

[CONFIDENTIAL]

REVENUE ACT, 1936

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

PART 8

MAY 21, 1936

Printed for the use of the Committee on Finance

UNREVISED



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1936

COMMITTEE ON FINANCE

PAT HARRISON, Mississippi, *Chairman*

WILLIAM H. KING, Utah.

WALTER F. GEORGE, Georgia

DAVID I. WALSH, Massachusetts

ALBEN W. BARKLEY, Kentucky

TOM CONNALLY, Texas

THOMAS P. GORE, Oklahoma

EDWARD P. COSTIGAN, Colorado

JOSIAH W. BAILEY, North Carolina

BENNETT CHAMP CLARK, Missouri

HARRY FLOOD BYRD, Virginia

AUGUSTINE LONERGAN, Connecticut

HUGO L. BLACK, Alabama

PETER G. GERRY, Rhode Island

JOSEPH F. GUFFEY, Pennsylvania

JAMES COUZENS, Michigan

HENRY W. KEYES, New Hampshire

ROBERT M. LA FOLLETTE, Jr., Wisconsin

JESSE H. METCALF, Rhode Island

DANIEL O. HASTINGS, Delaware

ARTHUR CAPPER, Kansas

FELTON M. JOHNSTON, *Clerk*

REVENUE ACT, 1936

THURSDAY, MAY 21, 1936

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

EXECUTIVE SESSION

The committee met in executive session, pursuant to adjournment, at 10:25 a. m., in the committee room, Senate Office Building, Senator Pat Harrison presiding.

Present: Senators Harrison (chairman), King, George, Barkley, Connally, Bailey, Byrd, Clark, Black, Gerry, Couzens, Hastings, Keyes, La Follette, Guffey, and Lonergan.

Also present: L. H. Parker, Chief of Staff, Joint Committee on Internal Revenue Taxation, and members of his staff; Middleton Beaman, Legislative Counsel, House of Representatives; Charles T. Russell, Deputy Commissioner of Internal Revenue; Arthur H. Kent, Acting Chief Counsel, Bureau of Internal Revenue.

The CHAIRMAN. The committee will come to order. I did not hear the discussion yesterday on the last proposal that was made, that upon which Senator George asked for estimates. I believe they were numbered C1 and C2.

However, before we go into that, Mr. Russell is here with some additional information.

Mr. RUSSELL. First, I have the information which Senator Black requested on some particular packing companies.

The CHAIRMAN. I think we had better wait with those until Senator Black arrives.

Mr. RUSSELL. We had a letter which requested that we furnish some of the companies which were a part of the affiliated groups. That was in Senator Byrd's list. I have the companies in detail here, and I have a summary also of those affiliated groups.

Referring to what is known as Committee Schedule No. 2, that was the list of corporations paying 75 percent or more dividends and showing a tax reduction of 50 percent or more.

On that schedule was the Goodyear Investment Co., numbered 179 on the schedule. It was a member of the affiliated group of the Goodyear Tire & Rubber Company. It is on the schedule there as group 4.

The affiliated group paid \$360,371 under the 1934 Act, and under the 1936 Act, the affiliated group would have paid \$774,344.

The next was International Harvester Corporation, which is listed on schedule no. 2 as company no. 60 and is a member of the affiliated group 5 on the schedules you now have.

Schedule no. 2 showed the separate corporations paid \$174,644 under the 1934 act, and it showed no tax under the new 1936 pro-

posed act, whereas the affiliated group paid \$4,623,188 under the 1934 act, and under the proposed 1936 act the affiliated group would have paid \$10,903,510.

Senator COUZENS. That payment would have been made by individual returns because of the inability to file consolidated returns?

Mr. RUSSELL. Yes, sir.

Senator GERRY. Will you give me the figures there again of the International Harvester Co.?

Mr. RUSSELL. The individual company paid \$174,644 under the 1934 act. Schedule no. 2 shows that it would not pay any tax as a separate company. However, the affiliated group of which it was a member did pay \$4,623,188 under the 1934 act, and under the proposed 1936 act would have paid \$10,903,510.

Senator BYRD. That is assuming, of course, that the same distribution would exist in the future that did in 1934? That is 1934 figures on that item?

Mr. RUSSELL. Yes, sir; that is applying the 1934 figures.

Senator BYRD. Of course, in order to get an accurate picture, you would have to go back to the surplus of these different companies to see whether they could afford in the future to pay out their earnings in dividends or not.

The CHAIRMAN. Proceed, Mr. Russell.

Senator BYRD. Just a moment, Mr. Chairman. These figures, while they are illuminating, would have to go back to each individual company to see whether that particular company has a sufficient surplus whereby it can pay out its earnings in the future, and under the House bill avoid the payment of taxes. I asked Mr. Russell to get the surpluses of these different companies in connection with this information.

Mr. RUSSELL. It is almost impossible to get these surpluses within any reasonable time, because they had hidden reserves and surplus reserves.

Senator BYRD. It is unquestionably a fact that a company with a large liquid surplus is in a better position to pay out dividends than one that is not in that position?

Mr. RUSSELL. Yes, sir.

Senator BYRD. So that I think we have to go back and get these surpluses.

Senator COUZENS. I do not see that that would do much good. The conditions change from year to year, and you can not reach any accurate information. I think this is a useful thing to have those figures.

Mr. RUSSELL. Not as a matter of fact but as a matter of personal observation, but I would say as to whether a surplus would permit the payment of dividends would depend upon how liquid the surplus was.

Senator BYRD. I agree with you. That has to be a part of this information in order to form any accurate picture of it.

Senator CONNALLY. Would it not be an interminable job to try and analyze these thousands of corporations?

Mr. RUSSELL. We would need 6 months or more to put that in.

The CHAIRMAN. Why can we not put it in the record? If there is some question to be asked about it, all right.

Senator KING. I would like to ask one question. In the 13-year period from 1921 to 1933, the corporations paid out total dividends

of \$50,700,000,000 when their total net income for the entire period was only \$41,000,000,000.

Mr. RUSSELL. I have not those figures, but it is hard to believe. Are those actual dividends or some stock dividends?

Senator KING. I will say frankly that this is from the New York Times editorial. This need not go on the record.

(Discussion off the record.)

Senator KING. \$50,700,000,000 they paid out in dividends during those years, but their net total income was \$41,000,000,000.

Mr. RUSSELL. I have dividend payments here of the earnings from 1926 to 1933.

Senator WALSH. What is their average per year?

Mr. RUSSELL. I do not have it averaged.

Senator WALSH. What is the total?

Mr. RUSSELL. I do not have it totalled. I have it by separate years.

Senator KING. The net earnings?

Mr. RUSSELL. The net earnings and the dividends paid.

In 1926, the net earnings were \$11,314,000,000 plus and the cash dividends paid were \$5,530,000,000.

In 1927, the net earnings were \$10,694,000,000; cash dividends paid were \$5,785,000,000.

In 1928 the net earnings were \$12,700,000,000 plus, and the cash dividends paid were \$6,585,000,000.

In 1929 the net earnings were \$14,273,000,000; the cash dividends paid were \$7,841,000,000.

In 1930 the net earnings were \$8,542,000,000 plus; the cash dividends paid were \$6,841,000,000 plus.

In 1931 the net earnings were \$4,751,000,000, and cash dividends paid were \$3,871,000,000.

In 1932 the net earnings were \$2,737,000,000 plus, and cash dividends paid were \$2,320,000,000.

In 1933 the net income was \$3,580,000,000, and cash dividends paid were \$2,385,000,000.

Senator COUZENS. In every year there were less dividends than earnings?

Mr. RUSSELL. Yes, sir; and every year there were less dividends than earnings.

Senator BYRD. Just for the purpose of the record, Mr. Russell, I want to get this clear. You take any one of these companies that received dividends from other companies and if those dividends are not distributed under the proposed House bill, you show where the tax will be increased. If the subsidiary which now pays a 15-percent tax distributes its entire earnings, have you got a credit on that?

Mr. RUSSELL. We just computed they would pay as separate companies.

Senator BYRD. Then there will be a loss to the Government?

Mr. RUSSELL. On those that distribute in full?

Senator BYRD. Yes.

Mr. RUSSELL. Yes, sir.

Senator BYRD. In order to get a full picture, we ought to have that.

Mr. RUSSELL. I think that will show that. There are a lot of companies there that made full distribution, included in these groups.

(Discussion off the record.)

Senator LA FOLLETTE. Those will all be printed in the record, including the schedules, will they not, Mr. Chairman, so that we can all refer to them if we want to?

Senator KING (acting chairman). That is my understanding. Now, what are your desires, Senator?

Mr. BYRD. I have no desires one way or the other.

Senator KING. Do any of the Senators desire it?

Senator LA FOLLETTE. I desire to have it printed in the record.

Senator KING. That is what I was asking.

Senator LA FOLLETTE. Yes, certainly.

Senator BYRD. I presumed that they would be printed in the record.

Mr. RUSSELL. Shall I read them all or just turn them over to the chairman?

Senator LA FOLLETTE. I presume you may just turn them over to the chairman.

Senator KING. Just give them to the secretary; leave them on the chairman's desk.

(The data supplied by Mr. Russell is as follows:)

RECAPITULATION

Partial list of corporations, showing a tax reduction under House bill 12395, placed in the Senate Finance Committee record by Senator Byrd and which are a part of affiliated groups

Name of separate corporation	Number on committee, schedule 2	Affiliated group (number)	Separate corporation		Affiliated group		Parent company	
			Tax paid, 1934 act	Approximate tax, 1936 act	Tax paid, 1934 act	Approximate tax, 1936 act		
Goodyear Investment Corporation.....	179	4	\$283,333		\$360,371	\$774,344	Goodyear Tire & Rubber Co. International Harvester Co.	
International Harvester Corporation of America.....	60	5	174,644		4,623,188	10,903,510		
National Aniline & Chemical Co., Inc.....	50	7	259,146	}	2,442,721	3,397,204	Allied-Chemical & Dye Corporation.	
Allied Chemical & Dye Corporation.....	178	7	226,238					
Samet Solvay Co.....	202	7	221,459					
Total.....			706,843		2,442,721	3,397,204		
Standard Oil Co. of Brazil.....	63	13	167,298	}	4,969,294	29,241,180	Standard Oil Co., New Jersey.	
Hope Natural Gas Co.....	96	13	163,525					
Lago Petroleum Corporation.....	112	13	1,131,375					
Carter Oil Co.....	113	13	207,888					
Total.....			1,670,086		4,969,294	29,241,180		
Standard Oil Co. of New York, Inc.....	57	14	601,249	}	2,898,704	4,309,816	Socony-Vacuum Oil Co., Inc.	
Magnolia Petroleum Co.....	58	14	368,334					
Magnolia Pipe Line Co.....	100	14	985,829					
General Pipe Line Co. of California.....	190	14	142,907					
Total.....			2,098,319		2,898,704	4,309,816		
Wisconsin Telephone Co.....	18	15	163,215	}	\$106,943	14,365,303	5,482,776	American Telephone & Telegraph Co.
American Telephone & Telegraph Co.....	20	15	351,638					
The Bell Telephone Co. of Pennsylvania.....	21	15	1,215,968					
New York Telephone Co.....	22	15	4,547,600					
Southwestern Bell Telephone Co.....	23	15	1,962,384					
New Jersey Bell Telephone Co.....	25	15	803,014					
Chesapeake & Potomac Telephone Co.....	247	15	142,567					
Total.....			9,186,626					
Air Reduction Co., Inc.....	51	16	394,970		568,000	444,730	Air Reduction Co., Inc. United Fruit Co. Standard Oil Co. of California.	
United Fruit Co.....	116	17	1,034,237		1,412,738	1,159,380		
Standard Oil Co. of California.....	55	18	526,788		706,611	189,239		

REVENUE ACT, 1936

Partial list of corporations, showing a tax reduction under House bill 12395, placed in the Senate Finance Committee record by Senator Byrd and which are a part of affiliated groups—Continued

Name of separate corporation	Number on committee, schedule 2	Affiliated group (number)	Separate corporation		Affiliated group		Parent company
			Tax paid, 1934 act	Approximate tax, 1936 act	Tax paid, 1934 act	Approximate tax, 1936 act	
The Great Atlantic & Pacific Tea Co. (New Jersey).....	69	19	\$1,303,662		\$2,544,144	\$1,756,323	The Great Atlantic & Pacific Tea Co. of America.
The Great Atlantic & Pacific Tea Co. of America.....	175	19	204,578				
Total.....			1,508,240		2,544,144	1,756,323	
Grand total.....			17,584,086	\$106,943	34,891,072	57,658,502	

Further partial list of corporations showing a tax reduction under House bill 12395, placed in the Senate Finance Committee record as schedule 2, and which are part of affiliated groups

Name of separate corporation	Number on committee, schedule 2	Affiliated group (number)	Separate corporation		Affiliated group		Parent company
			Tax paid, 1934 act	Approximate tax, 1936 act	Tax paid, 1934 act	Approximate tax, 1936 act	
Eastman Kodak Co. of New York.....	251	1	\$2,185,313	\$903,318	\$2,504,221	\$2,713,182	Eastman Kodak Co. United States Smelting, Refining & Mining Co. Standard Oil Co. (Indiana).
United States Smelting, Refining & Mining Co.....	87	3	880,560	129,299	967,304	397,417	
Standard Pipe Line Co.....	183	6	1,459,103	742,816	1,510,797	890,991	
Maxwell House Products Co., Inc.....	5	8	209,619	166,171	2,087,582	1,950,538	General Foods Corporation.
The Jello Co., Inc.....	6	8	166,488	16,951			
Postum Co., Inc.....	7	8	583,025	267,131			
General Foods Sales Co., Inc.....	62	8	283,578	76,308			
Total.....			1,242,708	526,561	2,087,582	1,950,538	The Ohio Oil Co. The Firestone Tire & Rubber Co.
The Illinois Pipe Line Co.....	184	9	264,433	32,693	273,143	32,693	
The Firestone Tire & Rubber Co.....	134	12	539,229	41,097	540,433	41,968	
Grand total.....			6,671,346	2,375,784	7,883,480	6,016,789	

Corporation income-tax returns for 1934 for a group of concerns which were included in a consolidated income-tax return for 1933, showing statutory net income, dividends received, adjusted statutory net income, dividends paid, percentage of dividends paid to adjusted statutory net income, tax paid, and approximate amount of tax payable under the revenue bill of 1936

PARENT COMPANY—EASTMAN KODAK CO.

Number on sched-ule 2	Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Tax paid	Approximate amount of tax payable under revenue bill of 1936	Percent of tax proposed, 1936 act	Percent of tax increase (+) or decrease (-)	
	GROUP A-I										
251	Eastman Kodak Co.	\$238,800	\$14,126,914	\$14,365,714	\$10,499,086	73.08	\$32,835	\$1,192,354	8.3	+3,531	
	Eastman Kodak Co. of New York	15,893,184	1,150,560	17,043,744	14,000,000	82.14	2,185,313	903,318	5.3	-58.7	
	Crystal Gelatine Co.	4,503		4,503			619	1,337	29.7	+116	
	Eastman Gelatine Corporation	55,014		55,014			7,564	23,381	42.5	+209	
	Eastman Kodak Stores, Inc., Massachusetts	34,284		34,284	41,340	120.58	4,714			-100	
	Eastman Kodak Stores, Inc., Ohio	5,890		5,890			810	1,749	39.7	+116	
	Eastman Kodak Stores, Inc., New York	36,998		37,998	35,000	94.6	5,087	233	.9	-83.5	
	Eastman Kodak Stores, Inc., Texas	26,868		26,868			4,037	9,404	35	+132.9	
	Eastman Kodak Stores, Inc., Michigan	2,934		2,934			403	871	29.7	+116	
	Eastman Kodak Stores, Inc., California	30,585		30,585			4,205	10,705	35	+155	
	Eastman Kodak Stores, Inc., Minnesota	21,484		21,484			2,954	7,519	35	+154.5	
	Eastman Kodak Stores, Inc., New Jersey	11,227		11,227			1,544	3,929	35	+154.5	
	Eastman Kodak Stores, Inc., New York	7,060		7,060			971	2,097	29.7	+116	
	Eastman Kodak Stores, Inc., Pennsylvania	35,498		35,498			5,906	12,424	35	+110.3	
	Eastman Kodak Stores, Inc., Missouri	11,082		11,082							
	Eastman Kodak Stores, Inc., Washington	19,199		19,199			3,100	6,720	35	+117	
	Eastman Teaching Films, Inc.	127,278		127,278							
Enterprise Corporation	345,981		345,981	719,657	208 1/4	47,572				-100	
Kodak Argentina, Ltd.	6,042		6,042			1,263	1,794	29.7	-42		
Kodak Brasileira, Ltd.	29,798		29,798			4,096	10,426	35	+154.5		
Kodak Chilena, Ltd.	6,051		6,051			832	1,797	29.7	+116		
Kodak Cubana, Ltd.	11,800		11,800			1,622	4,130	35	+154.6		
Kodak Hawaii, Ltd.	14,059		14,059			2,136	4,921	35	+130.3		

1 Loss.

REVENUE ACT, 1936

Corporation income-tax returns for 1934 for a group of concerns which were included in a consolidated income-tax return for 1933, showing statutory net income, dividends received, adjusted statutory net income, dividends paid, percentage of dividends paid to adjusted statutory net income, tax paid, and approximate amount of tax payable under the revenue bill of 1936—Continued

60

PARENT COMPANY—EASTMAN KODAK CO.—Continued

Number on schedule 2	Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Tax paid	Approximate amount of tax payable under revenue bill of 1936	Percent of tax proposed, 1936 act	Percent of tax increase (+) or decrease (-)
	Kodak Japan, Ltd.	113,756		113,756			17,580	48,346	42.5	+175
	Kodak Mexicana, Ltd.	51,442		51,442			8,645	21,863	42.5	+152.9
	Kodak Peruana, Ltd.	4,518		4,518			621	1,342	29.7	+116
	Kodak Philippines, Ltd.	43,782		43,782			7,209	18,607	42.5	+158
	Pawn Corporation	1,790		1,790			248	532	29.7	+116
	Recordak Corporation	1,955		1,955			269	581	29.7	+116
	Recordak Service, Inc.	11,115		11,115			1,528	3,890	35	+154.6
	Taprell Loomis & Co.	109,394		109,394	413,100	377.63	15,042			-100
	Tennessee Eastman Corporation	985,440		985,440			135,498	418,812	42.5	+209.1
	Total	18,022,081	15,277,474	33,299,555	25,708,183		2,504,221	2,713,182	8.15	+9.34

PARENT COMPANY—U. S. SMELTING, REFINING & MINING CO.

GROUP A-3										
87	U. S. Smelting, Refining & Mining Co.	\$6,404,075	\$60,873	\$6,464,948	\$6,000,131	92.82	\$880,560	\$129,299	2	-85.31
	Blackwell Corporation	131		131						
	Eagle & Blue Ball Mining Co.	4,052		4,052						
	King Coal Co.	150		150						
	Montana Bingham Consolidated Mining Co.	12,246		12,246						
	Moonlight Water Co.	2,202		2,202						
	Price Reservoir & Irrigation Co.	125		125						
	Sampete Valley Coal Co.	12		12						
	United States Fuel Sales Agency	5,300		5,300						
	U. S. S. Lead Refinery, Inc.	45,254		45,254			6,223	19,233	42.5	+209.11
	Western Fuel Co.	15,995		15,995						
	White Knob Mining Co.	21		21						
	Utah Railway Co.	248,906		248,906						

REVENUE ACT, 1936

Hammer Consolidated Gold Fields..	252,484		252,484			34,717	107,306	42.5	+209.08
U. S. Fuel Co.....	188,272		188,272						
Fairbanks Exploration Co.....	333,127		333,127			45,805	141,579	42.5	+209.09
Total.....	6,557,838	60,873	6,618,711	6,000,131		967,304	397,417	6	-58.91

PARENT COMPANY—GOODYEAR TIRE & RUBBER CO.

GROUP A-4										
179	Goodyear Tire & Rubber Co.....	1 \$227,407	\$6,525,285	\$6,297,578	\$4,548,906	72.23		\$547,915	8.7	
	Goodyear Clearwater Mills.....	43,452		43,452	100,000	230.14	\$5,975			-100
	Goodyear Decatur Mills.....	5,809		5,809			799	1,725	28.69	+115.89
	Goodyear Fabric Corporation.....	10,543		10,543	115,000	1,090.77	1,450			-100
	Goodyear Investment Corporation.....	2,060,605	457,480	2,518,065	6,500,000	258.13	283,333			-100
	The Goodyear Rubber Plantations Co.....	123,362		123,362						
	Goodyear Service, Inc.....	1331,378		1331,378						
	Goodyear Tire & Rubber Co. of California.....	3,093	40,000	43,093			425	18,315	42.5	+4,209.41
	The Goodyear Tire & Rubber Co., Inc.....	142,265		142,265						
	Goodyear Tire & Rubber Co. of South America.....	4,936		4,936	190,000	3,849.27	920			
	The Goodyear Tire & Rubber Export Co., Ltd.....	119,445		119,445			16,424	50,764	42.5	+209.08
	The Goodyear Tire & Rubber Export Co.....	357,262		357,262			49,123	151,836	42.5	+209.09
	Middlebury Land Co.....	9,269		9,269			1,274	2,753	29.7	+116.09
	Southwest Cotton Co.....	172,465		172,465						
	The Wheeling Township Coal Mining Co.....	3,488		3,488			648	1,036	29.7	+59.87
	The Goodyear Tire & Rubber Co. Inc. (Delaware).....	1531,453		1531,453						
	Total.....	1,389,572	7,022,745	8,412,317	11,453,906		360,371	774,344	9.21	+114.87

¹ Loss.

REVENUE ACT, 1936

Corporation income-tax returns for 1934, for a group of concerns which were included in a consolidated income-tax return for 1933, showing statutory net income, dividends received, adjusted statutory net income, dividends paid, percentage of dividends paid to adjusted statutory net income, tax paid, and approximate amount of tax payable under the revenue bill of 1936—Continued

10

PARENT COMPANY—INTERNATIONAL HARVESTER CO.

Number on schedule 2	Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Tax paid	Approximate amount of tax payable under revenue bill of 1936	Percent of tax proposed, 1936 act	Percent of tax increase (+) or decrease (-)	
	GROUP A-5										
	International Harvester Co.....	\$31,036,214	\$3,192,544	\$34,228,758	\$8,264,040	24.14	\$4,267,479	\$10,439,771	20.5	144.63	
	Chicago West Pullman & Southern R. R. Co.....	79,343		79,343	280,000	327.69	10,910			-100	
	Illinois Northern Ry.....	42,485		42,485	180,000	423.68	5,842			-100	
	Jackson International Co., Inc.....	1,960		1,960			270	582	29.69	+115.55	
	Macleod & Co.....	96,673		96,673	500,000		13,292				
	Wisconsin Lumber Co.....	29,041		29,041		517.21	4,195	10,164	35	+142.28	
	Wisconsin Steel Co.....	11,109		11,109	750,000						
60	International Harvester Co. of America.....	1,270,136		1,270,136	1,500,000	118.1	174,644			-100	
	International Harvester Export Co.....	928,751		928,751			127,703	394,719	42.5	+209.09	
	International Harvester Co. of Argentina.....	137,115		137,115			16,853	58,274	42.5	+209.09	
	Total.....	33,610,609	3,192,544	36,803,153	11,454,040		4,623,188	10,903,510	29.63	+135.84	

PARENT COMPANY—STANDARD OIL CO. (INDIANA), CHICAGO, ILL.

	GROUP A-6										
	Standard Oil Co. (Indiana).....	\$1,327,628	\$12,326,239	\$10,928,611	\$15,371,229	139.75					
	Mexican Petroleum Corporation of Louisiana, Inc.....	167,369		167,369			\$28,048	\$71,132	42.5	+153.6	
	The Midwest Commissary Co.....	19,184		19,184	10,000	52.13	2,638	2,628	13.7	- .38	
	Pan American Petroleum Corporation.....	1,271,525		1,271,525							
	Pan American Southern Corporation.....	21,589	245,149	253,500	13,664,322	6,112.50					
	Standard Oil & Gas Co.....	1,718,285	14,950	1,703,435							
	Stanolind Grade Oil Purchasing Co.....	148,747		148,747			20,453	63,217	42.5	209.08	
	Superia Laboratories, Inc.....	4,033		4,033			555	1,198	29.7	115.86	
183	Stanolind Pipe Line Co.....	10,611,656		10,611,656	8,144,476	76.75	1,459,103	742,816	7	-49.09	
	Total.....	7,611,882	12,586,338	20,198,200	37,190,627		1,510,797	980,991	4.36	-41.69	

REVENUE ACT, 1936

PARENT COMPANY—ALLIED CHEMICAL & DYE CORPORATION

GROUP A-7										
	Allied Chemical & Dye Corporation.....	\$1,645,365	\$1,281,747	\$2,927,112	\$15,703,374	536.48	\$226,238			
	Ashland By-Products Coke Co., Inc.....	105,458		105,458			14,501	\$44,820	42.5	+209.08
	Atmospheric Nitrogen Corporation.....	591,247		591,247			81,297	251,280	42.5	+209.09
	The Barrett Building Co., Inc.....	149,770		149,770			20,593	63,652	42.5	+209.10
48	The Barrett Co. (New Jersey).....	1,200,022		1,200,022	1,000,000	83.33	165,003	60,001	5	-61.64
	The Barrett Co. of Texas.....	17,681		17,681			2,431	6,188	35	+154.55
	The Barrett Co. of West Virginia.....	35,851		35,851			4,929	12,548	35	+154.57
	Delray Connecting Railroad Co.....	99,968		99,968	100,000	100.03	13,746			-100
49	General Chemical Co.....	3,762,360		3,762,360	3,300,000	87.71	517,325	127,920	3.4	-75.27
50	National Aniline & Chemical Co., Inc.....	1,884,701		1,884,701	2,100,000	111.42	259,146			-100
	National Aniline & Chemical Co., United States of America.....	667,969		667,959			91,844	253,883	42.5	+209.09
	The Solray Process Co.....	5,860,782	1,932	5,862,714			805,857	2,491,653	42.5	+209.19
	Semet-Solray Engineering Corpora- tion.....	532		532			72	158	29.7	+116.44
	Solray Sales Corporation.....	114,314		114,314			15,718	48,582	42.5	+209.09
	The Tully Pipe Line Co.....	36		36			5	11	30.66	+120
202	Semet-Solray Co.....	1,610,614		1,610,614	2,000,000	124.17	221,459			
	The Ironton By-Products Coke Co., Inc.....	18,592		18,592			2,556	6,507	35	+154.58
	Total.....	17,765,252	1,283,679	19,048,931	24,203,374		2,442,721	3,397,204	17.83	+39.07

PARENT COMPANY—GENERAL FOODS CORPORATION

GROUP A-8										
	General Foods Corporation.....	\$1,474,004	\$11,243,637	\$12,717,641	\$9,452,614	74.33	\$226,490	\$1,017,411	8	+349.21
62	General Foods Sales Co., Inc.....	2,062,385		2,062,385	1,800,000	87.28	283,578	76,308	3.7	-73.09
	General Foods Corporation, (New Jersey).....	13,239		13,239	10,000					
	Birdseye Packing Co., Inc.....	129,482		129,482						
	The Connecticut Oyster Farms Co.....	121,933		121,933						
	General Seafoods Corporation (Mas- sachusetts).....	188,903	473	188,330						
	Sperti Lamp Corporation.....	13,038		13,038						
	Minute Tapioca Co., Inc.....	546,425		546,425	520,000	96.16	75,133	7,650	1.4	-89.82
	Franklin Baker Co.....	1,020,361	28,357	1,048,718	397,470	37.9	140,300	246,449	23.5	+75.66
	Calumet Baking Powder Co.....	670,837	12,500	683,337	612,500	89.63	82,240	19,817	2.9	-78.32
	The Log Cabin Products Co.....	172,738		172,738	282,210	163.37	23,751			-100
5	Maxwell House Products Co., Inc.....	1,524,501		1,524,501	1,000,000	65.6	209,619	166,171	10.9	-24.73
	La France Manufacturing Co.....	490,382		490,382	443,863	90.51	67,428	12,750	2.6	-81.09

1 Loss.

Corporation income-tax returns for 1934 for a group of concerns which were included in a consolidated income-tax return for 1933, showing statutory net income, dividends received, adjusted statutory net income, dividends paid, percentage of dividends paid to adjusted statutory net income, tax paid, and approximate amount of tax payable under the revenue bill of 1936—Continued

Number on schedule 2	Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Tax paid	Approximate amount of tax payable under revenue bill of 1936	Percent of tax proposed, 1936 act	Percent of tax increase (+) or decrease (-)
GROUP A-8—Continued										
6	The Jello Co., Inc.	\$1,210,808		\$1,210,808	\$1,150,000	94.98	\$166,486	\$16,951	1.4	-89.82
	Indiana Flour Co., Inc.	5,077	\$50,000	55,077	50,000	90.78	698	1,432	2.6	+105.16
7	Postum Co., Inc.	4,240,180		4,240,180	3,350,000	79.01	583,025	267,131	6.3	-54.18
	Franklin Baker Shipping Co.	1,025		1,025	4,000	390.24	141			-100
	Diamond Crystal Salt Co.	45,947		45,947	140,000	304.7	6,318			-100
	Dunlop Milling Co., Inc.	98,804		98,804	50,000	50.6	14,151	16,797	17	+18.7
	Calumet Chemical Co.	34,951		34,951	12,500	35.76	4,806	7,235	20.7	+50.54
	Baker-Bennett-Day, Inc.	15,604		15,604			2,146	4,694	29.7	+116.94
	Igleheart Bros., Inc.	781,520	210,200	991,720	910,200	91.78	107,459	22,810	2.3	-78.77
	Atlantic Gelatin Co., Inc.	149,301		149,301	145,000	97.12	20,529	1,344	.9	-93.45
	Bluepoints Co., Inc.	102,178		102,178			17,732	43,426	42.5	+144.63
	Walter Baker & Co., Inc.	263,803		263,803	500,000	189.54	36,273			-100
	Sanka Coffee Corporation	52,037		52,037			7,155	22,116	42.5	208.1
	The South Norwalk Oyster Farms Co.	356		356			49	106	29.78	116.33
	Vitapack Corporation	14,945		14,945	24,357	162.98	2,055			-100
	Richard Hellmann, Inc.	176	72,500	72,424	100,000	138.08				
	Frosted Foods Co., Inc.	1,303,301		1,303,301						
	Frosted Foods Sales Corporation	1,455,588		1,455,588						
	General Development Laboratories, Inc.	164,898		164,898						
	Rhode Island Oyster Farms Co.	193,685		193,685						
	Long Island Oyster Farms, Inc.	13,757		13,757						
	Oakland Realty Co.	13,327		13,327						
	Total	12,907,032	11,617,667	24,524,690	20,954,704		2,067,582	1,950,538	7.95	-1.77

PARENT COMPANY—THE OHIO OIL CO.

Group A-9										
184	The Ohio Oil Co.....	\$1,191,339	\$1,893,274	\$701,935	\$6,294,728	896.77				
	The Illinois Pipe Line Co.....	1,923,146		1,923,146	1,800,000	93.6	\$264,333	\$32,693	1.7	-87.58
	Marathon Oil Co. (Delaware).....	1,464,670		1,464,670						
	The Rocky Mountain Gas Co.....	1,141,386		1,141,386						
	Marathon Oil Co. (West Virginia).....	1,888,853		1,888,853						
	Lincoln Oil Refining Co.....	1,343,146	63	1,343,083						
	Billings Gas Co.....	1,58,526		1,58,526						
Total.....	2,164,774	1,893,337	271,437	8,094,728			264,333	32,693		-87.63

PARENT COMPANY—THE FIRESTONE TIRE & RUBBER CO.

GROUP A-12										
134	The Firestone Tire & Rubber Co.....	\$3,666,147	\$69,921	\$3,736,068	\$3,572,192	95.61	\$539,229	\$41,097	1.1	-92.37
	Firestone Service Stores Inc. (Washington, D. C.).....	1,701		1,701			234	505	29.69	+115.81
	Wades Inc. (formerly Firestone Service Stores Inc. of Uniontown).....	1,232		1,232			169	366	29.71	+116.57
	Total.....	3,669,080	69,921	3,739,001	3,572,192		539,632	41,968	1.12	-92.22

PARENT COMPANY—STANDARD OIL CO. (NEW JERSEY)

GROUP A-13										
185	Standard Oil Co. of New Jersey.....	\$11,400,919	\$50,957,526	\$62,358,445	\$31,940,882	51.22	\$1,567,626	\$10,600,936	17	+576.24
	Standard Oil Co., of New Jersey, subsidiaries.....	19,741,189	5,752,316	13,988,873						
	Esso, Inc.....	1,625		1,625						
	Mississippi River Engineer's Co.....	1,399		1,399						
	Stanco Distributors, Inc.....	125,034		125,034						
	Union Atlantic Co.....	125,294		125,294						
	Lycoming Producing Corporation.....	195,232	2,250	192,982						
	West India Oil Co.....	143,827		143,827	1,673,102	1,163.27	19,776			-100
	Stanco, Inc.....	37,465	427,578	465,043			5,151	197,643	42.46	+3,736.96
	The Peoples Natural Gas Co.....	94,355	225,003	319,358	564,000	176.6	12,974			-100
	The Caloric Co.....	824,602		824,602			113,383	350,456	42.5	+209.09
	Oklahoma Pipe Line Co.....	2,384,581		2,384,581	1,800,000	75.45	327,890	183,613	7.7	-44
	Tuscarora Oil Co., Ltd.....	613,896		613,896	450,000	73.3	84,411	50,953	8.3	-39.64
	Penola, Inc.....	263,905		263,905			36,287	112,160	42.5	+239.09
	The Columbia Natural Gas Co.....	228,292		228,292			31,390	97,024	42.5	+239.09

¹ Loss.

Corporation income-tax returns for 1934 for a group of concerns which were included in a consolidated income-tax return for 1933, showing statutory net income, dividends received, adjusted statutory net income, dividends paid, percentage of dividends paid to adjusted statutory net income, tax paid, and approximate amount of tax payable under the revenue bill of 1936—Continued

PARANT COMPANY—STANDARD OIL CO. (NEW JERSEY)

Number on schedule 2	Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Tax paid	Approximate amount of tax payable under revenue bill of 1936	Percent of tax proposed, 1936 act	Percent of tax increase (+) or decrease (-)
	GROUP A-13—Continued									
96	Hope Natural Gas Co.	\$1,189,276	\$12,690	\$1,201,966	\$2,796,930	232.7	\$163,525			-100
	Standard Shipping Co.	2,804,725		2,804,725			385,650	\$1,192,008	42.45	+209.09
112	Lago Petroleum Corporation	8,228,181		8,228,181	10,000,000	121.53	1,131,375			-100
63	Standard Oil Co. of Brazil	1,216,716		1,216,716	6,453,053	530.37	167,296			-100
	Huasteca Petroleum Co.	603,759	2,000,000	2,603,759	4,404,180	169.15	83,017			-100
113	The Carter Oil Co.	1,511,915		1,511,915	3,500,000	231.49	207,888			-100
	Tuxpan Petroleum Co.	229,555		229,555	2,000,000	871.25	31,564			-100
	Pan American Foreign Corporation	1,158,667	12,397,069	13,556,636			159,303	5,761,145	42.5	+3,516.46
	Mexican Petroleum Co.	1,339,083		1,339,083	23,019,479					
	Standard Oil Development Co.	1,48,637	23	1,48,614	12,500					
	Mexican Petroleum Co., Ltd., of Delaware	1,37,835	24,322,822	24,284,987				10,321,119	42.5	
	Standard Pipe Line Co., Inc.	2,820,307		2,820,307	2,000,000	70.91	387,792	253,828	9	-34.55
	Hope Construction & Refining Co.	1,26,261		1,26,261						
	Daggett & Ramsdell	1,145,861		1,145,861						
	Standard Oil Co. of Pennsylvania	1,950,687		1,950,687						
	The East Ohio Gas Co.	1,1,468,475		1,1,468,475	3,550,000					
	Gilbert & Barber Manufacturing Co.	1,697,905		1,697,905						
	Standard Oil Co. of Louisiana	1,5,896,726	2,000,000	1,3,896,726						
	Domestic Coke Corporation	54,728		54,728			7,525	23,259	42.5	+209.09
	The River Gas Co.	2,042		2,042			281	606	29.68	+115.65
	Hydro Engineering & Chemical Co.	75,375		75,375			14,127	32,034	42.5	+126.76
	The Interstate Cooperaage Co.	71,347		71,347			9,810	30,322	42.5	+209.09
	Butterworth System, Inc.	48,873		48,873	25,000	51.15	6,720	8,308	17	+23.63
	Pan American Oil Export Corporation	45,127		45,127	372,154	824.68	6,205			-100
	Hope Producing Co.	60,626		60,626			8,336	25,766	42.5	+209.09
	The Ohio Producing & Refining Co.	1,10,474		1,10,474						
	Brave Water Co.	1,313		1,313						
	Carter Oil Co. of Delaware	1,1,591		1,1,591						
	Southern Radio Corporation	1,33,745		1,33,745						
	Total	16,475,595	98,097,277	114,572,872	94,561,280		4,969,294	29,241,180	25.52	+488.44

PARENT COMPANY—SOCONY-VACUUM OIL CO., INC. (FORMERLY SOCONY VACUUM CORPORATION)

03884—Pt. 8—30—2

GROUP A-14										
	Socony-Vacuum Oil Co., Inc.	1 \$9,253,474	\$39,134,693	\$29,881,219	\$18,659,822	62.45		\$3,705,271	12.4	
	Frank Harris Floyd, Inc.	32,409		32,409	46,000	141.94	\$4,456			-100
	Franklin Railway Oil Corporation	41,052		41,052	65,830	160.36	5,645			-100
	General Petroleum Corporation of California	1 2,485,277	1,808,462	1 676,815						
190	General Pipe Line Co. of California	1,039,320		1,039,320	1,500,000	144.33	142,907			-100
	General Terminal Co.	27,532		27,532			3,786	9,636	35	+154.52
58	Magnolia Petroleum Co.	2,678,792	7,328,658	10,005,450	16,800,000	167.91	368,334			-100
100	Magnolia Pipe Line Co.	7,169,667		7,169,667	7,225,000	101.47	965,829			-100
	Sobel Bros., Inc.	66,697		66,697	245,000	367.33	9,171			-100
	Socony Paint Products Co.	256,686		256,686	700,000	272.71	35,294			-100
57	Standard Oil Co. of New York, Inc.	4,372,717	656,351	5,029,068	6,950,000	138.2	601,249			-100
	Standard Vacuum Transportation Co.	983,501		983,501	5,000,000	508.39	135,231			-100
	Continental Mexican Petroleum Co.	1 6,069		1 6,069						
	Bowling Green Safe Deposit Co.	1 2,867		1 2,867						
	Corsicana Brick Co.	88		88			12	28	29.55	+116.67
	Lotos Oil & Distributing Corporation	1 25,043		1 25,043						
	Lubrite Refining Corporation	1 952,691		1 952,691						
	Perfect Oil Corporation	1 12,130		1 12,130						
	Vacuum Investing Corporation	1 11,102	166,523	1 11,102	155,421			68,054	42.5	
56	Vacuum Oil Co., Inc.	3,362,803	2,358,538	5,721,341	5,500,000	96.13	462,385	62,935	1.1	-86.39
	Wadhams Oil Co.	1 206,151	341	1 205,810						
	White Eagle Oil Corporation	1 213,737		1 213,737						
	White Eagle Refining Co.	1 247,928		1 247,928						
	White Star Refining Co.	1 1,050,220	46,000	1,096,220			144,405	465,994	42.5	+222.63
	Total	7,665,015	51,497,566	59,162,581	62,741,752		2,898,704	4,309,816	7.28	+48.68

PARENT COMPANY—AMERICAN TELEPHONE AND TELEGRAPH CO.

GROUP A-15										
	American Telephone & Telegraph Co.	\$2,559,549	\$114,263,611	\$116,823,160	\$167,960,475	143.77	\$351,938			-100
	Alpine Western Electric Co.	35,673		35,673	30,000	84.1	4,905	\$1,177	3.3	-76
	Cayuga Southern Telephone Co.	1 9,975		1 9,975						
	The Crown Point Telephone Co.	5,468		5,468	5,260	96.01	752	22	.4	-97.07
	Dinwiddie Telephone Co.	1 3,475		1 3,475						
	The Emporia Telephone Co.	3,601		3,601	6,272	174.17	495			-100
	Erpie Picture Consultants, Inc.	1 70,634		1 70,634						
	Friendship Telephone Co.	1 4,591	5,873	1 282						
	Hess Electric Protective Corporation	25,241		25,241	26,006	142.65	3,471	381	29.72	-100
	Holmes Electric Protective Co. of Philadelphia	37,503		37,503	12,500	33.33	5,157	8,251	22	+80
	Manufacturers Junction Ry. Co.	1 34,611		1 34,611						

1 Loss.

REVENUE ACT, 1936

16

Corporation income-tax returns for 1934, for a group of concerns which were included in a consolidated income-tax return for 1933, showing statutory net income, dividends received, adjusted statutory net income, dividends paid, percentage of dividends paid to adjusted statutory net income, tax paid, and approximate amount of tax payable under the revenue bill of 1936—Continued

PARENT COMPANY—AMERICAN TELEPHONE AND TELEGRAPH CO.—Continued

Number on schedule 2	Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Tax paid	Approximate amount of tax payable under revenue bill of 1936	Percent of tax proposed, 1936 act	Percent of tax increase (+) or decrease (-)
GROUP A-15—Continued										
	Nassau Smelting & Refining Co., Inc.	1 \$89,944		1 \$89,944						
	The Paola Telephone Co.	1 2,821		1 2,821						
	Petersburg Telephone Co.	61,236		61,236	\$35,244	57.55	\$8,420	\$8,512	13.9	+1.09
	Rio Grande Valley Telephone Co.	4,066		4,066			559	1,208	29.71	+116.1
	The Sabetha Telephone Co.	1 1,657		1 1,657						
	395 Hudson Street Corporation	49,589		49,589	42,000	84.7	6,818	2,132	4.3	-68.73
	Wecco Realty Corporation	1 10,269		1 10,269						
	Western Electric Co., Inc., of Argentina	1 27,033		1 27,033						
	Western Electric Co. of Asia	57,854		57,854	40,000	69.14	7,955	5,670	9.8	-28.72
	Western Electric Co. of Brazil	1 12,678		1 12,678						
	Western Electric Co. of Chile	1 69,610		1 69,610						
	Western Electric Co., Inc. of Cuba	32,021		32,021			4,403	11,207	35	+154.53
	Western Electric Co. of Italy	3,236		3,236			445	961	29.7	+115.95
	Western Electric Co. of Mexico	17,356		17,356			2,386	6,075	35	+154.61
	Western Electric Co. of Rumania	1 68,198		1 68,198						
	Western Electric Co. of Spain	20,460		20,460			2,813	7,161	35	+154.57
	The Peoples Telephone Co.	1 10,350		1 10,350						
	Benville Rural Telephone Co.	1 477		1 477						
	Dakota Central Telephone Co.	1 54,197	\$100	1 54,097	25,730					
	Bell Telephone Laboratories, Inc.	28,481		35,481			5,291	13,468	35	+154.54
18	Wisconsin Telephone Co.	1 187,015	1,703	1 188,718	2,746,290	231.03	163,215			-100
	Wecco Corporation	1 502,011	105,590	1 396,421						
	Teletype Corporation	509,809		509,809			70,099	216,689	42.5	+208.09
26	Indiana Bell Telephone Co.	1 830,248	29,115	1 359,363	1,650,000	88.74	251,659	57,640	3.1	-77.1
	The Tri-State Telephone & Telegraph Co.	492,951	4,775	497,726	380,807	76.51	67,781	34,841	7	-48.6
241	Empire City Subway Co., Ltd.	1 921,068		1 921,068	1,860,112	96.83	264,147	17,290	.9	-93.45
	Electrical Research Products, Inc.	243,584	215,294	458,573			33,493	195,023	42.5	+482.28
	Illinois Bell Telephone Co.	1 8,617,812	204,218	1 8,413,594	5,250,000					
	Michigan Bell Telephone Co.	5,133,030	5,542	5,138,572	3,300,000	64.22	705,792	596,074	11.6	-15.55
	Holmes Electric Protective Co.	59,141		461,290	450,000	97.55	55,296	2,768	.6	-95
	Western Electric Co., Inc.	1 13,285,345	251,240	1 13,034,105						
	195 Broadway Corporation	271,818		271,818	275,000	101.17	37,375		13.75	-100
22	New York Telephone Co.	33,073,452	2,574,328	35,647,780	35,328,000	99.11	4,547,600	106,943	.8	-97.65
	Societe de Materiel Acoustique, Inc.	250,896		250,896	130,294	51.93	35,793	41,398	16.5	+15.66

246	Southern Bell Telephone & Telegraph Co.	7,521,574	136,296	7,657,870	7,499,940	97.94	1,034,216	45,947	.6	-95.96
23	Southwestern Bell Telephone Co., St. Louis, Mo.	14,271,881	309,338	14,581,219	15,364,985	105.38	1,962,384			-100
	Southwestern Bell Telephone Co. of Arkansas	62		62	60	96.77	9	1	1.61	-68.89
25	New Jersey Bell Telephone Co.	5,840,102	329	5,840,431	6,621,736	113.38	803,014			-100
24	Northwestern Bell Telephone Co.	5,354,608	2,287	5,356,895	4,112,032	76.76	736,258	374,983	7	-42.07
	The Ohio Bell Telephone Co.	7,710,639	96,135	7,806,774			1,060,218	3,317,879	42.5	+212.94
	American Telephone & Telegraph Co. of Indiana	1,500		1,500	1,500	100	208			-100
	Bell Realty Trust	142,513		142,513	119,500	83.85	19,596	6,698	4.7	-65.82
21	The Bell Telephone Co. of Pennsylvania	8,842,969	12,102	8,855,071	9,000,000	101.64	1,215,908			-100
	The Chesapeake & Potomac Telephone Co. of West Virginia	692,826	111	692,937	162,000	23.38	95,264	214,810	31	+125.49
247	The Chesapeake & Potomac Telephone Co.	1,036,848		1,036,848	1,440,000	138.88	142,567			-100
19	The Chesapeake & Potomac Telephone Co. of Virginia	1,467,037	44,244	1,511,281	1,440,000	95.28	201,718	21,158	1.4	-99.51
27	The Chesapeake & Potomac Telephone Co. of Baltimore	2,826,263	5	2,826,268	2,310,000	81.73	388,611	149,792	5.3	-61.45
	The Diamond State Telephone Co.	489,319		489,319	432,500	88.39	67,261	16,637	3.4	-75.27
	Total	81,589,895	118,321,377	199,911,182	268,069,253		14,365,303	5,492,776	2.74	-61.83

PARENT COMPANY--AIR REDUCTION CO., INC.

GROUP A-16										
51	Air Reduction Co., Inc.	\$2,872,511	\$579,628	\$3,452,139	\$3,737,309	108.25	\$394,970			-100
	Searchlight Co.	51,248		51,248	43,862	85.57	7,047	\$2,050	4	-70.9
	Magnolia-Airco Gas Products	213,004	18	213,022			29,228	90,534	42.5	+208.11
	National Carbide Corporation Co.	797,833		797,833			109,702	339,079	42.49	+209.09
	Air Reduction Co. of California	13,915		13,915	12,000	86.22	1,913	390	2.8	-79.61
	Air Reduction Co. of Massachusetts	3,476		3,476	3,000	86.31	478	56	1.61	-88.28
	Air Reduction Co. of Michigan	13,911		13,911	12,000	86.26	1,913	390	2.8	-79.61
	Air Reduction Co. of New Jersey	20,854		20,854	18,000	86.31	2,867	594	2.8	-79.63
	Air Reduction Co. of Virginia	2,641		2,641	2,280	86.33	363	42	1.59	-88.42
	Minnesota Air Reduction Co.	41,714		41,714	36,000	86.30	5,736	1,669	4	-70.9
	National Carbide Sales Corporation	300		300			41	89	29.66	+117.07
	The Ohio Air Reduction Co.	13,917		13,917	12,000	86.22	1,914	390	2.8	-79.62
	Superior Oxygen Co. of Illinois	41,547		41,547	136,500	328.54	5,713			-100
	Superior Oxygen Co. of Missouri	41,199		41,199	17,500	42.48	5,765	8,858	21.5	+53.65
	Superior Oxygen Co. of New York, Inc.	1,265		1,265			187	376	29.72	+101.06
	Air Reduction Sales Co.	750		750			103	223	29.73	+116.5
	Total	4,130,085	579,646	4,709,731	4,030,441		568,000	444,730	9.44	-21.7

Loss.

REVENUE ACT, 1936

17

Corporation income-tax returns for 1934 for a group of concerns which were included in a consolidated income-tax return for 1933, showing statutory net income, dividends received, adjusted statutory net income, dividends paid, percentage of dividends paid to adjusted statutory net income, tax paid, and approximate amount of tax payable under the revenue bill of 1936—Continued

PARENT COMPANY—UNITED FRUIT CO.

Number on schedule 2	Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Tax paid	Approximate amount of tax payable under revenue bill of 1936	Percent of tax proposed, 1936 act	Percent of tax increase (+) or decrease (-)	
	GROUP A-17										
116	United Fruit Co.....	\$7,521,727		\$7,521,727	\$8,717,985	115.9	\$1,034,237			-100	
	Banana Selling Co., Inc.....	32,590		32,590			4,481	\$11,407	35	+154.56	
	Compania Agricola de Guatemala.....	16,927		16,927			2,327	5,924	35	+154.58	
	Compania Surtidora de Costa Rica.....	21,035		21,035			2,892	7,362	35	+154.56	
	Cukra Delivery Co.....	72,103		72,103			9,914	30,644	42.5	+209.11	
	Fruit Dispatch Co.....	67,159		67,159			9,234	28,543	42.5	+209.1	
	Jacksonville Pre-cooling Co.....	13,279		13,279			2,177	4,648	35	+113.5	
	Tonosí Fruit Co.....	19,580		19,580							
	Tropical Radio Telegraph Co.....	755		755			104	224	29.67	+115.39	
	United Fruit Tanker Corporation.....	12,965		12,965			1,783	4,538	35	+154.51	
	Venezuela Fruit Co.....	14,816		14,816							
	United Mail Steamship Co.....	810,919		810,919			111,501	344,641	42.5	+209.08	
	United Fruit Steamship Corporation.....	5,900		5,900			811	1,752	30	+116.03	
	Northern Railway Co.....	1,347,901		1,347,901							
	Truxillo Railroad Co.....	156,219		156,219			21,480	66,398	42.5	+209.09	
	Tela Railroad Co.....	266,104		266,104			36,589	113,094	42.5	+209.09	
	Compania Agricola de Uina.....	1,754,044		1,754,044							
	Revers Sugar Refining.....	323,308		323,308			44,455	137,406	42.5	+209.09	
	Mayan Steamship Corporation.....	146,387		146,387			20,128	62,214	42.5	+209.09	
	Meloripe Fruit Co., Boston.....	141,035		141,035			19,392	59,940	42.5	+209.08	
	Refrigerated Steamship Line, Inc.....	407,153		407,153			55,983	173,040	42.5	+209.09	
	Compania Bananera de Costa Rica.....	10,708		10,708			1,472	3,212	30	+118.21	
	Chiriqui Land Co.....	92,493		92,493			12,718	39,310	42.5	+209.06	
	Magdalena Fruit Co.....	153,148		153,148			21,058	65,088	42.5	+209.09	
	Total.....	9,155,573		9,155,573	8,717,985		1,412,736	1,159,380	12.66	-79.93	

PARENT COMPANY—STANDARD OIL CO. OF CALIFORNIA

GROUP A-18									
55	Standard Oil Co. of California.....	\$3,831,184	\$1,998,119	\$5,829,303	\$13,102,900	224.77	\$526,788		-100
	California Petroleum Exploration Co.	1 471		1 471					
	California Standard Oil Co.	1 55		1 55					
	California Standard Oil Co. de Mexico.	21,626		21,626			2,974	\$7,569	34.99
	Federal Engineering Co.	1 125		1 125					+154.51
	Pacific Oil Co. (California)	1 37		1 37					
	Pacific Oil Co. (Delaware)	1 84		1 84					
	Richmond Petroleum Co. (Nevada)	1 85		1 85					
	Richmond Petroleum Co. of Columbia.	1 68,605		1 68,605					
	Standard Management & Operating Corporation.	1 9,445		1 9,445					
	Standard Oil Co. (Alaska)	1 50		1 50					
	Standard Oil Co. (Arizona)	1 24		1 24					
	Standard Oil Co. (Oregon)	1 118		1 118					
	Standard Oil Co. (Utah)	1 17		1 17					
	Standard Oil Co. (Washington)	1 38		1 38					
	Standard Oil Co. of California (Utah)	1 38,487		1 38,487					
	Standard Oil Co. of Delaware	1 50		1 50					
	Standard Gasoline Co.	177,863		177,863			24,456	75,562	42.5
	Richmond Petroleum Co. of Venezuela.	1 174,851		1 174,851					+200.00
	Bush Street Investment Co.	23,731	56,921	85,652			3,951	36,402	42.5
	Pacotex Pipe Line Co.	406,268		406,268	487,500	119.99	55,862		+821.34
	Standard Pipe Line Co.	666,036		666,036	500,000	75.07	91,580	51,285	7.7
	Standard Stations, Inc.	1 28,828	95,703	66,875	20,000	29.91	18,391		27.5
	Pacotex Petroleum Co.	1 392,167		1 392,167					
	The California Co.	1 166,893		1 166,893					
	Total.....	4,251,278	2,150,743	6,402,021	14,110,400		706,611	189,239	2.96
									-73.18

1 Loss.

REVENUE ACT, 1936

Corporation income-tax returns for 1934 for a group of concerns which were included in a consolidated income-tax return for 1933, showing statutory net income, dividends received, adjusted statutory net income, dividends paid, percentage of dividends paid to adjusted statutory net income, tax paid, and approximate amount of tax payable under the revenue bill of 1936—Continued

PARENT COMPANY—THE GREAT ATLANTIC & PACIFIC TEA CO. OF AMERICA

Number on schedule 2	Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income	Tax paid	Approximate amount of tax payable under revenue bill of 1936	Percent of tax proposed, 1936 act	Percent of tax increase (+) or decrease (-)	
	GROUP A-19										
175	The Great Atlantic & Pacific Tea Co. of America	\$1,487,841	\$15,085,316	\$16,573,157	\$16,429,770	99.13	\$204,578		None	-100	
	Felton Packing & Manufacturing Co.	14,415		14,415							
	The Quaker Maid Co., Inc.	2,227,055		2,227,055	200,000	8.98	317,572	\$846,281	88	+166.48	
	American Coffee Corporation	103,531		103,531	250,000	241.47	14,236		None		
	Atlantic Commission Co., Inc.	912,012		912,012	500,000	54.82	125,402	136,802	15	+9.09	
	Atlantic Warehouses, Inc.	2,791		2,791			384	829	29.7	+115.89	
	The Great American Tea Co.	81,936		81,936	50,000	61.02	11,266	10,488	12.8	-6.91	
	The Great Atlantic & Pacific Tea Co. (Arizona)	3,039,257		3,039,257	2,000,000	65.81	417,898	331,279	10.9	-20.73	
	The Great Atlantic & Pacific Tea Co. (Nevada)	1294,831		1294,831							
69	The Great Atlantic & Pacific Tea Co. (New Jersey)	9,481,179	5,000	9,486,179	12,086,000	127.41	1,303,662		None	-100	
	The Nakat Packing Corporation	568,750		568,750			87,890	241,719	42.5	+173.02	
	The Packers Supply Co.	2,428		2,428			334	721	29.7	+115.87	
	The Quaker Maid Corporation	236		236	5,000	2,118.64	32		None	-100	
	White House Milk Co., Inc.	442,833		442,833			60,890	188,204	42.5	+209.09	
	Total	18,060,603	15,090,316	33,140,919	31,520,770		2,544,144	1,756,323	5.3	-30.97	

¹ Loss.

Senator WALSH. Have you reached the conclusion that those corporations that have a large surplus and are distributing all of their net earnings would pay a less tax under this proposal than they are now paying?

Mr. RUSSELL. If the corporations distribute all of their earnings?

Senator WALSH. Yes.

Mr. RUSSELL. Yes, sir. Those corporations are included in those groups there. The figures that I have stated were the total figures for the group including the companies which would have paid no tax under the new act.

All I have left now is these figures that Senator Black asked for.

Senator KING. He is not here yet, so if you will please stand by for a moment until he comes.

Senator COUZENS. Can we dispose of Senator Lonergan's amendment here? We have a subcommittee on that.

Senator KING. Yes, I think so. Senator Harrison, Senator Couzens has just suggested that we take up the matter of Senator Lonergan's amendment.

Senator LONERGAN. I suggested it yesterday. On the other proposal, Mr. Kent states that the Treasury Department feels that at this time we had better take no action on the suggestion to tax mutual fire insurance companies.

The CHAIRMAN. It is the sense of the committee then, that so far as these mutual fire insurance companies are concerned, trying to work out some basis of taxation, that that matter should be studied further and that no action be taken on this bill?

Senator LONERGAN. Yes.

The CHAIRMAN. If that is the way that the committee understands, it will be so understood.

Senator BAILEY. Are you through with the fire insurance section?

The CHAIRMAN. It was not in here, Senator, but it has been suggested that probably the mutual fire insurance companies were getting some advantage of the stock companies, and this subcommittee and the Treasury Department think it is so complicated that we had better not go into it at this time.

Senator WALSH. And to continue under the present law?

The CHAIRMAN. To continue under the present law unless we make some change here as to rates, and I suppose we will not.

Senator LA FOLLETTE. I would like to hear something from somebody connected with the Treasury concerning Senator Lonergan's proposal.

Senator COUZENS. I think Mr. Kent could tell us that. He told us something in the subcommittee about it.

Senator WALSH. Just what is the proposal, briefly stated? I was not here.

Senator LONERGAN. It is to authorize the issuance of policies up to \$1,000,000 and have them tax free when the policy is payable to the United States Treasury, the proceeds of which are to be applied by the United States Government for the payment of death taxes.

Senator KING. This proposition deals entirely with estates?

Senator LA FOLLETTE. Yes.

Senator KING. I was not present when the discussion ensued.

Senator LA FOLLETTE. For instance, if a man had an estate of \$10,000,000 and \$1,000,000 of it was in a life-insurance policy payable

to the Government, he would not pay on the \$10,000 estate including the life-insurance policy, but he would pay on the \$9,000,000.

Senator CONNALLY. And the \$1,000,000 would be applied to the tax on the \$9,000,000?

Senator LA FOLLETTE. That is correct, but his estate is reduced to that extent that he has an insurance policy payable to the Government up to a limitation of \$1,000,000.

Senator BAILEY. That is not his estate then. He is making that policy payable to the Government, and it is not part of his estate.

Senator CONNALLY. The bill provides that he shall deduct the amount of the policy from the net value of the estate.

Senator COUZENS. No; I do not so understand it.

Senator CONNALLY. The policy has nothing to do with the estate, as I understand it.

Senator LONERGAN. This is payable to the Treasurer of the United States.

Senator BAILEY. He never has title to it?

Senator LONERGAN. That is it exactly.

Senator BAILEY. The only title is in the Government?

Senator LONERGAN. It is for the payment of debt taxes, which will make the payment quick and sure to the Government, and avoid liquidation and long delay in payment.

Senator BAILEY. Not only make it quick and sure, but it is the only way that the Government can hope to collect the money.

Senator CONNALLY. The question goes to whether it is part of the estate. The bill provides that from the net estate shall be deducted the amount of the policy.

Senator HASTINGS. The inducement for the taxpayer to do the thing is that advantage which he gets. I suppose that is it?

Senator LA FOLLETTE. Senator Lonergan stated yesterday that if that was not done, the thing would not work.

Senator HASTINGS. There would be no inducement.

Senator GEORGE. Mr. Kent, you have studied the amendment. The policy would be added and deducted from the estate, both?

Mr. KENT. As I understand the amendment, if you take a concrete case, you have an estate of \$500,000 including, let us say, a policy of \$100,000 which is made payable to the Treasurer of the United States as beneficiary. If that \$100,000 is required to pay the death tax upon the remaining portion of the estate, no tax would be collected on that \$100,000. If only \$50,000 of the policy were required to pay the tax, the excess of the \$100,000 over \$50,000 would be added to the gross estate, and that tax would be payable on that.

Senator COUZENS. But Senator Connally and I seem to differ as to whether, when you arrive at that \$500,000, the \$100,000 insurance is included in that total.

Mr. KENT. It is included only to the extent that the entire proceeds of the policy are not required to pay the tax. There would be a little problem of computation there. I do not know whether the computation could be made arithmetically or whether some algebra would be required.

Senator COUZENS. When they compute the net value of the estate, does the insurance policy that was paid to the Government Treasury Department become included in the total?

Mr. KENT. Prima facie it is not, Senator.

Senator COUZENS. That is what I thought.

Mr. KENT. But if it is found that the entire proceeds—

Senator COUZENS (interposing). I understand that part of it. But I did not think it was included in the computing of the original amount.

Senator GEORGE. In other words, if an estate consists of \$10,000,000 in land, houses, and buildings, and that is all the estate has and is except an insurance policy of \$1,000,000, payable to the Government; you pay on the \$10,000,000 right off unless that \$1,000,000 of course is in excess of the amount of the tax, and if so that would be added?

Mr. KENT. Yes. Under the terms of the amendment, there is deducted from the value of the net estate as thus determined, the proceeds of life-insurance policies payable to and received by the Treasurer of the United States in trust for the payment of estate, inheritance, succession, legacy, or other death duties levied by the United States against or with respect to the estate of the decedent, exclusive of any excess over the amount of such taxes, which excess shall be accounted for (without interest) to the executor or administrator of the decedent for the benefit of the persons entitled thereto; provided, however, that the proceeds of policies on which the premium-paying period is less than 10 years shall not be deductible and, in any event, the amount deductible as aforesaid shall not exceed \$1,000,000.

So that the amount of the policy is deducted.

Senator CONNALLY. It is the purpose of this amendment to include the value of the policy?

Mr. KENT. To deduct the value—

Senator CONNALLY (interposing). I am talking about when you go to estimate how much he has. Do you mean to include the policy as a part of his estate?

Mr. KENT. No.

Senator LA FOLLETTE. No, you do not.

Mr. BEAMAN. Pardon me; I think I can clear up the difficulty. The amendment starts in where the present law leaves off. The present law is—assume there is not any Senator Lonergan's amendment at all. The proceeds of policies paid to beneficiaries of the estate in excess of \$40,000 go in the gross estate under the present law.

Senator CONNALLY. You mean by that that if a man has a policy to his wife and children, all of it except \$40,000 is included in his estate?

Mr. BEAMAN. That is right.

Senator CONNALLY. I did not know that. I thought it was payable to the beneficiaries and was not in the estate at all.

Mr. BEAMAN. As I understand the present law, if he has a \$1,000,000 policy payable to the United States, there would go into his gross estate \$1,000,000 less \$40,000, unless the \$40,000 were eaten up by some other policy. It is not \$40,000 of each policy, it is the excess over \$40,000 of all policies.

So, if this was the only policy he had, we will say, that goes into his gross estate; \$1,000,000 less \$40,000 or \$960,000.

The effect of Senator Lonergan's amendment is that you can go ahead and compute his net estate according to the ordinary rules and deductions, arriving at a value of his net estate, we will say, of \$8,000,000 or 9 or 10 millions. Senator Lonergan's amendment deducts from that \$10,000,000 constituting the net estate, \$1,000,000.

Senator LONERGAN. Provided the taxes run up that high?

Senator CONNALLY. The reason you provided for the \$40,000 was to prevent avoidance of the estate taxes by investing all of the estate in life-insurance policies payable to others than the estate.

Mr. BEAMAN. I take it that was the reason.

The CHAIRMAN. Mr. Kent, are the premiums that you pay on insurance policies now deductible in your income?

Mr. BEAMAN. No, they are not.

Senator BLACK. Mr. Beaman, may I ask one question? I have just come in and I would like to ask one question. Does this amendment simply mean that instead of having an exemption of \$40,000 now under insurance policies, any person is entitled to have an exemption of any amount in an insurance policy that might be necessary to pay off his estate tax?

Mr. BEAMAN. Not in excess of \$1,000,000.

Mr. KENT. Provided the insurance is taken out payable to the Treasurer of the United States.

Senator BLACK. In other words, it raises the exemption on that part which is payable to the Treasurer of the United States to the amount of \$1,000,000?

Senator LONERGAN. It provides for a quick and sure method of payment.

Senator CONNALLY. If he had paid those premiums, they might still be a part of his estate, unless he squandered it.

Senator CAPPER. Does the Treasury approve the amendment?

Mr. KENT. No; the Treasury does not approve it.

Senator LA FOLLETTE. I would like to get the Treasury's view in the matter; their position concerning this amendment.

Mr. KENT. The position of the Treasury with respect to the amendment briefly is this, and it is not favorable to the idea of singling out a particular type of property or liquid asset and giving it preferential treatment, so far as that is concerned. That is to say, if a man has accumulated a large amount of Liberty bonds, for instance, which under the law are receivable in payment of death duties, he gets no special treatment, no preferential treatment by reason of his foresight in accumulating that amount for the payment of the death taxes and costs of administration and that insurance ought not to be singled out for such special treatment.

I think that there is a real problem which is deserving of some study in connection with the liquidation of the assets of dececents' estates for the purpose of payments of the high death taxes and costs of administration. Undoubtedly there is a real problem there, and where estates are composed largely of nonliquid assets, although the law provides a very considerable period of time within which the taxes may be paid and provides for liberal extensions, nevertheless executors and administrators are furnished with some very real problems in liquidating assets without disastrous losses to meet the death taxes. I believe that is a problem which should receive careful study, but the Treasury is not prepared to approve this particular suggestion.

Senator LA FOLLETTE. Has anybody made any estimates on what this would cost the Government?

Mr. KENT. No, sir; we have not.

Senator LA FOLLETTE. Instead of increasing the exemption for estate taxes when we are in need of revenue as we are now, I think

they ought to be reduced; in other words, I do not see why a man with \$1,000,000 net estate or a \$10,000,000 net estate should get a \$40,000 exemption that we provide now, for example.

Senator BAILEY. He does not have to take the policy to start with.

Senator LA FOLLETTE. Of course, this is going to be a great inducement, and the reason the insurance companies are interested in it is they think it is going to be a bonanza and they think they will sell insurance right and left. I agree with Mr. Kent that this is a problem that ought to have consideration, but I personally certainly am not convinced that this is a solution of it, equitably to all, to the Government and to all concerned.

Senator BAILEY. It would be a very great help to the Government. As matters stand, the Government is not going to collect the taxes.

Senator LA FOLLETTE. We are collecting a lot more money from the death taxes than the actuaries estimated that we would. That is proving a very substantial revenue producer.

Senator KING. It occurs to me that while it is beneficial in one way to the estate, and not so much to the Government as Senator La Follette said, it is a sort of a windfall for the insurance companies.

Senator LONERGAN. I come from an insurance city, and I have not received one letter from an insurance company in the United States. It is the life underwriters group that are behind this. I introduced a similar amendment a year ago and it passed the Senate; but the committee, but the Senate. I believe that the vast majority of cases which I am familiar with, half of the estates would be unable today to pay the taxes in case of death, and when you come to liquidation with such a condition, your high average in the case of liquidation is about 20 percent. I think this proposal is of great benefit to the United States Government.

Senator LA FOLLETTE. How much did we collect last year from estate taxes? Does anybody in the room know?

Senator KING. Mr. Parker ought to know.

Mr. PARKER. Through March of this year we have collected \$151,000,000, as I recall it. The estimate for this year is \$200,000,000. On top of that, we have already collected this year \$154,000,000 in gift taxes; so that the total collection for the first 9 months of this year already exceed \$300,000,000.

Senator KING. And what was the estimate?

Mr. PARKER. The estimate on gift taxes was \$60,000,000 for this year.

Senator HASTINGS. That is due partially to the fact that a good many people rushed to make the gifts before this new tax became applicable?

Mr. PARKER. That is undoubtedly partly true, and still for the preceding taxable year we collected \$71,000,000. The gift tax is becoming a very prolific source of revenue.

Senator GERRY. Mr. Chairman, as a member of the subcommittee I would like to make a statement on this, because I have a case rather in point that just came in. What this amendment of Senator Lonergan does is this: The trouble is that when you have your estate taxes as high as you have them at the present time, it is very difficult if a man is in a going business like in a mill or a factory or anything else which is a going business, where he employs a large amount of labor, where he has to borrow large sums of money in order to carry

on his business, it is a very difficult thing when that man gets old, he is liable to get out of business and curtail in order to get liquid assets.

What this does, as I understand the amendment, is to make the Federal Government the beneficiary of the insurance, so that at his death there will be immediate assets for the payment of the taxes to the Government. It is an incentive for him to save money, Senator Connally has said, to pay these policies' premiums, which then upon his death it is provided that the Treasurer of the United States shall receive the amount of the policy immediately upon death. To my mind, the argument of the Treasury in regard to Liberty bonds is not sound, because where you take the question of Liberty bonds, the man that is putting all of his money into Liberty bonds and things of that sort is more like a trust estate. He is not a man that is in active business, and he is not the fellow that is going to be in anything like the condition of the man who is in active business, like a factory. Of course he can buy a certain amount of Liberty bonds and put them in his estate among his assets, but it seems to me that if he has this liquid asset, the Government is going to make money on the proposition rather than lose it, and you are going to give encouragement to where a mill or a factory or any going business is owned by a small number in the family, and he is much more apt to keep that business going and to expand if he feels that he has some safety on his death, more than he is if he has this tax hanging over his head.

The higher you make the tax, the more incentive there is to have it liquid and liquidated on a loss—the testimony last year showed and the Treasury's own testimony showed that the loss sometimes would be over 100 percent.

I have a case right here that I turned over to the experts, that came in where a man died in 1900. I am quoting this because the Treasury shows it takes a long time to pay it, and that is true, but they have to pay 6 percent. It was a case where a man died in 1900, created a trust and made a bank in Boston, I think, the trustee, and left it to his heirs according to the statute of perpetuities in my State. One of the heirs was the estate director.

The question is what she will receive from the trust estate. The Government is charging her something like 4 percent and the estate is not making apparently that much money. They cannot distribute the trust until the last one of those named in the trust dies, so apparently this heir or beneficiary is in the position where she cannot distribute the estate and sell it out. She has to pay the Government 4 percent, and apparently the estate is only earning 3 and something, so the possibility is that by the time the estate comes to her, she will owe the Government money.

That is just an example of what you get when you have these very high taxes.

THE CHAIRMAN. Senator, did your committee consider the proposition of putting in the amount of the insurance policy in the aggregate estate, but to give a party who wanted to take out one of these insurance policies the right to deduct from his income tax, the premiums that he paid? Would that give some relief?

Senator GERRY. We did not discuss that. I think it was mentioned. I think Senator Connally mentioned it, but we thought the trouble was of course that if you simply do that and give them a deduction

in their income tax on the amount they pay for their policy when they get their policy, if the estate is a large one, it is hardly worth while to take the policy, because if the tax in a large estate, as it is, is only 60 percent, then they only get 40 percent of the policy liquid. There is no incentive to go into it. They have just added to their top bracket that much of the policy.

So it seemed to me that possibly it would be better to let them pay the income tax if the Government got the money, and at their death have it liquid, because all you are inducing them do to is to save for the Government at the time of their death, and the policy and the title is made out to the Government.

Senator LONERGAN. I want to say to you gentlemen that I believe the average high policy that would be necessary to carry out this amendment would be \$25,000 to \$50,000. It would mean a continuance of business; it would mean employment. The average man would not pay over \$25,000 to \$50,000 if he were a prosperous industrialist up in our section of the country. I think it has merit and I believe we ought to adopt it.

Senator BLACK. Mr. Chairman, I would like to ask one question. I understood Mr. Kent to say that the idea of the \$40,000 exemption was to have the estate liquid. I had always thought—and I am just wondering if that statement was correct that the \$40,000 was given on the same basis that you give a widow the homestead or an estate, or give a married person exemptions for himself and children. I had thought that the theory of the exemption was to have \$40,000 to a widow who was a beneficiary, or someone dependent. I never before heard that the idea was to make the estate liquid.

Senator LA FOLLETTE. I did understand Mr. Kent to say that. I thought he said that in reference to this amendment.

Senator CONNALLY. If I made a life insurance policy payable to my wife, it is no part of my estate, but in order to prevent me from putting all of my money in that kind of policies they simply limit the right to do that to \$40,000.

Senator BLACK. I misunderstood it then. I thought the idea had been suggested that our \$40,000 exemption was in order to leave the estate liquid, and I had always thought that the sole reason advanced was that there ought to be that much exemption to the heirs of the estate if the policy was made to them individually.

Mr. PARKER. Could I explain the exemption, Senator, because I think the nature of the exemption answers your question. If a man makes out an insurance policy of \$40,000 to his estate, it is not exempt at all. The only exemption occurs in the case of insurance policies made out to named beneficiaries. In that case, the exemption is \$40,000 in the aggregate. That is, if you had \$50,000 insurance made out to named beneficiaries, \$10,000 to your wife and \$10,000 to your four sons, \$40,000 of it is exempt and \$10,000 of it goes in to the estate.

Senator CONNALLY. Under the laws of every State that I know anything about, but for that, those policies would not be a part of the decedent's estate. We make them arbitrarily taxable, because we want to prevent avoiders of estate and gift taxes, but under the laws of my State, an insurance policy payable to my wife is no part of my estate because it belongs to her; it does not belong to me.

Mr. PARKER. That is true, but the tax has to be paid out of the other assets.

Senator CONNALLY. You can tax it because that is what we are doing, but what I mean is that it is not on the theory that it is a part of my estate. It is an arbitrary tax even though it is payable to her.

Mr. PARKER. As I understand the law, there is one type of insurance policy which does not come in the estate. If you make out an insurance policy to your wife and make it irrevocable so that you cannot change the beneficiary, then the proceeds of that policy will not be included in your estate and you will pay a gift tax only on the premiums paid in keeping up that policy.

Senator LONERGAN. Senator Connally, the experience of insurance companies is that the payment of premiums represents self-denial, the highest degree of thrift, so that the man to whom you referred, that this money might be added to his estate—

Senator CONNALLY (interposing). I said he might add it, and on the other hand he might squander it.

Senator LONERGAN. This is an inducement to a man to practice self-denial and try to preserve his assets to take care of his family and have his business carried on.

Senator BYRD. As I understand it if the premium is in excess of the insurance—

Senator LONERGAN (interposing). Then it is taxable.

Senator LA FOLLETTE. I have just asked Mr. Kent to call up Captain Bliss, who is in charge of miscellaneous taxes to find out whether that would involve any loss to the Government.

Senator GERRY. Why would there be any loss?

Senator LONERGAN. How can we tell? It is pure guess work.

Senator COUZENS. Your provision would be retroactive and apply to policies already in existence, is that not true? I think if that is true, that the retroactive feature might be left out, but if it be in the future, it seems to me that the amendment of the Senator from Connecticut is a very desirable amendment.

Mr. PARKER. I did not suppose there would be very many, because as I understand the amendment, it has to be made out to the Secretary of the Treasury. I do not know of any policies in the past that have been so made out.

Senator COUZENS. But the beneficiary could be very easily changed by the insurance company.

The CHAIRMAN. Suppose we take a vote on it?

Senator LA FOLLETTE. I would like to get that information before I vote.

The CHAIRMAN. Then we will defer it.

Senator CONNALLY. Is the Senator from Connecticut willing to amend it so that it will not be retroactive?

Senator LONERGAN. I am, but it is not retroactive. There are no policies now payable to the Treasurer of the United States.

Senator LA FOLLETTE. All you have to do is to change the beneficiary of existing policies.

Senator BYRD. You are willing to accept an amendment to make it clear that it will not be made retroactive?

Senator COUZENS. If it is not made retroactive, it seems to me that this is a highly desirable amendment, but if it is made retroactive, I think there is some doubt about it.

Senator BARKLEY. Under the amendment as it is, it is retroactive if all they would have to do is to change the beneficiary under the existing policy.

Senator COUZENS. Yes. But I understand that the Senator is willing that it shall not be retroactive.

The CHAIRMAN. Is it possible for us now to get some agreement on this corporation proposition and get it behind us?

Senator BARKLEY. If it is not made retroactive, is there any need to wait for the Treasury estimates?

Senator LA FOLLETTE. I personally would like to know whether the Treasury thinks it is going to cost us money or not. If you accept the Treasury estimates on one thing, you have to accept them on another. If you knock something off, it may change the other estimates.

Senator BYRD. I think the Treasury should know that it is not retroactive.

Senator LONERGAN. If the members of the committee will turn to page 2 on line 2 after the word "policies" just insert the words "issued hereafter" that will cover it.

The CHAIRMAN. That will be for the draftsman to fix up, but Senator La Follette wants to wait until we get an estimate on it.

Senator GEORGE. Let us see if we cannot make some progress on the main features of the bill.

The CHAIRMAN. Mr. Reporter, we will not require your services any further.

(Whereupon, at 11:15 o'clock a. m., the committee proceeded to the consideration of the bill in closed session.)