

1924 REVENUE ACT REVIVED

Mellon Program Restores Old Rate Rather Than Trying New Taxes.

'LIMIT' TO DRAIN ON PUBLIC

Income Tax, Starting at 2% and
With 40% Top, Would Be
Retroactive to This Year.

BURDEN ON ESTATES LARGE

Postal Rate Boost, Recovery of
Foreign Debt Sums, Branch
Bank Plan in His Proposals.

Special to The New York Times.

WASHINGTON, Dec. 9.—Painting a gloomy picture of official finances and admitting that the limit of diversion of funds from private employment to governmental use is being approached, Secretary Mellon today recommended to Congress far-reaching increases in individual, corporation and other taxes, as well as urging the enactment of legislation providing for new excise assessments on automobiles, radios and other articles.

Among the outstanding recommendations were those for increases in the normal tax rates from 1½, 3 and 5 per cent as contained in the 1928 revenue act, to 2, 4 and 6 per cent; a reduction of the exemption for single individuals from \$1,500 to \$1,000 and for married individuals or heads of households from \$3,500 to \$2,500; an increase in the surtax on incomes over \$10,000 from 1 to 20 per cent with the maximum on incomes over \$100,000 to 1 to 40 per cent, with the maximum on incomes over \$500,000; an increase from 12 to 12½ per cent in the corporation tax rate. Income tax rates were applicable to incomes of the calendar year 1931.

Would Extend Admissions Tax.

Secretary Mellon recommended that the 10 per cent admissions tax should apply to tickets costing more than 10 cents as contrasted with \$3 under the present law. He advocated an increase of one-sixth on all tobacco products except cigars. There would be a 5, 3 and 2½ per cent tax, respectively, on manufacturers' sales of automobiles, trucks and accessories, and a 5 per cent tax on manufacturers' sales of radio and phonograph equipment and accessories. Other taxes proposed included:

An increase of 1 per cent in the existing stamp tax upon sales or transfers of capital stock; a stamp tax on conveyances of realty of 50 cents for each \$500 of value in excess of \$100; a stamp tax of 2 cents on each check and draft; and a tax on telephone,

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Details of Secretary Mellon's Proposals Supporting the Hoover Fiscal Program

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Comparison of Income Tax Under Present Law (1928 Act) and Under Proposed Rates (1924 Act).

It is assumed that all net income not in excess of \$10,000 is earned and in addition one-half of the net income in excess of \$10,000 until the statutory limit of \$30,000 earned income is reached. It is also assumed that net income includes no dividends, no capital net gains or losses and no interest on government bonds.

Married Individual, One Dependent.

Net Income	Normal Tax		Surtax		Earned Income Credit		Total Tax		Rate of Tax on Net Income	
	1924	1928	1924	1928	1924	1928	1924	1928	1924	1928
\$1,000	1.00	1.00	0.00	0.00	0.00	0.00	1.00	1.00	10.00%	10.00%
2,000	2.00	2.00	0.00	0.00	0.00	0.00	2.00	2.00	10.00%	10.00%
3,000	3.00	3.00	0.00	0.00	0.00	0.00	3.00	3.00	10.00%	10.00%
4,000	4.00	4.00	0.00	0.00	0.00	0.00	4.00	4.00	10.00%	10.00%
5,000	5.00	5.00	0.00	0.00	0.00	0.00	5.00	5.00	10.00%	10.00%
6,000	6.00	6.00	0.00	0.00	0.00	0.00	6.00	6.00	10.00%	10.00%
7,000	7.00	7.00	0.00	0.00	0.00	0.00	7.00	7.00	10.00%	10.00%
8,000	8.00	8.00	0.00	0.00	0.00	0.00	8.00	8.00	10.00%	10.00%
9,000	9.00	9.00	0.00	0.00	0.00	0.00	9.00	9.00	10.00%	10.00%
10,000	10.00	10.00	0.00	0.00	0.00	0.00	10.00	10.00	10.00%	10.00%
11,000	11.00	11.00	0.00	0.00	0.00	0.00	11.00	11.00	10.00%	10.00%
12,000	12.00	12.00	0.00	0.00	0.00	0.00	12.00	12.00	10.00%	10.00%
13,000	13.00	13.00	0.00	0.00	0.00	0.00	13.00	13.00	10.00%	10.00%
14,000	14.00	14.00	0.00	0.00	0.00	0.00	14.00	14.00	10.00%	10.00%
15,000	15.00	15.00	0.00	0.00	0.00	0.00	15.00	15.00	10.00%	10.00%
16,000	16.00	16.00	0.00	0.00	0.00	0.00	16.00	16.00	10.00%	10.00%
17,000	17.00	17.00	0.00	0.00	0.00	0.00	17.00	17.00	10.00%	10.00%
18,000	18.00	18.00	0.00	0.00	0.00	0.00	18.00	18.00	10.00%	10.00%
19,000	19.00	19.00	0.00	0.00	0.00	0.00	19.00	19.00	10.00%	10.00%
20,000	20.00	20.00	0.00	0.00	0.00	0.00	20.00	20.00	10.00%	10.00%
21,000	21.00	21.00	0.00	0.00	0.00	0.00	21.00	21.00	10.00%	10.00%
22,000	22.00	22.00	0.00	0.00	0.00	0.00	22.00	22.00	10.00%	10.00%
23,000	23.00	23.00	0.00	0.00	0.00	0.00	23.00	23.00	10.00%	10.00%
24,000	24.00	24.00	0.00	0.00	0.00	0.00	24.00	24.00	10.00%	10.00%
25,000	25.00	25.00	0.00	0.00	0.00	0.00	25.00	25.00	10.00%	10.00%
26,000	26.00	26.00	0.00	0.00	0.00	0.00	26.00	26.00	10.00%	10.00%
27,000	27.00	27.00	0.00	0.00	0.00	0.00	27.00	27.00	10.00%	10.00%
28,000	28.00	28.00	0.00	0.00	0.00	0.00	28.00	28.00	10.00%	10.00%
29,000	29.00	29.00	0.00	0.00	0.00	0.00	29.00	29.00	10.00%	10.00%
30,000	30.00	30.00	0.00	0.00	0.00	0.00	30.00	30.00	10.00%	10.00%

Single Individual, No Dependents.

Net Income	Normal Tax		Surtax		Earned Income Credit		Total Tax		Rate of Tax on Net Income	
	1924	1928	1924	1928	1924	1928	1924	1928	1924	1928
\$1,000	1.00	1.00	0.00	0.00	0.00	0.00	1.00	1.00	10.00%	10.00%
2,000	2.00	2.00	0.00	0.00	0.00	0.00	2.00	2.00	10.00%	10.00%
3,000	3.00	3.00	0.00	0.00	0.00	0.00	3.00	3.00	10.00%	10.00%
4,000	4.00	4.00	0.00	0.00	0.00	0.00	4.00	4.00	10.00%	10.00%
5,000	5.00	5.00	0.00	0.00	0.00	0.00	5.00	5.00	10.00%	10.00%
6,000	6.00	6.00	0.00	0.00	0.00	0.00	6.00	6.00	10.00%	10.00%
7,000	7.00	7.00	0.00	0.00	0.00	0.00	7.00	7.00	10.00%	10.00%
8,000	8.00	8.00	0.00	0.00	0.00	0.00	8.00	8.00	10.00%	10.00%
9,000	9.00	9.00	0.00	0.00	0.00	0.00	9.00	9.00	10.00%	10.00%
10,000	10.00	10.00	0.00	0.00	0.00	0.00	10.00	10.00	10.00%	10.00%
11,000	11.00	11.00	0.00	0.00	0.00	0.00	11.00	11.00	10.00%	10.00%
12,000	12.00	12.00	0.00	0.00	0.00	0.00	12.00	12.00	10.00%	10.00%
13,000	13.00	13.00	0.00	0.00	0.00	0.00	13.00	13.00	10.00%	10.00%
14,000	14.00	14.00	0.00	0.00	0.00	0.00	14.00	14.00	10.00%	10.00%
15,000	15.00	15.00	0.00	0.00	0.00	0.00	15.00	15.00	10.00%	10.00%
16,000	16.00	16.00	0.00	0.00	0.00	0.00	16.00	16.00	10.00%	10.00%
17,000	17.00	17.00	0.00	0.00	0.00	0.00	17.00	17.00	10.00%	10.00%
18,000	18.00	18.00	0.00	0.00	0.00	0.00	18.00	18.00	10.00%	10.00%
19,000	19.00	19.00	0.00	0.00	0.00	0.00	19.00	19.00	10.00%	10.00%
20,000	20.00	20.00	0.00	0.00	0.00	0.00	20.00	20.00	10.00%	10.00%
21,000	21.00	21.00	0.00	0.00	0.00	0.00	21.00	21.00	10.00%	10.00%
22,000	22.00	22.00	0.00	0.00	0.00	0.00	22.00	22.00	10.00%	10.00%
23,000	23.00	23.00	0.00	0.00	0.00	0.00	23.00	23.00	10.00%	10.00%
24,000	24.00	24.00	0.00	0.00	0.00	0.00	24.00	24.00	10.00%	10.00%
25,000	25.00	25.00	0.00	0.00	0.00	0.00	25.00	25.00	10.00%	10.00%
26,000	26.00	26.00	0.00	0.00	0.00	0.00	26.00	26.00	10.00%	10.00%
27,000	27.00	27.00	0.00	0.00	0.00	0.00	27.00	27.00	10.00%	10.00%
28,000	28.00	28.00	0.00	0.00	0.00	0.00	28.00	28.00	10.00%	10.00%
29,000	29.00	29.00	0.00	0.00	0.00	0.00	29.00	29.00	10.00%	10.00%
30,000	30.00	30.00	0.00	0.00	0.00	0.00	30.00	30.00	10.00%	10.00%

*Present maximum earned income allowance of \$30,000 retained instead of \$10,000 as under the 1924 act.

Rates and Exemptions Compared.

WASHINGTON, Dec. 9.—The following table compares the principal rates under Secretary Mellon's tax revision proposal to Congress, the present rates fixed by the 1928 act and those of the 1924 act:

Title and Provision of Tax	Mellon Proposal	1928 Act	1924 Act
Individual income tax—			
Single individual	\$1,000	\$1,500	\$1,000
Married individual or family head	\$2,500	\$3,500	\$2,500
Normal tax rates:			
First \$4,000 net income	2%	1 1/2%	2%
Next \$4,000 net income	4%	3%	4%
Over \$8,000 net income	6%	5%	6%
Surplus rates:			
Apply to net income over \$10,000	10%	10%	10%
Maximum rate	40% on net income over \$50,000	20% on net income over \$100,000	40% on net income over \$50,000
Corporation tax:			
Rate on net income in excess of credits	12 1/2%	12%	12 1/2%
Exemption corporations with net incomes of \$25,000 or less	None	\$3,000	None
Estate tax:			
Estate exempt from tax	\$50,000	\$100,000	\$50,000
Rate: Graduated on net estate at rates graduated from 1 to 25%	1 to 25%	1 to 25% (retroactive effect of 1924 rates)	1 to 40%
Credit for State inheritance tax paid	Not to exceed 80% of Federal tax	Not to exceed 80% of Federal tax	Not to exceed 25% of Federal tax
Admissions exempt	10c. or under	\$3 or under	50c. or under
Manufacturers' sales:			
Automobiles	5%	None	5%
Furniture	3%	None	3%
Accessories	2 1/2%	None	2 1/2%

than 300,000 would contribute 90 per cent of the total.

It is estimated that such revisions will result in the collection of additional income taxes in the amount of about \$85,000,000 during the last half of the fiscal year 1933 and about \$185,000,000 during the full fiscal year 1933. Of this additional revenue, it is estimated that about three-fifths will be derived from incomes of \$100,000 and over and more than four-fifths from incomes of \$10,000 and over.

For reasons I have often expressed, it is my belief that when the emergency period is passed lower rates should be restored.

Corporation Income Tax.
The rates to be increased from the present 12 per cent to 12 1/2 per cent.

In addition, I recommend that the exemption of \$3,000, at present provided for domestic corporations with net incomes of \$25,000 or less, be eliminated.

It is estimated that this proposal will result in an increase of about \$27,000,000 in corporation income tax receipts during the last half of the fiscal year 1933 and about \$80,000,000 during the full fiscal year 1933.

Miscellaneous Taxes.
Under the 1924 act a substantial amount of revenue was provided through miscellaneous taxes. These included the tobacco taxes, the taxes on admissions and on club dues and certain stamp taxes, which have been retained, and the capital stock tax, other special taxes, the tax on manufacturers' sales of automobiles, trucks and accessories and a number of minor taxes which have been repealed.

In view of the marked contraction in corporation and individual incomes in the recent years, the principal source of taxation, it seems essential that, as under the revenue act of 1924, substantial additional revenues be provided by miscellaneous taxes. I do not recommend, however, the exact provisions of that act as to miscellaneous taxes.

The amount of revenue which would be realized from the miscellaneous tax proposals would depend upon when they became actually operative. Additional revenue on the basis of assumed conditions for a period of six months from January through June, 1932, is estimated at about \$205,000,000. The increase for the fiscal year 1933 is estimated at \$514,000,000.

Estate Tax.
I have frequently expressed my opposition in principle to the levying of excessive taxes on estates of decedents. Notwithstanding this

view which I have expressed, I believe that in the existing emergency estates should contribute some additional revenue to the government. It should be observed, however, that because of the longer period which is provided for the payment of tax on estates, additional revenue from this source would not be realized until the latter part of the fiscal year 1933.

The Congress has increased rates in the 1924 act, but evidently felt that this action was unwise, since in 1928 the increases were repealed retroactively. I therefore recommend that the present rates and exemptions be restored to correspond to those effective under the revenue act of 1921. That act provided for the taxation of net estates at rates graduated from 1 to 25 per cent on first \$50,000 up to 25 per cent on amounts in excess of \$100,000. Except for the high rates provided by the revenue act of 1924, which were never actually operative, the proposed maximum rate of 25 per cent is the highest previously in effect.

In order to avoid the undesirable effect of automatic increase in State taxes on estates in certain States in which such taxes are based on the present Federal rates, it is proposed that the increase be effected by means of a surtax to be imposed in addition to present rates, with no deduction from this surtax for State taxes paid. Under such an arrangement the amount of State taxes paid would continue to be allowed as credits against the Federal tax as provided under the present law, up to 80 per cent of the latter tax, but the entire proceeds of the proposed surtax would be retained by the Federal Government.

Additional collections from this source are estimated at about \$11,000,000 for the last half of the fiscal year 1933 and about \$22,000,000 for the full calendar year 1933. The estimated amount to be added to Federal revenue in 1933 by the proposed surtax represents approximately 50 per cent of the estimated collections (after deduction of credits) under the present law.

Postal Revenues.
In recent years the failure of postal revenues to cover expenditures has resulted in increasing postal deficits, which have been met from the general revenues of the Federal Government. A part of this deficiency may be attributed to expenditures for special services, such as the cost of free postal services performed for governmental departments and agencies, the excess of the cost of mail services over revenues, and the cost of special rates paid to ocean mail carriers of American registry. According to estimates by the Post-Office Department, the postal deficit exclusive of such special expenditures will approximate \$150,000,000 for the fiscal year 1932.

It is recommended that postal rates be increased to cover such deficiencies by a reasonable margin, that is, to provide additional revenues in the amount of not less than \$150,000,000 on an annual basis, thus relieving the budget for the fiscal year 1932 by about \$75,000,000 and for 1933 and subsequent years by the full \$150,000,000.

Summary of Revenue Proposals.
It is estimated that the proposed revenue measures, if made effective on Jan. 1, 1932, would increase revenues in the fiscal year 1932 by about \$390,000,000, and in the fiscal year 1933 by about \$920,000,000.

The estimated budgets for the fiscal years 1932 and 1933, as affected by these proposals, are summarized in the following table:

Receipts	1932	1933
Estimates (in millions)	\$3,822,823	\$4,282,823
Expenditures	4,482	4,113
Deficit	\$212,131,417	\$132,131,417
Less additional receipts from proposed revenue measures	390	920
Deficit after provision of additional receipts	\$1,733,487	\$497,487
Statutory debt retirements	412	487
Increase in the public debt	\$1,321	\$1,321

*On the basis of assumed collections after the full six-month period, January through June, 1932.

Government Expenditures.
Increased taxes must be accompanied by a vigorous and continued effort to reduce expenditures in so far as it may be consistent with the conduct of essential government activities on an efficient basis. The effort which has resulted in a reduction of about \$370,000,000 in the estimated expenditures for 1933 as compared with 1932 must be continued. Additional expenditures for objects in themselves most meritorious should be judged in the light of the further burden which they would place upon the economy of the nation and upon the public credit at a time of unusual difficulty.

The taxpayer is asked to assume a large additional burden. He is entitled to know that the government on its part is so conducting its business as not to demand of him anything more than is actually necessary. The government is not an entity apart from the life of the people, and it has no money to spend except what it gets from the pockets of the people. The treasury cannot be a government fund. Whatever it spends must be obtained either through taxation or through the sale of government securities, and the securities in the end must be redeemed by taxes. There is a limit to the extent to which the government, under our social and economic structure, may wisely divert funds from private employment to governmental use. When we take into consideration the mounting burden of State and local taxes, it is no exaggeration to say that we are approaching that limit.