

**TAX EXEMPTION OF ANNUITY PAYMENTS UNDER
CIVIL SERVICE RETIREMENT**

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS
SECOND SESSION

ON

H. R. 2948

AN ACT TO AMEND THE CIVIL SERVICE RETIREMENT
ACT APPROVED MAY 29, 1930, AS AMENDED, SO
AS TO EXEMPT ANNUITY PAYMENTS
UNDER SUCH ACT FROM TAXATION

FEBRUARY 28, 1946

Printed for the use of the Committee on Finance



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1946

COMMITTEE ON FINANCE

WALTER F. GEORGE, Georgia, *Chairman*

DAVID I. WALSH, Massachusetts
ALBEN W. BARKLEY, Kentucky
TOM CONNALLY, Texas
JOSIAH W. BAILEY, North Carolina
HARRY FLOOD BYRD, Virginia
PETER G. GERRY, Rhode Island
JOSEPH F. GUFFEY, Pennsylvania
EDWIN C. JOHNSON, Colorado
GEORGE L. RADCLIFFE, Maryland
SCOTT W. LUCAS, Illinois
BRIEN McMAHON, Connecticut

ROBERT M. LA FOLLETTE, JR., Wisconsin
ARTHUR H. VANDENBERG, Michigan
ROBERT A. TAFT, Ohio
HUGH A. BUTLER, Nebraska
EUGENE D. MILLIKIN, Colorado
OWEN BREWSTER, Maine
HARLAN J. BUSHFIELD, South Dakota
ALBERT W. HAWKES, New Jersey
LEVERETT SALTONSTALL, Massachusetts

CHRISTIE B. KENNEDY, *Clerk*

CONTENTS

Statement of—	Page
Alifas, M. P., president, District No. 44, International Association of Machinists, Washington, D. C.-----	29
Disbrow, Walter L., national representative of the retirement of civil service employees of navy yards, arsenals, and naval stations, Washington, D. C.-----	12
George, Leo E., president, National Federation of Post Office Clerks, Washington, D. C.-----	16
Hawley, Fred H., secretary-treasurer, National Association of Retired Federal Employees, Washington, D. C.-----	36
Manbeck, Jesse Byron, president, Columbia Typographical Union, No. 101, Washington, D. C.-----	30
McLaughlin, Albert J. E., member of the board of education and executive vice president of the Pensioners Protective Association of America, Inc.-----	7
Rees, Hon. Edward H., a Representative in Congress from the State of Kansas-----	1
Reilly, J. H., industrial secretary, Railway Mail Association, Washington, D. C.-----	13
Riley, George D., representing the Government Employees Council, American Federation of Labor, Washington, D. C.-----	3
Stengle, Charles I., legislative representative, American Federation of Government Employees, Washington, D. C.-----	18
Steward, Luther, president, National Federation of Government Employees-----	27
Stinson, Clarence S., secretary, National Association of Letter Carriers, Washington, D. C.-----	34
Surrey, Stanley S., tax legislative counsel, and Adrian W. De Wind, assistant tax legislative counsel, Treasury Department, Washington, D. C.-----	20
Worrell, Margaret Hopkins, Washington, D. C.-----	38
Exhibits:	
Joint Conference on Retirement, letter-----	39
National Rural Letter Carriers' Association, letter-----	39
Pensioners Protective Association of America, Inc., letter-----	9

TAX EXEMPTION OF ANNUITY PAYMENTS UNDER CIVIL SERVICE RETIREMENT ACT

THURSDAY, FEBRUARY 28, 1946

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

The committee met, pursuant to call, in the Finance Committee room, room 310, Senate Office Building, at 10:30 a. m., Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Butler, Bushfield, and Hawkes.

The CHAIRMAN. The committee will now proceed. We shall begin now, Congressman Rees, if you are ready to go ahead.

(H. R. 2948 follows:)

[H. R. 2948, 79th Cong., 1st sess.]

AN ACT To amend the Civil Service Retirement Act approved May 29, 1930, as amended, so as to exempt annuity payments under such Act from taxation

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 18 of the Civil Service Retirement Act approved May 29, 1930, as amended, is amended to read as follows:

"SEC. 18. None of the moneys mentioned in this Act shall be assignable, either in law or equity, or be subject to execution, levy, or attachment, garnishment, taxation, or other legal process: *Provided, however,* That the exemption from taxation as provided herein shall apply only to so much of any annuity as does not exceed \$1,440 in any calendar year."

Passed the House of Representatives September 27, 1945.

Attest:

SOUTH TRIMBLE,
Clerk.

STATEMENT OF HON. EDWARD H. REES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

The CHAIRMAN. Did you introduce this bill in the House of Representatives?

Mr. REES. I did, Senator.

The CHAIRMAN. We shall be very glad to hear from you. The meeting today is to consider House bill 2948, an act to amend the Civil Service Retirement Act approved May 29, 1930, as amended, so as to exempt annuity payments under such act from taxation.

This is a bill which was considered by the House of Representatives Civil Service Committee, I believe; is that correct?

Mr. REES. That is correct, Mr. Chairman.

The CHAIRMAN. It did not go through the Ways and Means Committee?

Mr. REES. No, sir; it did not.

The CHAIRMAN. That was because the bill is to amend the Retirement Act.

All right; we shall be very glad to hear from you.

Mr. REES. This bill, H. R. 2948, provides, in substance, that those who receive benefits under the Retirement Act approved May 29, 1930, as amended, will be exempt from the requirement of paying taxes on the annuity payments that they receive, up to the amount of \$1,440. The measure accords the privilege, to those people, similar to that which is granted to those who receive benefits under the Railroad Retirement Act and under the Social Security Act. As a matter of fact, the beneficiaries under this measure pay in a proportionate share of the money out of their own salaries.

This bill covers about 70,000 former employees of the civil-service system. The average annuity is estimated at approximately \$900.

I know that the members of this committee will be interested in the expenditures or amounts of money involved or how much in the way of taxes are to be deducted from the income of the Treasury. The best figures I have are that it is something less than a million dollars. This bill would just accord the right and privilege to these older people, most of whom are unable to earn any salaries or have any other incomes except for the funds that they get from the Federal Treasury under the retirement fund. While it does not amount to very much in dollars and cents for each one of them, it amounts to a good deal when we give consideration to the cost of living and the very small income that most of these people receive. I am advised that their average age is 75 or 76 years.

It is just a matter of equity, a matter of fairness.

I should say that this legislation was not objected to so much on the floor of the House of Representatives because of the equity involved, as it was because of whether the measure should have been referred to and considered by the Ways and Means Committee or the Civil Service Committee of the House of Representatives. The bill was assigned to the House Civil Service Committee because it provides for an amendment to the Retirement Act. I mention that point because if you read the record in the House you find there was considerable debate with regard to this measure. But most of it was with respect to whether it should have gone to the House Ways and Means or the House Civil Service Committee. The House Civil Service Committee unanimously recommended passage of the bill, as I remember.

The CHAIRMAN. Congressman, as I understand the matter, the payments under the Railroad Retirement Act were by statute exempted from taxation; is that correct?

Mr. REES. That is correct.

The CHAIRMAN. And by regulation or ruling, the payments under the Social Security System are likewise tax exempt; are they not?

Mr. REES. That is correct.

The CHAIRMAN. This bill applies to all other recipients of retirement benefits under the Federal Civil Service Retirement Act; is that correct?

Mr. REES. Yes; under the Federal act.

Senator BUSHFIELD. Mr. Chairman, may I inquire how many people this measure affects?

The CHAIRMAN. Certainly.

Mr. REES. Approximately 70,000.

Senator BUTLER. Congressman, in point of fact, this is a plan for making it a little bit easier for people who are now recipients of retirement pay that is not very large in the first place, and the theory is that they cannot very well afford to take the tax or pay the tax; is that correct?

Mr. REES. That is correct, sir. I have a volume of mail from the older people who are unable now to produce, they are unable to work, and they are having a pretty tough time getting along. This is one little thing we can do for them. It is a matter of equity; it is a matter of right. We have seen fit to do it for other groups.

Senator BUTLER. We would not be establishing a precedent, then?

Mr. REES. We are not, sir. We have already established a precedent, if that be the case.

Senator BUTLER. I see.

The CHAIRMAN. Is there anything further, Congressman?

Mr. REES. Nothing further, sir.

The CHAIRMAN. Well, we thank you for your appearance here.

Mr. REES. Thank you, Mr. Chairman and Senators.

STATEMENT OF GEORGE D. RILEY, REPRESENTING THE GOVERNMENT EMPLOYEES COUNCIL, AMERICAN FEDERATION OF LABOR, WASHINGTON, D. C.

The CHAIRMAN. There are a number of people present who wish to be heard on this bill. We have no regular calendar of witnesses. We shall be glad now to hear from anyone who is ready to appear, or I shall call the names of the witnesses if that is desired. But perhaps someone who is interested in the bill will handle that.

Is Mr. George Riley present?

Mr. RILEY. Yes, Mr. Chairman.

The CHAIRMAN. You represent the Government Employes Council of the American Federation of Labor, do you?

Mr. RILEY. That is correct. The exact title is the "Government Employes Council of the American Federation of Labor."

The CHAIRMAN. We shall be very glad to hear from you.

Mr. RILEY. Gentlemen of the committee, the Government Employees Council of the American Federation of Labor calls for removal of income-tax liability against civil service retirement annuities under \$1,440. This council includes in its membership 21 international and national unions having affiliation with the American Federation of Labor.

The plight of the retired person, the person with a fixed income, has been miserable during wartime. It promises to get much worse now that the Governor of the Federal Reserve System is reported to have said we are going to have a 40 percent increase in prices and costs over the immediate prewar days. And as spokesman for the Nation's banks and banking system, Mr. Eccles probably had been advised soundly.

Already wage incomes have risen under the Little Steel formula by 15 percent. They are rising further, under the White House wage-price formula, another 19.5 percent, for a total of 34.5 percent.

At the same time, efforts to obtain an increase in annuity, even by a meager 15 percent, at the hands of Congress, has failed thus far.

I am informed that the Secretary of the Treasury intends to make an appearance before your committee to insist that the feet of the civil-service annuitant be held to the fire without the slightest offer of relief in any form in regard to the taxes demanded of him.

The Secretary has said:

There appear to be no persuasive reasons to support the conclusion that the beneficiaries of the Civil Service Retirement Act should be less able to pay tax on their benefits than other retired employees with similar amounts of pension income, such as retired State, county, or municipal employees generally, who have provided annuities or other retirement income for themselves.

That ends that portion of the quotation from the Secretary's letter to the then chairman of the House Civil Service Committee before passage of the bill now before you, House bill 2948.

For the committee's benefit and the Secretary's information, I am informed that at the appropriate time those in the State, county, and municipal governments will have their own facts to submit on the subject of exemption from taxation on small incomes. They, too, realize the inequality existing under the Social Security and railroad retirement systems which provide such exemptions, while the Congress has discriminated against the employ under another act of Congress, the civil-service retirement system.

It is not a question, as the Secretary of the Treasury maintains, of creating a "narrow class of retirement payments" from income tax. Congress already has created such "narrow classes" by stipulating that only those under social security, those under railroad retirement, and the Army and Navy pensioners shall pay no such income taxes—the last-mentioned when retired for disability.

It should be borne in mind that the civil-service annuitants do not pay 1 or 2 or 3 percent into their system in the form of deductions. They pay 5 percent, regardless of salary. There is no sliding scale. Further, the Secretary finds no reason for excluding the self-employed if others are to be included for income-tax exemption. Before the Ways and Means Committee just now, there is a proposal for including the self-employed in some manner under social security. So, it is apparent that this group will get their income-tax exemption by virtue of the fact that they will be included under the act which so provides.

So, some of the events which have transpired since the Secretary gratuitously submitted his objection to this bill are removing much of the effect of his own complaints. Incidentally, that letter was dated last September.

As a plain matter of fact, the tax exemption for 12,000,000 citizens was created starting this year by new legislation, and with the sanction of the Treasury Department, and those 12,000,000 will include some of the very persons for whom we are requesting tax exemption under the provisions of the present bill. Among those 12,000,000 there now will be some citizens whose incomes, not unlike those of some other citizens which will be tax-exempt, will include the payments made to some of the very annuitants under the civil-service retirement system.

As I read the Secretary's letter, he objects only to legislation of this type whenever it creates "one narrow class" of taxpayer. When 12,000,000 are involved, he has no objection to remove their tax liabilities, as I understand it.

I am going on the assumption that there are enough Senators on this committee who are both open-minded and willing to remove this income-tax liability once the case is properly established, and that once the objections which bear Mr. Vinson's name are properly answered, the committee will report the bill and, further, will push for its final passage.

I am referring once more to the Secretary's letter to the House Civil Service Committee, in which he says:

It would not appear that the ability of the retired person to pay income tax on a given amount of income is less than that of an active wage earner with the same income.

Is this to be regarded as a threat to remove tax exemptions from the groups to whom Congress already has granted exemption? The statement is sufficiently broad to infer this. It is perfectly obvious that comparing the ability of one person to pay a tax with that of another, on the same amount of income, is sophistry.

There are many factors entering into the cost of producing and collecting an income for an active person on which deductions can be taken, as you can see by reading this booklet issued by the Bureau of Internal Revenue, entitled "Your Federal Income Tax."

Senator HAWKES. Let me ask this question, Mr. Chairman: How many people are affected by this matter?

Mr. RILEY. Well, I am going on the same statement which Mr. Rees gave a while ago—which is approximately 70,000. If you want a further approximate estimate of the situation, I would suggest that the average annuity income derived from civil-service annuities is less than \$1,000. It is about \$960.

The CHAIRMAN. Of course, the 12,000,000 persons whose incomes were removed from the tax rolls under the last tax act will include a great many of the annuitants.

Mr. RILEY. It will catch a great many of those, I am sure.

Senator HAWKES. Thank you.

Mr. RILEY. Certainly. The same deductions are not available to a retired person—that is, deductions allowable for producing and collecting an income. Obviously, his income is fixed, and all he can do is sit back and take whatever the Government allows him out of his annuity check, after the Government slices off its share.

Senator BUSHFIELD. Approximately how much is allowed each annuitant?

Mr. RILEY. I suppose if they have dependents the payments they receive are based on the same allowances that you and I are dependent upon—in other words, their marital and general dependent status. In other words, they are classed as ordinary taxpayers, even as you and I.

Senator BUSHFIELD. I see.

Mr. RILEY. Further in his opposition to this bill, the Secretary of the Treasury has this to say in answer to a statement contained in the report submitted by the House Civil Service Commission:

As the report of your committee on this bill indicates, old-age benefits under the Railroad Retirement Act and the Social Security Act at present enjoy exemption from Federal income tax. While these benefits are not strictly pensions in the usual sense of the word, much of what I have said regarding special pension or retirement income exemptions would appear applicable to them.

And with that the Secretary rests his point on this case, without saying why what he says is applicable to civil-service retirement an-

nuities. Throughout this letter of the Secretary's objections are raised, but supporting reasons are sadly lacking. There is a blanket objection, but I do not see enough substance and depth to the objections raised by the Treasury Department to give you the follow-through that I think your committee is entitled to have. I do not know whether the committee thus far has received a similar communication from the Secretary of the Treasury or whether he will speak for himself, or whether the letter addressed to the House committee is before you.

The CHAIRMAN. We have representatives of the Treasury here to speak to us this morning.

Finally, Mr. Chairman, the letter of the Secretary of the Treasury declares it is the view of this Department that the benefits under both the Railroad Retirement Act and the Social Security Act should be recognized as income and their tax status governed by the generally applicable revenue laws. It thus appears that the Secretary enunciates a policy which may even have been stated at the time when those acts were passed—that is, the Social Security Act and the Railroad Retirement Act. If so, the Secretary is passing the responsibility for exemptions on to your committee. That responsibility seems clear to the Government Employees Council of the American Federation of Labor.

Congress has set up exemptions on annuities and pensions for several classes of citizens. We ask that the same treatment be accorded those under the civil-service system.

Thank you very much, Senators.

Senator BUTLER. I wonder what connection there is between your organization and this group.

Mr. RILEY. Well, the various unions—that would include the postal employees groups and the so-called blue collar and the so-called white collar groups and the various administrative groups, all down the line, all of whom would be under other than temporary appointments, and therefore subject to the Civil Service Retirement Act, if it be amended in this way by the Congress.

Senator BUTLER. All of them have belonged at one time or another, or at least a good number of them have, to the American Federation of Labor; have they?

Mr. RILEY. I will give you some figures. Approximately 350,000 persons employed by the Federal Government are indirectly represented in this council through their presidents or their duly appointed representatives to the council. The council is not a union. It is what you might call a union of unions.

Senator BUTLER. Yes.

Mr. RILEY. So our contact with the rank and file is through the heads of the unions themselves.

Senator BUTLER. Yes; I see.

Mr. RILEY. In this council we plan on a common ground and we coordinate our programs, and that sort of thing.

Senator HAWKES. May I ask this question: Have you given any thought or have you brought out in your statement before I came to the hearing the effect of this exemption upon the annuities and pensions of teachers and the annuities of our hundreds of thousands of citizens who did not happen to be under the civil-service system, but who saved their money and put it into annuities, with the result that

the amount of money they receive does not increase as the cost of living is increased, and the effect of that situation upon all the millions of people living in the United States is very serious?

Mr. RILEY. Senator, you have mentioned teachers. Of course, there are teachers in the Federal service, in Alaska and in the Panama Canal Zone, in Washington, D. C., and so forth. So there are teachers who are directly affected as annuitants, by the provisions of the pending bill. So, obviously whatever would apply to that broad group would apply to them. But you are speaking of persons under the private systems, I believe.

Senator HAWKES. Suppose you and I had not come in under the civil-service pension or annuity system, or whatever it may be called, but suppose we worked hard and saved diligently and bought an annuity in the Metropolitan Life Insurance Co., for instance, or some one or another of the big companies, and suppose the amount of that annuity was fixed at \$1,400 or \$1,500, and did not vary, and suppose you and I were through with our work in life. What would be the effect upon us, or upon others in that situation? They would not be exempt under this bill, would they?

Mr. RILEY. No; but you would have laid the groundwork by which Congress could extend the act accordingly and have it apply, in justice, to them, as well. You are setting the pattern for those groups.

Senator HAWKES. Yes; that is the point I have in mind. I think we must weigh it rather carefully in connection with consideration of the amount of money the Government receives, with which it must pay the enormous bills which are being forced upon it from every direction at the present time.

Mr. RILEY. Of course, here under the Social Security Act I enjoy the exemption, but you are not under that act.

Senator HAWKES. Yes. But I am not thinking of myself. I am thinking of the thousands and thousands of small wage earners who are receiving the benefits of annuities they paid for; I refer to those who have been wage earners and who now are living on annuities. They are affected as deeply and as seriously as anyone else.

Mr. RILEY. Yes. Definitely they are out in no man's land, and the tax collector can spot-shot at them just as much as he likes.

Senator BUTLER. Some of them would be included in the 12,000,000, I assume.

Mr. RILEY. Oh, yes; obviously some of them are included and some of them are not.

Senator HAWKES. Yes. Thank you.

The CHAIRMAN. Thank you, sir.

Mr. RILEY. Thank you very much, Mr. Chairman and Senators.

STATEMENT OF ALBERT J. E. McLAUGHLIN, MEMBER OF THE BOARD OF EDUCATION, CITY OF NEW YORK, AND EXECUTIVE VICE PRESIDENT OF THE PENSIONERS' PROTECTIVE ASSOCIATION OF AMERICA, INC.

The CHAIRMAN. Mr. Laughlin, we shall be glad to hear from you, if you are ready to proceed.

Mr. McLAUGHLIN. Yes, Senator.

The CHAIRMAN. You are appearing for the Pensioners' Protective Association of America; are you?

Mr. McLAUGHLIN. That is correct, sir.

The CHAIRMAN. You may proceed with your statement.

Mr. McLAUGHLIN. Mr. Chairman and Senators, I am a member of the Board of Education of the City of New York, and I am also serving as acting accountant for the board, in charge of their law council and finance work, and I am also executive vice president of the Pensioners' Protective Association of America, Inc., which is represented in 26 States of the Union. We are interested in protecting the pensions of all Government employees.

The bill which Congressman Rees introduced in the House of Representatives and which the House of Representative passed and which is now before the Senate has for its purpose the broadening of the social legislation program of this country which was adopted in the past 10 or 15 years. There are many millions of people who reach the age of retirement at 65 years of age and upwards who can receive retirement benefits which are not tax exempt. They are supposed to make tax payments on a certain percentage of the retirement benefits they receive.

The employees of the Federal Government who are under the Civil Service Retirement System have been paying in 5 percent or thereabouts of their salaries, and upon reaching retirement age they receive a pension which the figures show averages approximately \$960 a year, more or less, for the average recipient of pension payments or retirement benefits. There are about 70,000 persons on the pension rolls today. Those people are not wealthy people. They have worked 25, 30, or 40 years for their Government. When they took their civil-service jobs, they felt they would have security and also would be free in their old age from the burden of paying taxes on their pension or annuity payments, at a time when their families had grown up and their children were gone away, and now they are anywhere from 70 years of age up.

We wholeheartedly endorse the proposal to extend the benefits of tax exemption to the annuity payments made to civil-service employees who have retired.

The report of Mr. Mitchell very ably presented a complete picture of the problems which pensioners are now facing and enduring because of the high cost of living and because the conditions incident to and growing out of the war have brought on other problems of similar nature.

Likewise, the Senate Committee on Education and Labor recently issued a report and statistics showing that the cost of living has gone up and that the average family today, after paying its taxes, would need at least \$1,950 a year to exist. That report was made on September 26, 1945.

Senator BUSHFIELD. Will you repeat that, please?

Mr. McLAUGHLIN. The Senate Committee on Education and Labor made a report on September 26, 1945, that after paying taxes, the average family in order to live and exist required an income of \$1,950 a year.

Senator BUSHFIELD. A lot of them do not get that much.

Mr. McLAUGHLIN. That is perfectly true. We have a vast majority of our wage earners who do not receive that amount of money. A vast majority of the wage earners throughout the United States do not receive that much.

The various associations which represent the Federal Government employees throughout the United States have realized that these retired people, upon retiring at the age of 65 or 70 years, are through working; their working days, so far as earning an income is concerned, are over. The majority have raised families and they have been able to save very little. By the time their families are raised, their life expectancy is short. The amount of money they receive as pensions, under present economic conditions, barely maintains and supports them. My own father retired from the New York Police Department and lived until the age of 83. In the last 5 years of his life he had to dip into his life savings to maintain and support himself, and he had been retired for 12 years from the Police Department of the city of New York.

The Municipal Finance Officers Association of the United States, at its annual conference in 1944, went on record endorsing and approving the passage of appropriate legislation to include the retired Government pension recipients, so as to enable them to receive the same type of benefits that the people under the Social Security System are receiving or the people under the Railroad Retirement Act are receiving, or which those who have been retired from the naval and military service are receiving—and people of similar circumstances.

From time to time, especially during the past four years, retired people were able to find some outside employment and they did receive some outside source of income to carry themselves along. But at the present time those who are over 65 years of age have practically all been let go, and of course those who are over 70 years of age can get no jobs whatsoever outside.

So the small pensions they are receiving, from which they have to pay income taxes to the United States Government, are very meager sums of money to try to live on, under present conditions.

Our association respectfully recommends the passage of the Rees bill, and requests your favorable action on it, in reporting it to the Senate, as well as in securing favorable upon it by the Senate.

The CHAIRMAN: Are there any questions?

If not, we thank you very much, Mr. McLaughlin.

Mr. McLAUGHLIN. Mr. Chairman, I should like to leave with you a brief we have prepared with respect to the history of the law and the types of action we are asking for.

The CHAIRMAN. We shall be very glad to have you leave it with us.

Mr. McLAUGHLIN. And I also have with me a release which was prepared on March 1, which I should like to leave with you, also.

The CHAIRMAN. Yes; we are glad to have them. Thank you very much for your appearance.

(The papers filed with the committee by Mr. McLaughlin are as follows:)

PENSIONERS PROTECTIVE ASSOCIATION OF AMERICA, INC.,
New York, N. Y., March 1, 1946.

To the Members of Congress:

We have communicated with you on many occasions in behalf of the retired Government employees, Federal, State, and/or any political subdivision thereof, and the present 4,000,000 Government employees throughout the United States in regard to our legislative tax problem to have retirement benefits-pensions exempt from taxation.

These letters presented to you a concise viewpoint of the retired Government employees hardships that they are enduring by high local taxation, the high cost of living, and the United States income tax on their pension benefits since 1939. The vast majority of retired Government employees, because of their advanced age in life, major and minor physical disabilities received in the performance of their duties and from natural causes, are unable to supplement their pension benefits by obtaining employment in other fields of endeavor, besides their life expectancy is rather short. Their pension benefits have not been increased as salaries and wages went up in business and industry.

The Government employees and the retired pension recipients look to you, the Members of Congress, for legislative aid and relief from the high United States income taxes on their pensions, especially since all other types of social legislation benefits such as social security, old-age insurance, unemployment insurance, workmen's compensation benefits, railroad retirement benefits, health-life-accident insurance benefits, war veterans' and widows' pensions, are all totally tax exempt. We, in behalf of the Government employees and the retired pension recipients, as you in all fairness to these faithful Government servants to consider at this time their social legislative program to exempt their pension benefits in their old age from United States income taxes, as they are in their home States.

There are now pending before Congress several bills to exempt pensions of Government employees in their old age from Federal income taxes. We proposed legislation on pages 29, 30, and 31 of our brief for your consideration, to remove the tax discrimination against retired Government employees. The President of the United States Civil Service Commission, in his letter of January 31, 1945, to the chairman of the Committee on Civil Service of the House of Representatives, very ably expressed the reasons why Government employees pensions should be exempt from taxation. Also see House of Representatives Report No. 517 on the Rees bill, H. R. 2948, which passed 189 to 130 in September 1945 and is now before the Senate.

Being that 57,000,000 workers under social security will receive in their old age benefits totally exempt and upward of 680,000 railroad workers and all future railroad workers will receive in their old age pensions exempt from income taxes, why shouldn't the 355,000 present pension recipients and the 4,000,000 Government civil-service workers of the Federal and/or State governments, or any political subdivision thereof, have their retirement payments—pensions likewise totally exempt? All that we ask for is fair play and no discrimination against Government employees and retired Government employees in their old age, as requested in House Report 517 of May 4, 1945.

Your interest and cooperation in this social legislative matter will be greatly appreciated and may we have the pleasure of hearing from you in the near future by voting for one of the bills on tax exemption of Government employees pension legislation now pending before the House Committee on Ways and Means (H. R. 2330, 456, 4666, and 5084) and the Senate Committee on Finance (S. 831, H. R. 2948).

Respectfully yours,

PENSIONERS PROTECTIVE ASSOCIATION OF AMERICA, INC.,
By JOHN P. O'BRIEN, *Chairman*.
ALBERT J. McLAUGHLIN, *Vice President*.
ABBIE G. SHEEHAN, *Secretary*.

[New York Journal-American, Friday, February 15, 1946]

· CIVIL SERVICE PENSIONERS TAXED, OTHERS ARE NOT

By Leslie Gould, Financial Editor

Here are a couple of letters—typical of several we have received recently—on the plight of the forgotten men and women of today—the retired people living on pensions and savings:

Mr. LESLIE GOULD,
Journal-American,
New York, N. Y.

DEAR SIR: Let me congratulate you on the wonderful article on pensions that appeared in your paper. Until I read it I never thought anyone knew what it is to live on a pension.

I am a retired civil-service employee since 1940 and before we entered the war had a hard time to make ends meet: Now I owe myself money because in addition the Government takes a 20-percent cut for internal revenue which, added to the high cost of living almost cuts the pension in half, and all pensioners are getting older and cannot get a job.

So, it's as you say, pull in the belt and starve and like it.

I have nothing but my pension to look forward to and it's serious because no pension can keep a person happy under present conditions.

Thank you. Wish those internal-revenue experts saw your article.

Mr. LESLIE GOULD,
Financial Editor, New York Journal-American,
New York, N. Y.

DEAR MR. GOULD: Your article entitled "Take Home Pay Way Down for Those on Pensions" has attracted wide attention and interest amongst the retired Government employees throughout many cities of the country.

We want to take this opportunity of expressing to you our thanks for your kind cooperation in bringing before the public the plight of pension recipients who are trying to live and exist on their meager pensions during the present trying times and economic conditions.

Enclosed is a copy of our January 15, 1946, release to the members of Congress which is self-explanatory and which will give you a bird's-eye view of the pension recipients' plight and the social legislative relief which we are seeking in their behalf from Congress.

Again thanking you for your kind cooperation and interest, we remain.

Very truly yours,

PENSIONERS PROTECTIVE ASSOCIATION OF AMERICA, INC.
 ALBERT J. E. McLAUGHLIN, *Vice President.*

There are 355,000 receiving pensions under civil service, and 4,000,000 on Federal, State, and municipal pay rolls who will be eligible some day for pensions. Under present laws these civil-service pension recipients must pay a Federal income tax, yet the law exempts the old-age benefits under social security and the 680,000 railroad workers receiving pension under the Railroad Retirement Act.

The Pensioners' Protective Association is seeking to correct this and have civil-service pensions also exempt from Federal income tax.

This though, while important, is only a small part of the difficulties of a pensioner. His take-home pay is being whittled down every day by the inflation that is being allowed to get out of hand. His income is fixed, but the prices of what he must buy are up anywhere from 25 to 50 percent and even more, depending on where he lives and what he needs.

[New York Journal-American, Thursday, January 24, 1946]

TAKE-HOME PAY WAY DOWN FOR THOSE ON PENSIONS

(By Leslie Gould, financial editor)

One of the issues in the current wave of strikes that is crippling the country is for the same take-home pay as received in wartimes, but for less hours of work. There is no thought as to higher output per worker.

To the degree these efforts are successful in obtaining such increases, so will the cost of living rise for everyone—strikers as well as nonstrikers.

There is one great class, though, that will feel the pinch of the higher living costs more than any of the others.

These are the old people living on pensions and income from investments, and widows and orphans. And they can't strike.

They can't paralyze a city by taking up the subway and bus lines.

They can't stop the flow of meat to the family dinner tables by locking up an entire industry.

Nor can they stop the manufacture of needed automobiles, refrigerators, vacuum cleaners, and so forth, by picketing the Nation's steel mills.

They just have to pull in their belts—find cheaper living quarters, if possible—or move in with a son or daughter.

Living costs, according to the Government's own figures, have gone up 33 percent since 1941. But for the retired people, it has meant just that much less to spend on food shelter and clothing.

And if they are depending on invested funds—accumulated through their own thrift—there is not even the same take-home pay. For the Federal Government not only has allowed them to be socked by the 33-percent rise in living costs, but by its policy of forcing interest rates down, the Government has cut their income.

High-grade bonds yield less than 3 percent and savings banks only pay 1½ percent interest. Fifteen years ago, savings banks paid better than 4¼ percent and it was possible to get a good bond yielding 5 or 6 percent.

Universities, hospitals and other institutions and charitable organizations depending on invested endowment funds for income are in the same boat. Their costs of operations are going up and their income is going down.

The same for the pension funds of civil and other employee groups, who put aside a certain part of their yearly earnings for their old age.

Not to mention the fact that the salaries and wages of such employees, which have not kept pace through the war years with the spiraling costs of living.

These are the forgotten people. As they now are finding out, it isn't how much you take home, but how much what you take home or receive will buy that counts.

STATEMENT OF WALTER L. DISBROW, NATIONAL REPRESENTATIVE OF THE RETIREMENT FEDERATION OF CIVIL SERVICE EMPLOYEES OF NAVY YARDS, ARSENALS AND NAVAL STATIONS, WASHINGTON, D. C.

The CHAIRMAN. Next we shall hear from Mr. Walter Disbrow. Mr. Disbrow, please give the reporter your full name and title.

Mr. DISBROW. My name is Walter L. Disbrow, and I represent the Retirement Federation of Civil Service Employees of Navy Yards, Arsenals and Naval Stations.

Incidentally, Mr. Chairman, the Rees bill was introduced at my request by Congressman Rees, who had to be furnished with the facts that the Railroad Retirement Act and the Social Security Act pensions were exempt from taxation.

I am not going to bother this committee with any lengthy statement. I have here a prepared statement which I wish to submit, in place of an oral statement.

The CHAIRMAN. You may do so.

(The statement submitted by Mr. Disbrow is as follows:)

STATEMENT OF WALTER L. DISBROW

As national representative of the Retirement Federation of Civil Service Employees of Navy Yards, Arsenals and Naval Stations, I desire to place our organization emphatically on record in favor of this bill, H. R. 2948.

This bill dealing with removing the tax from civil service retirement annuities would only be granting the same consideration given those under the Railroad Retirement Act, Public 399 of the Seventy-fourth Congress, section 10, and Public 162 of the Seventy-fifth Congress, section 12.

It is our belief that removing the tax on annuities as provided for in this bill would be of material aid in alleviating some of the hardships now confronting these former employees who have to meet our increased living costs without any of the aid extended to those still in active service through salary adjustments to meet these higher living costs.

Taking into consideration the thousands of annuitants on the rolls and that the average annuity is less than \$1,000 per year, it can readily be seen that legislation of this character would be of material aid to many of our superannuated former employees.

Mr. DISBROW. Mr. Chairman, I should like to call the attention of the committee to a report (House Document 263) on the civil service retirement and disability fund, and a letter from the President of

the United States Civil Service Commission transmitting, pursuant to law, the Twenty-fourth Annual Report of the Board of Actuaries of the Civil Service Retirement and Disability Fund, for the fiscal year ending June 30, 1944, which has charts on page 5 which will answer the Senators' questions. It states that 75,411 people were on the annuity rolls.

The CHAIRMAN. 75,411?

Mr. DISBROW. That is correct. The figure has been stated approximately as being 70,000; that statement has been made here this morning. But this is the official report of the Commission.

The CHAIRMAN. I see.

Mr. DISBROW. The reason why I do not make a lengthier statement here is that I am just recovering from pneumonia and I find that I can not talk as I normally could. So I have submitted the written statement.

Are there any questions?

The CHAIRMAN. No; I think not.

If there are none from the other members of the committee, that will be all, Mr. Disbrow. We thank you very much.

STATEMENT OF J. L. REILLY, INDUSTRIAL SECRETARY, RAILWAY MAIL ASSOCIATION, WASHINGTON, D. C.

The CHAIRMAN. The next witness will be Mr. J. L. Reilly. Will you please come forward, Mr. Reilly?

Mr. REILLY. Yes, Mr. Chairman; thank you.

Mr. Chairman and Senators, my name is J. L. Reilly. I am industrial secretary of the Railway Mail Association. I am appearing before your committee this morning to represent the Railway Mail Association in the absence of our national president, Mr. C. M. Harvey, whose presence is necessary this morning at the hearings before the House Post Offices and Post Roads Committee.

Our association has a membership of 22,356 railway postal clerks. The railway mail service may be defined as the arteries of the postal service, embracing the distribution of transit mail matter in railway systems, highway post office routes, and air routes. It is an around-the-clock job, as continual distribution must be performed during each 24-hour period.

The members of our association, both active and retired, are heartily in favor of the provisions of H. R. 2948, exempting civil-service retirement annuities from taxation, up to a maximum of \$1,440 per annum.

When the Civil Service Retirement Act was passed in 1920, no one at that time could visualize that the time would come in this country when incomes as low as \$1,200 would be subject to income tax. However, when the Railroad Retirement and the Social Security Acts were passed about 1935, the future tax picture was quite clear; and the Congress then—and very wisely, I think—inserted a provision that the benefits under those acts would not be subject to any tax.

Our members are only asking that they be given the same equitable treatment as is accorded to those drawing benefits under the Railroad Retirement Act and Social Security Act; and it was for that reason that the maximum exemption of \$1,440 was placed in the bill, this

being the maximum benefit payable under the Railroad Retirement Act.

Civil-service employees who have retired on a fixed annuity have an extremely difficult time under present living conditions. While active workers have received salary increases to offset the increased cost of living, retired employees have had no relief whatever.

The only form of relief that can be given these faithful employees that will enable them to maintain the purchasing power of the annuity they earned through long years of service, is exemption of taxation as provided in H. R. 2948. Our members will, therefore, be grateful for your favorable consideration of the measure before you.

I thank you for the opportunity of appearing before you in support of H. R. 2948.

The CHAIRMAN. Are there any questions?

Senator BUTLER. Mr. Reilly, do you know about what would be the average amount of the saving for the 70,000 persons affected?

Mr. REILLY. Well, as has been pointed out previously this morning, the exemptions which have been granted by the Bureau of Internal Revenue will catch a great many of our members. I would not be able to give the figures as to just how many would benefit by it.

Senator HAWKES. In other words, a great many of them have already been relieved, but some have not because of their own peculiar conditions of dependency, and so forth; is that the case?

Mr. REILLY. That is correct.

Senator HAWKES. I should like to ask Mr. Reilly this question, just as a matter of trying to get his viewpoint. I have not reached any conclusion in my own mind. Of course, I believe that in a country like ours, when we pass legislation we should try to have equity. You are citing right here this morning the fact that you feel that these things should be exempted because of exemptions which have been granted under the Railroad Retirement Act, the Social Security Act, and under other arrangements.

Mr. REILLY. That is correct.

Senator HAWKES. What is your opinion about your brother who might not have come in under any of these acts at all, and yet might be having great difficulty in getting along and paying his living expenses under the proceeds of a pension which he bought in a different way? That is the same question I raised a few moments ago.

Mr. REILLY. That is right.

Senator HAWKES. How are we going to do equity in such a case?

Mr. REILLY. Senator, I can answer that by saying that, in all sincerity, I believe everyone should have a tax exemption of \$1,440. I do not see how anyone could live with any degree of any standard of living on anything less. To my mind it is much like taxing bread—to go down as low as \$1,440 in taxing incomes; and I would be heartily in favor of a general exemption for everyone of \$1,440.

Senator HAWKES. Of course, when you talk about the fact that a family is not able to live on less than \$1,440, I have in mind, as an illustration, a family in Newark, N. J., who never in their life before this time had an income which exceeded \$1,800 a year. But the children have grown up and all of them have gone to work; and at the present time, although all of them earn approximately \$1,500 a year,

each, the whole family has a total income of approximately \$10,000 a year. If we can find a way to relieve the man who does not have several incomes coming into his one household, that would be a great thing. But I do not know how to provide for that.

I think you will agree with me that no nation will be successful unless its people all bear some share of taxation to pay for the things their government has provided—in other words, in this country, for the things the Congress has done.

Mr. REILLY. Yes, sir.

Senator HAWKES. Whether they are right or wrong, we have done them and we have spent all this money.

I know you agree with me that if every fellow in the upper brackets were destroyed, the load of taxation would continue to exist, and then it would rest on the shoulders of those in the middle bracket and those in the lower brackets. Then, when the middle bracket was destroyed, the burden of taxation would rest on those in the lower brackets, and then the people in the lower brackets would become unruly, as all this has happened in the history of the world, and that is what leads to dictatorship. So I am very sympathetic with what you are recommending. I have no firm opinion at all on the subject, as yet; but I do feel that the time is coming, if it has not yet arrived, when we must do things that will be equitable to all groups, and that we should not pick out one group here and another group there. There are certain groups in our American life right now that are asking for further consideration, although they are already far ahead in respect to the consideration they already receive. If we build up that group further, other groups will be further dissatisfied.

Mr. REILLY. I see what you mean.

Senator HAWKES. We must weld all the groups together.

Mr. REILLY. Senator, my further thought is that while it is true that others have low incomes, for people in active employment, that is more or less temporary, and in due time perhaps they can increase their incomes.

But here we have the group of retired people who are definitely limited to this income for the balance of their lives.

Senator HAWKES. I know.

Mr. REILLY. And inasmuch as the Congress in its wisdom has previously exempted payments made under the Social Security Act and the Railroad Retirement Act, our members feel that we are entitled to the same treatment.

I may say that, as postal employees, we fraternize with railroad men.

Senator HAWKES. Of course you do.

Mr. REILLY. While we are employed by the Federal Government and they are employed by the railroads, they point out that their pensions, as they call them, are not subject to taxation, while our annuities, for which our members have paid 5 percent of their incomes, are subject to taxation. So our members say to them, "There is nothing fair about it," and they ask for relief.

Senator HAWKES. I agree with you that there is nothing fair about it.

The CHAIRMAN. If there are no questions, we thank you very much, Mr. Reilly.

STATEMENT OF LEO E. GEORGE, PRESIDENT, NATIONAL FEDERATION OF POST OFFICE CLERKS, WASHINGTON, D. C.

The CHAIRMAN. Next we shall hear from Mr. George. Please come forward, Mr. George.

Mr. GEORGE. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Leo E. George. I represent the National Federation of Post Office Clerks. I have just a brief statement to make to the committee.

First, let me say that the principle of retirement is to make provision for the comfort of superannuated workers who have not had the good fortune to make adequate provision during their earning life for freedom from privation when their active days are over.

Annuities provided by the United States Civil Service retirement system are based upon years of service and the amount to the credit of the employee in the retirement fund. Government employees contribute 5 per centum of their base pay—which is deducted from their earnings—to the retirement fund.

Employees may retire after attaining 60 years of age, at their own request, provided they have rendered at least 30 years of service; or after attaining 62 years of age, provided they have rendered at least 15 years of service. They are automatically retired at 70 years of age, provided they have rendered at least 15 years of service.

There is no provision for upward revision of annuities when living costs or other obligations increase because of causes beyond their control. In most instances the retirement funds are the only savings they have been able to acquire. Most of them have looked forward for many years to retirement in comfort without constant worries about meeting the regular bills and obligations. They have adjusted their way of life to make it possible to do that on the annuity they are to receive.

Greatly increased costs of daily necessities put an undue strain upon their budget, and work serious hardship. When, however, in addition to increased expenses, their annuity is also reduced through taxes that couldn't have been foreseen, the hardship is increased, and unjustifiably so.

The principle embodied in the Rees bill is recognized in the social-security law and also in the railroad-retirement law, both of which are administered by the United States Government. When the civil service retirement law was drafted, it was not foreseen that income-tax exemptions would be lowered to the point where these annuities would be affected. However, that defect should now be remedied and the annuitants retired from the service of the Government should be given this needed and justified relief.

The effect of this legislation upon the Government cannot help but be beneficial. The loss in revenue will be so insignificant that I do not doubt that it will be exceeded by the saving in cost of collection. The restoration to several thousand annuitants of their faith in the fairness of their Government as an employer will be of greater value in the long run than any net revenue that may be derived.

Mr. Chairman, in connection with one of the questions previously asked in reference to the matter of taxes, I may say that within recent years the tax laws have been changed, insofar as they apply to Federal

employees' incomes, with the result that today the incomes of Federal employees are taxable in the States and municipalities and other governmental entities, just as well as any other income is; and in many of the communities such people are subjected to two taxes which they did not have to pay in previous times.

The CHAIRMAN. You raise a very important question in my own mind, Mr. George, in that respect; and that is that the courts, as you know, in sustaining the taxation of incomes paid out by the respective governments, Federal and State, have said something about a non-discriminatory tax, and they have given some consideration, at least, to the principle of nondiscrimination as between retired persons who, let us say, worked for a State, county, or municipality, and retired persons who formerly worked for the Federal Government. I do not know to what extent that really entered into the decisions; I have not reviewed the decisions recently and I do not know to what extent that entered into the court's decisions. That does not affect the merits of the case. It might raise some legal question as to whether those receiving benefits under State retirement systems might not say that the law is discriminatory if we exempt only the annuity payments made to persons formerly in the employ of the Federal Government, and if we do not also exempt from taxation the annuity or pension payments made to those who receive their benefits under the State systems.

Mr. GEORGE. Well, in connection with annuities paid to persons other than those under the Federal civil service retirement system, or in regard to other Federal annuities, in connection with the discussion which was had a few minutes ago, let me say that the annuities that are purchased are, to the extent of the money spent in purchasing them, exempt from Federal income taxes at the present time.

The CHAIRMAN. Not wholly.

Mr. GEORGE. They are to the extent of the purchases which were made; and an annuity which was purchased through an insurance company is practically 100 percent purchased.

The CHAIRMAN. They are exempt to the extent that the holder of the annuity has paid in or has contributed or has made payments. He gets back his money, in other words, before he is taxed.

Senator HAWKES. That is the point. He just transferred money of him on which he had already paid an income tax, so that it was not taxable again he transferred it to an insurance company, and there is no taxation on it until that principal is exhausted.

Mr. GEORGE. That is correct.

Senator HAWKES. But there is taxation on the income of 3 percent or 4 percent each year.

Mr. GEORGE. If there is such income. Of course, such cases are rare, and they generally affect people who are in a position to purchase those annuities.

In connection with the matter of State, municipal, county and other annuities, of course that is a question for the States. Unquestionably the same principle would apply there.

The CHAIRMAN. Yes; I think so.

Mr. GEORGE. But that is not a question for the Federal Government.

The CHAIRMAN. But in order not to have a Federal system that is discriminatory, it seems to me we would have to give consideration

to the annuitants who are under State systems. As I said, I do not recall to what extent that reasoning influenced the decisions of the courts sustaining this public salary act.

Senator HAWKES. Mr. Chairman, I should like to ask a question because this gentleman has raised a very interesting question. These civil-service pensions come from contributions made by the employees, as well as from contributions made by the Government; do they not?

Mr. GEORGE. Yes, sir.

Senator HAWKES. All right. Do I correctly understand, from you, that the Federal income tax applies to the whole payment which is made as an annuity to the individual, under the civil-service retirement system?

Mr. GEORGE. No; it applies in the same way.

Senator HAWKES. I mean it applies just the same as if it were earned income; does it not?

Mr. GEORGE. No; it applies in the same way that the chairman just mentioned. The portion which was the workers' contributions, of course, may be exempted.

Senator HAWKES. That is what I want to be sure of.

Mr. GORGES. That is right.

Senator HAWKES. In other words, it applies just the same as it applies to me if I bought a pension from an insurance company, as the situation is today: is that correct?

Mr. GEORGE. Yes, sir.

Senator HAWKES. And you are trying to get the others, the balance or the remainder, exempted?

Mr. GEORGE. Up to \$1,440, for the 70,000 annuitants. Although the average annuitant receives \$960, of course there are thousands who receive less than that. Of course, there must be a great many who receive less than the \$960, inasmuch as the average is \$960.

The CHAIRMAN. Are there any further questions of Mr. George, or is there anything further which you wish to say?

Mr. GEORGE. Thank you, Mr. Chairman. I hope the committee will report the bill favorably.

The CHAIRMAN. Thank you very much for your appearance here.

STATEMENT OF CHARLES I. STENGLE, LEGISLATIVE REPRESENTATIVE, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, WASHINGTON, D. C.

The CHAIRMAN. Colonel Stengle will be the next witness, if he wishes to be heard.

Do you wish to be heard, Colonel? There are some representatives of the Treasury here. Do you wish to be heard at any particular time?

Mr. SURREY. We are glad to be heard at your convenience, Senator.

The CHAIRMAN. Very well.

Mr. STENGLE. My name is Charles I. Stengle. I am legislative representative of the American Federation of Government Employees.

The CHAIRMAN. Do not talk so low, Colonel, because all of us want to know who you are. Most of us do, already.

Mr. STENGLE. Well, I have been around here for 24 years and I think most of you do know me.

The CHAIRMAN. Yes.

Mr. STENGLE. Mr. Chairman and Senators, I bring no written statement. I come here purposely, today, to endorse House bill 2948. I have been very much interested in Senator Hawkes' inquiries, because they lead me to another feature in regard to the discriminatory nature of these matters.

We have in our military forces thousands upon thousands who pay no tax on their retirement pay or who have no deductions for tax purposes made from their retirement pay, and those persons receive all the way up to three-quarters of their salary, in the way of retirement benefits, and no tax deductions are made.

This little army of about 75,000 people who have reached the point where they cannot go any further and who have been contributing all during their service toward their own retirement—I do not like to call it a pension because they are buying it—find that now when they come to the end of the road, because of the economic conditions which we face today, what the \$950 of yesterday would buy for them will buy only about \$400 worth today.

At the present time they have a tax exemption of \$500, and that leaves them a very small amount to be taxed. Yet if it is only \$20, it means as much to them as \$100 means to you or me, who still are in active participation in life. I am thinking of the poor old fellow who has rendered anywhere up to 35 years of faithful service to his Government and who has been contributing every day he is paid, to buy something to guarantee that in his old age he will not have to go to the poorhouse. No one claims that it is a fancy or large amount of money. Even in its best state it gives no great income for old age, because with old age come sickness and hospitalization and finally the grave; and during all that long road, that last lap of the journey, instead of having him able to rest his mind in some kind of contentment, he is faced with the worst situation he has had all his life. He has raised a family, and they have gone off and left him; they are married, and they have gone off for themselves. He has either got to go to his children or he has to come to you gentlemen who are supposed to be his protectors, and ask you to ease up a little on taxation in order that he may exist—not live, but just exist—until he goes to his grave.

I think he is entitled to our sympathy. I think he is entitled to all the help we can give him. He is a faithful public servant who has finished his journey, and now is ready to quit.

I go even further than that. The bill to which I now refer is not a part of this measure; but at the other end of the Capitol, in the House of Representatives, there is a bill providing for retirement pay for Senators and Members of the House of Representatives. I think that bill should be enacted into law. After Senators and members of the House of Representatives have rendered years and years of service to their Government, I do not think they should be turned out with nothing to live on, because certainly they are not paid enough now.

Senator BUSHFIELD. Colonel, I understand that in most cases the retirement contributions are 5 percent.

Mr. STENGLE. That is correct.

Senator BUSHFIELD. In most cases the period of service will be 20 years or more; will it not?

Mr. STENGLE. Yes. It must be at least 15 years, as a minimum.

Senator BUSHFIELD. The Government does not contribute anything toward it, I understand.

Mr. STENGLE. Oh, yes; the Government is contributing all the way along the road.

Now let us look at the matter from the taxation standpoint. I have no figures on the subject, but I have in my mind that the cost of collecting that small tax will certainly eat up most of the money collected and certainly will add a large amount—a large percentage—to the cost of collection, the cost of hiring help, and the cost of printing the documents that are sent out. When you get through with all that you have gotten a comparatively small amount that is not enough to keep the Government going a day.

Senator BUSHFIELD. And in doing so you harass them so much as to keep their minds off other troubles! [Laughter.]

Mr. STENGLE. Oh, yes, sir. Senator, having been a Member of Congress, I know some of the things you have to contend with.

That is all I have to say, Mr. Chairman.

The CHAIRMAN. Are there any further questions of Mr. Stengle? If not, I believe that is all.

Thank you very much, Colonel.

**STATEMENTS OF STANLEY S. SURREY, TAX LEGISLATIVE COUNSEL,
AND ADRIAN W. DeWIND, ASSISTANT TAX LEGISLATIVE COUNSEL,
TREASURY DEPARTMENT, WASHINGTON, D. C.**

The CHAIRMAN. Mr. Surrey, will you come forward, please? Is there any other representative of the Treasury Department that you desire to have appear before us?

Mr. SURREY. Mr. DeWind is with me.

The CHAIRMAN. Very well; please come forward, too, Mr. DeWind. Will you please proceed?

Mr. SURREY. Mr. Chairman and Senators, I am Stanley S. Surrey, Tax Legislative Counsel, Treasury Department.

I think I may start by considering first the effect of the exemption.

The present income tax exemption for single persons—the exemption which everyone has—is \$500. If you add to that \$500 the \$1,440 which this bill would exempt, you have a total exemption for the annuitants in question of \$1,940. There are about 75,000 annuitants on the civil service rolls, according to the figures which were given this morning.

Under this bill, if you include the \$500 exemption which everyone receives, all but 600 of those persons would be exempt from income taxes, assuming the annuities to be their only income. So, for all practical purposes, the effect of this bill, although it appears limited because of the \$1,440 limit, is to exempt from income tax almost all civil service retirement annuities.

It seems to me that the first inquiry is to see just how this exemption would fit into the present tax structure. We may start by looking at the relationship to other classes of persons somewhat similarly situated, and we may with profit start with other governmental retired employees. As Senator Hawkes has indicated, we have, of course, retired State, county, and municipal employees, retired teachers, policemen and firemen—persons who have retired under the par-

ticular retirement systems which the State or the county or the municipality has in force. I think there are over 150,000 persons in this group. It is very difficult to distinguish this group of State, county and municipal employees from the group of Federal employees who would be exempt from taxation under the provisions of this bill, as Senator Hawkes has pointed out; and as a matter of fact, there is pending in the House of Representatives a bill—H. R. 2330—which would exempt up to \$2,000 of annuity for all governmental and charitable organization employees.

I think Senator George has pointed to a very important phase of this question when he mentioned the relationship to State income taxes. The Federal Government, under the Public Salary Act of 1939, consented to State taxation of Federal employees if the State system did not discriminate against Federal employees as such. I think it might be a serious question if, let us say, a State were to pass a bill of this nature, limited to the pensions of its State employees, but not extending a similar exemption to the pensions of Federal employees. I think there might be a serious question whether under such a system the State would not be discriminating in respect to income taxes against Federal employees. That raises a serious question as to whether the Federal Government, in turn, should pass an act limited to its own employees.

We can go beyond the class of governmental employees, and consider the beneficiaries of industrial pension systems. As this committee knows from testimony submitted in connection with the income tax laws, many corporations have in effect, and are constantly putting into effect, pension systems for their employees. There are thousands of pensioners under those system—the pension systems of the American Telephone & Telegraph Co., of the Standard Oil Co., of the General Electric Co., and of countless other industrial corporations. They would still be taxed, although all they are receiving is a retirement annuity.

Then there are people who, through their savings, have purchased annuities for themselves. They have retired from their activities, and are living on the annuity which they purchased. Those people pay income taxes on their annuities. I think over half a million people are receiving annuities from insurance companies today, and these people cannot be distinguished from the people who would be exempted by this bill.

Senator HAWKES. Do you speak advisedly when you say "half a million?" I would say there were several million; I would be amazed if there were only half a million.

Mr. SURREY. Well, our figure may be too low, Senator.

Senator HAWKES. I think you will find there are a number of millions. Just remember that there are 69,000,000 insurance policies in existence, and I am quite certain my recollection is correct when I say that there are approximately 5,000,000 or 6,000,000 annuity policies, and I do not know how many million policies there are for industrial workers. But my own company has one, and has had for years.

Mr. SURREY. I was not including the industrial systems.

Senator HAWKES. I understand. But I think you will find that those who have purchased annuities for themselves amount to very much more than half a million persons.

Mr. SURREY. Perhaps that is so.

Senator HAWKES. I am just raising the point. I think we have a very real problem in regard to doing equity in this connection.

Mr. SURREY. Yes, sir.

Then, Senators, we have the self-employed, those who are now retired on their savings—in other words, doctors, lawyers, and other professional people who are living on income from their savings. They are taxable.

Then we can consider salaried persons and wage earners. Let us consider the wage earner who is earning his living through wages which he receives for the work he does. Suppose he receives wages in the amount of \$1,940. That \$1,940 in his hands buys the same things that \$1,940 in the hands of an annuitant buys. You cannot say that the ability to pay of an annuitant with \$1,940 is less than that of a wage earner with \$1,940.

As a matter of fact, I would think the ability of the annuitant to pay be in some classes greater, inasmuch as he may, under some circumstances, have reduced living costs. He is more free to choose the locality in which he lives; he does not have to live next to his job; he is not confined in his choice of living, to that extent. He may be relieved of commuting expenses, and so forth, which wage earners have.

But to say that one person who receives, through wages, \$1,940, should pay a tax of about \$250, under our present laws, but that his next-door neighbor, with the same amount of money, should not pay a tax because he received that \$1,940 as an annuity, does raise a very serious question, I think, under our present income-tax laws.

I have merely attempted to show how this exemption fits into the general scheme of things. I do not see how you can defend an exemption for this one class of persons without extending it to all other classes. I think the witnesses who have appeared before you today quite properly have recognized that and have indicated that the bill should be broadened so as to extend to all people.

If you do that, you are really raising the question what should be the income-tax exemptions under the income-tax law, and it seems to me that that is the field in which this problem should be considered.

You cannot, by piecemeal legislation, pick out first the civil-service employees and the next year pick out the State, municipal, and county employees and perhaps the next year pick out the industrial employees. It is quite obvious that these precedents build upon themselves, because all the witnesses who have appeared before your committee have referred to the social-security system and the railroad-retirement system. If this bill is passed, the witnesses on behalf of other systems would refer to the social-security system, the railroad-retirement system and the civil-service system.

It seems to me the question is an over-all tax question as to what should be the rates of taxation for everyone and what should be the exemption level for everyone; and only from that point of view can you properly consider this question.

I think the committee is well aware of all the factors governing the matter of determining the rates of tax and exemptions. In the last tax bill you decided that at this time the exemption should be \$500 for each person and that, in effect, the starting rate of taxation should be 20 percent (less an over-all 5 percent of tax). It seems to

me that only in that setting are the problems of living costs and such related matters properly considered.

If, for example, we wish to give everyone an additional \$1,440 exemption—which I think the logic of this bill leads to, as some of the witnesses previous to me in effect have conceded—that in 1946 would cost about \$7,000,000,000 if everyone in the country got an exemption of an additional \$1,440, which the logic of this bill leads to, I think.

Consequently, for the reasons I have briefly stated, the Treasury Department has been consistently opposed to this bill. It likewise opposes the present exemption under the social-security system and the railroad-retirement system, and will at the proper time urge their elimination before the Ways and Means Committee and this committee.

The Treasury has submitted, over the signature of Secretary Vinson, a statement to your committee, Senator George. I understand that this bill is not in accord with the program of the President. We have been so advised by the Bureau of the Budget.

The CHAIRMAN. Yes, I understand the position of the Treasury Department on this matter; that is true.

Mr. SURREY. That concludes my statement.

The CHAIRMAN. Are there any questions?

Senator BUTLER. Did you make an estimate of the number of people on the tax rolls with a \$1,940 income?

Mr. SURREY. The number of persons in the employ of the Federal Government, do you mean?

Senator BUTLER. No, I mean the number of persons on the whole tax rolls. You estimated it would cost about \$7,000,000,000. You must have some figures.

Mr. SURREY. Oh, yes. I do not have the exact figures with me. I imagine there would be between 30,000,000 and 35,000,000 taxpayers in this country in 1946.

The CHAIRMAN. You mean that if the exemption were raised, in all cases, including single persons, up to \$1,940, that would result in a revenue loss of approximately \$6,000,000,000 or \$7,000,000,000?

Mr. SURREY. Yes. And as I have said, I think that is the logic of this bill, when carried to its extreme.

Senator HAWKES. Mr. Chairman, didn't our last tax bill leave upon the paying rolls some 31,000,000 people? Didn't it bring it down from some 40,000,000-odd? Do you remember those figures?

The CHAIRMAN. Yes, that is approximately correct—31,000,000 or 32,000,000 on the tax rolls at the present time. That will be approximately correct.

Senator HAWKES. I think what Senator Butler has in mind, if I understood his question, is how many of the 31,000,000 would be removed from the tax rolls by means of the increase of the exemption—and, then, assuming that it was done with equity, increasing it all through the list. I believe Senator Butler wishes to know how many of the 31,000,000 would thus be removed from the tax rolls. Isn't that what you have in mind?

Senator BUTLER. Yes.

Mr. DEWIND. It would have the effect of removing about one-half of the income tax base.

Mr. SURREY. It would remove the major portion of the 31,000,000, I think.

The CHAIRMAN. Yes; we would be obliged to remove more than half of them.

Mr. SURREY. I would think so, Senator.

Mr. STENGLE. Mr. Chairman, I should like to ask the gentleman this question: He adds \$500 to the \$1,440, and makes \$1,940. If you exempt up to \$1,440, you only exempt an additional 950. So you still have only \$1,440, instead of \$1,940; am I correct?

Mr. SURREY. \$500 is exempted under the income-tax law, and under this bill there would be a further exemption of \$1,440.

Mr. STENGLE. All right. So there is a difference of only \$940. Where do you get the \$1,940.

Senator HAWKES. That is an important question. I assumed the \$1,940 figure stated by Mr. Surrey was correct. Which one is correct?

Mr. STENGLE. It speaks for itself.

The CHAIRMAN. There is a personal or individual exemption of \$500.

Mr. STENGLE. That is the exemption at this time.

The CHAIRMAN. Yes.

Mr. STENGLE. And this bill would increase the exemption up to \$1,440, so there would be only an additional exemption of \$940.

The CHAIRMAN. That would be the case when the income was derived entirely from the annuity.

Mr. STENGLE. That only makes \$1,440, any way you figure it.

Senator HAWKES. Let us get a clear understanding of this matter, because it is important. If a man has an income of \$500 from some other source and if he has a pension or annuity of \$1,440, I should like to know what your opinion is as to whether that man would be freed of all income taxes, in the event of the enactment of this bill, if he has the \$500 exemption with respect to outside income and the \$1,440 exemption with respect to his income from the annuity. Under those circumstances would he be totally exempt from taxation?

Mr. SURREY. Yes, sir.

Mr. STENGLE. I cannot see that, and I do not agree.

Senator HAWKES. But you are certain that you are right?

Mr. SURREY. Yes, sir.

Senator BUTLER. Let me ask this question, Mr. Surrey: The recipients under the Railroad Retirement Act and the Social Security Act now have exemptions up to \$1,940, do they?

Mr. SURREY. Yes—or put it this way, Senator: Everybody has an exemption of \$500—

Senator BUTLER. Yes; I understand.

Mr. SURREY. He can use that exemption against any income whatsoever. So if a person received a pension of \$1,940 he would be completely exempt from tax, under this bill.

Senator BUTLER. I am not talking about the situation under this bill. I am talking about the situation in connection with the Railroad Retirement Act and the Social Security Act.

Mr. SURREY. Under the Railroad Retirement Act the maximum benefit is \$1,440, and that benefit is completely tax exempt.

Senator BUTLER. Apparently that is the attempt of the bill now before us, namely, to provide for an exemption of \$1440, rather than \$1,940.

Mr. SURREY. What I meant is that if a person receives a benefit of \$1,940 from the civil-service annuity, that whole \$1,940 would be exempt by virtue of a combination of two exemptions: \$500, which is the ordinary exemption, and \$1,440 which would be the special exemption under this bill. In the case of the person who receives a railroad retirement benefit of \$1,440 and who has \$500 of other income, the total would be completely exempt.

This bill says that a maximum of \$1,440 from the civil-service annuity should not be included in taxable income.

Senator HAWKES. And the tax bill says that \$500 from any other source shall not be included or taxed?

Mr. SURREY. Yes. So you would build up to \$1,940 if you have that additional \$500 income either in annuity or from other sources which would be exempt.

Senator HAWKES. The most important thing you have raised, to my mind—and I think it is vitally important and I know we want to do equity and justice to all our citizens—is in connection with the point which these other gentlemen very properly make when they say that if the benefits under the Railroad Retirement Act are exempt and if the benefits under the Social Security Act are exempt, they are justified in asking for the same kind of exemption for the old Government employees who have worked for the Government for many years.

The point I raised in the beginning was that I or any other citizen of the United States could take the same position and say the same thing.

Mr. SURREY. I think you are quite correct.

Senator HAWKES. And because my money is just the same as theirs, if I have only \$1,940 or \$1,440 which comes to me as a result of my life's work, I have to buy food and pay rent and buy clothes just the same as everyone else does; and under those circumstances I am sure that I, as an American citizen, would say that I am entitled to the same consideration as the other groups receive.

Mr. SURREY. I think the initial mistake was in exempting the payments under the Social Security and the Railroad Retirement systems. But that exemption is confined in the case of Social Security to a relatively small field, because the present Social Security System average annual benefit is only about \$225. So the Treasury Department feels that, rather than widen out from this small field, it is proper to eliminate this small field, and have everybody treated equally with regard to taxes.

Then the committee, in treating everyone equally, can consider the pertinent factors of the effect of exemptions on incomes and living costs. This is not a new problem. It was considered all during the war: How low the exemptions should go and how high should the tax be.

Senator HAWKES. I find myself in accord with your statement: No matter what we do, we should equalize the thing and standardize it with respect to all persons who receive fixed incomes.

Senator BUTLER. Mr. Surrey, I am not at all familiar with the tax law, and you are.

Mr. SURREY. Well, Senator, I used to be familiar with it, but I have been away from the subject for a while.

Senator BUTLER. Under the Railroad Retirement Act, what is the total exemption which a recipient can have?

Mr. SURREY. All the benefits are exempt, but the maximum benefit which can be paid under that act is \$1,440.

Senator BUTLER. So that the maximum benefit which can be paid under the Railroad Retirement Act is \$1,440, is it?

Mr. SURREY. Yes.

Senator BUTLER. In handling the taxes of that group now, do you exempt an additional \$500 besides the \$1,440?

Mr. SURREY. Yes.

Senator BUTLER. Then they receive a total exemption of \$1,940; do they?

Mr. SURREY. Yes. When such a person goes to make out his income tax, he would have had a benefit of \$1,440 from the Railroad Retirement system and he just forgets that, so far as taxes are concerned. It is exempted from tax; it is excluded in figuring what his tax might be.

Senator BUTLER. It is excluded from the tax; is it?

Mr. SURREY. Yes.

Senator BUTLER. And then if he has \$500 of other income, he is entitled to an exemption for it; is he?

Mr. SURREY. Yes.

Senator BUTLER. And the same situation exists with respect to the Social Security System; does it?

Mr. SURREY. Yes.

Senator BUTLER. Is it limited to \$1,440?

Mr. SURREY. No, I think it is \$1,020. All the benefits are exempt, but the maximum is \$1,020.

In the area of civil-service annuities the benefits which can be paid are higher, and consequently the first portion—that is, the first \$1,440 would be exempt, under the bill. But as I have pointed out there would still be an available exemption of \$500, of the amount above the \$1,440.

Senator BUTLER. One of the witnesses testified to the effect that the enactment of this bill would mean the elimination of approximately \$1,000,000 from the tax income.

Mr. SURREY. I asked the Treasury statistical experts to give me an estimate for your committee, and they said it would be about \$6,000,000; that this bill would result in a \$6,000,000 loss in revenue in 1946.

The CHAIRMAN. \$6,000,000?

Mr. SURREY. \$6,000,000.

Senator HAWKES. I do not think the \$6,000,000 is the important item. I think the question of the principle involved is of tremendous importance in connection with our entire taxation system.

Mr. SURREY. I think that is the fundamental question, Senator.

Senator BUTLER. But on the basis of the \$6,000,000 there would be a saving of about \$90 per capita, on an average, on the basis of approximately 70,000 such persons. It would be only \$15 if the reduction in taxes were \$1,000,000, when divided among the 70,000 persons. It would be from \$90 to \$100 in case your estimate of \$6,000,000 is correct.

Mr. SURREY. Yes, sir.

The CHAIRMAN. Are there any further questions?

Mr. McLAUGHLIN. Mr. Chairman, I should like to ask a few questions.

A few years ago didn't the Treasury Department issue a special exemption to the Typographical Union people to exempt the payments made to them under their own pension system?

Mr. SURREY. I am not personally familiar with that ruling.

Mr. McLAUGHLIN. Second, don't the States, counties, and others still tax the pensions paid to the Federal employees who reside in their jurisdictions—in those States or communities?

Mr. SURREY. I am not familiar with all of the State systems.

Mr. McLAUGHLIN. The State of New York repealed the exemption from the State income tax given to Federal employees, and it now makes their pension incomes taxable.

Mr. SURREY. I would expect the States to treat the State employees and the Federal employees in the same way.

Mr. McLAUGHLIN. New York does not and 19 other States do not, according to a Prentiss-Hall release. Nineteen States, in addition to New York, tax Federal pensions, while the pensions paid by the States to their own employees are not taxed.

The CHAIRMAN. In other words, the States of New York does not tax the pensions paid to its own employees?

Mr. McLAUGHLIN. Yes, but New York does tax the recipients of Federal pensions who reside in the State of New York.

Mr. SURREY. Of course, that raises an interesting point.

The CHAIRMAN. That does raise a question, but I think that is true in New York State.

Mr. McLAUGHLIN. We exempted them in 1939. We repealed the exemption for Federal tax pension recipients.

The CHAIRMAN. In 1939?

Mr. McLAUGHLIN. Yes; I think that is correct.

Are there any other questions?

Is there anything else you wish to say:

Mr. SURREY. No, thank you, sir.

The CHAIRMAN. Is there anything you wish to say?

Mr. DEWIND. No, thank you, Senator.

The CHAIRMAN. Thank you very much.

STATEMENT OF LUTHER STEWARD, PRESIDENT, NATIONAL FEDERATION OF GOVERNMENT EMPLOYEES

The CHAIRMAN. Let us call Mr. Steward next. I am simply calling the names from cards, gentlemen. If there is anyone who is under pressure to get away, I shall be glad to call him next.

Mr. STEWARD. Mr. Chairman—

The CHAIRMAN. Please state your name for the record, Mr. Steward.

Mr. STEWARD. My name is Luther Steward. I am president of the National Federation of Government Employees.

Mr. Chairman and Senators, I represent an organization of more than 90,000 employees who are within the Federal civil-service retirement system. The figures show that the average annuity for the approximately 70,000 retired employees is \$950. The representative of the Treasury Department, it seems to me, unduly expanded the figures by referring to the possibility of a \$1,940 exemption. That seems to be a rather academic question for a group whose average

annuity is less than half of \$1,940. Congress in its wisdom some 15 years after the enactment of the first Federal civil-service law decided to exempt annuitants under the Railroad Retirement Act and the Social Security Act. There had been no contemplation, when the act of 1920, the first Federal Retirement Act, was passed or when the subsequent amendments of 1926 and 1930 were passed, that the Federal income tax would reach into such income brackets. The subject of taxation of civil-service employees' annuities was not raised until Congress in its wisdom had exempted these other groups.

It seems to me that there is not a fair comparability between annuitants who in the last years of their lives, due to age and its accompanying infirmities, have no employment prospects, cannot augment their income from outside sources, and those in active working life who not only expect to have an increasing income, but have a very reasonable expectation of increasing their income if they fall within the low brackets. There is no such prospect for these aged retired men and women.

We are merely asking that the Congress accord to them some little tax relief which, although it will amount to very little on a per capita basis, is highly important on account of their straitened circumstances, because only in the rarest instance is one of these retired employees in receipt of any income other than the very meager annuity checks from the Federal Treasury.

That is all I have to say, Mr. Chairman.

The CHAIRMAN. Are there any questions to be asked of Mr. Steward?

Senator BUTLER. What is the average age of the group of people receiving annuities under the Railroad Retirement Act?

Mr. STEWARD. I cannot give you those figures now, Senator.

Senator BUTLER. And what is the average age of the group of people receiving annuities under the Social Security Act?

Mr. STEWARD. For those under social security retirement the age is 65.

Senator BUTLER. That group would be comparable to the group which would be affected by this bill; would it not?

Mr. STEWARD. The average age under the railroad retirement system, I am given to understand, is about 75.

Senator HAWKES. Mr. Steward, I agree with you that it is not proper to compare the annuitants we are talking about with the man who is still in business and has a prospect of improving his situation by means of advance in pay, due to the increase in the cost of living or through more efficiency and development of himself. But I should like to know whether you agree with me that our citizens as a whole—those who are relying upon annuities for a living, whether they get them by means of the civil-service system or the railroad retirement system or anything, can be compared—in other words, that there is a comparison between them.

Mr. STEWARD. Yes, sir. But let me say that a while ago something was said to the effect that a \$7,000,000,000 decrease in tax revenues would be involved if the Congress were to increase the exemption of all taxpayers, and let me say I consider that to be an unfair analogy.

Senator HAWKES. I am not talking about that at all. I am talking about the principle of equity and justice for all our citizens. I think that is involved.

annuity is less than half of \$1,940. Congress in its wisdom some 15 years after the enactment of the first Federal civil-service law decided to exempt annuitants under the Railroad Retirement Act and the Social Security Act. There had been no contemplation, when the act of 1920, the first Federal Retirement Act, was passed or when the subsequent amendments of 1926 and 1930 were passed, that the Federal income tax would reach into such income brackets. The subject of taxation of civil-service employees' annuities was not raised until Congress in its wisdom had exempted these other groups.

It seems to me that there is not a fair comparability between annuitants who in the last years of their lives, due to age and its accompanying infirmities, have no employment prospects, cannot augment their income from outside sources, and those in active working life who not only expect to have an increasing income, but have a very reasonable expectation of increasing their income if they fall within the low brackets. There is no such prospect for these aged retired men and women.

We are merely asking that the Congress accord to them some little tax relief which, although it will amount to very little on a per capita basis, is highly important on account of their straitened circumstances, because only in the rarest instance is one of these retired employees in receipt of any income other than the very meager annuity checks from the Federal Treasury.

That is all I have to say, Mr. Chairman.

The CHAIRMAN. Are there any questions to be asked of Mr. Steward?

Senator BUTLER. What is the average age of the group of people receiving annuities under the Railroad Retirement Act?

Mr. STEWARD. I cannot give you those figures now, Senator.

Senator BUTLER. And what is the average age of the group of people receiving annuities under the Social Security Act?

Mr. STEWARD. For those under social security retirement the age is 65.

Senator BUTLER. That group would be comparable to the group which would be affected by this bill; would it not?

Mr. STEWARD. The average age under the railroad retirement system, I am given to understand, is about 75.

Senator HAWKES. Mr. Steward, I agree with you that it is not proper to compare the annuitants we are talking about with the man who is still in business and has a prospect of improving his situation by means of advance in pay, due to the increase in the cost of living or through more efficiency and development of himself. But I should like to know whether you agree with me that our citizens as a whole—those who are relying upon annuities for a living, whether they get them by means of the civil-service system or the railroad retirement system or anything, can be compared—in other words, that there is a comparison between them.

Mr. STEWARD. Yes, sir. But let me say that a while ago something was said to the effect that a \$7,000,000,000 decrease in tax revenues would be involved if the Congress were to increase the exemption of all taxpayers, and let me say I consider that to be an unfair analogy.

Senator HAWKES. I am not talking about that at all. I am talking about the principle of equity and justice for all our citizens. I think that is involved.

if they had exemptions rather close to the \$1,440, that should be taken into consideration and the \$1,440 exemption should not be added to the exemptions otherwise provided. I believe that is the feeling of those who sponsored this legislation. We can appreciate the fact that if you are going to raise the exemptions to \$1,940 and then, in case a man has other exemptions, raise it to \$2,500, that would be such a great assault upon our tax system that it would not be possible to secure the enactment of such legislation.

So if the language does not read correctly to carry that implication, we feel that the \$1,440 exemption—up to that—should be granted, and that a \$500 exemption should not be added on top of it.

We hope the committee will consider this. As we understand it, taxes are levied on the supposition that they are to apply according to the ability to pay. The question is, When does that ability to pay cease? When employees have a given income and have no opportunity to make a further or additional income and when they are pressed on the one side by the increasing costs of living and on the other side by increased taxation, you are reaching a point where they have no ability to pay. It is all right to tax people according to their ability to pay when they are in an earning period of life and are able to exert themselves and make more money and thereby be able to pay more taxes.

But when they are stymied as to income and are between the upper and the nether millstone, we submit that even though it may not be logical, something should be done about it.

Senator HAWKES. Are you the gentleman who was going to insert the statement made by the representative of the Treasury Department?

Mr. ALIFAS. No, sir.

The CHAIRMAN. Are there any questions? If not, that will be all. Thank you, Mr. Alifas.

Mr. ALIFAS. Thank you very much, sir.

STATEMENT OF JESSE BYRON MANBECK, PRESIDENT, COLUMBIA TYPOGRAPHICAL UNION, NO. 101, WASHINGTON, D. C.

The CHAIRMAN. You are Mr. Manbeck, are you not?

Mr. MANBECK. Yes, Mr. Chairman. My name is Jesse B. Manbeck. I am president of the Columbia Typographical Union, No. 101, the local branch of the International Typographical Union, America's oldest and most democratic labor union, now in its one hundred and thirty-first year in the city of Washington.

The special ruling of the Treasury Department which has been referred to was issued in 1941. We have on our pension rolls 6,648 pensioners. Last year the income of the international union was \$5,133,196.51; and of that total, \$3,447,128 was paid to pensioners throughout the United States and Canada.

It is also interesting to note that we paid only \$5,041 in strike and special assistance benefits in the United States and Canada from the same treasury.

We have a special ruling that exempts our pensions from income taxes. Our pensions amount to \$10 a week, or \$520 a year. That ruling was issued in 1941, and was reaffirmed on December 6, 1945, by the Treasury Department.

Incidentally, let me read it to you. It is included in an article in the February 1946 issue the *Typographical Journal*, the official publication of the International Typographical Union, as follows:

NO INCOME ON ITU PENSION

The old-age pension paid by the ITU is wholly exempt from Federal income tax and should not be reported as part of gross income. Local collectors of internal revenue frequently advise pensioner members of the ITU incorrectly on this point, because they are not familiar with the ruling of the Treasury Department, which is as follows:

"Sir: Reference is made to your letter of February 21, 1941, in which you request a ruling in regard to the taxable status, for Federal income-tax purposes, of an old-age pension received from the International Typographical Union.

"This Bureau previously has had occasion to give consideration to the question of the deductibility of contributions made to the pension fund of the International Typographical Union, and has determined that the particular pension fund constituted a charitable fund and that assessments against the members of the union for such fund were in the nature of charitable contributions and deductible to the extent provided by the taxing statutes.

"It is the opinion of this Bureau that any benefit payments made from the fund to a member meeting the established requirements for participation therein are in the nature of gifts or gratuities rather than pensions, and as such are not required to be included in gross income for Federal income tax purposes." (Reaffirmed by Treasury Department, December 6, 1945.)

Mr. Chairman, the pension we pay is not a pension by legislation. It is a pension of a labor union. We have had our pension system for upward of 30 years. It is much older than the Federal retirement system.

I presume that the only reason why the 1941 ruling was issued was because when the \$500 exemption was placed in effect, that made Federal income taxes applicable to pensions paid on our basis.

Senator HAWKES. Let me ask a question, please.

Mr. MANBECK. Certainly.

Senator HAWKES. The pension you pay comes from funds paid by the members of the union to the union itself; is that correct?

Mr. MANBECK. That is correct.

Senator HAWKES. And the union pays the pension. The Government does not pay it; is that correct?

Mr. MANBECK. That is correct. It is strictly a labor-union pension. I believe that we have one of the biggest membership rolls, and it is the biggest item in our expenses.

We feel that if this bill is enacted by the Federal Government it would provide for treatment for these people in accordance with the treatment accorded the recipients of annuities or benefits under the social security system and the Railroad Retirement Act, as well as retired persons who formerly served in the Army and the Navy; and we do not think there is any ceiling on the system.

We feel that the extension provided for by the bill would be in line with the policy the Government has established and also has recognized in private business, insofar as our union pension is concerned.

Senator HAWKES. Let me make an interruption at this point, because you are giving me some very helpful information.

Mr. MANBECK. Certainly, Senator Hawkes.

Senator HAWKES. Do you know of any other private pension system like yours with respect to which the Government has exempted the payments which are made under them?

Mr. MANBECK. I do not know whether they are exempted. I cannot say. The Chicago Tribune pays a pension; the Daily News in New York pays a pension; the Washington Star and various other newspaper publishers pay pensions. Whether they have an exemption which they can deduct is another matter. I am not familiar with that.

The CHAIRMAN. We are talking about the recipients of the pensions.

Mr. MANBECK. Not so far as I know. But I am not qualified to talk, because I have never checked into it. But quite a few of the newspapers employ our members and have retired them. Whether they are exempt because of some ruling the employer has gotten, I don't know. We don't know, at union headquarters.

But it is interesting that the only check-off made in the typographical union is in connection with the Government, in connection with collections for its purposes. We do not have check-offs, but the Government has them for their collections.

We feel that House bill 2948 would certainly be consistent with past legislation and would be in line with the Government's own position as applied to millions who are now working in industry.

I did not know that we were the only one who had a special ruling. I thought there were others. But evidently ours is the largest and has been in existence for a long time.

The CHAIRMAN. Do you mean that your union does not have to pay a tax?

Mr. MANBECK. The recipients of this pension are exempt from income-tax payments on their pensions, by ruling of the Treasury Department.

The CHAIRMAN. The recipients are?

Mr. MANBECK. Yes. So that is the purpose of House bill 2948—to extend the exemption in the same way. Our members are exempt, through international union. There are 360 of them in the city of Washington. We pay them a pension every month. It is interesting to know that a number of them get a pension from the Government Printing Office, and they have to pay income taxes on those pensions; but the ITU pension is not taxed; they do not have to pay an income tax on it. And they just cannot understand that situation.

In addition, if they do work downtown in private industry and if they receive a pension in that connection, that pension also is exempt from taxes. So they say, "Two of them are exempt, but the third one is not. How come?"

So, Mr. Chairman, this House bill 2948 is the answer to the question which we at headquarters have been asked.

We stand wholeheartedly in favor of the principle the Government has established—the principle of exempting social security annuitants from taxation, and also Railroad Retirement Act annuitants and our own annuitants. So the provisions of House bill 2948 are consistent with that situation, and I certainly hope the Senate Finance Committee will view the bill in the same light that we do, and will report it favorably.

That is about all I have to say, Mr. Chairman.

Senator HAWKES. A moment ago you referred to the principle the Government has established in private industry.

Mr. MANBECK. Well, Senator, the policy—I referred to the policy of the Government as applied to the railroad retirement system and the social security system, which of course applies to private industry.

Senator HAWKES. Oh, yes. I thought you meant private industry generally. Of course, I know of those two extensions.

Mr. MANBECK. Yes.

Senator HAWKES. I have another question: How does Canada treat the members of your union in this connection? You have told us how the United States treats the members of your union, and now I should like to know how Canada treats your members.

Mr. MANBECK. Senator, I have not heard anything to the contrary. I can get the answer to that question, too, because we have annuitants there—in Canada.

Senator HAWKES. That is why I asked you about it.

Mr. MANBECK. I am sorry that I do not have that information now. I have not gotten any information in regard to the Canadian situation, but I can supply it to the committee.

Senator HAWKES. I think it would be interesting to have.

Mr. Chairman, may I ask the representative of the Treasury Department if he knows how Canada treats this matter?

The CHAIRMAN. Certainly.

Meantime, if we have no further questions of Mr. Manbeck, of course he may be excused. Thank you very much, Mr. Manbeck.

Mr. MANBECK. Thank you, sir.

The CHAIRMAN. Now, Mr. Surrey, can you answer Senator Hawkes' question? He wished to know how Canada handles this matter.

Mr. SURREY. Mr. Chairman, I do not have the information, but I can supply it.

Senator HAWKES. I think we should have it.

Mr. SURREY. Let me also say that I am not familiar with the particular ruling which has been referred to, which I gather is by the Bureau of Internal Revenue. I can only suppose that it is applied to a pension system under which only the employees contribute in the first instance; and if I understand the matter correctly, they do not have a fixed right, apparently, to a fixed pension based on their contributions, but that the amount given to particular pensioners is distributed under some other pattern, and on the basis of taking into account other factors.

If that be the case, it seems to me it would be a rather unusual situation, and certainly one that is not within the fixed pattern of either normal pension systems or our rulings in that field.

Mr. MANBECK. Mr. Chairman, we pay a flat pension of \$10 a week. It was increased 25 percent about 4 years ago; before that time we were paying only \$8 a week. But by means of national referendum we increased it to \$10 a week. It is paid the first of each week, amounting to a total of \$520 a year.

Mr. SURREY. I assume that it is not gotten—

Mr. MANBECK. Well, here is the ruling which I have referred to, if you wish to read it. It has been reaffirmed twice.

Mr. SURREY. I should like to look into this particular ruling, Senator.

The CHAIRMAN. Yes; we shall be glad to have you give us this information.

Senator HAWKES. Does any recipient of the pensions paid by your union ever receive, under the terms of your annuity, more money than he himself paid in?

Mr. MANBECK. He is bound to. He pays in only 2½ percent for 30 years. He is entitled to the pension after 30 years continuous membership and on having reached the age of 60. Of course, he pays on the basis of 2½ percent of his earnings for 30 years.

Some of them have been pensioners for 25 years; some of them get rather old; and some of them are 94 years old, and they do better under retirement than when they were working.

Senator HAWKES. So under your retirement system they can receive more than they received when they were actually working?

Mr. MANBECK. That is correct.

Mr. SURREY. From the ruling, I judge it is in the nature of a charitable old-age fund, with assessments on that basis, and that the pension payments were said to be in the nature of gratuities. It is an unusual system as compared with the general pension systems throughout the country.

The CHAIRMAN. Are your members required to contribute to the fund?

Mr. MANBECK. It is part of our union dues set-up. We have a mortuary and pension set-up.

Senator HAWKES. But it is one which you voluntarily impose; is it?

Mr. MANBECK. Yes. We take them on a voluntary basis. There is no check-off system.

Mr. McLAUGHLIN. Senator, I can supply some information about Canada. Canada exempts from taxes the annuities paid by the State of New York to people who are under its pension system and who are residing in Canada, but who are subject to the New York pension or retirement system.

Senator HAWKES. That is part of the answer. As I understood you, you make people who work in Canada pay their dues there, when they are members of your organization; is that so?

Mr. MANBECK. That is right.

Senator HAWKES. I should like to have that information if you will get it, please.

Mr. MANBECK. Yes, sir; we shall supply it.

The CHAIRMAN. If there are no further questions to be asked Mr. Manbeck, we shall proceed to hear the next witness.

Thank you very much, Mr. Manbeck.

Mr. MANBECK. Thank you, sir.

STATEMENT OF CLARENCE S. STINSON, SECRETARY, NATIONAL ASSOCIATION OF LETTER CARRIERS, WASHINGTON, D. C.

The CHAIRMAN. Mr. Clarence Stinson will be the next witness. Please state your name and the organization you represent, Mr. Stinson.

Mr. STINSON. My name is Clarence S. Stinson. I am secretary of the National Association of Letter Carriers, an organization with a membership of approximately 67,000.

It has been stated here today that there are about 75,000 annuitants on the rolls. Of that number, about 12,000 of them are retired employees of our group.

I come here today for the purpose of asking consideration for those men who find it impossible now to live on the small annuity they are receiving. Not one of them is receiving more than \$1,200; that is the maximum any letter carrier or any clerk can receive.

The Treasury Department's representatives who testified here today laid great emphasis upon the possibility that a man might have an exemption of \$1,940, under the provisions of this bill. That is true; but so far as the great majority of the Federal employees are concerned, they never could secure any such exemption, because they do not have salaries large enough to warrant it.

The men I represent have been unable to lay anything aside in order to help take care of themselves during their old age, after reaching retirement, and consequently they are entirely dependent upon their annuities. They have been unable to lay anything aside due to the low salaries which they received during the time they worked.

As I said a moment ago, \$1,200 is the maximum. Many of them receive less than \$1,200.

I agree wholeheartedly with the statement made by Senator Hawkes, and I may say for the Senator's benefit that I am one of his constituents. I come from Bayonne, N. J. But I do not believe that the bill now before this committee should be held up in order to make a further survey of the entire question, because that is going to take time, and in the meantime if you are going to make a survey these men who now need relief would be unable to secure it.

We have a concrete proposition before us, as I see it, namely, House bill 2948, which proposes to exempt the annuities of Federal employees up to a sum not exceeding \$1,440. In behalf of the organization which I have the honor to represent, I respectfully request that this committee give consideration to the prompt reporting of this bill to the Senate and its enactment into law, so that these men who now are receiving such a meager pension will have some little relief.

That is all I have to say. Thank you.

Senator HAWKES. Inasmuch as you are one of my constituents, and a very intelligent one, let me ask you this question, because one gentleman who testified here a few moments ago made, I thought, a very sound suggestion: If it be so—and there seems to be a difference of opinion here this morning as to whether it is so—but if it be so—that this bill would exempt \$1,440 on top of \$500—I take it from what you have been saying, inasmuch as you have said that practically all of your retired people have practically no other income aside from the \$1,200 annuity or pension, or whatever it is, that you would be in favor of the same suggestion he made, namely, that the bill be amended so that there would not be an exemption of \$500 in addition to or on top of the exemption of \$1,440. Is that your position?

Mr. STINSON. Yes; I would, Senator.

Senator HAWKES. I understood that Mr. Steward felt very strongly that that was not so, but the Treasury Department's representatives believe that it is so.

Mr. STINSON. I agree with the Treasury Department that it is so, under the provisions of the bill as now drawn.

Senator HAWKES. What is your position?

Mr. STINSON. I have no objection whatsoever to the amendment of the bill so as to have it provide that the total exemption of any annuitant under the civil-service retirement law would not exceed \$1,440.

Mr. STEWARD. Mr. Chairman, for the sake of correction of the record, let me say I was not the one who said that.

Mr. STINSON. The one who said that was Mr. Alifas, I believe.

Senator HAWKES. Oh, yes; I beg your pardon, Mr. Steward.

The CHAIRMAN. Are there any further questions?

Very well, Mr. Stinson. Thank you for your appearance.

Mr. STINSON. Thank you, gentlemen.

STATEMENT OF FRED L. HAWLEY, SECRETARY-TREASURER, NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES, WASHINGTON, D. C.

The CHAIRMAN. We shall hear from Mr. Hawley now. Please come forward, Mr. Hawley. Will you state your name and position for the record?

Mr. HAWLEY. My name is Fred L. Hawley. I represent 8,000 retired Federal employees.

I am not going to make any long statement. I agree with those who have testified before me.

I merely wish to give you excerpts from letters which we have received.

This comes from the State of Michigan, from a single lady whose annuity is \$1,105:

The income-tax man got \$136 out of me on January 15 and I'm broke until February. In fact, I had to borrow \$25 of that amount from the Central Savings Bank to send on to our blessed Uncle Sam.

Evidently she wanted a major operation instead of four minor operations.

This one is from the State of New York. The man receives an annuity of \$100 a month. He says he hopes the bill will pass, especially the one to exempt him from taxes:

I hope all the bills pass, especially the one to exempt us from all taxes. I have no other money or income, only my annuity, and I find it very hard to pull through. The income tax is my biggest worry. I do not know if I can meet it this time. Maybe the Government will have to put me in jail. They will have to feed me and take care of me. I cannot buy what I need now, and very often have to go hungry.

This letter comes from Pennsylvania. This man says he is 77 years old and cannot do any other work. He gets an annuity of \$79.50. He says he is very hopeful that the bill will pass, so as to relieve him somewhat of the burden, and you leave him a little more money to live on.

This one comes from Los Angeles, Calif. He states:

I did have quite a piece of money saved up, but it nearly all went in the long 7 years of sickness of my beloved wife. And as I now have pulled out of debt, and am considered a single man, they soak me. My monthly annuity is \$82.76 and on this basis I am taxed \$90 per year. It was \$81, but for some reason I was told it would be \$90—quite a slash.

This letter comes from Flanders, N. J. This man says:

After nearly 30 years service in the Post Office Department, I was granted a total disability annuity in the amount of \$1,193 per annum. My additional income amounts to \$90 per annum from United States savings bonds and bank savings account.

That makes a total of \$1,283.

He further states:

The taxes on my home are approximately \$100 yearly; medical expenses about \$200 yearly; and donations to the church, Red Cross, USO, Community Chest, etc., about \$75 yearly—leaving a balance of about \$800 to run my household. Am married and support my wife.

He is anxious to have the bill passed.

This one comes from Mount View, Calif.:

Yesterday I had my eighty-fourth birthday. I get \$1,104 per year. I was discharged from the service in May 1926, as a total disability and the United States of America has always taken about 23 percent on income taxes, after taking out \$500. I am alone, and by the time I pay sickness, doctors' bills, and living, I am in the hole. That is what I don't like, after putting in from 1898 to 1926 and being discharged as I was. I had to sell my house to live.

This man is in favor of the bill, and he says—he writes from Los Angeles, Calif.:

My wife was sick for 7 years and doctors' bills, and so forth * * * took nearly all of it. I hope the powers that be will see fit to have mercy on us and refund it all.

In other words, he hopes that the exemption bill will be passed.

The writer of the next letter says that his total annuity is \$528.96 a year. He is a single man. He lives in Berkshire, Mass. He says his board and room amount to \$520. That leaves him \$8.96. He says that will not even pay for his haircuts—"which have just been boosted to 85 cents."

I do not know how he pays his taxes.

This man gets an annuity of \$100.35 a month. He has a wife to support, and he says he does not see how his wife and himself can even exist on it after the deduction of taxes from his income, which is \$1,204 a year, with only the present exemptions.

Mr. Chairman, that is all I wish to place in the record. I hope you gentlemen will consider it.

Question has arisen about State exemptions. On May 17, 1943, Senator Walsh read a letter from one of his constituents stating that he had been making out income tax returns and that among them were a large number of retired Federal employees, and he was surprised that the Government made them pay a tax on their small annuities; and he said that the State of Massachusetts exempts \$1,500 for married people and \$1,000 for single people, on all forms of annuity.

There was one other question which was raised here a while ago—a question about the \$1,440 plus \$500, which would make a total exemption of \$1,940. The last civil-service report showed that there were only one thousand nine hundred and sixty out of seventy thousand-odd retired employees who at that time were receiving \$1,440 in annuities. So, from that information, it is apparent that the Treasury would not lose very much in the way of taxes. I doubt that there are 2,000 who are receiving \$1,940 at the present time.

Senator HAWKES. Are all the letters from which you have read from retired Federal Government employees?

Mr. HAWLEY. Yes; they are all from retired Federal Government employees in various parts of the country.

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

Mr. HAWLEY. One of the letters is a letter to one of our constituents, from Senator Vandenberg, stating that he is heartily in favor of the bill to exempt annuities from taxes.

Senator BUTLER. Would you be willing to have the bill amended so as to provide for a total exemption not to exceed \$1,440?

Mr. HAWLEY. Well, that would cover most of our people. But I cannot see any reason for doing that and for basing it on the other \$500, because so very few of our people—I say this from the experience I have had since 1933—have any other income besides their annuity. There are only a very small number of them. So I think the bill should stand just as it is.

Of course, to see something passed, we would accept what we can get, and be thankful. As our annuitants state, they are even glad to be getting an annuity.

The CHAIRMAN. Thank you very much.

STATEMENT OF MRS. MARGARET HOPKINS WORRELL, WASHINGTON, D. C.

The CHAIRMAN. Mrs. Worrell, we shall be glad to hear from you.

Are there any other witnesses who desire to be heard. If so, we shall hear you as promptly as possible.

Mrs. Worrell, we are glad to have you state your position to us.

Mrs. WORRELL. Mr. Chairman and Senators, I am here to represent the forgotten employees of the Government who retired before 1930, for you remember that at that time the employees got very small salaries. Since then the Government salaries have been increased. But those people got very, very small salaries, and very few of them retired on annuities of as much as \$100 a month. I know it is almost impossible for them to live. I know they do not have the American standards of living at all. Those people are not able to do so.

I was really surprised, the other day, when I was in a Safeway store, and in the line in front of me were too poorly dressed old ladies. One of them had a can of soup in her hand and a loaf of bread, and the other had a few small articles. I had quite a number of things, and I said to them, "It won't take you long to get through the line."

One of them turned around and whispered to me:

No: we don't have money enough to buy anything. You know, we are Government annuitants. We hope the Government is going to take that tax off, because that is the worst thing we have ever had.

I said, "I hope so."

That is why I am here, because I want to say that I hope this bill goes through and the taxes are taken off these poor people. They really can hardly live on what they have.

The CHAIRMAN. Thank you very much, Mrs. Worrell.

Mr. HAWLEY. Mr. Chairman, in respect to the question about the special ruling of the Department, let me say that our little association exists on dues of a dollar a year from the members. The Federal Government makes us pay an income tax if we have anything left after paying our expenses. In some years we just about break even.

I have been informed that recently a special ruling of the Treasury has exempted the postal supervisors from payment of Federal income taxes. So there is another special ruling of the Treasury.

The CHAIRMAN. Thank you, Mr. Hawley.

If there are no other witnesses to be heard, we shall suspend at this point. We thank you all of you for your attendance here. As soon as we can get a full committee attendance, we shall pass upon this matter.

(Thereupon, at 12:30 p. m., the hearing was concluded.)

(The following letters were later received for the record:)

THE JOINT CONFERENCE ON RETIREMENT,
Orlando, Fla., March 1, 1946.

Mr. RALPH FREDERICK,
Senate Committee on Finance,
United States Senate, Washington, D. C.

DEAR MR. FREDERICK: Your notice about hearings forwarded on to me here, I am very glad to add my testimony regarding the merit of H. R. 2948.

While I should have liked very much to have been privileged to appear before the committee in person, but having come here to try and get the benefits of the Florida sunshine, I cannot appear in person, but shall be glad to submit my testimony in behalf of H. R. 2948.

About a year ago, Senator Downey sent out a letter to some 400 retired Federal employees, to inquire about their income, also if they had other income outside the annuity they received from the Government, they were asked to give the amount of annuity they received each month. Something like 200 replied to Senator Downey's letter. All but a very few stated they had no other income, many of them stated their annuity was so small they had much to worry about as to how they could live. In most cases their income was less than \$75 per month.

Since the close of the world's most horrible war, there has been much said about assistance to veterans who have done their all to have us from the enemies. True no stone should be left unturned to do our utmost to assist and help our brave soldiers—yes, and their families. However, we should not overlook the fact that these retired Government employees did their part; they were faithful and loyal, and should not be overlooked in the hour of their need. Other retirement systems exempt their beneficiaries from taxation. I deem it unfair to retired employees to have their annuity subject to income tax.

While it is true this bill H. R. 2948 will not help as many as we would want, yet it will help in a great number of cases.

In behalf of the joint conference on retireemnt, and those who are retired and need this help, I most respectfully urge the members of the Senate Committee on Finance to report this bill to the Senate and ask that the Senate concur by passing the bill.

Most respectfully submitted.

ROBERT H. ALCORN, *Chairman.*

NATIONAL RURAL LETTER CARRIERS' ASSOCIATION,
Washington 4, D. C., February 27, 1946.

Senator WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR MR. GEORGE AND MEMBERS OF THE COMMITTEE: The retired and active rural mail carriers of the United States are extremely anxious to see the contents of H. R. 2948 become law.

As president of the National Rural Letter Carriers' Association, and as a rural carrier emanating from the Toccoa, Ga., postoffice, I am happy to support and recommend that H. R. 2948 which, if enacted into law, would exempt from income taxes the first \$1,440 of civil-service annuities.

We trust, hope, and believe that the Senate Finance Committee will unanimously approve and recommend the passage of this worthy legislation. This bill will grant to retired employees under the civil-service system the same benefits that are granted to the railroad retired employees and social-security annuitants.

We respectfully ask that this statement be made part of the record.

Most sincerely,

THOS. G. WALTERS, *President.*

×