

SHADOW OF DEFICIT CONCERNS TREASURY

**Heavy Income Tax Collections
Are Expected Up to Jan. 1,
Then a Slump Is Likely.**

ANY EXTRA OUTLAY A PERIL

**Second Half of Next Fiscal
Year Is Thought Certain to
Show a Drop in Receipts.**

Special to The New York Times.

WASHINGTON, June 25.—With continuation virtually assured of heavy income tax collections for the rest of the calendar year, which is the first half of the fiscal year 1931, the Treasury Department, in considering the prospects for a balanced budget on June 30, 1931, was concerned today with several important factors in governmental finance.

In the first place, unexpected or potential appropriations, among them the World War veterans' compensation measure, appear to President Hoover and Secretary Mellon as certain to wipe out the \$122,788,000 surplus originally estimated for June 30, 1931, on the basis of the income tax rates of the revenue act of 1928.

Theoretically, that surplus would be substantially reduced by the fact that half of the estimated \$160,000,000 loss in revenue due to the tax cut voted by Congress last Autumn falls in the first half of the fiscal year 1931. Unless counter-balanced by other factors, the tax reduction would make the surplus very small even if there were no extra appropriations by Congress.

Among the more hopeful features of the situation is that because of the exceptional business prosperity in 1929, income tax collections in the last half of the present calendar year—the first six months of the fiscal year 1931—will be heavy. It is estimated they will approximate \$1,110,317,000.

Slump in Collections Looms.

The treasury will make no attempt before Fall, however, to estimate the prospective income tax collections for the last six months of the fiscal year 1931. Collections for that period will be assessed on 1930 incomes, and even though the 1 per cent tax reduction may not be extended, thus reverting to the higher rates of the revenue act of 1928, the prospects are for a severe slump in collections after Jan. 1 and reduced receipts from this year's probable collections of \$2,400,000,000.

The prospective decrease is attributable to the business recession. The policy of Secretary Mellon, that the tax rates should provide the government with adequate income to assure a balanced budget in lean as well as prosperous years, often has been reiterated at the treasury. With the prospects for a lean year, the fear has been expressed that unless business takes a substantial turn for the better and the strictest economy is practiced by Congress and the government, the only way to obtain a balanced budget in the fiscal year of 1931 will be to borrow money.

It was pointed out that there are six months of the calendar year to run, during which there might be a recovery in business that would offset losses of the first half of 1930, or, on the other hand, there might be a continuation of the depression which would lower governmental revenues to an even greater extent.

Declines in Other Sources.

In two other important sources of governmental revenue, business conditions during the last half of the calendar year will affect income then, since collections are based upon the present rather than on the preceding year, as is the case with

Continued on Page Four.

SHADOW OF DEFICIT CONCERNS TREASURY

Continued from Page 1, Column 2.

income taxes. These sources are customs receipts, estimated to produce \$602,000,000 in the fiscal year 1931, and miscellaneous internal revenue, the estimate on which is \$640,000,000.

Both of these sources are expected to decrease during the next six months. The new tariff law, while its rates are higher, will not yield as much revenue as the old act, in the opinion of experts. Furthermore, because of the business slump, imports have decreased in the last six months, with no immediate improvement in sight. The aggregate loss in imports has been more than \$400,000,000, and while a considerable part of them are duty-free, customs losses will be substantial for the rest of the year.

Miscellaneous internal revenue includes the tobacco tax, which in the present fiscal year will yield in excess of \$400,000,000. During the last three months tobacco taxes have declined considerably. For this year \$630,000,000 was estimated for miscellaneous internal revenue but figures to date indicate that the collection will not quite reach that figure. If conditions that have prevailed since the first of the year continue, these collections will fall considerably short of the \$640,000,000 estimate for 1931.

Debt Payments Increase Surplus.

Thus the financial position of the government during the fiscal year 1931 appears decidedly uncertain. It is highly improbable that the estimate of \$4,225,727,000 receipts will be reached. In fact, with a continuation of the business situation that has existed since October, a substantial decrease is likely.

The large surplus now promised for the year 1930 is abnormal for two reasons.

In the first place, the remittances on June 16 from foreign governments on their war debts was paid chiefly in cash. Out of the total payment of \$117,141,000 in interest and principal about \$74,000,000 went directly into surplus, having been deposited to the account of miscellaneous receipts instead of going to the direct reduction of the public debt. As a rule payments have been made in United States securities, which automatically reduce the debt.

Where a cash payment is made the remittances on the account of principal of advances under the Liberty Loan acts are earmarked for the purchase of securities, and thus a reduction of the debt. All other

cash payments, such as interest, go into miscellaneous receipts.

Secondly, the new rates of the tariff act brought large quantities of imports out of bond and stimulated direct imports prior to the effective date of the law, thus materially increasing customs receipts for the month, which, through June 23, amounted to \$65,579,873, an increase of \$25,000,000 over the same period last year. That brought customs receipts for the year through June 23 to \$580,410,448, with the probability that about \$590,000,000 would be reached, a reduction of but \$12,000,000 from the estimate.

Further Debt Reduction Planned.

Some time ago the treasury revised its estimate of customs collections downward because of the serious falling off of imports. However, the developments of the last month, owing to the tariff act, have increased the figure virtually to the point estimated.

Because of these factors there was a budget surplus on Monday of \$219,074,000, and it will not be substantially different from that sum at the close of the year, officials said today. A part will be carried over to next year as a cash balance and the rest devoted to debt reduction. It may be said that a sum more than equaling all of the cash remittances on the war debts will be devoted to debt reduction from surplus this fiscal year.

Last year on June 23, there was a surplus of \$237,324,000 and at the end of the year the surplus was about \$185,000,000. However, the decline between June 23 and the last of the month was due to the payment of \$55,000,000 extra to the railways for carrying the mails as a result of the Interstate Commerce Commission decision, upheld by the Supreme Court, in the so-called retroactive reparations case. No large drain of the kind is expected this year.

Standing on Receipts for the Year.

Income tax collections through Monday were running up to expectations. For the month they amounted to \$508,858,984, a drop of \$28,000,000 from last June, and for the fiscal year \$2,393,402,025, a gain of \$81,000,000. The gain was due to the excess of collections in the first half of the fiscal year, as compared to the same period of the fiscal year 1929. This made it appear that the month's collections would be around \$520,000,000, as compared to \$555,000,000 last June, and probably something over \$2,400,000,000 for the year, as compared to \$2,330,711,822 in 1929.

Miscellaneous internal revenue totaled \$613,217,000 through Monday, and probably will fall a little short

of the \$635,000,000 estimated for the full year owing to the decline in tobacco and cigarette taxation in April, May and June.

Total revenue receipts for the fiscal year, through Monday, were \$4,125,279,299, compared to an estimate of \$4,249,263,000 for the year, and all expenditures were \$3,906,204,962, compared to a \$4,023,681,000 estimate for the year.