,353,710	6,005,883	71.89	723,988
28. The United Corporation.....	633,915	10,091,303	9,457,388	7,466,061	78.94	598,067
29. The Commonwealth & Southern Corporation.....	783,678	7,130,177	6,346,499	8,906,698	141.76	-----
30. The Metropolitan Edison Corporation.....	1,306,089	1,945,120	639,031	700,000	109.54	-----
31. New York Electric Co.....	1,229,387	3,047,465	1,818,078	585,000	32.18	481,700
32. Associated Electric Co.....	378,064	1,520,000	1,141,036	1,580,000	138.47	-----
33. Columbia Gas & Electric Corporation.....	897,757	14,256,356	13,358,599	6,902,081	51.67	2,204,168
34. The Texas Corporation.....	3,093,796	9,316,714	6,222,918	0,348,820	150.23	-----
35. Christiana Securities Co.....	1,554	9,592,838	9,591,284	9,600,000	100.09	-----
36. North American Light & Power Co.....	796,551	1,316,061	519,410	-----	-----	220,740
37. American Republics Corporation.....	232,660	1,128,875	896,215	342,241	38.19	210,610
38. Delaware Electric Power Co.....	488,649	1,364,027	875,378	618,375	70.64	78,784
39. United Gasoline Corporation.....	433,932	1,150,000	716,068	-----	-----	304,328
40. United Biscuit Co. of America.....	53,501	1,897,120	1,843,616	853,043	46.27	359,505
41. The United Light & Power Co.....	2,006,810	2,316,231	209,421	-----	-----	89,003
42. Continental Gas & Electric Corporation.....	2,169,459	4,113,111	1,943,652	1,749,023	89.98	55,532
43. Borg-Warner Corporation.....	69,502	7,650,505	7,581,003	-----	-----	3,221,926
44. Commonwealth Subsidiary Corporation.....	877,985	1,094,031	216,046	-----	-----	91,819
45. The Greyhound Corporation.....	309,741	1,059,960	1,350,219	448,105	33.19	351,056
46. Standard Gas & Electric Corporation.....	4,324,250	6,543,718	2,210,468	715,109	32.22	588,159
47. Chapin-Sacks, Inc.....	103,510	1,082,815	1,079,305	-----	-----	458,704
48. Westinghouse Electric & Manufacturing Co.....	1,594,367	10,448,810	8,854,443	271,952	3.071362	3,630,321
49. The Atlantic Refining Co.....	2,370,833	14,592,252	12,221,419	2,664,428	21.8012	3,910,354
50. Marine Midland Corporation.....	125,131	2,376,322	2,251,191	-----	-----	956,756
51. Consolidated Electric & Gas Co.....	996,131	1,450,969	454,838	-----	-----	193,306
52. Mack Trucks Inc.....	6,579	1,100,000	1,003,421	649,897	59.4288	147,611
53. Toledo Light & Power Co.....	276,332	1,154,200	878,868	1,188,291	135.207	-----
54. Empire Gas & Fuel Co.....	485,859	6,148,530	5,662,671	-----	-----	2,406,035
55. Cities Service Power & Light Co.....	2,414,605	5,067,855	2,653,250	1,200,000	45.2276	530,650
56. Federal Steel Co.....	307	1,020,450	1,020,143	-----	-----	433,560
57. American I. G. Chemical Corporation.....	40,427	2,437,176	2,396,749	1,572,470	65.6084	260,646
58. The Coalesced Co.....	24,437	1,559,527	1,555,090	1,050,000	68.40	155,427
59. Pennsylvania Electric Corporation.....	1,120,197	1,892,500	772,303	250,000	32.41	204,660
60. The Koppers Coal Co.....	45,392	1,244,530	1,199,149	-----	-----	509,637
61. The Koppers Co. of Delaware.....	608,422	1,300,149	691,727	-----	-----	293,983
62. Taxon Oil & Land Co. (Delaware).....	14,753	1,127,563	1,112,810	702,018	63.00	133,537
63. Brazilian Electric Power Co.....	830,225	2,118,358	1,288,133	-----	-----	547,456
64. Philadelphia Co.....	3,707,308	9,516,714	5,809,406	-----	-----	2,468,997
65. McKesson & Robbins, Inc.....	977,451	8,066,919	7,089,468	-----	-----	3,013,024
66. Standard Fruit & Steamship Co.....	260,750	1,500,000	1,239,250	-----	-----	526,681
67. Solvay American Investment Corporation.....	189,154	3,117,869	2,928,715	819,827	27.99	834,683
68. The Torrington Co. (of Maine).....	2,425	2,242,800	2,240,375	2,240,000	99.99	-----
69. Tri-Continental Corporation.....	74,576	1,109,939	1,035,363	1,564,752	151.13	-----
70. Bristol-Myers Co. (Delaware).....	31,825	4,306,116	4,274,291	1,680,672	39.32	983,086



SCHEDULE 2.—Corporations reporting a net loss for 1934 which received dividends in excess of \$1,000,000—Continued

Name of corporation	Statutory net income (loss)	Dividends received	Adjusted statutory net income	Cash dividends paid	Percentage of dividends paid to adjusted statutory net income	Approximate tax under new bill
71. Humble Oil & Refining Co.	\$1,802,313	\$7,560,362	\$5,698,040	\$8,068,479	157.39	-----
72. Gold Dust Corporation	70,392	2,416,341	2,315,940	2,506,015	106.82	-----
73. Tennessee Corporation	2,585,133	2,589,275	4,142	-----	-----	\$1,760
74. General American Tank Car Corporation	193,827	1,510,291	1,325,464	1,126,400	84.98	57,436
75. Incorporated Investors	164,071	1,253,835	1,089,784	1,010,523	95.48	15,563
76. Massachusetts Investors Trust	148,871	1,188,767	1,039,896	1,143,271	109.94	-----
77. United States & Foreign Securities Corporation	17,741	1,022,546	1,004,805	1,260,000	125.39	-----
78. Petroleum Corporation of America	9,504	1,052,574	1,042,980	1,067,230	102.32	-----
79. General Electric Employees Securities Corporation	221,673	2,884,343	2,602,670	1,400,000	52.58	426,027
80. The Omnibus Corporation	21,000	1,109,169	1,088,169	568,727	52.26	170,547
81. General Motors Management Corporation	881,218	2,233,179	1,351,861	673,204	49.80	236,575
82. The Lambert Co.	133,668	2,344,175	2,210,517	2,239,112	101.29	-----
83. Du Pont Securities Co.	5,832	6,918,830	6,912,968	6,913,000	100.00	-----
84. General Motors Securities Co.	2,874	17,912,232	17,909,358	17,909,250	99.99	-----
85. Coca-Cola International Corporation	7,258	3,515,881	3,508,623	3,515,881	100.20	-----
86. Vick Chemical, Inc.	29,868	1,800,000	1,770,132	1,680,672	94.94	25,288
87. Salt Creek Producers Association, Inc.	5,066	1,487,812	1,482,206	1,197,481	80.79	83,992
88. Mountain Producers Corporation	10,318	1,397,542	1,387,224	1,009,309	72.76	115,001
89. Plymouth Oil Co.	339,873	1,425,000	1,085,127	787,500	72.57	90,426
90. Continental Oil Co.	1,658,970	2,804,007	1,145,037	2,341,274	204.46	-----
91. Electrical Securities Corporation	50,192	2,192,683	2,142,391	2,092,777	97.68	12,241
92. The Chesapeake Corporation	2,850,765	10,313,239	7,462,474	4,499,363	60.29	970,449
93. The Lehigh & Wilkes-Barre Corporation	4,807	1,031,016	1,026,209	1,126,030	109.73	-----
94. Santa Fe Land Improvement Co.	80,608	1,100,000	1,019,392	-----	-----	433,241
95. Amerada Corporation	13,109	1,875,625	1,862,516	1,844,150	99.01	5,321
96. American Power & Light Co.	718,384	3,643,080	2,924,696	2,413,518	82.52	140,234
97. Tide Water Associated Oil Co. (Delaware)	129,009	4,956,010	4,827,001	5,407,879	112.03	-----
98. Mexican Petroleum Co., Ltd., of Delaware	37,835	24,322,822	24,284,087	-----	-----	10,321,119
99. Western Power Corporation	50,089	1,683,090	1,683,001	-----	-----	694,025
100. The West Penn Electric Co.	381,196	4,337,001	3,955,805	-----	-----	1,681,217
101. The Hearst Corporation	122,593	5,368,965	5,246,372	4,550,000	86.64	194,813
102. Hearst Magazines, Inc.	158,181	2,760,000	2,591,819	1,750,000	67.52	262,292
103. Hearst Consolidated Publications, Inc.	698,863	5,240,000	4,541,137	5,284,783	115.94	-----
104. Hearst Publications, Inc.	722,259	3,870,500	3,148,241	2,450,000	77.82	209,883
105. Seaboard Oil Co. of Delaware	13,702	1,200,000	1,186,298	192,066	161.90	-----
106. Shell Union Oil Corporation	1,715,282	18,945,383	17,230,101	-----	-----	7,322,792
107. Far East Power Corporation	407,779	1,394,083	986,304	-----	-----	419,180
108. Consolidated Oil Corporation	1,793,580	20,787,998	18,994,418	6,708,721	35.32	4,748,604
109. National Dairy Products Corporation	1,483,166	64,041,688	62,558,432	8,197,573	13.10	22,521,035
110. National Distillers Products Corporation	22,855	5,599,596	5,576,741	1,011,025	18.13	1,868,208
111. Lehigh Power Securities Corporation	180,452	4,885,647	4,699,195	5,758,076	122.53	-----
112. National Power & Light Co.	1,237,860	7,717,511	6,479,645	6,043,138	93.26	129,592
113. American Water Works & Electric Co., Inc.	1,242,103	4,313,352	3,071,249	2,512,900	81.82	163,798
114. The North American Co.	184,308	9,960,512	9,785,204	7,107,674	72.64	815,430
115. North American Edison Co.	2,847,815	9,085,033	6,237,218	6,272,960	100.57	-----
116. Cities Service Co.	100,628	4,234,440	4,133,812	-----	-----	1,759,870

SCHEDULE 2.—Corporations reporting a net loss for 1934 which received dividends in excess of \$1,000,000—Continued

Name of corporation	Statutory net income (loss)	Dividends received	Adjusted statutory net income	Cash dividends paid	Percentage of dividends paid to adjusted statutory net income	Approximate tax under new bill
117. International Cement Corporation	\$19,918	\$2,568,306	\$2,518,388	\$156,570	6.22	\$994,760
118. Consolidated Publishers Inc.	217,721	1,318,730	1,100,279	11,250	1.02	462,117
119. Borden Dairy Products Co., Inc.		1,041,392	1,041,392			442,591
120. Borden Foods Products Co., Inc.		2,893,000	2,898,000			1,231,650
121. Continental Baking Corporation	16,696	2,277,355	2,260,679			960,784
122. Borden Ice Cream & Milk Co., Inc.		2,591,017	2,561,017			1,088,432
123. Allied Stores Corporation	22,819	1,240,939	1,224,120			520,251
124. The Borden Co.	16,609	7,073,399	7,056,780	7,034,727	99.69	
125. McColl Corporation	7,589	1,355,758	1,348,169	1,366,757	101.37	
126. The Mohawk Valley Co.	813,514	1,641,688	788,174			339,223
127. The E. W. Scripps Co.	3,788	1,709,193	1,705,495	850,000	49.84	298,455
128. Pennsylvania Grayhound Lines, Inc.	16,842	1,182,030	1,165,158	1,169,600	100.38	
129. Commonwealth Improvement Co.	222,524	1,480,807	1,258,343	1,025,000	81.46	71,297
130. Atlantic Co. (Maine)	42,529	5,166,154	5,123,625	14,592,230	284.80	
131. The United Gas Improvement Co.	738,539	30,958,887	30,220,328	31,728,172	104.97	
132. The Ohio Oil Co.	1,191,339	1,893,274	701,935	6,294,728	896.77	
133. Minnesota Iron Co.	31,240	10,400,000	10,368,760	6,600,000	63.65	1,205,398
134. The Best Foods, Inc.	106,580	1,092,621	895,049	250,000	27.90	255,273
135. United States Rubber Co.	705,781	11,605,456	10,899,675			4,632,361
136. The Goodyear Tire & Rubber Co.	227,407	6,525,245	6,297,878	4,548,906	72.23	545,774
137. Consolidated Gas Co. of New York	2,972,933	43,659,038	40,686,105	30,580,107	75.15	3,118,996
138. West Penn Ry. Co.	643,067	1,359,808	816,741			347,114
139. Massachusetts Gas Co.	757,520	2,538,173	1,780,053	2,250,001	126.35	
140. Kennecott Copper Corporation	2,122,109	4,162,633	2,040,554	1,650,638	82.3618	108,828
141. Anaconda Copper Mining Co.	8,086,232	13,766,511	5,100,309			2,167,631
142. Amerada Petroleum Corporation	383,755	1,129,300	745,545	1,406,250	188.6204	
143. Rio Grande Oil Co.	430,616	1,900,004	1,469,358			624,477
144. Union Oil Co. of California	3,857,637	6,116,500	2,258,813	4,380,070	194.17	959,995
145. Standard Oil Co. (Indiana)	1,327,628	12,326,239	10,998,611	15,371,229	139.756	
146. Socony-Vacuum Oil Co., Inc.	9,253,474	39,134,693	29,881,219	18,659,922	62.380	3,697,800
147. Shell Oil Co.	107,767	1,384,337	1,276,570	7,975,430	624.7546	

Senator BYRD. Explain that to me, Mr. Russell. I understood under this bill if a corporation declared all of its earnings in dividends, even though they were received on dividends from other corporations, that they do not pay a tax.

Mr. RUSSELL. If they declare their earnings as dividends?

Senator BYRD. Yes.

Mr. RUSSELL. That is right.

Senator BYRD. How do you figure then that these companies would pay \$125,000,000?

Mr. RUSSELL. Strictly on the distribution that they made.

Senator BYRD. They had a statutory loss that year.

Mr. RUSSELL. The statutory loss under the new act; in computing your taxable income you include dividends. Now, they did include dividends.

Senator BYRD. If they would distribute their earnings of dividends that they received as dividends from other corporations, they would pay no tax under this computation?

Mr. RUSSELL. That is right.

Senator CONNALLY. These dividends paid, I suppose, were taxed in the original company?

Mr. RUSSELL. I imagine so.

Senator BYRD. That \$125,000,000 item there does not necessarily mean that it is an addition to revenue?

Senator LA FOLLETTE. If they had the same situation in 1936 assuming this bill were passed, that they had in 1934, it would have changed this number of corporations that had a loss into corporations that would have had to pay a tax, and this is the tax they would have paid on the 1934 figures?

Mr. RUSSELL. That is right.

Senator CONNALLY. Less what the corporations paid, the subsidiaries paid in the flat rate.

Senator LA FOLLETTE. No.

Senator CONNALLY. They would be free if they paid it out.

Senator LA FOLLETTE. Oh, no. Not to another corporation.

Senator KING. Proceed.

Mr. RUSSELL. Here is a schedule requested by the committee, corporations with statutory net income of less than \$1,000,000, but who received dividends in excess of \$1,000,000.

REVENUE ACT, 1936

SCHEDULE I.—Corporations with statutory net income of less than \$1,000,000 for 1934, which received dividends in excess of \$1,000,000

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax under new bill
1. Pullman, Inc.	\$396,551	\$15,826,260	\$16,263,811	\$11,482,612	70.73	\$54,526	\$1,460,953
2. Delaware Realty & Investment Co.	479,564	3,916,811	4,396,375	3,784,034	86.07	63,640	175,855
3. Columbia Corporation	69,189	1,844,645	1,483,854	2,185,000	151.32	13,636	
4. Associated Gas & Electric Corporation	24,447	3,705,000	3,740,447	3,265,169	87.31	3,391	180,011
5. American Gas & Electric Corporation	855,815	3,615,475	4,500,260	3,807,283	84.37	121,800	460,607
6. American Light & Traction Co.	173,154	5,963,110	6,136,624	4,678,283	76.34	21,894	455,854
7. Illinois Glass Co.	57,845	1,176,725	1,254,570	1,074,785	86.50	2,084	2,585,153
8. Bondis Aviation Corporation	215,980	5,819,673	6,035,633	1,854,532	30.72	26,807	4,865,865
9. Louisville Gas & Electric Co. (Delaware)	132,553	1,278,900	1,411,433	1,384,532	98.44	15,226	
10. Eastern Gas & Fuel Associates	92,825	3,691,396	3,754,254	5,004,823	132.38	12,758	184,358
11. General Mills, Inc.	939,825	3,010,770	3,950,565	3,353,564	84.37	126,228	806,023
12. Associated Dry Goods Corporation (Virginia)	5,804	2,364,880	2,370,684	4,923,784	16.98	47,424	1,694,468
13. American District Telegraph Co.	344,905	1,210,532	1,564,457	952,415	60.87	39,361	680,451
14. Bessemer Investment Co.	288,587	1,312,475	1,491,067	1,491,067	100.00	4,785	
15. Republic Texas Co.	1,806	1,677,908	1,675,714	1,665,717	99.40	115,377	864,261
16. United Gas Corporation	838,813	1,194,742	2,023,555				
17. Union Carbide & Carbon Corporation	3,439	5,531,600	5,538,120	11,494,983	216.58	32,198	45,116
18. Howe Soudry Co.	234,692	6,315,600	1,576,092	1,491,373	95.39	38,012	32,814
19. Coburn Investment Trust Corporation	282,666	6,241,254	6,467,353	6,197,246	95.84	122,260	247,479
20. Newark Hudson Power Corporation	880,383	9,871,322	2,751,715	2,612,993	95.32	170,732	763,683
21. T. S. Packaging Companies, Inc.	514,417	1,267,605	1,772,022	1,952,015	110.78	11,028	186,200
22. Ramon Carbide Corporation	829,366	2,285,468	3,114,775	1,137,266	36.52	5,797	186,200
23. Newmont Mining Corporation	17,268	1,072,741	1,089,969	531,646	48.77	64,546	14,108
24. Brooklyn Manhattan Transit Corporation	471,653	4,498,024	4,980,687	4,624,147	92.85	2,836	57,200
25. The Lohmeyer Corporation	185,667	1,815,300	2,000,976	1,864,405	93.17	22,536	1,107,138
26. Eastman Kodak Co.	238,800	14,120,914	14,355,714	10,684,088	73.78	32,835	1,777,651
27. The Bama Investment Co.	84,680	1,116,371	1,201,631	670,060	55.78	11,641	291,008
28. The Rhode Island Public Service Co.	160,854	2,412,435	2,573,250	2,470,670	96.01	22,918	367,021
29. Lone Star Gas Corporation	589,624	6,363,314	1,872,338	910,751	48.64	69,641	1,804,021
30. National Steel Corporation	413,406	6,391,591	6,807,927	2,156,823	31.66	56,843	39,273
31. The American Gas Co.	432,292	1,815,202	2,248,631	2,174,806	96.61	56,585	17,233
32. The M. A. Hanna Co. (Delaware)	429,307	1,625,280	1,950,842	1,511,391	77.47	3,797	136,868
33. Buffalo, Niagara & Eastern Power Corporation	101,843	3,241,123	3,536,489	3,194,314	91.96	60,413	1,014,247
34. Niagara Hudson Power Corporation	367,391	7,116,082	2,868,463	7,439,184	92.27	50,544	184,769
35. American Gas & Electric Co.	44,446	1,166,890	2,013,673	2,013,123	100.00	6,111	674,468
36. International Cellulose Products Co.	98,100	5,368,280	5,458,360	4,150,000	22.92	13,489	1,692,089
37. Gold Dust Corporation	4,269	1,740,465	1,744,734	1,744,734	100.00		
38. McKesson Wholesale, Inc.		1,195,355	1,195,355	1,195,355	100.00		
39. W. T. Grant Co. (Delaware)							

40. The Grasselli Chemical Co.....	857,502	1,434,036	2,291,538	1,662,000	72,52	117,907	190,961
41. American Viscose Corporation.....	340,452	10,188,500	10,528,952	12,323,625	117,04	46,812	.....
42. The Madison Securities Co.....	63,431	3,139,148	3,202,579	2,175,000	67,91	8,727	334,281
43. Ajax Corporation.....	788,857	3,200,000	3,988,857	1,463,454	36,91	105,718	952,526
44. National Fuel Gas Co.....	32,683	3,859,146	3,931,829	3,810,183	96,91	4,494	33,100
45. Public Industries, Inc.....	10,996	1,341,909	1,552,905	2,010,872	148,63	1,512	.....
46. Public Service Corporation of New Jersey.....	428,531	27,099,016	27,527,547	25,628,568	93,10	58,923	550,550
47. Quarterly Income Shares, Inc.....	429,065	1,182,326	1,611,391	2,343,075	145,41	58,866	.....
48. The Rohawka Co.....	37,293	1,707,880	1,745,143	3,659,253	209,71	5,124	.....
49. The Connecticut Electric Service Co.....	16,520	3,426,361	3,442,882	3,443,580	100,62	2,758	.....
50. Chicago Stock Yards Co.....	150,265	1,980,906	2,140,291	3,400,900	18,69	16,921	706,206
51. Alexander & Baldwin, Ltd.....	123,060	1,055,039	1,414,070	1,520,000	105,23	12,606	119,285
52. C. Brewer & Co., Ltd.....	91,682	1,352,388	1,414,070	1,520,000	73,63	32,898	.....
53. Universal Leaf Tobacco Co., Inc.....	59,741	1,027,969	1,206,590	2,032,545	101,70	29,301	101,364
54. William R. Warner & Co., Inc.....	213,730	1,863,283	2,178,263	2,019,000	128,98	66,451	.....
55. Union Electric Light & Power Co.....	483,280	3,038,259	3,521,369	3,544,000	63,77	84,033	1,277,59
56. Tide Water Oil Co. of New Jersey.....	802,367	6,612,439	7,414,826	3,721,000	100,226	64,477	194,163
57. Atlas Powder Co.....	611,147	1,174,237	1,785,404	1,174,237	65,98	64,477	378,003
58. Koppers Gas & Coke Co.....	468,780	2,891,249	3,364,029	2,830,000	76,46	5,499	113,741
59. The M. A. Hanna Co. (Ohio).....	39,628	1,511,331	1,531,019	1,183,856	169,14	83,017	.....
60. Hulsbeck Petroleum Co.....	663,739	2,000,000	2,603,739	4,464,180	107,14	7,863	375,630
61. The American Molasses Co. of New York.....	741,177	1,080,580	1,077,733	1,942,637	10,912	10,912	828,621
62. Remington Rand, Inc.....	57,185	1,201,490	1,842,637	3,874,749	60,07	9,124	538,200
63. Addressograph-Multigraph Corporation.....	66,353	1,201,000	1,296,353	1,973,531	82,653	82,653	208,330
64. National Lead Co.....	601,185	4,237,647	4,838,532	3,000,000	180,72	100,488	29,706
65. Direct Brokerage Service.....	730,819	1,348,700	2,079,519	1,660,141	98,94	14,500	4,447
66. Western Improvement Co.....	204,016	1,496,123	1,660,141	1,540,000	26,10	23,083	.....
67. W. R. Groce & Co.....	105,455	1,451,069	1,556,528	1,563,634	109,81	1,033	636,305
68. Crown Zellerbach Corporation.....	7,515	2,140,471	2,156,966	1,613,000	.....	23,409	.....
69. American Home Products Corporation.....	170,247	1,298,632	1,468,879	1,613,000	.....	.....	.....
Grand total.....	20,885,564	233,820,114	254,706,118	209,974,813	.....	2,868,957	24,063,857

Senator KING. The corporation received the dividends, or their stockholders?

Mr. RUSSELL. These corporations had a statutory net income of less than \$1,000,000, but the dividends they received were in excess of \$1,000,000; received by the corporations.

Senator KING. Then the exemptions reduced the amount?

Mr. RUSSELL. That is right. Here is the percentage of their dividends paid.

Senator KING. Do the Senators desire that to be read?

Senator LA FOLLETTE. I would like to have the total.

Mr. RUSSELL. The tax paid by these corporations was \$2,868,000, and the tax under the new bill would have been \$24,063,000.

Senator KING. Does that take into account the losses that they sustained?

Mr. RUSSELL. Yes, sir. That would give them credit for the losses. It would be income, the dividends received, less the statutory net.

Next is the list of corporations which had statutory net income in excess of \$1,000,000 who distributed more than 45 percent as dividends, but less than 75 percent.

SCHEDULE.—Corporations with statutory net income of more than \$1,000,000 for the year 1934 which distributed dividends of more than 45 percent and less than 75 percent of total net income including dividends received from other corporations

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Cash dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax under new bill
1. Wesson Oil & Snowdrift Co., Inc.	\$3,194,012	\$7,744	\$3,201,756	\$1,770,647	55.30	\$468,455	\$480,263
2. Kellogg Co.	6,069,662	11,243,637	6,069,662	4,402,060	72.52	854,579	505,803
3. General Foods Corporation	1,474,004	120,297	12,717,641	9,452,614	71.33	202,676	1,017,411
4. American Snuff Co.	2,306,121	1,125,427	2,426,418	1,667,168	65.59	317,092	263,873
5. Owens Illinois Pacific Coast Co.	1,085,717	21,000	1,125,427	600,000	53.31	154,746	180,068
6. Kimble Glass Co.	2,721,504	45,786	1,101,717	589,707	53.28	149,268	177,075
7. Ball Bros. Co.	5,812,741	653,812	2,707,300	1,280,000	46.25	374,207	539,624
8. Owens Illinois Glass Co.	1,068,810	480,105	6,486,553	3,900,000	60.31	798,252	848,782
9. Ideal Cement Co.	2,712,982	742,985	2,712,982	1,488,915	55.86	138,711	230,782
10. H. J. Heinz Co.	1,998,082	10,628	2,741,067	1,336,011	49.25	438,336	438,336
11. California Packing Corporation	10,566,571	10,628	10,566,571	6,461,576	61.15	1,344,776	1,388,376
12. Coca Cola Co. (Delaware)	2,344,064	59,447	2,354,712	1,747,261	74.20	344,776	183,281
13. The Cudahy Packing Co.	1,005,196	296	1,005,482	569,214	56.61	147,848	187,254
14. George A. Hornel & Co. (Delaware)	1,962,438	59,447	1,721,885	1,140,000	66.21	228,585	233,445
15. Penick & Ford, Ltd.	1,206,919	750,000	1,296,919	635,000	48.96	178,326	201,186
16. Commercial Factors Corporation	1,058,878	12	1,058,878	500,000	47.22	145,596	204,288
17. Los Angeles Turf Club, Inc.	1,007,317	12	1,757,317	1,120,000	63.73	138,506	144,000
18. Standard Securities Corporation	1,279,991	12	1,280,003	831,782	64.98	175,990	194,155
19. The Wheeling & Lake Erie Ry. Co.	15,957,483	923,300	15,957,483	11,280,000	70.69	2,194,155	1,436,174
20. Pacific Fruit Express Co.	4,085,956	42,118	5,009,256	3,548,769	70.84	561,819	450,833
21. Gillette Safety Razor Co.	5,986,561	132	6,028,679	3,104,614	51.50	823,152	994,732
22. Keystone Steel Wire Co.	1,277,062	132	1,277,194	706,817	55.34	175,596	191,576
23. Acme Steel Co.	21,541,453	68,780	21,610,233	14,153,525	65.20	1,694,422	203,306
24. Norfolk & Western Ry. Co.	1,205,101	956,023	2,161,124	1,581,563	73.18	167,701	2,106,907
25. Commercial Solvents Corporation	3,233,649	2,777	3,234,549	2,382,460	73.65	258,727	180,062
26. The Linden Air Products Co.	1,623,158	9,809	1,623,935	980,050	60.37	223,194	213,403
27. Jewel Tea Co., Inc.	1,244,697	3,809	1,254,506	752,506	59.98	181,889	164,654
28. Ely & Walker Dry Goods Co.	3,039,257	5,114,110	3,039,257	2,000,000	65.80	417,898	330,517
29. The Great Atlantic & Pacific Tea Co. (Arizona)	26,353,768	35,928	31,468,175	23,400,000	45.80	234,844	333,057
30. F. W. Woolworth Co. (New York City)	3,904,150	94,773	3,908,923	2,307,709	57.46	3,623,643	2,517,454
31. First National Stores, Inc.	3,404,086	4,260,738	18,404,090	11,068,630	61.44	2,530,563	2,569,846
32. C. C. Penny Co.	3,463,889	1,920,094	3,463,817	9,000,000	56.71	476,583	494,448
33. The May Dept. Stores Co.	12,703,132	1,836,353	4,838,403	2,000,000	48.59	1,744,881	2,174,292
34. Insurance Co. of North America	3,017,719	1,662,793	4,496,944	2,631,880	58.54	309,515	608,952
35. The Continental Ins. Co.	2,687,381	1,662,793	5,926,731	2,760,400	46.37	386,282	1,126,078
36. The Home Insurance Co.	4,283,958						

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SCHEDULE.—Corporations with statutory net income of more than \$1,000,000 for the year 1934, which distributed dividends of more than 45 percent and less than 75 percent of total net income including dividends received from other corporations—Continued

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Cash dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax under new bill
40. Great American Ins. Co.....	\$1,823,280	\$1,159,352	\$2,982,612	\$1,650,000	54.65	\$250,701	\$447,391
41. St. Paul Fire & Marine Ins. Co.....	1,142,522	470,016	1,412,536	960,000	68.01	157,967	143,019
42. National Fire Ins. Co., Hartford.....	2,123,182	206,520	2,529,711	1,000,000	39.53	291,937	569,184
43. The Phoenix Ins. Co., Hartford.....	1,680,183	902,646	2,591,830	1,500,000	57.87	232,263	359,816
44. Fireman's Fund Ins. Co.....	1,513,851	411,425	1,925,276	900,000	46.75	208,154	365,802
45. Industrial Fuel Supply Co.....	1,806,966	.....	1,806,966	1,170,000	64.75	248,458	203,283
46. Great Lakes Pipe Line Co.....	4,615,971	.....	4,615,971	3,055,772	66.20	624,666	501,886
47. Morton Salt Co.....	1,418,094	318,000	1,736,094	1,127,500	64.94	194,988	195,314
48. General Baking Co.....	2,022,795	6	2,002,801	1,338,543	66.81	275,834	210,294
49. Hershey Chocolate Corporation.....	5,968,096	.....	5,968,096	3,353,092	56.19	820,613	872,834
50. American Chicle Co.....	2,516,890	5,625	2,522,515	1,548,986	61.33	346,071	321,619
51. Camden Copper Co.....	3,994,906	.....	3,994,906	2,691,543	67.39	474,617	380,728
52. Cannonwealth Edison Co.....	10,724,485	9,352	10,733,837	7,466,080	69.52	1,855,320	1,408,816
53. Brooklyn Edison Co., Inc.....	13,463,307	.....	13,463,307	9,468,120	70.08	3,502,418	3,455,063
54. McKeesport Tin Plate Co.....	25,429,120	311,934	25,741,054	15,256,121	59.12	3,182,036	2,724,416
55. American Cyanamid Co.....	1,300,354	360,000	1,660,354	1,000,000	60.23	182,096	146,676
56. Bomb Aluminum and Press Corporation.....	1,576,700	12	1,576,712	1,057,254	67.09	216,892	176,519
57. The Pont Cellulose Co., Inc.....	5,713,003	.....	5,713,003	4,180,800	73.16	845,838	476,081
58. The Chicago Daily News, Inc.....	1,745,864	138,990	1,884,854	1,260,500	67.02	180,994	140,507
59. The S. S. Appeal Publishing Co.....	1,300,413	.....	1,300,413	747,000	57.46	140,994	140,243
60. The Scripps Publishing Co.....	5,927,307	13,569	5,940,876	3,620,000	60.93	746,704	650,748
61. News Syndicate Co., Inc.....	1,717,489	40,035	1,757,524	924,645	52.15	236,152	323,039
62. News Corporation (N.Y.).....	1,717,398	8,060	1,725,458	874,015	50.68	236,152	323,039
63. The Plain Publishing Co.....	1,271,912	40,208	1,312,120	870,000	66.32	161,342	164,574
64. The Crowell Publishing Co.....	1,692,912	101,773	1,794,685	813,576	45.33	174,882	189,374
65. Pennsylvania Water & Power Co.....	1,958,793	6,798	1,965,591	1,308,889	66.60	274,023	265,179
66. Trico Products Corp.....	4,925,709	263,807	5,189,516	3,377,856	65.10	599,324	558,028
67. Caterpillar Tractor Co.....	3,527,709	.....	3,527,709	2,352,800	66.70	335,353	338,368
68. General Exchange Insurance Corp.....	1,350,468	.....	1,350,468	2,000,000	148.04	452,213	603,530
69. Sheffield Steel Corp.....	3,624,290	5,865	3,630,155	2,400,000	66.14	186,954	119,145
70. The Springs Cotton Mills.....	3,048,756	24,000	3,072,756	2,475,000	80.28	539,580	471,611
71. Endicott Johnson Corp.....	2,167,156	.....	2,167,156	1,625,322	74.98	144,234	150,613
72. Brown Shoe Co., Inc.....	1,418,700	3,849	1,422,549	1,025,225	71.97	297,974	248,292
73. International Shoe Co. of Delaware.....	11,513,071	14,863	11,527,934	6,671,742	57.82	1,965,071	1,444,045
74. The Erwin Cotton Mills Co.....	1,123,317	14,000	1,137,317	6,671,742	587.16	1,355,047	1,397,572
75. Industrial Rayon Corporation.....	4,252,723	250,000	4,502,723	1,006,000	22.34	194,456	140,754
76. Celanese Corporation of America.....	3,653,898	18	3,653,916	2,366,774	64.80	502,411	166,684
77. Celanese Corporation of America.....	3,653,898	18	3,653,916	2,366,774	64.80	502,411	166,684



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78 South Puerto Rico Sugar Co.	3,901,063	3,901,063	2,189,760	536,396	570,530
79. Commercial Investment Trust, Inc.	4,176,673	294	4,176,967	574,293	689,200
80. Standard Oil Co., N. J.	11,400,919	50,957,526	31,940,882	1,877,628	10,600,626
81. Standard Pipe Line Co., Inc.	2,820,307		2,900,000	387,792	253,828
82. Vick Chemical Co.	2,921,201	218,612	1,800,900	447,432	447,432
83. Archer-Daniels-Midland Co.	1,807,782	63,000	1,870,782	208,570	778,911
84. Colgate-Palmolive-Peet Co.	1,357,470	3,701,500	2,478,824	188,652	910,614
85. General Aniline Works, Inc.	2,504,208	3,721,528	1,560,000	244,320	422,860
86. The Upjohn Co.	2,437,006	317,686	1,636,316	353,270	365,672
87. The Dow Chemical Co.	1,052,040	300,064	1,000,000	478,088	563,263
88. The J. R. Watkins Co.	1,691,044	483,226	1,000,000	144,657	140,987
89. Church & Dwight Co., Inc.	18,688,516		11,782,538	2,569,671	302,577
90. The Procter & Gamble Co.	1,620,039		3,824,408	2,444,397	2,444,397
91. Ethyl-Dow Chemical Co.	4,715,084		2,332,204	140,255	163,206
92. The Sherwin-Williams Co.	2,448,274		1,369,488	691,511	825,134
93. The Scranston Electric Co.	1,084,618	40	500,581	364,205	437,046
94. Staten Island Edison Corporation	5,158,030	5,542	3,300,000	146,955	262,284
95. Michigan Bell Telephone Co.	8,738,979	987,708	5,432,233	705,792	597,338
96. Chrysler Corporation	11,146,183	18,721	7,769,925	1,208,430	1,428,782
97. Ford Motor Co.	93,818,245	10,277,829	73,541,637	1,532,602	1,046,711
98. General Motors Co.	1,860,464	197,486	1,014,605	12,900,069	279,070
99. Mesza Machine Co.	1,340,863		1,000,000	255,814	368,697
100. Queen Insurance Co. of America	1,314,637		66,733	184,362	167,357
101. Halliburton Oil Well Cementing Co.	2,818,973		1,000,000	180,763	147,897
102. The Virginia Railway Co.	1,005,197	183,697	2,096,625	387,609	281,500
103. Ranger & Atwood Railroad Co.	1,530,187	13,736	598,080	138,214	137,829
104. The Cincinnati, New Orleans & Texas Railway Co.	30,087,477	35,684	1,109,369	210,401	140,928
105. The Chesapeake & Ohio Railway Co.	1,817,445	325,688	21,436,629	4,137,028	2,851,234
106. Columbia Broadcasting System, Inc.	11,838,083	478,295	1,587,870	249,890	241,052
107. American Smelting & Refining Co.	3,151,568	336,742	2,875,000	1,627,736	1,369,667
108. Hookless Fisciner Co.	1,214,145	21,275	2,038,525	433,341	356,944
109. The Dentist Supply Co. (N. Y.)	2,023,180	678,252	1,892,437	166,945	331,174
110. The Maytag Co.	1,034,245	4,544	1,228,275	278,157	266,138
111. Pan American Airways, Inc.	2,197,042	292,071	1,094,245	132,269	164,717
112. Long Island Lighting Co.	1,083,534		707,988	302,063	280,359
113. Monroe Calculating Machine Co.	7,141,789	52,260	1,083,534	148,966	105,644
114. International Business Machine Corporation	2,101,816	30,125	4,217,594	981,906	971,197
115. Underwood Filioit Fisher Co.	4,234,251	436,250	2,140,941	298,990	313,112
116. Household Finance Corporation	1,715,603	12,661,419	4,670,501	582,210	682,061
117. The Coca Cola Co.	1,144,742		14,377,022	235,895	509,587
118. Italian Superpower Corporation	595,272,798	119,374,637	714,647,435	157,402	1,128,783
Total	595,272,798	119,374,637	714,647,435	81,465,352	86,808,484

Senator COUZENS. That is what you have given in the other statement in the aggregate?

Mr. RUSSELL. That is right.

Senator KING. It may be inserted in the record.

Mr. RUSSELL. It shows tax paid there of \$81,000,000, and the tax under the new bill of \$86,000,000.

Senator KING. What is the next?

Mr. RUSSELL. Here is a list of public utilities, which are included in that tax. They are included in these figures I have already given you, and this is just a separate schedule that was requested as a separate statement for utilities.

Senator KING. It will be inserted in the record.

Public utility corporations which received dividends in excess of \$1,000,000 or whose net income exceeds \$1,000,000—Continued

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax under new bill
1. New York Rapid Transit Co.	\$2,527,266	\$16,125	\$2,543,391	\$3,383,120	133.42	\$347,469	
2. Wisconsin Electric Power Co.	1,633,610		1,633,610	224,621	84.22	224,621	\$76,263
3. Consolidated Telephone, Subway & Electric Co.	5,771,903		5,771,903	4,709,875	81.60	793,637	307,532
4. Astoria Light, Heat & Power Co.	3,482,775		3,482,775	3,120,000	89.58	478,881	109,460
5. Public Service Co. of Northern Illinois.	4,008,081	7,755	4,015,836	1,045,032	26.02	1,184,671	1,184,671
6. Cleveland Ry. Co.	1,960,638		1,960,638			269,588	
7. Electric Bond & Share Co.	7,104,296	3,096,828	10,201,124	8,433,930	82.08	976,841	510,056
8. Atlantic Pipe Line Co.	3,150,287		3,150,287	4,250,000	134.91	433,165	
9. Sun Pipe Line Co.	1,585,852		1,585,852	1,500,000	94.58	218,055	22,653
10. Stanolind Pipe Line Co.	10,611,656		10,611,656	8,144,476	76.75	1,459,103	742,815
11. Illinois Pipe Line Co.	1,923,146		1,923,146	1,800,000	93.60	294,433	32,966
12. Oklahoma Pipe Line Co.	2,384,581		2,384,581	1,800,000	75.48	327,880	182,816
13. Shell Pipe Line Corporation	8,147,354		8,147,354	10,850,000	133.17	1,120,261	
14. Texas Pipe Line Co. of Oklahoma.	1,053,723		1,053,723	5,500,000	189.72	418,455	45,660
15. General Pipe Line Co. of California	5,138,984		5,138,984	4,900,000	85.41	144,887	
16. Cincinnati & Suburban Bell Telephone Co.	1,039,320		1,039,320	1,600,000	154.35	746,610	205,559
17. Southern New England Telephone Co.	2,174,970	2,266	2,177,236	2,473,956	113.52	142,907	
18. Southern California Telephone Co.	2,614,826	5,549	2,620,375	2,400,000	91.56	206,059	
19. Pacific Telephone & Telegraph Co.	8,331,524		8,331,524	1,500,000	18.02	1,145,586	59,916
20. Mountain States Telephone & Telegraph Co.	8,623,763	7,070,171	16,253,874	13,730,000	96.66	1,183,739	238,059
21. New England Telephone & Telegraph Co.	2,258,020	3,761	2,261,781	3,843,976	169.95	310,478	1,498,816
22. American & Foreign Power Co., Inc.	8,975,011	46,398	8,921,449	8,300,748	89.68	1,220,314	254,803
23. Cities Service Gas Co.	2,141,441	386,719	2,528,160			294,448	1,078,718
24. Standard Pipe Line Co.	1,121,448	590	1,122,038			184,199	476,866
25. Standard Pipe Line Co.	1,472,213		1,472,213	2,000,000		202,429	625,690
26. Commonwealth Edison Co.	2,850,307		2,850,307	6,466,989		387,792	283,528
27. Commonwealth Edison Co.	10,724,485	9,352	10,733,837	9,996,120	74.08	1,474,617	1,079,465
28. Great Lakes Pipe Line Co.	13,493,307		13,493,307	3,055,772	66.20	1,855,330	694,696
29. Great Lakes Pipe Line Co.	4,615,971		4,615,971	2,746,280	231.21	163,215	
30. Wisconsin Telephone Co.	1,187,015	1,703	1,188,718	1,440,000	95.29	201,718	21,867
31. Chesapeake & Potomac Telephone Co. of Virginia.	1,467,687	44,244	1,511,931	1,679,947	143.77	351,928	
32. American Telephone & Telegraph Co.	2,559,549	114,265,611	116,825,160	167,990,475	101.64	1,215,908	101,546
33. Bell Telephone Co. of Pennsylvania.	8,842,969	12,102	8,855,071	35,329,300	98.11	4,547,000	
34. New York Telephone Co.	33,073,452	2,474,328	35,547,780	15,394,985	105.37	1,992,384	
35. Northwestern Bell Telephone Co.	14,271,881	306,338	14,581,219	4,112,052	75.76	736,258	374,983
36. Southwestern Bell Telephone Co.	5,354,606	2,287	5,356,893	6,621,736	113.88	803,014	
37. North Jersey Bell Telephone Co.	5,840,102	329	5,840,431	1,650,000	88.74	251,659	58,436
38. Indiana Bell Telephone Co.	1,830,246	29,115	1,859,363				

Public utility corporations which received dividends in excess of \$1,000,000 or whose net income exceeds \$1,000,000—Continued

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax under new bill
40. Chesapeake & Ohio Telephone Co. of Baltimore.	\$2,926,263	\$5	\$2,926,268	\$2,310,000	81.73	\$988,611	\$150,753
41. Ohio Bell Telephone Co.	1,144,742		1,444,742	745,032	65.08	157,452	128,793
42. Union Bell Telephone Co.	7,710,639	96,135	7,806,774			1,060,213	3,317,878
43. International General Electric, S. A.	1,424,583		2,648,754			195,877	605,489
44. Sranam Electric Co. Corporation.	1,084,764		1,054,655	1,350,551	51.70	364,205	437,046
45. Staten Island Edison Corporation.	5,153,030	5,442	5,158,572	3,300,000	64.22	146,885	202,284
46. Pencilman Bell Telephone Co.	1,892,907	101,475	2,094,380	2,001,000	62.49	274,025	597,558
47. Pennsylvania Water & Power Co.	2,319,982		2,219,982	2,001,000	90.9	305,248	259,179
48. International General Electric Co., Inc.	2,940,126	50,000	2,990,126	2,998,951	90.29	404,267	63,424
49. The Niagara Falls Power Co.	1,019,923		1,619,023	1,491,339	273.19	222,739	8,542
50. Southern California Gas Co.	1,078,472		1,075,472	1,097,150	101.73	148,200	
51. Kentucky-West Virginia Gas Co.	1,965,487		1,845,487	1,694,400	90.81	256,505	47,961
52. United Natural Gas Co.	4,940,544		4,571,544	3,716,529	81.85	624,325	242,147
53. Brooklyn Union Gas Co.	1,558,335		1,555,336	1,350,000	86.91	215,384	57,694
54. Lone Star Gas Co.	2,706,063	15	2,709,078	2,322,594	85.73	372,496	108,568
55. Ohio Fuel Gas Co.	1,948,276	12,690	1,911,966	2,796,950	232.70	163,523	
56. Hope Natural Gas Co.	5,468,042		5,398,042	4,642,763	86.49	735,166	214,721
57. Texas Empire Pipe Line Co.	2,058,494		2,058,494	1,570,140	76.29	283,043	150,955
58. Texas Empire Pipe Line Co. of Texas.	2,269,732	55	2,259,737	2,925,000	129.48	310,713	
59. Westchester Lighting Co.	1,915,407		1,920,597	2,047,880	106.92	263,368	
60. Shanghai Power Co. of Colorado.	1,482,477	438,120	1,920,597	2,333,515	121.50	203,641	
61. Public Service Co. of Colorado.	1,147,470		1,920,597	2,333,515	121.50	167,777	
62. Connecticut River Power Co.	1,752,619		1,752,619	2,099,606	119.80	240,985	
63. Ohio Public Service Co.	1,268,905	29,510	1,298,015	2,831,000	218.10	174,419	
64. New York State Electric & Gas Corporation.	2,461,671		2,461,671	2,481,914	100.09	324,790	
65. Rochester Gas & Electric Corporation.	4,963,866	40,880	5,004,746	6,155,289	122.99	682,532	
66. West Penn Power Co.	1,218,839		1,218,839	973,750	79.89	167,590	73,130
67. Atlantic City Electric Co.	3,914,835		3,914,835	3,820,068	97.58	538,290	33,554
68. Ohio Power Co.	1,138,542	41,075	1,179,617	2,401,778	203.61	156,550	
69. Washington Water Power Co.	1,027,497		1,179,617	2,401,778	203.61	156,550	
70. Tennessee Electric Power Co.	1,574,708	338,300	1,033,353	1,764,286	170.73	216,522	
71. Narragansett Electric Co.	18,676,910	557,693	19,234,603	2,412,488	126.11	2,568,075	
72. Philadelphia Edison Co.	3,396,179	141,912	3,538,091	20,352,904	105.81	4,068,074	
73. Metropolitan Edison Co.	1,072,669	1,000,026	2,072,665	4,136,317	116.91	147,484	
74. Pennsylvania Electric Co.	1,169,926		1,169,926	1,892,500	91.31	160,865	
75. Dayton Power & Light Co.	5,663,670	68,762	5,732,432	1,270,000	108.55	778,735	53,295
76. Duquesne Light Co.	1,671,034		1,671,034	12,129,939	214.93	229,767	
77. Southern California Edison Co., Ltd.	5,643,504		5,643,504	5,291,362	127.47		2,436,283
78. Northern States Power Co. (Minnesota).	1,671,034	2,478,992	4,130,026	5,291,362	127.47		

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79. Turners Falls Power & Electric Co.	1,028,716	1,100,000	106.92	141,448	1,41,448
80. Lewisville Gas & Electric Co. (Kentucky)	2,162,979	2,585,004	115.55	297,410	297,410
81. Central Illinois Light Co.	1,887,369	1,743,013	93.67	255,388	31,866
82. Indianapolis Power & Light Co.	1,944,341	1,486,554	142.34	143,597	
83. Virginia Electric & Power Co.	1,476,319	3,016,416	126.57	202,984	
84. Ohio Edison Co.	1,573,588	1,530,322	197.11	202,618	
85. Delaware Power & Light Co.	1,557,662	1,275,000	141.55	214,179	83,074
86. The Toledo Edison Co.	2,072,307	2,054,195	99.12	264,942	5,920
87. Appalachian Electric Power Co.	2,435,779	2,417,456	117.15	343,170	
88. New York Power & Light Co.	2,041,882	2,357,442	116.68	289,750	
89. Buffalo General Electric Co.	12,051,153	12,000,000	165.34	179,010	
90. New York Edison Co.	13,493,408	18,568,989	94.73	1,657,034	280,580
91. New York & Queens Electric Light & Power Co.	4,143,969	3,500,788	84.48	369,796	193,362
92. Brooklyn Edison Co., Inc.	9,083,408	9,996,120	74.08	1,853,330	1,079,465
93. United Electric Light & Power Co.	13,493,408	9,996,120	74.08	1,853,330	666,129
94. Potomac Electric Light & Power	9,083,408	6,859,615	75.52	1,772,331	1,772,331
95. Pacific Greyhound Lines, Inc.	4,170,239	523,140	36.12	573,498	
96. Pennsylvania Power & Light Co.	1,445,133	8,732,193	129.80	198,706	384,829
97. Consumers Power Co.	6,619,632	7,627,339	100.56	310,199	
98. Tampa Electric Co.	1,331,515	1,065,229	187.86	515,254	
99. Hartford Electric Light Co.	2,282,508	1,331,515	133.11	183,083	
100. The United Illuminating Co.	3,474,269	1,331,515	100.56	515,254	
101. Pacific Gas & Electric Co.	3,474,269	2,303,304	96.74	306,982	27,208
102. San Joaquin Light & Power Co.	2,298,821	2,492,428	75.93	450,839	251,641
103. Southern Bell Telephone Co.	7,521,574	17,122,880	78.07	1,592,493	1,490,987
104. Chesapeake & Potomac Telephone Co.	1,036,848	2,298,821	96.37	316,087	26,271
105. Union Electric Light & Power Co. of Illinois	2,728,697	7,469,940	97.94	1,634,216	43,757
106. Cincinnati Gas & Electric Co.	3,467,487	1,440,000	86.30	142,567	109,148
107. Super Power Co. of Illinois	1,131,029	2,355,000	86.30	375,196	1,005,571
108. Mississippi River Power Co.	1,051,499	937,500	27.03	476,779	480,687
109. Dallas Power & Light Co.	1,184,071	1,054,068	100.24	143,882	
110. Blackstone Valley Gas & Electric Corp.	1,062,178	1,306,815	117.79	162,810	
111. Los Angeles Gas & Electric Corporation	3,406,304	1,160,304	104.26	146,049	
112. Great Western Power Co. of California	1,802,534	5,371,038	468.367	287,848	
113. Connecticut Light & Power Co.	2,927,370	2,698,643	128.35	347,646	
114. New England Power Co.	1,927,105	4,030,250	141.60	388,077	
115. Fall River Electric Light Co.	1,004,443	1,818,856	94.38	264,917	33,034
116. Kansas City Power & Light Co.	3,522,632	848,000	138.11	158,111	46,873
117. Nebraska Power Co.	1,155,760	3,127,500	88.78	484,366	110,710
118. Public Service Electric & Gas Co.	33,088,406	1,796,584	134.15	213,509	
119. Boushara Electric Illuminating Co.	4,303,352	27,767,000	80.49	4,549,656	
120. Cleveland Electric Illuminating Co.	1,426,474	6,091,842	140.63	507,711	2,068,779
121. Duke Power Co.	1,068,259	1,113,003	147.24	197,515	
122. Central Hudson Gas & Electric Corporation	2,763,321	3,553,036	112.80	380,259	88,040
123. Edison Electric Illuminating Co., Boston	1,427,687	1,621,800	92.54	196,300	
124. Consolidated Gas, Electric Light & Power, Baltimore	6,000,912	4,813,876	101.65	638,073	249,810
125. Detroit Edison Co.	1,782,026	5,361,564	83.85	833,375	
126. Old Colony R. Co.	1,289,656	3,065,777	136.77	242,279	
127. Empire City Subway Co., Ltd.	1,921,068	1,725,432	177.328	177,328	
128. The Cleveland Railway Co.	1,960,638	1,860,112	96.82	264,147	16,463
				269,588	833,271

Public utility corporations which received dividends in excess of \$1,000,000 or whose net income exceeds \$1,000,000—Continued

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Income tax paid	Approximate tax under new Bill
129. The United Light Railways Co.....	\$610,713	\$2,786,357	\$2,175,644	\$1,949,336	89.40		\$62,169
130. Washington Railway & Electric Co.....	49,253	2,400,090	3,520,747				909,067
131. New England Power Association.....	2,549,670	7,789,721	5,270,051	4,702,816	89.58		149,969
132. North Boston Lighting Properties.....	334,894	2,005,462	1,704,568	1,704,894	115.93		
133. Massachusetts Utilities Associates.....	23,001	1,841,127	1,609,926	1,447,590	89.92		45,997
134. Eastern Utilities Associates.....	253,261	2,085,901	1,852,640	1,685,594	37.01		444,633
135. New England Gas & Electric Association.....	1,841,601	1,990,686	408,885	520,804	127.37		
136. Western Massachusetts Companies.....	572,634	2,379,193	1,806,529	1,687,052	108.33		
137. Northern States Power Co. (Delaware)		5,291,362	5,291,362	5,291,362	100		
138. Massachusetts Power & Light Association.....	66,914	2,287,510	2,220,596	504,327			943,753
139. Southern California Gas Corporation.....	255,058	3,642,182	3,377,129	6,095,863	15.08		1,181,995
140. Pacific Lighting Corporation.....	152,309	8,295,192	8,353,710	7,496,061	78.94		733,988
141. The United Corporation.....	633,915	10,091,823	9,457,288	8,998,698	111.76		598,967
142. The Commonwealth & Southern Corporation.....	783,678	7,130,177	6,346,499	7,041,000	109.54		
143. The Metropolitan Edison Corporation.....	1,308,080	1,045,120	1,818,078	1,580,000	32.18		491,700
144. New York Electric Co.....	1,298,387	3,047,465	1,141,036	1,580,000	138.47		
145. Associated Electric Co.....	378,964	14,256,556	13,358,589	6,402,081	51.67		2,291,168
146. Columbia Gas & Electric Corporation.....	897,757	1,316,021	519,410	875,378	70.64		229,739
147. North American Light & Power Co.....	706,151	1,364,027	296,421	618,375			59,003
148. Delaware Electric Power Co.....	488,640	2,316,221	1,913,652	1,749,023	89.88		51,522
149. The United Light & Power Co.....	2,006,810	4,113,111	2,116,046				91,810
150. Continental Gas & Electric Corporation.....	2,189,559	1,024,031					54,159
151. Commonwealth Subsidiary Corporation.....	4,377,085	6,524,716	2,219,468	715,169	32.22		106,306
152. Standard Gas & Electric Corporation.....	4,324,250	6,450,969	878,868				
153. Consolidated Electric & Gas Co.....	994,131	1,151,200	578,868	1,188,291	135.207		2,406,635
154. Toledo Light & Power Co.....	273,223	6,158,520	5,662,571				530,650
155. Empire Gas & Fuel Co.....	483,859	5,067,855	2,555,250	1,200,000	45.2276		135,427
156. Cities Service Power & Light Co.....	2,414,005	1,892,527	1,553,030	1,650,000	68.40		204,600
157. The Coalseced Co.....	31,427	2,118,558	772,303	250,000	32.41		587,456
158. Pennsylvania Electric Corporation.....	1,201,917	2,118,558	3,809,406				2,408,597
159. Philadelphia Electric Power Co.....	820,225	9,316,714	1,094,805	1,290,000	125.39		146,234
160. Philadelphia Co.....	3,707,368	3,943,680	2,324,696	2,413,518	82.52		694,025
161. United States & Foreign Securities Corporation.....	718,884	1,022,546	1,623,001				1,681,217
162. American Power & Light Co.....	30,089	1,685,680	3,565,805				419,180
163. Western Power Corporation.....	381,126	1,337,001	1,986,304				
164. The West Penn Electric Co.....	407,719	1,394,083	1,692,195	5,758,076	122.53		
165. Fair West Power Corporation.....	186,152	4,825,147	6,473,615	6,044,138	53.26		
166. Light Power Securities Corporation.....		7,177,511					
167. National Power & Light Co.....	1,257,806						

168. American Water Works & Electric Co., Inc.	1,242,103	4,313,352	3,071,249	2,512,900	81.82	163,708
169. The North American Co.	184,408	9,969,517	9,785,204	7,107,674	72.64	815,430
170. North American Edison Co.	2,847,815	9,085,033	6,237,218	6,272,960	100.57	1,756,870
171. Cities Service Co.	100,628	4,234,440	4,133,812	798,174	104.97	339,223
172. The Mohawk Valley Co.	843,514	1,641,688	30,220,328	31,758,172	75.15	3,118,896
173. The United Gas Improvement Co.	738,539	30,638,967	40,636,105	30,540,167	3.361	450,017
174. Consolidated Gas Co. of New York	2,572,933	43,659,138	40,816,741	2,250,001	23,809	8,065
175. West Penn Railway Co.	743,067	1,359,808	816,741	4,265,169	18,226	169,465
176. Massachusetts Gas Companies	757,620	2,538,173	1,730,653	2,250,001	115,337	864,261
177. Associated Gas & Electric Corporation	24,447	3,706,000	3,730,447	4,265,169	122,250	39,479
178. American Light & Traction Co.	173,154	5,963,110	6,136,624	4,678,832	22,118	29,408
179. Louisville Gas & Electric Co., Delaware	132,553	1,278,900	1,411,453	1,388,832	67,991	337,021
180. Eastern Gas & Fuel Associates	97,858	3,691,396	3,734,254	5,068,823	57,553	19,273
181. American District Telegraph Co.	341,905	1,219,552	1,584,457	952,415	60.413	126,868
182. United Gas Corporation	838,813	1,194,742	2,033,555	952,415	91.96	1,014,247
183. Mohawk Hudson Power Corporation	889,382	1,874,332	2,763,715	2,612,935	92.27	184,789
184. The Rhode Island Public Service Co.	160,855	2,412,535	2,573,290	2,470,077	58,923	550,550
185. Lone Star Gas Corporation	509,024	1,365,314	2,872,338	910,731	100.02	58,923
186. The American Gas Co.	439,369	1,813,302	2,248,631	2,172,496	128.98	66,451
187. Buffalo, Niagara & Eastern Power Corporation	377,601	5,224,620	5,350,480	5,104,314	92.27	50,644
188. Niagara Hudson Power Corporation	161,843	7,706,082	2,386,463	7,439,194	93.10	184,789
189. American Gas & Electric Co.	428,521	27,089,016	27,327,547	23,628,568	100.02	550,550
190. Public Service Corporation of New Jersey	48,321	3,426,361	3,442,882	3,443,580	2.272	58,923
191. The Connecticut Electric Service Co.	48,321	3,038,289	3,521,569	4,542,000	66.451	66,451
192. Union Electric Light & Power Co.	483,280	488,273,595	960,422,865	968,046,406	71,264,568	60,331,989
Recapitulation.....	563,600,870	488,273,595	960,422,865	968,046,406	71,264,568	60,331,989

Senator CONNALLY. What do they show?

Mr. RUSSELL. They show income tax actually paid \$71,000,000, and under the new bill \$60,000,000. A difference of \$11,000,000.

Senator LA FOLLETTE. Of these particular utilities?

Mr. RUSSELL. Yes.

Senator BARKLEY. How many of them are there?

Mr. RUSSELL. Seventy-one.

Senator COUZENS. They were put in the record at the beginning of the hearing.

Senator KING. Any others, Mr. Russell?

Mr. RUSSELL. I believe that is all.

Senator BLACK. Is that all you have obtained of the individuals?

Mr. RUSSELL. Yes.

Senator BLACK. Could you obtain the records for Mr. J. P. Morgan or some of his companies?

Mr. RUSSELL. We could have if we had had 4 or 5 days' time to do it.

Senator BLACK. I would like to make a request that information should be obtained of J. P. Morgan and Mr. Hobart Porter, of the American Waterworks Co., and Mr. Dale, of the American Waterworks. Chester Dale, I believe, is the name, of the American Waterworks. They also have several other companies which you can easily find out. I have them all in my office.

The CHAIRMAN. Let me ask all of these experts, and I want you to be perfectly frank and free with the committee. This committee wants the frankest and most candid kind of a statement. We are in executive session. We want you to, considering section 102 and the accumulation of surpluses, to tell us—is it possible for us to so change that law in any way as to make it applicable where we could get at these large surpluses at all and where it could be held up in court? As I understood the testimony that was presented to us, it was that recently, within the last 3 years, there have been something like 300 cases filed. I think that is the exact number here, Senator Couzens, in that letter.

Senator COUZENS. Mr. Helvering gave me a letter in response to my query, and if the committee will indulge me, I can read it [reading]:

Reference is made to your verbal request yesterday that I advise you concerning the number of cases handled under the provisions of section 104 of the Revenue Act of 1932 and section 102 of the Revenue Act of 1934. The records of the Bureau indicate that since February 2, 1932, 371 preliminary letters have been released, in which deficiency taxes in the total sum of \$59,555,877 have been proposed, and that during the same period 254 90-day letters, or letters of final determination, involving deficiencies of \$69,939,246.09, were made. Our statistics indicate that under the provisions of section 351 of the Revenue Act of 1934, 4,377 returns of personal holding companies were filed for the year 1934.

The CHAIRMAN. This section 102 does not apply merely to the holding companies. It applies to operating companies as well.

Mr. RUSSELL. That is right.

Senator HASTINGS. It appears, does it not—I think somebody from the Department so stated—that the section with respect to the holding companies, which is that later section 351, worked pretty well; in other words, it was rather difficult in the case of the personal holding companies to show that there was any particular need for much of a regulation.



Senator LA FOLLETTE. The point is that you have a tax device there.

Mr. PARKER. Section 351 does not require it to be shown that there is any attempt at all. If you have a company whose gross income comes from interest, dividends, capital gains, et cetera, and whose stock is held by five persons, counting as one person certain brothers and sisters, father and son, and so forth, then this tax falls if they do not distribute. Here they are allowed to keep 20 percent, I believe. After that, if they do not distribute, they have to pay this additional tax. There is no question of intent.

Section 102 has intent in it.

Senator HASTINGS. I understand. That section 351 works all right and is reasonably effective.

Mr. PARKER. I think so. We did not get so much tax out of it, but we got a distribution, I think, of \$155,000,000 in dividends from those companies. I do not know whether that is in Senator Couzens' letter.

The CHAIRMAN. That is merely a holding company. What I want to know is whether or not—

Senator HASTINGS (interposing). I just wanted to get it right. There is no particular necessity for changing that section.

The CHAIRMAN. What I want to know is whether there is any way in the world to amend section 102 so that it will be effective to get at these accumulated surpluses; and we want, frankly and candidly, the opinions of the experts on that.

Senator CONNALLY. May I supplement your question briefly?

The CHAIRMAN. Yes.

Senator CONNALLY. I make no pretension to being much of a lawyer, but I recognize in my own mind that you can never make an effective amendment of that section which depends upon the Government making proof as to the motive, because there will always be enough question there for them to litigate it, and the Government will spend a lot of money and maybe never get anything.

On the other hand, I think the most powerful weapon in the hands of any Government is the power to tax, and the reason that this section here which Mr. Parker has referred to, is effective, is that it is not conditioned upon any proof or anything of the kind, except the one when they show they have accumulated so much and have not paid out so much, the tax goes on automatically.

That is one reason that I am for putting a supertax on these undistributed profits. That is the only weapon you are ever going to use, and that is the same form of tax to force them either to distribute or to pay a graduated tax.

Mr. PARKER. That is, I think, the crux of the thing, the motive, in section 102.

Senator CONNALLY. Exactly.

Mr. PARKER. I believe, though, that section 102 can be improved even with motive, but it seems barely possible—from a preliminary discussion that Mr. Beaman and I were talking about—it seems barely possible eliminate motive if we strengthened section 102 with certain other provisions. For instance, one which is obvious, so that there will be some certainty in a corporation that section 102 won't apply, we can say that this shall not apply in the case of any company who distributes 70 percent or more of its net income in dividends, so

that if they distribute as much as 70 percent, that is one rather obvious thing. That could be done, because I do not think you could just come and have the Bureau look into every case. There would be no certainty on the part of the taxpayer. Everybody would be wondering whether the Government was going to claim an unreasonable distribution if they kept 10 percent back.

Then, of course, there are other things that are troublesome, too. Questions about whether the company has a deficit, and all of those things that we know of, of general application, will have to be considered in connection with the provision of section 102.

Senator CONNALLY. Is it not true that anything we do with respect to that section might be to make a generalization that is self-applicable in that measure, because if you put these factors in there that a corporation does this and it is exempt, or that, or the other, then make it necessary in every individual case to have a controversy before you get any money.

Mr. PARKER. The most obvious thing on generalization would be to say that 102 shall apply if there is an unreasonable accumulation of earnings and profits. Of course, that is pretty broad language. Great Britain, in connection with the holding company proposition—they have the word “reasonable” there. They have a board of all kinds of men, 100, in different businesses. They do not all sit, and they serve without salary; but if there is a controversy, these practical business men, three of them that know the business, get together and say, “Was that necessary accumulation or not?” Of course, that might be explored, although I think it is of rather doubtful merit here, because this is such a large country.

Senator COUZENS. May I not also inquire if this limitation of five different stockholders or five different interests is not easily avoided by an increase in the number, to get outside of the act?

Mr. PARKER. I do not think it is, Senator.

Senator COUZENS. It has been said to me that it is.

Mr. PARKER. It seems to me it is very difficult, because, you see we go to pretty extended lengths. We count as one person all of the brothers and sisters, and count all the children. We count everybody practically that is in a straight line of descent or ascent.

Senator COUZENS. And that is only counted as one person?

Mr. PARKER. That is only counted as one person. I think it is pretty effective. Because if a man gets out of that class of people, he loses control, and the one element of a personal holding company which is required is for the rich man to retain control of it either by himself or through his relations.

Senator BARKLEY. It has been suggested that section 102 be amended by changing the burden of proof to the taxpayer to show that he is not seeking to avoid taxes. That might relieve the Government of some difficulty in making the proof, but would it really meet the situation?

Mr. PARKER. I do not think it would be sufficient.

Senator BARKLEY. It would not be sufficient, because it would be easy for any company to prove if it wanted to fix up its records or books or make claims that this reserve was necessary, and it might be just as difficult for the Government to disprove that as it was in the original case to prove that the motive was there.

Mr. PARKER. That is true. If we did not have to prove this intent—

Senator BARKLEY (interposing). Whatever it is, it would seem ought to be automatic under certain conditions existing.

Mr. PARKER. Then it would be effective. It would be difficult to make it not too great an administrative burden. It would be a tremendous administrative burden without some cushions in section 102.

Senator CONNALLY. Whenever you get away from that section, don't you get right into this other bill? Whenever you get to saying 70 percent, then you get into this general bill, and the recognition of either a normal or supertax to accomplish what you are trying to do.

Mr. PARKER. You are getting into it to a great extent, Senator. The only difference would be, and it is also a big difference, that there would be perhaps more flexibility in that plan. I mean where there is a great variety as we have—

Senator CONNALLY (interposing). You increase the administrative difficulties whenever you get flexibility.

Mr. PARKER. Yes; I think it would be vastly more difficult to administer.

Senator HASTINGS. Mr. Chairman, I should like to have an opportunity—let me ask, do we meet this afternoon?

The CHAIRMAN. I do not know. I was just thinking that we might get some light by a discussion.

Senator HASTINGS. I would propose between this and our next session to consult with some of these experts and see what I can do toward revising section 102 and submitting it to the committee. I would like to try it.

The CHAIRMAN. I will say to you, Senator, that we have been working with these experts on this proposition for some time, trying to work out something. I know the general feeling is that we cannot strengthen section 102 to carry out the purpose of this legislation, but I want to state to the committee that there is a feeling in the committee that probably it could be done. The experts, generally, think that it cannot be done, as I judge from what Mr. Kent said the other day in his testimony. Other people in the country think it can be done. I just do not know and I thought we could have a candid discussion here on the proposition.

Senator LA FOLLETTE. What do you think about it, Mr. Beaman? You have given it a great deal of thought.

Mr. BEAMAN. I quite agree that the only hope of improving section 102 is to get rid of the necessity of proving motive. If you proceed along the line that Mr. Parker was suggesting, which I think is the most hopeful method of approach, to say that you are going to put this tax on any corporation where they permit their current earnings to remain undisturbed in excess of the reasonable needs of the business, that sounds at first blush hopeful, but when you come to examine it, you begin to have some doubts, because in the first place, if you left it just like that—I am more or less thinking out loud here—that would be void for uncertainty. Nobody would know what it is.

The moment you attempt to particularize and describe and make legislative declaration of what are the needs of the business, I am afraid you are right back to the very things that caused the real complexity of the House bill; in other words, I would divide the House

bill up into two parts. Section 13 that everybody is fussing about, which unquestionably is complicated but which unquestionably can be simplified along the lines of the draft that Mr. Oliphant presented here the other day which carried out a suggestion made by Mr. Parker and me and which could not be written that way in the House bill, because the Ways and Means Committee insisted on having it the way it is—that is what I call a surface complication. It is complicated, but it is not in the last essential anything more than a lot of laborious mathematical compilations which any intelligent corporation can do if they want to work hard enough at it.

But the real complexities of the House bill do not appear so much on the surface. They come from the necessity, due to the higher rates, of putting in the relief provisions or, as we call them, the cushion, and it is those cushions which cause the complexity.

One of those complexities, and the hardest one, is, what is accumulated earnings and profits? Two of those provisions depend upon the relation of something or other to the accumulated earnings and profits, which is a question that nobody knows what the law is on that subject. Much less what are the rules that you gentlemen should write in if you attempted to settle it, and which you could not possibly do without taking an inordinate amount of time, plus the fact that every time you examine one of those cushions, you find that it does grant relief in a case that would appeal to probably a majority of the committee as being just as entitled to relief as the one that it does apply to; but when you try to extend it further, every time you extend it further you run into a possibility of evasion; in other words, every time you rephrase it and put in a cushion, you create a lost of loop holed which you have got to plug up, and every plug takes another cushion, and so on ad infinitum.

It is the attempt to balance the prevention of tax evasion with the doing of justice that is the cause of the complication of the present law and all of its various ramifications.

Senator CONNALLY. Mr. Beaman, may I ask you right there. In using the word "reasonable" in our attempting or undertaking to amend this old section, would you not also run into the question of uncertainty and also into the legal question whether there is anything to it or not, whether your tax is uniform? One corporation would be taxed at one rate and another at some other rate.

Mr. BEAMAN. No; not if by hypothesis the word "reasonable" has a sufficiently definite meaning that you have uniformity.

Senator CONNALLY. For one corporation one thing would be reasonable, and for another corporation another thing would be reasonable.

Mr. BEAMAN. Not if the law had a definite meaning.

Senator CONNALLY. The rates would be different?

Mr. BEAMAN. No; I take it the rates would be the same. What is reasonable depends, naturally upon the circumstances of the corporation, and it seems to me if you attempt to define "reasonable" and "the reasonable needs of the business" the first question that would occur right off is, "What business"; is it the business you now have or an expansion of business, and if an expansion of business, how much?

Then you have to lay down rules as to what you mean by "business." I start out with a corporation with \$100,000, and when I

make \$6,000 clear profit the first year, if I am going to keep on business exactly the same way I started, I may be able to distribute almost all of that money. If, however, I am going to build up my business and expand, it may be that I cannot distribute any; and what is the test as to what is the business? Can you say you are going to have expansion, or are you going to have a percentage of expansion named in the law, and is that to be for a period of years, or is it to be an evasion? Or, can you say that the business can be expanded along the lines of the average representative concerns in the same business, or are you going to allow unlimited expansion of business requiring only proof that the money is obtained for a real bona-fide purpose and not in the hope that at some time or other you are going to expand?

When you have settled what you mean by "business" the question is, What are the needs of the business? If you say you are going to pay off debts, is that the reasonable need of the business, or comply with your contractual obligations and make up your deficits of past years, you are right into the question, obviously, that the corporation has a large accumulated surplus already and makes \$50,000 this year, then its needs, assuming you know what you mean by "business", its needs for that year, reasonable needs, are certainly less than those of a corporation that has not got any big surplus built up.

Then you get right into the question of what is earnings and profits.

In other words, the question of the past accumulations must, it seems to me, be a necessary part of the yardstick by which you measure the reasonableness of this year's retention.

And so with the case of deficits. You get into all of that highly difficult—not only difficult from the standpoint of administering and writing the law, but the exceedingly baffling and difficult questions of policy for you gentlemen to decide what is the right thing.

And for you gentlemen to make up your minds is still more difficult, and for you to write it into law is still more difficult, and the administering of it after it is written is still more difficult yet.

I am just thinking out loud here, but that, it seems to me, is the situation. Whatever could be done with the thing, it seems to me, is a matter of very close hard work on the part of your advisers, and the part of you gentlemen yourselves, for quite a while.

In other words, if you could just say "reasonable needs of the business", assuming it was constitutional and was sufficiently definite, even then you do not know what you are doing, because Heaven only knows what the Bureau and the courts would hold on it. If you attempt to define it, to make up your minds what you mean by it, you are in for a very long and arduous task.

Senator HASTINGS. Suppose you provided that if 60 percent of the income were withheld, Mr. Beaman, suppose it were provided in the law that if 60 percent of the annual income were withheld in the form of reserves by the corporation, that it becomes necessary for the return to be accompanied with a certified copy of a resolution of the board of directors showing the reason for withholding any such sums. If the Commissioner should not be satisfied with the explanation, the corporation should be notified and would be compelled to prove in person that such sum was reasonably necessary for its business.

Mr. BEAMAN. That, Senator, it seems to me—something like that might be helpful after you had answered in the law all the questions I have been discussing. That is just more or less of a mechanical

device that might be helpful after you had solved the main problems that I have been touching on. It still leaves the question of what are the reasonable needs of the business.

Senator CONNALLY. Would it not be simpler to declare arbitrarily that all dividends above a certain percentage that are retained, levy the tax and then make the exceptions?

Mr. BEAMAN. It is no different to say whether you tax everything but something, or you tax something. The essential probably is the same.

Senator CONNALLY. If you tax them all and then only allow the exemption to the companies that make the proof, you simplify it a good deal, because the tax is on him and he has to get out of that.

Senator KING. The courts have defined "reasonable" over and over again in tort cases and many others, although it is difficult. In a rule of conduct, a person must exercise reasonable diligence, and it is for the jury and sometimes for the court as a matter of law to determine. Sometimes the court will say as a matter of law that you did not exercise reasonable diligence. In some cases where it is conflicting, he leaves it to the jury to determine whether the course is reasonable. So that the courts have had to decide over and over again in a multitude of cases what "reasonable" was.

Senator BARKLEY. What may be reasonable depends on the case in every separate case. You cannot have a standard of reasonableness.

The CHAIRMAN. Mr. O'Brien, what do you think about it?

Mr. O'BRIEN. I agree heartily with what Mr. Beaman says about the complexities in determining what kind of relief you would grant in cases in which you are inquiring what the reasonable needs of the business were, and as I was talking to you this morning of the approach that Mr. Parker suggested, I thought, and I think Mr. Beaman thought, that there was something there worth pursuing for the purpose of study to see whether something could be done with it.

It seems to me that in that respect, without having put much time on it, there are two choices. Either you can say "reasonable needs of the business" subjecting yourself to the possible risk of its being voided for indefiniteness and throwing into the Bureau and the Board of Tax Appeals and the courts the problem of working out what the rule is in the number of cases which would be brought, or to sit down and try to work out the rule here.

I am not so hopeful about the possibility of working out the rule here, for the very reason which made the writing of the House bill both in terms of its actual draftsmanship and terms of the decisions which had to be made by the committee, so very, very difficult. The problems are substantially identical.

Do I make myself clear? There are two choices to work it out; either try to do it here and have the chance of the courts throwing it out; or having the Commissioner and the Board of Tax Appeals administer the law according to a generally worked out theory of what is right.

Senator COUZENS. Would you consider a reserve for carrying an organization through a depression period as a necessity of the business?

Mr. O'BRIEN. As a matter of law?

Senator COUZENS. Yes. Or else stated as a matter of policy.

Mr. O'BRIEN. I am not qualified to speak of a legislative policy.

Senator COUZENS. Is not that an element with which it is very difficult for either a court or a Commissioner or a Secretary of the Treasury, or whatnot, to determine? Whether the reservation of unearned profits kept in the treasury of the corporation for the purpose of depression years, whether that would be considered as a legitimate reserve for the needs of the business.

Mr. O'BRIEN. Let me give you the answer in two types of corporations.

Senator CONNALLY. Let me ask you one question there, and you can answer both at once. Suppose you have a corporation with a good income but owes a lot of debts. The question need not arise whether it is a wise thing and a sensible thing for the corporation to pay the debts, rather than to pay the money in dividends. Would that not all go to the rule of reason?

Mr. O'BRIEN. Let me answer Senator Couzen's question first, and then come to yours, Senator Connally.

It seems to me that this is true. Let us take two types of businesses. First you have the business of making machine tools, which you will remember, representatives of that industry appeared before the committee stating that they had a 10-year business cycle. Were I the Commissioner or the Board of Tax Appeals or the Supreme Court of the United States deciding on the reasonable needs of that business, I would say that there ought to be a greater opportunity for them to hold their earnings in their good years than in the case, let us say, of the department store, the turnover of which is very, very rapid. Do you see what I mean?

"Reasonable needs" is dependent upon the kind of business, and I should say that the machine-tool business, the reasonable needs of that business in a particular year were greater, let us say than in a department store.

In answer to Senator Connally's question, a lot would depend on what the terms of the indebtedness happened to be; as to whether it would be reasonable to hold back a particular amount for the purpose of paying them. I should say it would not be reasonable to hold back more than a fair amortization of the debt, more than a fair sinking fund requirement; but on the general question whether a business ought to be able to hold back earnings for the purpose of paying debts, I should say that is as much a need of the business as any other need.

Senator KING. You would have to go into each account, also, in determining the amount of the amortization and the requirements in any of the State laws where it requires certain conditions such as that you can not declare a dividend if you have money owing or a mortgage on your property.

Mr. O'BRIEN. My point is, you would have to determine the particular facts as to each particular type of business and work it out that way.

Senator KING. Is that not true with everything in life? You have to apply reasonable rules as to what the right should be in each particular state of facts?

Senator GEORGE. Is not the insuperable difficulty illustrated in the fact that many corporations have been built up and managed by men who were honestly trying to make them succeed; that they have gone

on the fact because they exercised bad judgment as to whether they should pay out this or that or pursue this policy or that?

Mr. O'BRIEN. There is certainly plenty of testimony before the committee to that effect.

Senator GEORGE. There is plenty of experience to that effect. Any one of us that has had any experience knows that that happened. You cannot help it; you cannot avoid it. Then, do you not come very near the whole problem here, whether you are going to have the legislative exercise of discretion and decision, or whether you are going to have the decision of the men who put their money and their lives into the enterprise? It seems to me we have to make one choice or the other.

The CHAIRMAN. Mr. Oliphant, what is your view on this proposition?

Mr. OLIPHANT. I wish I had the time to put my thoughts in better order on this important question as we have struggled with it down in the Treasury Department and the Bureau, and probably you had better discount some of the things I say because my approach to it is conservative. Probably that is a conservatism born of my training in common-law cases of the type to which I am going to refer in just a moment, because I do not agree that you would be without guidance if you decide to put into the statute the rule of reasonableness.

I would like to preface what I say by pointing out that this problem that we are facing involves this threshold of choice.

It is the terms and conditions and circumstance upon which earnings may go back into the business without having passed through the personal income-tax mill, because I find it helpful to keep in my mind all the time when I am thinking about these cases, the cases of a corporation which we hear are about to form, because we here are confronted with the fact that there are no funds available to us in forming that corporation except funds that have been through the full income tax surtax mill, so that the choice we are talking about is the choice between the situation or a special tax bonus, grant, subsidy or something in aid of these struggling corporations.

Now, as I see the problem, there are only three possible solutions. One solution is the adoption of some general standard. Whether that is the standard involving the question of intent or the standard involving the reasonable needs of the business. Another possibility is a multitude of detailed rules and prescriptions to be administered by an army of Bureau representatives, field men, or whatever you call them. And the third possibility is something along the lines of the House bill, which says it is not for the Government to say what the dividend policy of the corporation shall be, but we do say that you must not use the corporation to enable your stockholders to avoid their surtax burden.

Now, to come to that first possibility—

Senator CONNALLY (interposing). Mr. Oliphant, whenever you get out of section 102, don't you come right into the House bill?

Mr. OLIPHANT. No; I think there are three possibilities that I would like to point out. I say my thoughts are not in very good order, but I would like to point out that there are three possibilities; not two. I have a middle one there, namely, a mass of detailed rules laid down by Congress and/or prescribed by the Commissioner under proper delegation to him, and then administered by a tax agent



sitting at almost every businessman's desk. There are three possibilities.

Senator CLARK. And necessarily running his business.

Mr. OLIPHANT. Well, seeing how it is run.

There are three of those possibilities, and if we are struggling to get a clear picture, we have to look at those three possibilities, and I should like if I do not take up too much time, to address myself to them in that order.

When you come to the question of adopting a general standard, it seems to be agreed that any standard which involves intent won't work. So that the suggestion has been made that we can make it objective by putting in the rule the reasonable needs of the business.

Now, as I say, if you adopted that rule, you are not without guidance in the cases. The cases which the court and the Board of Tax Appeals and the lawyers representing taxpayers and we in the Bureau will immediately turn to is a large mass of cases in the books dealing with the rights of a stockholder to compel directors to declare dividends, and there are lots of them, and I want to talk about those cases, because it just happens, fortunately, that a few years ago I looked at all of them. I had a bunch of men get them all together.

We found in the books and we all learned it in law school and used it in our practice, that the stockholder who is being frozen out, the minority stockholder who was being frozen out and starved out, was entitled to his dividend if the directors were engaged in retaining an unreasonable—there is no intent involved, you see—an unreasonable amount of the earnings.

So I approached the study of these cases, and I had in mind following a general hobby of mine, and I planned to see if there is any difference between the law in the books on that proposition and the law in action.

Senator KING. You might mention the Sherman antitrust law—unreasonable restraint of trade—if you do not mind my interrupting you.

Mr. OLIPHANT. I appreciate that interruption, because you mentioned a moment ago that this standard of conduct, "reasonable", is used in many places in the law; in the whole law of negligence and in—well, we do not need to go over those—including the Sherman antitrust law; but I went at once to the body of cases to which the courts I know will turn, and I know that if I have a tax case to argue on one side or the other, that I will turn, and I went to the books, and we do not have to speculate about these more remote cases.

This is what we found. That those opinions in all of those cases coming from all the States in the Union, uniformly repeated the rule in passing on this bill in equity to compel the directors to declare a dividend, uniformly repeated the rule that the stockholder was entitled to that dividend which the directors were unreasonably—in view of all the situations and the needs of the business—were unreasonable in not declaring in a dividend.

Then I said to the boys: "Now, disregard what the cases have said; go through all of the opinions and add up to me what the results were."

And I will tell you what the results are. In action, there is no such rule, and for good social reasons, and I am coming now to why I am

conservative about this. In the early part of the opinion, the courts after paying their respects to that rule, in the overwhelming mass of the cases said, "But we, sitting here, cannot substitute our judgment for the judgment of the men who have given their fortunes and their lives in this business."

What was back in their minds in that situation? They knew that if they did—the courts knew that if they attempted to apply any other standard, they had to send masters in chancery into every one of those businesses and make a detailed audit and determine whether or not there was an unreasonable exercise of business judgment.

And that brings me then, don't you see, to this second possibility. We could, I think, with enough ingenuity, sit down and put into a statute or write into commission regulations enough detailed rules that if it is this, it is this; and if it is this, it is this; and I have no confidence in this shifting of the burden of proof at all, because it is easily overcome anyway, and after all, the fundamental question in all of these cases is not who put the stuff in, but what is the record when it comes before the Board of Tax Appeals or before the courts—there is no hope in that—but I say, there is enough ingenuity in this town to sit down and write all of those rules.

But the moment we do it, we are under oath bound to go out and enforce them, and we would have to put a revenue agent practically at the desk of every business executive in this country, and I am opposed to it.

What is the alternative? The alternative is for the Government to keep its hands off and to say "I don't know how it is going to be worked out. It is for the business executives to see what dividends should be paid."

But that is not the only consideration involved. We have to have a tax system and to raise revenues and the hopeful source from which to raise them is business profits. We say "You operate the corporation to determine the business policy, but do not use the corporation to enable your stockholders to avoid surtaxes."

So I come to your position as I understand it, Senator Connally, that the wise thing to do, the conservative thing to do if we want to get at this six hundred-and-some millions is to say that this is the alternative: Either distribute it so that the individual pays the income tax or pay an equivalent amount in the form of a corporation tax.

Senator CONNALLY. Since you refer to me, may I just suggest this?

Mr. OLIPHANT. May I withdraw that reference?

Senator CONNALLY. Oh, no; I am very glad to have it. I like to get in the record. But as I see, the weak point—I think you have presented this very admirably—you have made your views very clear, much more clear than we got the other day.

Mr. OLIPHANT. I thank you.

Senator CONNALLY. I think you have stated it very clearly, but here is to my mind the weak place in your case. You say when we argue about these matters, you say they do not matter, but on the whole, on the aggregate, on the average, the Government gets the same amount of money. If that is your only objective, there are a lot of ways that we can get it without the House bill. But the House bill, while it does that, it seems to me it somewhat ignores the inequities that necessarily arise between two different corporations or two different industries or two different plants in the application of this

rule. When we are all through, we get the authority and get the money but the other considerations—I do not think you can ever levy a tax without taking into consideration the incidence of the tax, the economic incidence, and that is what is worrying me. If you just want \$620,000,000, if that is your only objective, just to get it on the total, the average or the aggregate, we could raise the flat rate and completely ignore dividends, or we could blend it by having a certain flat rate and a supertax, or we could raise more revenues from individual taxpayers.

Mr. OLIPHANT. I am sure that you do not think that that is my position, that we can secure this money and ignore all of these hardships.

Senator CONNALLY. No. But when you argue with these Treasury experts, they say that that is true, but on the whole, on the aggregate, you get the sum of \$620,000,000.

Mr. OLIPHANT. It is true that I have not taken occasion or had the opportunity fully to say all that I might say on that question of hardships. It is a question that Senator Bailey pressed me with when I was down here before and I did not have an opportunity to get around to discuss.

The other point that you raise is the point, it seems to me, as to the dependability of the Treasury's estimates, that is, would this tax produce this revenue? On that I would not be the person to discuss the thing. What I was addressing myself to at the moment was the problem, in response to the chairman's question, can you modify section 102 and get after these people satisfactorily?

Senator CONNALLY. I agree with you. I think it is either 102 or some principle similar to that in the House bill. I think section 102 is worthless.

Mr. OLIPHANT. Unless you want to go in for my third thesis.

Senator CONNALLY. That is too fantastic. Nobody would stand for that, with your revenue man in every business office in the country.

Mr. OLIPHANT. There has been a good deal of talk, you know, about who is conservative on this, and who has wild ideas, and who wants to interfere with business and all that sort of thing. I welcome an opportunity for a little analysis of what real conservatism is in this picture.

The CHAIRMAN. Are there any other questions?

Senator COUZENS. Are you going to sit this afternoon, Mr. Chairman?

The CHAIRMAN. I am very anxious to get this to some kind of a head.

Senator CONNALLY. I submitted to the Treasury the other day some schedules that I would like to have the estimates on. Are they here this morning?

Mr. SELTZER. Yes; I have them.

Senator CONNALLY. I think these should be read before the committee. I had a list, but I misplaced it.

The CHAIRMAN. Have you the estimates I asked for?

Mr. SELTZER. We have worked on them but we have not completed them.

Senator CONNALLY. Before we recess, I would like to call the attention of the committee to a matter.

Senator BARKLEY. Mr. Chairman, I would like to make a statement. In making up these estimates called for by the committee and different people, it would be just as easy to make several copies. These things are handed to the Senator who makes the request and they go into the record and we have no chance to see them or study them until the hearings are printed. I do not know when that will be. It may not be printed at all because this is confidential. If there is some way for the rest of us to get the benefit of these requests, I would like to do it.

Senator CONNALLY. I will be glad if everybody were to have copies; I have no objection. I will make them in my office.

Senator COUZENS. Read them into the record.

Senator CONNALLY. I first submitted to the Treasury the following proposal: Impose 15 percent flat tax on statutory net income. Define adjusted net income as the statutory net income less corporation income taxes plus 90 percent of the intercorporate dividends received.

Let me say right there that I do not see any reason why we should not tax these intercorporate dividends, the whole 100 percent. Is there any sound reason for that, instead of 90 percent?

Mr. KENT. Of course, if you did that, under the flat rate, on a flat rate of 15 percent, Senator, if you had six corporations in a chain, the entire amount would be practically absorbed in taxation.

Senator CONNALLY. Now you only use 90 percent of the intercorporate.

Mr. KENT. You see, you include under the present law 10 percent of the intercorporate dividend in the net income of the corporation. That has the effect of taxing 100 percent of the intercorporate dividends at a 1.5-percent rate.

Senator CONNALLY. I did not understand that.

Mr. KENT. Yes.

Senator CONNALLY. Now, Mr. Chairman, the next bracket was 10 percent of the amount undistributed on the second 20 percent; in other words, give them 20 percent after that payment of tax free.

The CHAIRMAN. Retain 20 percent of their earnings.

Senator CONNALLY. It really only amounts to 17 percent, because you are taking out the Federal tax first.

The CHAIRMAN. I understand.

Senator CONNALLY. That would be free. The second 20 percent, 10; the third, 13; the fourth, 16; the fifth, 20. Then remove the exemptions from dividends; normal. The Treasury estimated that that would produce an increase of \$499,000,000, but this morning they tell me that they have to revise that—upward or downward?

Mr. SELTZER. Downward.

Senator CONNALLY. Why?

The CHAIRMAN. You need not take this, Mr. Reporter.

(Off the record.)

Senator CONNALLY. This proposal comes to \$637,000,000. That is more than the House bill.

The CHAIRMAN. How much is your first retention? Twenty percent?

Senator CONNALLY. Twenty percent.

The CHAIRMAN. On that additional tax?

Senator CONNALLY. Yes.

The CHAIRMAN. The penalty starts then from 20 percent to what? Senator CONNALLY. The second is 20 percent; the third 20 is 45; and the fourth 20, 32; and the fifth, 40. And if they keep over 80 percent, they pay 40. That includes the repeal of the capital stock and excess profits tax. If we did not repeal the capital stock taxes, we would get about how much more?

Mr. SELTZER. I would not want to extemporize there.

Senator CONNALLY. How much did you figure that up to?

Mr. SELTZER. I have not got the figures right here.

Senator CONNALLY. That is \$637,000,000. Those same rates with a 16-percent flat tax instead of 15 percent, produce \$690,000,000 additional revenue. I wanted the committee to have that over the week-end.

Senator BARKLEY. What probable discounts would you have to make on those figures?

Senator LA FOLLETTE. Those have been discounted.

Senator CONNALLY. And both of them repeal the capital stock and excess profits. If we kept the capital stock tax, I think this first set of rates together with the capital stock tax—there are about \$163,000,000 in capital stock and excess profits?

Mr. SELTZER. That is not a net addition, because if you impose that capital stock and excess profits tax—

Senator CONNALLY (interposing). It takes a little bit off the income?

Mr. SELTZER. Yes.

Senator CONNALLY. That is very small.

Mr. SELTZER. It is not so small.

Senator CONNALLY. With the retention of the capital stock, you could keep this first set of rates and get the money.

Senator HASTINGS. Mr. Chairman, I would like before we take a recess to call attention to this section 102 and to call attention of the committee how it could be improved. In the first place, the provision—

if such a corporation however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its shareholders or the shareholders of any other corporation, through the medium of permitting gains and profits to accumulate instead of being divided or distributed, a surtax equal to the sum of the following shall be imposed.

Here is already a provision in here about prima facie evidence. But let us see what the prima facie evidence is:

The fact that any corporation is a mere holding or investment company, or that the gains or profits are permitted to accumulate beyond reasonable needs of the business, shall be prima facie evidence of a purpose to avoid surtax.

It does not say that it shall be evidence that they are doing this thing for the purpose of avoiding tax but "it shall be prima facie evidence of the purpose to avoid surtax."

In other words, they have to do more than to show, as has been suggested here, that they are withholding it for the reasonable needs of the business. That only makes a prima facie case against the corporation. If you put in the law that the act shall apply if they do actually withhold an unusual amount beyond the reasonable needs of the business, that of itself would greatly strengthen this act, and I am quite certain also that the cases which Mr. Oliphant referred to—I am not disputing his conclusions about them—I know

that too. I know that it is almost impossible for a minority stockholder to get that relief, as those cases report.

But my own judgment is that this situation is not comparable to that, and that those cases will not apply in a case like this. I shall try to prepare a little memorandum on it before the committee meets again.

Senator BARKLEY. The suggestion made by Senator Hastings in effect only shifts the burden. It is easy always to overcome a prima-facie case by proof that is only within the possession of the company.

Senator HASTINGS. Yes; but, Senator, the point I make is this: You have to prove more than that here. You have to prove more than the mere fact that they do not need it in business. We could improve it by merely stating in here that if it be shown—cut out the prima-facie end of it if you want to—but if it be shown that it is not a reasonable amount for the needs of the business, that in itself improves it. This law as it now stands is not even that strong.

Senator BARKLEY. You will improve it greatly, but you do not get to the heart of this.

Senator HASTINGS. I agree with you that you cannot get at the heart of it like this other situation.

The CHAIRMAN. Suppose we meet at 2:30 this afternoon.

(Whereupon, at 12:30 p. m., a recess was taken until 2:30 p. m. of the same day.)