

[CONFIDENTIAL]

REVENUE ACT, 1936

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

SECOND SESSION

ON

H. R. 12395

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

PART 4

MAY 13, 1936

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[CONFIDENTIAL]

REVENUE ACT, 1936

WEDNESDAY, MAY 13, 1936

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

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

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

Also present: Hon. Henry Morgenthau, Jr., Secretary of the Treasury; Herman Oliphant, General Counsel for the Treasury Department; D. W. Bell, Acting Director of the Budget; Guy T. Helvering, Commissioner of Internal Revenue; Charles T. Russell, Deputy Commissioner of Internal Revenue; George C. Haas, Director of Research and Statistics, Treasury Department; Arthur H. Kent, Acting Chief Counsel, Bureau of Internal Revenue; C. E. Turner, Assistant General Counsel for the Treasury Department; L. H. Parker, Chief of Staff, Joint Committee on Internal Revenue Taxation and members of his staff; Middleton Beaman, Legislative Counsel, House of Representatives

The CHAIRMAN. Just to refresh the memories of the Senators with reference to divulging information from these returns, I want to read section 257 (b), Revenue Act of 1926:

The Secretary and any officer or employee of the Treasury Department, upon request from the Committee on Ways and Means of the House of Representatives, the Committee on Finance of the Senate, or a select committee of the Senate or House specially authorized to investigate returns by a resolution of the Senate or House, or a joint committee so authorized by concurrent resolution, shall furnish such committee sitting in executive session with any data of any character contained in or shown by any return.

Then there is a penalty that is provided for in another section here, which I shall not read, about following any other procedure.

Senator BYRD. Does that mean, Mr. Chairman, that no member of the committee can divulge any information that the Secretary may give us today?

The CHAIRMAN. That is the way I would construe the law.

Senator KING. Not necessarily "any information."

The CHAIRMAN. I mean with reference to any particular return. That is all that this is on—

shall furnish such committee sitting in executive session with any data of any character contained in or shown by any return.

That is all we are foreclosed, as I understand, by law from divulging. Senator BYRD. What about the question of these companies that I asked the Secretary to advise the committee on, that would be exempt from taxation if this present bill passed?

The CHAIRMAN. I think that ought to be permissible. What is your idea, Mr. Oliphant, on that? We have all got to follow the law on the proposition.

Mr. OLIPHANT. I think that is the responsibility of the committee. I do not see how the discussion can be in terms of any particular company without divulging facts in the returns of that company. We are, under the law, obligated to present this information to you upon resolution by your committee in executive session. That duty is mandatory upon the Treasury.

Senator BYRD. What is the penalty?

The CHAIRMAN (reading):

It shall be unlawful for any collector, deputy collector, agent, clerk, or other officer or employee of the United States to divulge or make known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any income return, or to permit any income return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person except as provided by law; and it shall be unlawful for any person to permit or publish in any manner whatever not provided by law any income return, or any part thereof, or source of income, profits, losses, or expenditures appearing in any income return; and any offense against the foregoing provision shall be a misdemeanor and be punished by a fine not exceeding \$1,000 or by imprisonment not exceeding one year, or both, at the discretion of the court.

Senator BYRD. It says "any person that publishes information"?

The CHAIRMAN. Yes. [Continuing:]

and if the offender be an officer or employee of the United States he shall be dismissed from office or discharged from employment.

So I think we can exercise our judgment. However, we have heard what the law is.

Well, you have been requested, Mr. Secretary, in a letter from Senator Byrd, and also by resolution passed by the action of this committee, to furnish certain data. I wish you would proceed and furnish that data.

Mr. MORGENTHAU. Mr. Chairman, I have received subsequent letters to yours. I mean, I received another letter this morning from Senator Byrd which we have not had a chance to analyze.

Senator BYRD. Mr. Chairman, may I explain just for the moment, that second letter I think we can eliminate. The only figures that I can obtain from Moody's reports were the net earnings after taxes, and therefore the rates that I estimated that these particular corporations would pay under the pending bill were on earnings after taxes, and they should have been on earnings before taxes. Of course, that is the way the taxes are assessed.

I simply want to make it clear to the Secretary that there was a slight variation in these rates that I gave, because the only figures that I could secure were figures after taxes by Moody's report. The taxes are levied of course before the taxes are paid, so there is just a slight difference in the percentages that I gave in my letter.

Senator KING. Then the aggregate net earnings would be greater than the figures which you got from Moody's?

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Senator BYRD. They would be greater. So you can just disregard, Mr. Secretary, if you please, sir, that second letter. I simply wanted to make that clear.

Mr. MORGENTHAU. Mr. Chairman, I am here in person to answer your letter and the resolution of the committee of May 11. If I may refer to the first paragraph of your letter, you say:

At the executive session meeting of the Finance Committee held today, requests for certain information to be obtained from income-tax returns were made by members of the committee. These requests met with the approval of the committee, and therefore, in behalf of the committee, I would ask for the following information.

I am here to answer as to that information.

The CHAIRMAN. All right; you may proceed.

Mr. MORGENTHAU. Your first question is this:

First, I would request the information as set forth in a letter addressed to you by Senator Harry F. Byrd under date of May 8, 1936, a copy of which is attached hereto.

(Senator Byrd's letter is as follows:)

MAY 8, 1936.

Hon. HENRY MORGENTHAU, JR.,
Secretary of the Treasury, Washington, D. C.

MY DEAR MR. SECRETARY: It has been stated that many of our financially strong corporations, especially those of substantial size, will pay little or no taxes to the Federal Treasury if the pending bill is passed. I am checking the accuracy of these statements, and I am likewise interested in the opportunities that may be afforded such corporations by the bill to avoid the payment of taxes.

We must guard carefully against giving these large corporations a greater advantage and perhaps a stranglehold over their present smaller competitors. Frankly, I am concerned about the application of the proposed tax policies to those corporations which now have large surpluses and a strong cash or credit position.

We must make certain that legislation does not prevent the healthy growth and expansion of our smaller businesses by imposing a penalty upon them if their financial position and their business opportunities do not permit the payment in dividends of substantially all their profits. I want your assistance in appraising the situation.

I have selected from Moody's Manual a few of the largest corporations, with a view to determining the rate of tax which would be imposed upon them if the pending bill should be enacted. The only statistics I have available are for 1934. I should appreciate it very much if you would check the list I give you and let me have a similar list for 1935, if statistics are available to you.

A few of the corporations which would pay no tax, based on 1934 returns, now pay 15 percent

Company	Net income after tax	Dividends paid out
American Telephone & Telegraph.....	\$121,748,720	\$167,960,475
American Tobacco Co.....	24,084,280	20,690,858
American Smelting & Refining.....	7,583,202	7,875,000
General Electric Co.....	19,720,044	19,851,453
Goodyear Tire & Rubber Co.....	4,287,094	4,508,907
International Harvester.....	3,948,637	8,294,040
National Biscuit Co.....	11,667,673	19,939,342
National Dairy Products Co.....	6,551,930	8,167,673
Ohio Oil Co.....	6,411,924	6,294,728
R. J. Reynolds Tobacco Co.....	21,836,894	30,000,000
Texas Co.....	6,546,205	9,348,820

The above list of financially strong companies that can completely avoid taxation can be greatly expanded.

Corporations which would pay less than 5 percent

Company	Net income after tax	Dividends paid out	Tax under new bill
			<i>Percent</i>
Air Reduction.....	\$4, 144, 416	\$3, 737, 142	2.82
Allied Chemical & Dye Corporation.....	17, 548, 865	16, 703, 374	3.00
Cora Products Refining Co.....	9, 762, 696	9, 294, 750	1.20
Curtis Publishing Co.....	5, 936, 326	5, 400, 000	2.45
E. I. duPont.....	46, 701, 465	40, 788, 914	3.50
Firestone Tire & Rubber.....	4, 184, 656	3, 672, 193	4.00
General Foods.....	11, 143, 876	9, 452, 614	4.40
Great Western Sugar.....	5, 761, 727	5, 370, 000	1.55
Imperial Oil Co.....	14, 101, 561	13, 415, 169	1.40
Liggett & Myers Tobacco Co.....	20, 086, 691	17, 200, 227	4.16
Parke, Davis & Co.....	8, 719, 368	8, 232, 480	1.50
Pennsylvania R. R. Co.....	13, 377, 839	13, 214, 946	.30
U. S. Smelting & Refining.....	6, 052, 968	6, 000, 129	.25

Corporations which would pay less than 10 percent

Company	Net income after tax	Dividends paid out	Tax under new bill
			<i>Percent</i>
American Can Co.....	\$10, 522, 945	\$15, 256, 321	6.63
Armour & Co. (Delaware).....	8, 328, 835	8, 599, 330	8.84
Eastman Kodak Co.....	14, 503, 247	10, 499, 086	8.54
General Motors.....	94, 769, 131	73, 621, 710	6.78
Great A. & P. Tea Co.....	20, 478, 190	16, 430, 796	5.72
International Shoe Co.....	8, 967, 024	6, 671, 742	7.78
J. C. Penney Co.....	16, 147, 315	11, 307, 108	9.37
Phillips Petroleum Co.....	5, 757, 309	4, 163, 008	8.30
Procter & Gamble.....	14, 370, 067	10, 512, 866	8.30
Socony-Vacuum Oil Co.....	24, 121, 297	18, 652, 561	6.90
Standard Oil Co. (California).....	18, 347, 807	13, 069, 479	8.95
Standard Oil Co. (Indiana).....	18, 949, 680	15, 371, 229	5.63
Standard Oil Co. (New Jersey).....	67, 882, 271	54, 204, 193	6.08
Texas Gulf Sulphur Co.....	6, 958, 476	5, 730, 000	5.22
United Fruit Co.....	12, 049, 300	8, 717, 985	8.60
F. W. Woolworth Co.....	32, 142, 363	23, 283, 676	8.54

I also ask that you furnish me with the names of all corporations which, for the last year for which the statistics are available, had a net income, before Federal taxes, of more than \$1,000,000, and, based upon the actual distributions for the year, will receive a tax reduction of 50 percent or more under the pending bill.

You will appreciate that the fundamental purpose of my inquiry involves not only competitive advantages to the strong corporations, but the restraints of heavy taxes upon small- and medium-sized enterprises upon which we must depend so largely for reemployment of labor and for healthy business growth.

It is unnecessary for me to add that the data must be available promptly if it is to serve a useful purpose. I shall appreciate very much your assistance and cooperation.

Cordially yours,

HARRY F. BYRD.

Mr. MORGENTHAU. Now, may I just say this: If I answered Senator Byrd technically correct I would not be giving this committee the information which I believe they want, because in the information which Senator Byrd asked for you would not be getting the whole picture, and therefore I am not only going to give you the information that Senator Byrd asked for but I am going to give you the information which I think he wants.

If I just stuck to the actual technical answering of his letter I would say that the American Telephone & Telegraph Corporation did not

pay the tax on the \$121,000,000 as outlined in Senator Byrd's letter. It only paid an income on \$2,500,000, according to the records of the Income Tax Bureau. But that would be misleading, because they did pay the tax on their subsidiaries.

I further might say that in studying the 11 corporations, if we apply the new bill to the earnings as they are on record in the Bureau, the American Tobacco, the American Smelting, and the International-Harvester would pay a tax.

Senator KING. Would or did?

Mr. MORGENTHAU. They would.

Senator CLARK. You mean under the new bill?

Mr. MORGENTHAU. Under the new bill.

Senator CLARK. As it passed the House?

Mr. MORGENTHAU. Yes. Now, the point I am getting at is when I got your letter we immediately went to work.

Senator BYRD. Mr. Morgenthau, may I interrupt you?

Mr. MORGENTHAU. Yes.

Senator BYRD. I would like to have the Secretary refer to some specific year. He said there would be a tax. That is, a tax in what year?

Mr. MORGENTHAU. I am taking 1934, Senator.

Senator BYRD. You are discussing 1934?

Mr. MORGENTHAU. I am sticking to your letter for the moment, if I may.

Senator BYRD. Yes; I said 1934.

Mr. MORGENTHAU. Now, I just want to tell you that this is a tremendous task. Mr. Russell is here. He is the head of the Income Tax Unit. I am going to ask him to explain it in just a minute. We had 120 people working past midnight on Monday to try to get this information ready, and we are ready to give you everything that Senator Byrd asked for.

Now, what I would like to do, if it is agreeable to you, is to have Mr. Russell take this sheet here and take the questions which Senator Byrd asked as to the particular companies, and not only give you the information that Senator Byrd asked for but to give you the information which I think you ought to have, because it would be misleading if I were just to say that I am very certain the American Telephone & Telegraph only paid a tax on \$2,500,000, that they did not pay it on \$121,000,000. It would be right, but that would not be answering your question.

The CHAIRMAN. Are there any other questions that you want to ask him, Senator, or shall we proceed by having Mr. Russell give this information?

Senator BYRD. That is all right.

Mr. MORGENTHAU. I would be very glad, when Mr. Russell is through, to answer any question that I can answer within my ability.

The CHAIRMAN. All right, Mr. Russell.

Mr. RUSSELL. This is a list of the companies and the data requested.

The CHAIRMAN. I wish we had copies of that. Have we copies of this data?

Mr. RUSSELL. You can have mine.

The CHAIRMAN. As to the corporations that Senator Byrd asked about.

Senator BYRD. I can telephone my office for copies.

The CHAIRMAN. That is all right.

Mr. MORGENTHAU. We only have two copies. I will give the chairman one copy so he can follow it, and Mr. Russell will take the other. We only made two copies because we considered it confidential.

The CHAIRMAN. You may proceed, Mr. Russell.

Mr. RUSSELL. I would like to explain first, Mr. Chairman, that of the 40 companies that Senator Byrd set forth in his letter only 11 of such companies were available in the unit in the year 1935, the rest having received extensions for filing returns, and some filed on a fiscal year basis. Only 11 of the returns were available in the Bureau for 1935.

Senator KING. That are only available now?

Mr. RUSSELL. That is right. Here is the schedule for the first part of Senator Byrd's letter, that is as to the 40 corporations.

Senator BYRD. Mr. Chairman, could Mr. Russell just take up each individual corporation and answer "yes" or "no", as to what it will pay?

The CHAIRMAN. Give this to Senator Byrd and let him follow it through. You do not have any more copies?

Mr. MORGENTHAU. No.

Senator BYRD. If you do not mind taking a copy of my letter and just say "yes" or "no", whether I am correct.

Mr. RUSSELL. We also have 1934 and 1935, both.

The CHAIRMAN. But you can only give 1934?

Mr. RUSSELL. We can only give 1934 and some of 1935.

Mr. MORGENTHAU. If we go on the basis of "yes" or "no" then I am going to stick to just the exact questions that Senator Byrd asked, and to that question I will say the American Telephone & Telegraph only had an income of \$2,500,000. We will just stick to that.

The CHAIRMAN. What Senator Byrd wants is the picture of these specific corporations.

Senator BYRD. What I think would be better would be to answer my letter, and then after you answer it you can make any explanation that you choose to make.

The CHAIRMAN. That is the way to do it.

Mr. RUSSELL. Here is the list of corporations asked for in the second part of Senator Byrd's letter, asking for corporations with statutory net incomes of \$1,000,000 or more, which would have a savings in tax on the new bill.

The CHAIRMAN. You better read them.

Senator BARKLEY. Suppose he reads these off. I do not know what you have got in that list.

Senator KING. I do not know what the questions are.

The CHAIRMAN. The first is, "A few of the corporations which would pay no tax, based on 1934 returns, that now pay 15 percent." That is what Senator Byrd says in his letter. The first company that he talks about is the American Telephone & Telegraph. Let us see what the answer to that is.

Mr. RUSSELL. According to Bureau records, according to the tax return filed by the American Telephone & Telegraph, the statutory net income for the year 1934, that is their taxable net income, was

\$2,559,549. In addition to that they received dividends, nontaxable, \$114,263,611. They received tax-exempt interest of \$5,066,989, or a total income of \$121,890,149, on which they paid a tax, under the present act, of \$351,838. That applied to their statutory net income, which is the taxable net income. They did, however, distribute \$167,960,475. That is in dividends.

Senator KING. That is more than their income?

Mr. RUSSELL. Yes, sir. I might say, however, that the figures that Senator Byrd has I believe are consolidated figures of probably four or five hundred companies, whereas, under the 1934 act the American Telephone & Telegraph could not file a consolidated return.

Senator BYRD. I got the figures, as I stated, from Moody's Manual.

May I have an answer to the question of whether the \$2,500,000 that the A. T. & T. now pays would be continued, whether they would continue to pay that under the present law?

Senator LA FOLLETTE. He did not say they paid \$2,500,000.

Mr. RUSSELL. They paid \$351,938 on the \$2,500,000 statutory net income.

Senator BYRD. Now, would they continue to pay that?

Mr. RUSSELL. Under the new act?

Senator BYRD. Yes.

Mr. RUSSELL. No, sir.

Senator BYRD. Would the subsidiaries of the A. T. & T. continue to pay dividends if they distributed the earnings to the A. T. & T?

Mr. RUSSELL. Will you state that over, Senator?

Senator BYRD. Would the subsidiaries of the A. T. & T. continue to pay a tax if they distributed all their earnings to the parent company?

Mr. RUSSELL. Under the law?

Senator BYRD. Yes.

Mr. RUSSELL. No, sir.

Senator BYRD. Then if the subsidiaries have sufficient surpluses to continue to pay their earnings, as they have been paying, then the entire combination would be exempt from taxation, is that not true?

Mr. RUSSELL. If the subsidiaries pay all their earnings to the parent corporation, the subsidiaries would not pay any tax under the new bill.

Senator BYRD. Then for all practical purposes this \$121,000,000 of net income would be exempt from taxation under this bill, if they have sufficient surpluses to warrant paying out the earnings in dividends?

Mr. RUSSELL. Senator, there are many things that enter into that. For instance, I will give you an illustration. One subsidiary might have \$1,000,000 of net income and pay \$1,000,000 in dividends to the parent company, and another subsidiary might have a \$500,000 loss, and when they put the group together, in a consolidated group, they would have a net of \$500,000, where they would have \$1,000,000 of dividends flowing to the parent company. There are so many different things that enter into it.

Senator BYRD. I understand that. If they do distribute all of the earnings in dividends then no taxes would be paid either by the A. T. & T. or by the subsidiaries?

The CHAIRMAN. I think that is an answer to the question.

Mr. RUSSELL. These figures, of course, are for 1934.

The CHAIRMAN. That is true, if they declared all their earnings.

Senator BYRD. Therefore the statement I made in my letter I think is correct, that is, that the \$121,000,000 would be exempted, providing

they distributed the earnings, both for the A. T. & T. and the subsidiaries.

Mr. RUSSELL. That is right.

The CHAIRMAN. Take the next case.

Senator CLARK. Mr. Russell, do you have the figures on taxes paid by the subsidiaries of the A. T. & T.?

Mr. RUSSELL. No, sir. It would take us several days to find out what the situation is.

Senator CLARK. I understand.

Senator LA FOLLETTE. Mr. Russell, you haven't any information, I presume, on where the dividends paid out by the holding company, that is the American Telephone & Telegraph Co., went, have you? You do not know whether they went to individuals or to other corporations?

Mr. RUSSELL. We do not have the figures, Senator, but I might say that of all dividends paid by all corporations approximately 32 percent of them go to other corporations.

Senator CLARK. That is all the corporations in the United States?

Mr. RUSSELL. Yes, sir.

Senator CLARK. Approximately 32 percent?

Mr. RUSSELL. Yes, sir.

Senator CLARK. That is paid to other corporations?

Mr. RUSSELL. Yes, sir.

Senator BLACK. You have not been able to find to whom the A. T. & T. dividends go?

Mr. RUSSELL. No.

Senator BLACK. Nor who the big stockholder is?

Mr. RUSSELL. No, sir. We are working on that now. We hope to have something on it.

Senator BLACK. When?

Mr. MORGENTHAU. May I answer that, Mr. Chairman?

The CHAIRMAN. Yes.

Senator GERRY. You did not collect any of these figures before you brought in the bill, did you?

Mr. RUSSELL. These figures here?

Senator GERRY. Any of the statistics in regard to the subsidiaries and their stockholders.

Mr. RUSSELL. I did not personally; no, sir.

Senator GERRY. I want the Secretary to answer that.

Mr. MORGENTHAU. I am sorry, but I did not hear the question.

The CHAIRMAN. Mr. Haas can probably answer that question.

Mr. HAAS. For the purpose of estimating what the tax will yield it is only necessary, Mr. Senator, to have the aggregate.

Senator GERRY. That is not answering my question. I asked you did you have any of these statistics before you when you appeared before the Ways and Means Committee?

Mr. HAAS. We did not. We thought it was not necessary to have the individual instances.

Senator GERRY. That is all right. That is all I want to know.

The CHAIRMAN. Now, Mr. Secretary, will you answer the question of Senator Black?

Mr. MORGENTHAU. In the second paragraph of your letter, where you ask me for additional information, which I believe is information which Senator Black and Senator La Follette wanted, we have not

yet been able physically to get that information together, but we hope to have it by tomorrow morning.

Senator BLACK. Do you have it for any other year?

Mr. MORGENTHAU. We have not, sir. As I explained, we had 120 people under Mr. Russell working practically through Monday midnight to get what we have got here. We haven't left a stone unturned. I am very anxious to cooperate with the committee. We are very anxious to give you everything you want. We have got letters from Senator King, we have got letters from Senator Connally, and I am not sure but what we have any others, asking for information and statistics.

Now I might say that if the committee, in addition to the information that Senator La Follette and Senator Black want, would also like to have tomorrow morning a list of the corporations that have practically paid out no dividends, we would be very glad to furnish you with that list. This list we are working on here is a list of corporations that have practically paid out all their earnings. If the committee wants a list of corporations that practically paid out no dividends, we will be very glad to furnish you that.

The CHAIRMAN. Yes; I think that would be very helpful.

Senator BARKLEY. Mr. Chairman, I think that information should be requested.

Senator LA FOLLETTE. I thought that was included in Senator Black's statement, because it would make that quite clear. We did not want to see just one side of the picture. We thought if we looked at one side of it we would want to look at the other side also.

The CHAIRMAN. If there is no objection it is the order of the committee then, Mr. Secretary, that you furnish to us, if possible by the morning, a list of corporations that have paid no dividends, who have amassed some earnings and applied them to surplus.

Senator BLACK. And, so far as possible, the large stockholders of those corporations, including corporate stockholders and individual stockholders.

Senator BYRD. In addition to that include the surpluses of the corporations, so as to ascertain whether in the future they can pay out their earnings safely. It is not what they have done in the past, it is what they will do in the future.

The CHAIRMAN. Give us all that information. Do you understand what it is they want?

Senator CONNALLY. Mr. Secretary, about when will you have those estimates for us?

Mr. MORGENTHAU. Pardon me?

Senator CONNALLY. Those estimates of prospective revenue.

Mr. HAAS. The specific request of the Chairman.

Mr. MORGENTHAU. Senator Connally's request?

The CHAIRMAN. Senator Connally has made a request, Senator King made a request, and I made a request.

Senator KING. I made no request.

Senator CONNALLY. I made a very simple one.

Mr. HAAS. I hope we can have that for you tomorrow.

Senator BARKLEY. Let me ask the Secretary: Is it possible, from the Treasury records, to determine the individual stockholders of all corporations, that is as to how much stock they own?

Mr. MORGENTHAU. Do you mind if I ask the man in charge of the Bureau to tell you that?

Senator BARKLEY. That is all right.

Mr. RUSSELL. What is the question?

Senator BARKLEY. Is it possible, from the Treasury records, to give the individual stockholders of all corporations, as to the amount of stock they own in the corporation?

Mr. RUSSELL. No, sir.

Senator BARKLEY. How can you furnish the information if the records do not contain it?

Mr. RUSSELL. Sometimes we get it from the Securities Exchange Commission, sometimes we get it from other sources. I do not know any way without going direct to the corporations' books.

Senator BARKLEY. In making their returns they do not give you the list of their stockholders?

Mr. RUSSELL. No.

Senator BARKLEY. And they do not give you the amount of stock that each stockholder owns?

Mr. RUSSELL. No.

Senator BARKLEY. So from your records in the Treasury you cannot furnish that information?

Mr. RUSSELL. In some few cases.

Senator BLACK. May I suggest, that you can furnish a great deal of it. You will see the list of directors and the list of officers, and as a rule they are the ones who control and decide whether or not dividends can be paid. You can take the list and find the directors on it. Some of them I can name now, and you can name some of the directors in some of the big companies. Then you can look at their individual income tax, or their personal corporation tax, of some other corporation that holds control, and I think you can very easily find there a great many of them who have been escaping the payment of taxes.

Mr. RUSSELL. That is the source we are working on now.

Senator BLACK. Yes, sir.

The CHAIRMAN. May I suggest that you forward the request to other agencies of the Government that have the information or who can assist you in giving the information, so that the committee may have it?

Mr. RUSSELL. Yes, sir.

Mr. MORGENTHAU. Mr. Chairman, just so my position is clear here this morning I would like to read that part of the letter, of your letter, which I am not prepared to answer today, but we will try our best by tomorrow to do so. It is the part that we are not prepared to answer. It is physically impossible to answer that now. It is the second paragraph in which you say:

I would also ask that you furnish the committee a list of our larger individual taxpayers by name who own stock in corporations, showing as far as possible the amount of dividends actually received and the amount of dividends in addition which they would have received if the principal corporations in which they owned stock had distributed all of their net income in dividends. In respect to these individuals, it is requested that the names of these principal corporations be shown and the amount of net income and dividend payments made by such corporations. For the purpose of tax computation, the total income of these larger individual stockholders should also be shown. It is suggested that in connection with these large income taxpayers, you show in one column the amount of tax

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actually paid by the corporation on the profits which constituted their part of the corporate earnings as compared with the amount of tax that these individuals would have been required to pay on the same profits, if they had been received by them indirectly as dividends distributed.

The CHAIRMAN. There is no criticism of you, Mr. Secretary, or the Department. I think what he wants in addition to that is some of these large corporations that have built up surpluses where there have been no dividends paid, and also the amount of the surpluses. That was Senator Byrd's question.

Senator BLACK. And, so far as possible, their directors, those who have actually been in control of those dividends, and also see about their income taxes. I think you will find some of them have paid no income taxes at all, not even a dollar.

Senator KING. Senator, many of those directors just have qualifying shares.

Senator BLACK. Many of them have, but many of them have a great deal more. I can name a number of them, if they want the names.

The CHAIRMAN. Now, Mr. Russell, will you proceed?

Mr. MORGENTHAU. Just to keep my records clear, could the clerk of the committee give me a letter from you later on and just give me an idea of this additional information which has been asked for?

The CHAIRMAN. The clerk of the committee is ordered to write it and to take it from the stenographic notes. Mr. Parker will assist him in getting up a formal letter.

Senator BARKLEY. Mr. Russell, in view of this information, can you keep in mind the break-down with respect to the A. T. and T.?

For instance, it is misleading to say that they earned \$121,000,000 and paid out \$167,000,000 in dividends when, as a matter of fact, the record shows they only paid taxes on \$2,500,000.

In reporting on these other corporations, can you give what would be an identical situation in cases where they paid no taxes, to that of the A. T. & T. and these others where the amount of taxable income was infinitely smaller than the amount of their gross income? Can you do that in respect to those that paid no taxes or very little taxes?

Mr. RUSSELL. It would take some time, Senator.

Senator BYRD. Mr. Russell, is not this true about the A. T. & T. that the subsidiaries of the A. T. & T. paid voluntarily some tax that the A. T. & T. would otherwise pay if all the revenue came directly to them?

Mr. RUSSELL. That is right.

Senator BYRD. There is no evasion of taxes. Every dollar of taxes was paid on this \$121,000,000 of net income?

Mr. RUSSELL. I could not say that, Senator. It might be the subsidiaries did not earn that much, but they are paying dividends out of surplus.

Senator BYRD. What I mean is this: If the A. T. & T. received dividends from the subsidiaries and the tax was paid at the source by the subordinate company, there is no evasion of taxes there, is that not true?

Mr. RUSSELL. Not if they pay their income tax.

Senator CLARK. That is the reason a lot of this income was not taxed, because it was paid at the source.

Mr. RUSSELL. That is right.

Senator BYRD. Because it was already paid.

Mr. RUSSELL. That is right.

Senator BYRD. Let us take the next, the American Tobacco Co. What did they pay?

Mr. RUSSELL. According to the return of the American Tobacco Co. their statutory net income was \$21,232,473. In addition thereto they received nontaxable dividends of \$5,603,750.

Senator BYRD. When you speak of nontaxable dividends, that is dividends on which the tax has been paid at the source, is it not? There is no evasion there.

Mr. RUSSELL. Supposed to have been paid at the source.

Senator BYRD. Supposed to have been paid at the source. Where does the Department expect to collect these taxes from if nobody pays the tax?

Mr. RUSSELL. You have other things that enter into it, for instance, March 1913 files, and things like that.

Senator LAFOLLETTE. Will you speak a little louder, Mr. Russell?

Mr. RUSSELL. Yes, sir.

Senator KING. You might have had losses which under the law were subtracted from their net income tax and thus reduce the tax.

Senator BYRD. What I want to make clear here is the fact that they received dividends from these other corporations which are nontaxable to them. It does not mean the taxes are evaded.

Mr. RUSSELL. That is right.

Senator CONNALLY. Each corporation has an exemption, does it not?

Senator BYRD. Very small.

Mr. RUSSELL. Under the present act?

Senator CONNALLY. Yes.

Mr. RUSSELL. No, sir.

Senator CONNALLY. No exemption?

Mr. RUSSELL. No exemption.

Senator BLACK. In addition to the fact, Mr. Russell, that it does not mean that the original company that paid out the dividends has failed to pay taxes, it also means, does it not, that as it goes on down trickling through to their dividend receivers it happens to get in the hands of somebody who is in the 75 percent brackets, and it still is exempt, is it not, they still have the exemption on account of the 15 percent payment?

Mr. RUSSELL. You are speaking of income received by individuals?

Senator BLACK. I am speaking now about these incomes that came to the A. T. & T. from other corporations, or the American Tobacco Co., when it reached that it was exempt from another payment of tax because it had already probably paid 15 percent?

Mr. RUSSELL. That is right.

Senator BLACK. Then if it went to another corporation it still had the exemption of another 15 percent?

Mr. RUSSELL. That is right.

Senator BLACK. And then when it went to the individual, when it went to the 75 percent bracket, it is still exempt?

Mr. RUSSELL. No.

The CHAIRMAN. They have the normal tax.

Senator BLACK. Then the normal tax would apply?

Mr. RUSSELL. That is right.

Senator BLACK. Where the exemption is only 4 percent?

Mr. RUSSELL. That is right.

Senator BYRD. What would the American Tobacco Co. pay under the bill as it stands now?

Mr. RUSSELL. May I go ahead and complete it, Senator? Then I will answer it in a second.

Senator BYRD. Yes.

Mr. RUSSELL. They did pay \$2,919,465. They distributed as dividends, \$23,719,186. Now, under the bill the American Tobacco Co. would pay somewhere around——

The CHAIRMAN (interposing). Before you get to that, that two million plus paid, was that on corporate profits?

Mr. RUSSELL. That was on statutory net income; yes, sir.

Senator COUZENS. Under the new bill?

Mr. RUSSELL. Under the new bill they would pay approximately \$750,000, using these figures.

Senator BYRD. What percent would they pay?

Mr. RUSSELL. What percent of taxes would they pay?

Senator BYRD. I mean what percent would they pay as compared to 15 percent?

Mr. RUSSELL. Well, they would pay approximately 3.15.

Senator BYRD. In other words, they are being reduced from 15 percent to approximately 3 percent?

Mr. RUSSELL. That is right.

The CHAIRMAN. They would pay about one-third of what they did pay?

Senator BYRD. One-fifth?

Senator BAILEY. One-fifth.

Mr. RUSSELL. Do you want the next one?

The CHAIRMAN. Yes; take the next one, the American Smelting & Refining.

Mr. RUSSELL. The American Smelting & Refining, according to the return they filed, had a statutory net income of \$11,838,083. They received dividends of \$336,742; tax-exempt interest of \$477,367, or a total of \$12,652,192. They paid an income tax of \$1,627,736 and distributed \$7,875,000.

The CHAIRMAN. Did they pay that on capital stock tax or corporate profits tax?

Mr. RUSSELL. This is income tax.

The CHAIRMAN. I see.

Senator BYRD. What percent would that be? Let us see if we cannot get it in percentages. We can understand it better that way.

Mr. RUSSELL. I only worked out a few of these, Senator, just on your first group. I did not go down to the next group, as to what they would pay. They would pay approximately 11.62.

Senator KING. Eleven percent?

Mr. RUSSELL. Approximately 11.5 percent.

Senator HASTINGS. Under the new bill?

Mr. RUSSELL. Under the new bill.

Senator HASTINGS. They had \$12,000,000 income?

Mr. RUSSELL. That is right.

The CHAIRMAN. All right, take the General Electric Co.

Mr. RUSSELL. The General Electric Co., according to the return they filed, showed a statutory net loss of \$11,700,540. They received

dividends of \$4,256,701; tax-exempt interest of \$1,406,225, leaving a net loss of \$6,037,614. They paid no tax under the old bill. They distributed \$19,881,453.

The CHAIRMAN. Senator Byrd, where did you get that proposition that they paid no tax?

Mr. RUSSELL. I will tell you, Senator, because Senator Byrd has the consolidated group here and we have not.

Senator BYRD. I got the use of Moody's Manual. I assume that included certain subsidiaries.

The CHAIRMAN. They managed to get a net income, after taxes, of \$19,000,000. That is the explanation of it.

Mr. RUSSELL. That is the explanation of it, I assume.

The CHAIRMAN. Proceed with the next one, the Goodyear Tire & Rubber Co.

Mr. RUSSELL. The Goodyear Tire & Rubber Co. had a statutory net loss of \$227,407; they received dividends of \$6,525,285; tax-exempt interest of \$339,794, or a total net income of \$6,637,672. They paid no tax, because the majority of their income there was dividends. They distributed \$4,548,906, and under the new law they would pay a small tax, which I have not figured out. I have not figured out all these percentages because, Senator, I was working to get up the other information but they would pay a tax under the new law.

Senator BLACK. They did not pay any tax under the old law?

Mr. RUSSELL. No, sir. That is, the parent company did not.

Senator KING. The subsidiaries did?

Mr. RUSSELL. Probably did.

The CHAIRMAN. All right, take the International Harvester.

Mr. RUSSELL. Just a minute. I want to qualify my previous statement. The subsidiaries may have had a loss and were not paying a tax.

The CHAIRMAN. Yes.

Mr. RUSSELL. The International Harvester, on their return—

Senator KING (interposing). Pardon me, before you go into that. How could they pay a tax under the new law if they had no net income, that is, if their losses were greater than their net income?

Mr. RUSSELL. They had a net income, Senator, under the new act, which includes dividends. They had an income of \$6,637,000, which includes dividends under the new act, but under the old act it does not.

Senator KING. Under the new act the corporations from which those dividends were obtained would pay taxes, would they not?

Mr. RUSSELL. Not if they distributed all their dividends.

Senator KING. But if they did not they would?

Mr. RUSSELL. They would pay a tax; yes, sir.

Senator KING. All right.

Mr. RUSSELL. The International Harvester had a statutory net income of \$31,036,214; received dividends of \$3,192,544; tax-exempt interest \$590,441; total, \$34,818,899. They paid a tax of \$4,267,479. That is the tax actually paid.

The CHAIRMAN. How much dividends did they pay out?

Mr. RUSSELL. They paid dividends of \$8,264,040. Under the proposed act they would have paid approximately 30 percent, or \$10,268,627.

The CHAIRMAN. Senator Byrd, you have got a net income, after tax, for that year of \$3,948,000?

Senator BYRD. I can explain that. I took it from Moody's Manual.

Mr. RUSSELL. I can explain that. They probably had a subsidiary with losses, which reduced the income of the parent company.

Senator WALSH. Would your explanation as to the A. T. & T. apply there?

Mr. RUSSELL. It does, where they are affiliated corporations.

Senator WALSH. Or subsidiary corporations?

Mr. RUSSELL. Or subsidiary corporations; yes, sir.

Senator WALSH. So; really, what you said about the A. T. & T. applies to all these other corporations that have subsidiaries such as they have?

Mr. RUSSELL. That is right.

Senator BLACK. The International Harvester Co. would have paid about two and one-half times as much tax under this bill?

Mr. RUSSELL. That is right, they would pay approximately \$10,000,000 under the new bill, under the proposed bill, whereas they paid approximately \$4,000,000 under the old bill.

Senator BYRD. That is on the assumption that they did not declare a larger percentage of earnings in dividends?

Mr. RUSSELL. That is based on the 1934 figures, Senator.

Senator BYRD. That is what I want, the actual facts. The next one is the National Biscuit Co.

Senator BLACK. Let me ask you one question. Do you have the capital stock of the International Harvester there?

Mr. RUSSELL. No, sir.

Senator BLACK. All right.

Mr. RUSSELL. The National Biscuit Co. had a statutory net income of \$12,732,176; dividends, \$2,585; nontaxable interest of \$524,626; a total of \$13,259,387. They paid an income tax of \$1,760,674. Distributed dividends of \$19,939,342.

The CHAIRMAN. Now, there is a wide discrepancy there, a difference between \$11,000,000 plus and \$1,000,000 plus.

Senator HASTINGS. No.

Mr. RUSSELL. A difference between \$11,597,000, which are the Senator's figures there, and \$12,732,176.

Senator COUZENS. Have you any information as to where all these nontaxable interests come from?

Mr. RUSSELL. No, sir.

Senator COUZENS. You have none?

Mr. RUSSELL. No, sir.

The CHAIRMAN. How much would they pay under the bill pending?

Mr. RUSSELL. They would not pay anything under the bill pending.

The CHAIRMAN. They would not pay anything?

Mr. RUSSELL. No.

Senator BYRD. There is a little discrepancy in my figures there. I gave \$11,597,000.

The CHAIRMAN. And he gives \$12,000,000.

Senator BYRD. The National Biscuit Co. would not pay anything?

Mr. RUSSELL. That is right.

The CHAIRMAN. The next one is the National Dairy Products Co.

Mr. RUSSELL. The National Dairy Products Co. reported a statutory net loss of \$1,483,156. It reported a surplus adjustment from subsidiary companies of \$64,041,588. We do not know what that is yet. We have to check into it. It is assumed to be a transfer of surplus from subsidiaries to the parent. A net of \$62,560,116. They paid no tax whatever and distributed \$8,197,573.

Senator COUZENS. What would they pay under the new law?

Mr. RUSSELL. I have not figured out the percentages.

Senator BYRD. They will not pay anything under the new law.

Mr. RUSSELL. There would be a question, I expect. If the \$64,000,000 is held to be liquidating dividends of some subsidiaries it would be subject to tax under the new law.

Senator BYRD. If the subsidiaries paid the tax first.

Mr. RUSSELL. If they distributed to the parent.

Senator BYRD. In fact all of their revenue seems to be from subsidiaries.

Mr. RUSSELL. If this transfer of the \$64,000,000 was a liquidating dividend from the subsidiaries they would pay a very high rate of tax, roughly around a 36-percent tax.

The CHAIRMAN. Give us the Ohio Oil Co.

Mr. RUSSELL. The Ohio Oil Co. reported a statutory net loss of \$1,191,339; received dividends of \$1,893,274, leaving \$732,342. They paid no tax and distributed \$6,294,728. They paid no tax under the old act.

Senator BYRD. I would like to call to the attention of the committee that the figures that I have supposed to have gotten correctly from Moody's include all the income, while Mr. Russell has advised me he has taken the statutory net income and the dividends received, therefore there is a discrepancy.

Mr. RUSSELL. I have to do that, Senator.

Senator BYRD. I understand you. I want to explain to the committee that these figures are not so much out of line as they appear to be. My figures are the total income including dividends.

Mr. RUSSELL. I assume they are. I could not say.

Senator BYRD. The way Moody reports the income, they report the net income of the corporation including all dividends.

Senator LA FOLLETTE. Yes; but, Senator, they may make a consolidated report, the parent and all of its subsidiaries, for the purpose of giving information to investors, which does not reflect the situation from the point of view of taxation.

Mr. RUSSELL. No, sir; because they eliminate intercorporate dividends and intercorporate transactions.

Senator BYRD. This particular corporation, the Ohio Oil Co., there is not much difference in that, in the report made by Moody's.

The CHAIRMAN. All right. The next is the Reynolds Tobacco Co.

Senator BYRD. The R. J. Reynolds Tobacco Co.

Mr. RUSSELL. The R. J. Reynolds Tobacco Co. reported a statutory net income of \$24,694,849; dividends of \$33,793.

Senator BYRD. Dividends received?

The CHAIRMAN. Let us get that straight. You said dividends paid out \$33,000?

Mr. RUSSELL. Dividends received \$33,000.

The CHAIRMAN. All right.

Mr. RUSSELL. Tax-exempt received \$905,357. Total, \$25,637,999. They paid a tax of \$3,395,542, and distributed dividends of \$30,000,000.

Senator BYRD. They will pay nothing?

Mr. RUSSELL. That is right.

Senator BAILEY. And their stockholders will not pay any more under the proposed legislation than they pay now?

Mr. RUSSELL. Oh, yes; they would.

Senator BAILEY. Why would they?

Mr. RUSSELL. They would pay the 4-percent normal tax.

Senator BYRD. What will happen, Mr. Russell, is this: They paid out \$8,000,000 more than their net income and that depletes their surplus.

Mr. RUSSELL. I suppose so.

Senator BYRD. With respect to that particular company, as with respect to the A. T. & T., in my judgment there is going to be a very large net loss, even if every stockholder is taxed at 4 percent. You are only recovering one-fourth of what you would collect at the source. As a matter of fact, there are many stockholders that will not pay the 4 percent, because they are not in the tax brackets, is that not correct?

Mr. RUSSELL. Likewise there is probably 25 percent of those dividends that went to corporations.

Senator GERRY. Do not some of the large companies have dividends that they pay to the mill workers?

Mr. RUSSELL. Some of them have them.

Senator GERRY. I think some of these big corporations do that. I have got it in the back of my head that they have got a special stock, so that the men have a right to subscribe to the special stock, so as to share in the profits.

Mr. RUSSELL. A lot of them have that, Senator.

Senator GERRY. In order that they will come to the corporation and they will get those dividends.

Mr. RUSSELL. Some of them might.

Senator GERRY. I have known of many of those cases. I do not know whether we have statistics on those cases. I think those statistics would be pretty hard to get.

Mr. RUSSELL. Yes; they would be pretty hard to get.

Senator GERRY. I know we have got a good deal of them in some of the very big companies.

Mr. RUSSELL. I would say they approximate around 25 or 30 percent, that approximately 25 or 30 percent would go to other corporations. That is our very dividend record, about 32 percent of all dividends paid by all corporations go to other corporations.

Senator GERRY. What that means is, of course, that the corporation is investing in order to build up their reserves.

Mr. RUSSELL. Some of them are holding companies, some of them are investment trusts.

Senator GERRY. And other businesses are turning in something so they can get their interest.

Senator WALSH. And a good many banks.

Mr. RUSSELL. Some might be banks, yes, sir.

Senator WALSH. Investment trusts.

Senator BAILEY. What is the capital stock paid by the Reynolds Tobacco Co.?

Mr. RUSSELL. I do not have that here, Senator.

Senator BAILEY. That would have to be stricken out.

Mr. RUSSELL. As I understand it, under the bill they take out one-half of it.

Senator COUZENS. The Texas Co. is the next.

Senator GEORGE. The Texas Co. seems to be the next on this list here.

Mr. RUSSELL. The Texas Co. reported a statutory net loss of \$3,093,796; received dividends of \$9,316,714; received tax-exempt interest of \$38,267, with a total net of \$6,261,185. They paid no tax under the old bill.

Senator BYRD. In other words, they distributed about what they received from dividends?

Senator CONNALLY. You say they paid no tax under the old bill?

Mr. RUSSELL. That is right, they paid no tax under the old bill.

Senator CONNALLY. Why not? Because they did not have any income?

Mr. RUSSELL. Because all of their net income was dividends from other corporations.

Senator CONNALLY. Well, other corporations paid it before they got it?

Mr. RUSSELL. They probably did.

Senator CONNALLY. They presumably did?

Mr. RUSSELL. They presumably did; yes, sir.

Senator BYRD. That checks up with this figure here of \$5,545,000.

Senator GEORGE. Go down to the next, Air Reduction.

Mr. RUSSELL. The Air Reduction Corporation reported a statutory net income of \$2,872,511; dividends received, \$579,628; tax-exempt interest, \$137,626; total net, \$3,589,765. They paid a tax of \$394,970, and distributed \$3,737,309.

Senator BYRD. What would they pay?

Mr. RUSSELL. Under the new bill?

Senator BYRD. Yes.

Mr. RUSSELL. Nothing.

Senator BYRD. Nothing?

Mr. RUSSELL. No.

Senator BYRD. All right. What is the next? The Allied Chemical & Dye Corporation.

Mr. RUSSELL. The Allied Chemical reported a statutory net income of \$1,645,365; dividends received, \$1,281,747; tax-exempt interest, \$765,937; total net of \$3,693,049. They paid a tax of \$226,238 and paid dividends of \$15,703,374.

Senator BYRD. They will pay nothing?

Mr. RUSSELL. That is right. They paid \$226,000 under the old act and will pay nothing under the new.

Senator BYRD. All right. Corn Products Refining Co.

Mr. RUSSELL. They received a statutory net income of \$9,305,451; received dividends of \$2,500,000; tax-exempt interest, \$79,676; total net of \$11,885,603. They paid \$1,279,500 and distributed \$9,294,750.

Senator BYRD. What will they pay?

Mr. RUSSELL. I have not figured those percentages out, Senator, but they would pay a tax under the new bill.

Senator BYRD. How would they pay a tax? They would pay practically nothing, or 2 or 3 percent, would they not?

Mr. RUSSELL. About 3 or 4 percent, somewhere around there.

Senator BYRD. Three percent. The next is the Curtis Publishing Co.

Mr. RUSSELL. The Curtis Publishing Co. reported a statutory net income of \$5,336,905; dividends received of \$1,051,854; tax-exempt interest received \$326,141; total net income of \$6,714,900. They paid a tax of \$733,824, and distributed \$5,400,000.

Senator BYRD. They will pay what? About 2 percent?

Mr. RUSSELL. I think they will pay more than that, Senator.

Senator BYRD. You say they will retain 10 percent?

Mr. RUSSELL. They will retain a little more than 10 percent.

Senator BYRD. They will pay 3 percent. The next is E. I. duPont Co.

Senator WALSH. Did he give the figure that they would pay?

Senator BYRD. He says they will pay about 3 percent. Is that correct?

Mr. RUSSELL. Approximately 3 percent. What is the next one?

Senator BYRD. E. I. duPont.

Mr. RUSSELL. They reported a statutory net income of \$22,577,554; dividends received from other companies, \$25,033,439; tax-exempt interest of \$955,359; total of \$48,606,352. They paid a tax of \$3,104,414 and they distributed as dividends \$40,861,000.

Senator BYRD. They will pay about 3 percent?

The CHAIRMAN. The tax under the new bill would be what? It would be 3.5, would it not?

Mr. RUSSELL. I do not have the figure, Senator. It would be about 4 percent.

Senator BYRD. It would be 3 percent, would it not?

Mr. RUSSELL. It would be about 4 percent, I think, Senator, figuring it in my mind.

The CHAIRMAN. A notation that I have got in my letter says 3.5 percent.

Senator HASTINGS. Yes; but the income according to the Treasury Department is more than \$48,000,000.

Senator BYRD. Let me explain, Mr. Chairman. The figures I received from Moody's are the net income after taxes. They were the only figures available. The Treasury Department makes up the estimate and bases the tax on the revenue before taxes, so there is naturally a slight variation, but that is approximately the same as this 3.5 and 4 percent. There is only 10 percent difference.

The CHAIRMAN. The Firestone Tire & Rubber?

Mr. RUSSELL. The Firestone Tire & Rubber reported a statutory net income of \$3,666,147; dividends received, \$67,921; total net, \$3,736,068; taxes paid, \$539,229, and paid out as dividends, \$3,572,192.

Senator BYRD. How much will they pay?

Mr. RUSSELL. Nothing.

The CHAIRMAN. Under the new bill they would not pay anything?

Mr. RUSSELL. That is right.

Senator BYRD. All right. The next is General Foods.

Mr. RUSSELL. The General Foods Corporation reported a statutory net income of \$1,474,004; dividends received of \$11,243,637;

tax-exempt interest of \$57,222,000; total net income of \$12,774,863. They paid a tax of \$202,676 and distributed \$9,452,614.

Senator BYRD. Where a company pays out more than the statutory net income do they pay any taxes under this net bill?

Mr. RUSSELL. Oh, yes; because the statutory net excludes dividends, and the new bill includes dividends. They would pay approximately 7.7 percent.

Senator BYRD. They would pay 7 percent?

Mr. RUSSELL. Approximately 7 percent.

Senator GEORGE. Is that by virtue of the fact that we include dividends in the new bill?

Mr. RUSSELL. That is right, and they only paid a little less than 2 percent under the old bill.

Senator BYRD. They paid 15 percent on the statutory net income?

Mr. RUSSELL. On the total net income they paid \$202,000.

Senator BYRD. I understand, that; but this \$11,000,000 that they received, they always already paid a tax on that at the source.

Mr. RUSSELL. They might have.

Senator BAILEY. Well, you are not denying that. You said they might. There is no contention here that there was an evasion?

Mr. RUSSELL. No, sir. I am stating that under the old bill they paid \$202,000, which is a little less than 2 percent, and under the new bill they would pay 7 percent.

Senator BLACK. That would make a little over \$1,000,000.

Mr. RUSSELL. Approximately that; yes.

Senator HASTINGS. Give us the income again for that company.

Mr. RUSSELL. A total net income of \$12,774,863. The distribution was \$9,452,614.

Senator HASTINGS. What do you call the statutory net income? What is that?

Mr. RUSSELL. The statutory net income was \$1,474,004.

Senator HASTINGS. Where does the other income come from?

Mr. RUSSELL. Dividends received, \$11,243,637.

Senator HASTINGS. The point Senator Byrd makes is that somebody must have paid a tax on the \$11,000,000 that came from other income, from other corporations.

Mr. RUSSELL. That is right.

Senator HASTINGS. Unless it was out of surplus.

Mr. RUSSELL. Nevertheless, using these exact figures, under the old act they paid \$202,000; and under the new act, using the same identical figures, they would pay a little above \$1,000,000.

Senator HASTINGS. That is not disputed. The point Senator Byrd is trying to make, that he is trying to impress upon the committee, is that the chances are that while you do not have all the facts, the chances are that the corporation that paid that dividend must have paid the tax at the source, so that the Government actually got 15 percent then on the \$12,000,000.

Mr. RUSSELL. Senator, the point I am trying to make, regardless of what the subsidiaries did, or what they paid, this corporation would still pay \$202,000 under the old act and \$1,000,000 under the new act.

Senator BLACK. And also it is absolutely impossible for you to say, from the calculation as to this company alone, what effect the new bill would have on the subsidiaries that paid the dividends.

Mr. RUSSELL. That is right.

Senator HASTINGS. Unless you had all the subsidiaries here and knew what taxes they had actually paid.

Mr. RUSSELL. That is true.

Senator BLACK. What they paid, what they lost, or what they had. It is another illustration of the fact that you cannot tell from one company that is associated and affiliated with a large number of others what is going on with reference to their income unless you had a complete picture.

Mr. RUSSELL. That is what I say. Some of these subsidiaries might have retained 50 percent more income and paid a larger tax than under the present bill.

Senator BLACK. It might run to 50 percent, and it might run down to nothing?

Mr. RUSSELL. Yes; it could only run to 42.5.

Senator BLACK. 42.5 would be the maximum; that is right.

Senator COUZENS. The Great Western Sugar—is that the next?

Senator BYRD. What is the next one?

Mr. RUSSELL. The Great Western Sugar. If I happen to get off the line here, will you correct me? It is hard to follow these lines.

Senator HASTINGS. The Great Western Sugar is next.

Mr. RUSSELL. The Great Western Sugar reported a statutory net income of \$7,005,000, \$78 tax-exempt interest; total net of \$7,005,157. They paid a tax of \$963,198. They distributed nothing and would have paid 42.5 percent under the new act, regardless of what their subsidiaries may have done.

Senator HASTINGS. Is that the Great Western Sugar you are reading from now?

Mr. RUSSELL. Yes, sir.

Senator HASTINGS. This says \$5,000,000.

Senator BYRD. Moody's Report shows they distributed \$5,370,000.

Mr. RUSSELL. Probably the subsidiaries have distributed that, Senator. This corporation, on the basis of these figures, would pay 42.5 percent.

Senator BLACK. The fact remains, does it not, Mr. Russell, that neither from Senator Byrd's figures nor from your figures, unless you had before you the complete figures of each of the subsidiaries, associates, affiliates, and what-nots, with reference to what they collected, what they paid out, what dividends they distributed, that you cannot, nor no one else can, figure what they would have paid under the new bill?

Mr. RUSSELL. That is right.

Senator BLACK. So that all these figures, so far as you are concerned, and so far as we are concerned, cannot give us the true picture unless you can go back and get the true story of each subsidiary, associate, affiliate, and what not?

Mr. RUSSELL. That is right.

Senator BYRD. Senator, a number of corporations did not have any subsidiaries or affiliates.

Senator BLACK. But a lot of them get most of their dividends from other corporations.

Senator BYRD. A lot of them do not.

Senator BLACK. Well, practically all of these did.

Senator BYRD. No; a good many did not. There are three or four here that paid no taxes; they got no dividends, practically speaking, from any corporation. Take the Reynolds Tobacco Co., for example.

Senator BLACK. I want to ask Mr. Russell if there was any company that had any subsidiaries that did not receive dividends from other corporations that he read off?

Senator BYRD. The Reynolds Tobacco Co. got \$33,000 in dividends. They will pay no tax under this bill.

Senator BLACK. Yes. We still could not get it unless we knew what subsidiaries, associates, or affiliates they paid that out to. They have subsidiaries, associates, and affiliates to get it from and pay it to, and unless we get a complete picture we cannot know.

Mr. RUSSELL. That is right, Senator, because this \$33,000 that they received there might only be a portion of the income of the subsidiaries.

Senator BLACK. Yes.

Senator BYRD. This is only \$33,000 out of \$24,000,000. That is inconsequential. They will pay nothing under this bill.

Senator BLACK. It was paid out to stockholders, and, Mr. Russell, you cannot know whether those stockholders were corporations or individuals? You do not know what happened to it after it left there, what devices were used with reference to the whole transaction?

Mr. RUSSELL. That is right. As I stated, they received dividends of \$33,000. Whether they would be subject to a higher rate of tax because they only paid \$33,000 to this company we cannot tell, Senator.

Senator BYRD. That is very conjectural.

Mr. RUSSELL. That is right.

The CHAIRMAN. All right; proceed, Mr. Russell. The next is the Imperial Oil Co.

Mr. RUSSELL. The Imperial Oil Co. reported a statutory net income of \$980,831, dividends received of \$408,000, total net of \$1,388,831. They paid a tax of \$134,864, approximately 10 percent. Under the new act they would pay 42.5 percent. They made no distribution.

The CHAIRMAN. Why is there the discrepancy in the dividends as compared with the Senator's letter?

Mr. RUSSELL. I could not say. These figures here are taken from the income-tax returns.

Senator BYRD. That is a foreign corporation; that may account for that.

Mr. RUSSELL. It might account for it. I could not say, Senator.

Senator BYRD. It probably included some revenue outside of this country.

The CHAIRMAN. Is the Imperial Oil Co. a foreign corporation?

Mr. RUSSELL. That is right.

Senator BLACK. Another thing is that this particular picture of this particular corporation is but one unit of what might be a vast, far-flung holding company, with subsidiaries, and a part of an affiliated system?

Mr. RUSSELL. That is right.

Senator BLACK. You are just not getting any true picture at all from any of these, from what you have?

Mr. RUSSELL. No, sir.

Senator BLACK. And it cannot be done.

Senator GERRY. It does not seem to me that when you are dealing with the parent companies, which you are here, that it is of interest here to where they are paid out. That is in other corporations, because if you are dealing with a parent company where it pays it out, and to whom it pays it out is an entirely other question and that comes in to an entirely different matter. That is not what the original corporation does.

Senator BLACK. That is true, but it might be paid and distributed out and allocated to a large number of different corporations.

Senator GERRY. Then you have section 102, and whether you have holding companies is another thing.

Senator BLACK. This is the parent company.

Senator GERRY. The only thing we are really interested in in this discussion now is the parent company and what it is made up of.

Senator BLACK. The point I am making is that I am very vitally interested if we can get the true picture of what effect this will have on the entire financial set-up. This is but one minor unit, when we take the parent company. Frequently the parent company is simply a shell.

Senator GERRY. Of course, the Senator from Alabama is going into the whole theory of the bill, but what we are trying to find out now is the question of the parent companies, and what Senator Byrd has asked is the question of what these parent companies are going to pay out.

Senator BLACK. The point I am making, Senator, is that some of these companies will pay 42 percent when they are only paying 15 percent; some will pay nothing when they are only paying 15 percent, according to the evidence we have had, but it is not a fair picture of what the corporation actually does with all of its financial distributions.

Senator GERRY. That is another question. Personally I do not think that goes into the particular question that we are trying to get information on now. That would involve the bill.

Senator BLACK. Senator, what I meant is, we might make by the new bill on this particular parent corporation, but we might lose more than that on the subsidiaries or affiliates, or we might lose on the parent and make more on the associates and the affiliates, and, therefore, we do not get the real picture.

Senator GERRY. That is another question. But you were saying, after the parent company pays it out.

Senator BLACK. That is right, and I am sure that that plays a very important part, which will be done if we get the complete picture.

Senator GERRY. I do not want to take up the time of the committee on it.

The CHAIRMAN. Will you continue with this list, Mr. Russell?

Mr. RUSSELL. May I make a statement to the Senator? We did not pick these examples. We had to use them.

The CHAIRMAN. We understand that.

Senator GERRY. We understand that. I am not criticizing the witness at all. I was just going into the discussion of what we were trying to find out.

The CHAIRMAN. Go to the next, Mr. Russell.

Mr. RUSSELL. Liggett & Myers reported a statutory net income of \$22,298,313; dividends received of \$482,456; tax-exempt interest of \$1,704,120; a total net of \$24,484,889. They paid a tax of \$3,066,018 and distributed \$17,260,682. Under the new bill their tax would be approximately 13 percent.

Senator BYRD. Mr. Chairman, unless the committee wants to go into all of these figures, I would be perfectly satisfied if the witness would just state what these companies would pay under the new bill.

Mr. RUSSELL. I will have to use a little time to compute as we go along.

Senator BYRD. Just take the taxes paid and the dividends.

The CHAIRMAN. The next is Parke-Davis & Co.

Mr. RUSSELL. Parke-Davis & Co. had a total net income of \$257,926; paid \$250,000 in dividends. That is, under the old bill, the tax was \$35,465. Under the new bill they would pay approximately 1 percent or less.

Senator BYRD. They won't pay anything, will they?

Mr. RUSSELL. Yes; they will pay a little.

Senator BYRD. If they paid out \$250,000?

Mr. RUSSELL. There are two different figures—\$250,000 and \$257,000—which accounts for the difference. It would be a nominal amount.

Senator COUZENS. There is a great discrepancy, though, in the question of the statutory net income and what is shown on these records here. Where did the income come from? Does it show where the income was received from?

Mr. RUSSELL. Here?

Senator COUZENS. Does any of it come from dividends?

Mr. RUSSELL. No. It is just statutory net income and no dividends involved.

Senator BYRD. These figures include all of the dividends from other corporations.

Senator COUZENS. He said they did not have any.

Senator LA FOLLETTE. As I understand it, those figures which the Senator has from Moody's Manual are not necessarily comparable figures from the viewpoint of taxation.

Senator BYRD. That is the reason I asked the Treasury to give me the correct figures.

Senator LA FOLLETTE. I am not complaining about it, but it seems to me that the explanation of the discrepancy between an investor's service report of a corporation and the information that the Treasury has, is quite obvious.

Senator HASTINGS. I do not see how there can be such a difference as there is here.

Senator COUZENS. That is what I say. There is something wrong in your figures or in Moody's Manual.

The CHAIRMAN. Now, let us take the next. The Pennsylvania Railroad.

Mr. RUSSELL. Pennsylvania Railroad had a net loss, all sources, of \$776,000; paid \$14,000,000 in dividends, paid no tax under the old bill and would pay no tax under the new bill.

Senator LA FOLLETTE. They are permitted to file consolidated returns under the existing law?

Mr. RUSSELL. That is right.

The CHAIRMAN. The United States Smelting?

Mr. RUSSELL. They had a total net of \$6,523,960; paid tax of \$880,560; distributed \$6,000,000. They pay about 2.3 percent.

Senator KING. Under the new bill?

Mr. RUSSELL. Yes.

The CHAIRMAN. The next is American Can Co.

Mr. RUSSELL. They had a total net income of \$25,789,194, paid income tax of \$3,502,418, distributed \$15,256,321, and under the new bill would pay about 13 percent tax.

Senator KING. They paid \$3,500,000?

Mr. RUSSELL. Yes, Senator.

The CHAIRMAN. Armour & Co. That is a Delaware institution.

Mr. RUSSELL. They had a net income of \$11,032,918, paid a tax of \$1,602,795, paid dividends of \$793,390, and would have paid approximately 39 percent under the new bill.

The CHAIRMAN. There is quite a discrepancy there in the figures, Senator. The next is Eastman Kodak.

Mr. RUSSELL. They reported a total net income of \$14,394,275, paid an income tax of \$32,835, and distributed \$10,499,000. They paid a tax of less than 1 percent under the old act, and would pay approximately 9 percent under the new act.

The CHAIRMAN. They would pay more under the new act than they did under the old act?

Mr. RUSSELL. Nine percent against less than 1 percent.

Senator KING. Is that because of the large payment of dividends?

Mr. RUSSELL. That is right.

Senator KING. They paid out large dividends, which were subjected of course to the surtax?

Mr. RUSSELL. That is right.

The CHAIRMAN. General Motors.

Mr. RUSSELL. General Motors reported a total net income of \$104,784,210, paid a tax of \$12,900,009, distributed \$73,000,541, and under the new act they would pay approximately 9 percent.

Senator CONNALLY. On that first 30 percent, they would not pay anything under the new bill?

Mr. RUSSELL. They would pay 9 percent on the new bill on the basis of what they did retain.

Senator KING. I did not get the figures. They paid \$13,000,000 tax?

Mr. RUSSELL. \$12,900,000.

Senator KING. And dividends of how much?

Mr. RUSSELL. \$73,000,000.

Senator BYRD. The A. & P.

The CHAIRMAN. The Great A. & P. Tea Co.

Mr. RUSSELL. The Great Atlantic & Pacific Tea Co. reported a total net income of \$16,573,157, paid a tax of \$204,578, and under the new act they would pay nothing.

The CHAIRMAN. How much dividends did they pay out?

Mr. RUSSELL. \$16,429,000.

Senator KING. They paid out practically all of their earnings?

Mr. RUSSELL. Yes. But they only paid approximately one and a fraction percent under the old act.

Senator BYRD. Just at that point, that is not a fair statement, because these dividends already paid out the tax paid on it. He says they would only pay about 1 percent——

Senator CLARK (interposing). He said they only did pay 1 percent.

Senator BYRD. As a matter of fact, what dividends they received, paid the tax on its source.

Senator BLACK. They may not, because the company may have lost.

Senator BYRD. That is not likely if they paid dividends.

Mr. RUSSELL. Mr. Chairman, the best we can do is to compare this company under the old act and under the new act. Under the old act, they paid about 1 percent, and under the new act they pay nothing.

The CHAIRMAN. The International Shoe Co.?

Mr. RUSSELL. They reported net income of \$11,514,349, paid income tax of \$1,583,000, paid dividends of \$6,671,000. Under the old act they paid \$1,583,000, and under the new act they would pay approximately 13 percent, or approximately almost the same amount, between \$1,400,000 and \$1,500,000.

The CHAIRMAN. J. C. Penney Co.?

Mr. RUSSELL. They reported a net income of \$18,404,096, paid a tax of \$2,530,563, distributed as dividends \$11,307,168.

The CHAIRMAN. Would they pay any tax under the new bill?

Mr. RUSSELL. Yes, sir; they would pay under the new bill approximately \$1,340,000.

Senator KING. A million dollars less than they paid last year?

Mr. RUSSELL. Approximately.

Senator BYRD. What percentage? It would be about 10 percent.

Mr. RUSSELL. The tax under the new bill would be 13 percent, or approximately \$2,340,000.

Senator BYRD. \$500,000 less?

The CHAIRMAN. Phillips Petroleum.

Mr. RUSSELL. Reported a net income of \$10,988,365, paid no tax under the old bill, paid no dividends, and would be subject to approximately 42.5 percent tax or \$4,600,000 or \$4,700,000 under the new bill.

Senator HASTINGS. Where did the income come from?

Mr. RUSSELL. \$11,000,000 in dividends.

Senator HASTINGS. Where did the tax come from?

Mr. RUSSELL. You mean under the new bill?

Senator HASTINGS. Where did it come from according to their report? Their income?

Mr. RUSSELL. Their income came from dividends.

The CHAIRMAN. They have a pipe line, have they not?

Senator KING. Those dividends then paid taxes before they were transferred to the company?

Mr. RUSSELL. They may have, but still, Senator, under this present act and under these present figures, they would pay approximately \$5,000,000 under the new act regardless of what the other companies did.

Senator KING. Unless they distributed it all as dividends.

Mr. RUSSELL. Unless they did.

Senator BYRD. Which they can probably do.

The CHAIRMAN. Procter & Gamble.

Mr. RUSSELL. They reported a net income of \$19,824,542, paid a tax of \$2,569,000, paid a dividend of \$11,782,000. Under the new act they would pay about 13 percent or \$2,600,000.

Senator BYRD. Less \$500,000?

Mr. RUSSELL. No; we would gain a little bit there; \$20,000 or \$30,000.

The CHAIRMAN. Socony Vacuum Oil Co.?

Mr. RUSSELL. Reported a net income of \$30,815,772, paid no tax under the old act, and distributed as dividends \$18,659,000. Under the new act they would pay about 13 percent or \$3,900,000.

Senator HASTINGS. Tell us where that income came from?

Mr. RUSSELL. It came from dividends.

Senator HASTINGS. How much of it?

Mr. RUSSELL. \$39,000,000 from dividends and \$9,000,000 operating loss, leaving approximately \$30,000,000 net.

Senator KING. \$9,000,000 loss of the parent company or the subsidiaries?

Mr. RUSSELL. These are all parent companies, Senator, because they did not consolidate.

The CHAIRMAN. The Standard Oil Co. of California?

Mr. RUSSELL. Reported a net income of \$5,888,534, paid a tax of \$526,000, distributed as dividends \$13,102,000, and would pay no tax under the new act. I might say that they paid 9 percent approximately under the old act.

The CHAIRMAN. The Standard Oil of Indiana?

Mr. RUSSELL. Standard Oil of Indiana reported net income of \$11,529,000; they paid no tax under the old act; they distributed \$15,000,371; they paid no tax under the old act and would pay no tax under the proposed new act.

The CHAIRMAN. The Standard Oil Co. of New Jersey?

Mr. RUSSELL. They reported a net income of \$63,004,947, they paid a tax of \$1,567,526, distributed as dividends \$31,940,882.

Senator BYRD. What will they pay under the new act?

Mr. RUSSELL. About 17.5 percent.

Senator BLACK. How much in tax?

Mr. RUSSELL. They will pay about \$11,000,000 under the new act, and they paid about \$1,500,000 under the old act.

Senator BYRD. That is assuming that they do not distribute their earnings in the future?

Mr. RUSSELL. I am just going by these figures.

Senator BYRD. It should be understood that they have a large cash surplus, and in the future they can distribute their earnings and not pay the tax.

Senator BLACK. All of those figures are figures on the basis which you have requested. On what they paid that year and what they would have paid under the new bill if the new bill had been in effect under the same conditions; and this particular company would have paid \$11,000,000 as against about \$1,500,000?

Mr. RUSSELL. That is correct.

The CHAIRMAN. Texas Gulf?

Mr. RUSSELL. Reported a net income of \$4,155,000; paid a tax of \$567,388; distributed \$5,000,730, and would pay no tax under the new bill.

The CHAIRMAN. United Fruit Co.?

Mr. RUSSELL. Reported a net income of \$8,182,377; paid a tax under the old bill of \$1,034,237; paid dividends of \$8,717,985, and would pay no tax under the new bill.

The CHAIRMAN. Woolworth?

Mr. RUSSELL. Reported a net income of \$31,474,382; paid a tax of \$3,623,643; distributed \$23,400,000. Under the new bill would pay about 7 percent or \$2,200,000.

(The table being considered above faces this page.)

Senator BYRD. The Secretary furnished a list of corporations that would save 50-percent taxes on the basis of the last returns. I would like Mr. Russell to just read that.

Mr. RUSSELL. It is very long. It will take some time to read it.

The CHAIRMAN. I will read the inquiry. It is for the names of all corporations last year for which the statistics are available that had a net income available for Federal tax on more than a million dollars and based on actual distributions would receive a tax reduction of 50 percent or more under the pending bill.

Senator BYRD. Here is the list, and it is a very long one.

The CHAIRMAN. How many are there?

Mr. MORGENTHAU. Mr. Chairman, while he is counting that, might I ask if we do come back here tomorrow morning, whether any of the Senators would care to give us the names of any corporations they would like us to work on tonight or the names of any individuals, because we are also asked to furnish the committee a list of large individual taxpayers. We will do the best we can, but if any Senator has the name of any corporations or any individual taxpayers they would like us to bring in, we would be glad to have it, because we do not want to come here tomorrow and have it said that we possibly overlooked anybody.

Senator BLACK. I made that inquiry, and what I had in mind was the taxpayers who had control of these particular companies, which can be easily ascertained by looking at the board of directors. Then if you will get the individual income tax of this board of directors, you will find from what source they got the money, and that will open up the corporation to which the dividends were paid.

Mr. MORGENTHAU. We will do the best we can, but I did not want anyone to think that we were overlooking anybody.

Senator LA FOLLETTE. What I understand that Senator Black and I had in mind is that we have had one side of the picture here as to how the corporations—I suppose the argument will be made that the Government will lose revenue under the new bill. What we would like to see is where there has been tax avoidance rather than tax evasion, by the use of a corporate device, and how individuals, if that information is available, will be made to pay more tax. In other words, here is one side of the picture, which as I see it is predicated upon the theory that this principle involved in the President's proposal is working to the disadvantage of the Government and to the advantage of certain large corporations. I am not in a position, and I am sure Senator Black is not, to give the other side of the picture,

Corporation income-tax returns for 1935 and 1934 for a selected group of corporations, showing name, consolidated or not consolidated, statutory net income, dividends received, tax-exempt interest received, total, income and excess-profits tax paid, total after tax paid, and cash dividends paid

Name	1935								1934							
	Consolidated or not consolidated	Statutory net income	Dividends received	Tax-exempt interest received	Total	Income and excess-profits tax paid	Total after tax paid	Cash dividends paid	Consolidated or not consolidated	Statutory net income	Dividends received	Tax-exempt interest received	Total	Income and excess-profits tax paid	Total after tax paid	Cash dividends paid
American Telephone & Telegraph Co. 1									Not consolidated	\$2,559,549	\$111,83,611	\$5,060,989	\$121,881,149	\$451,938	\$121,538,211	\$167,960,475
American Tobacco Co. 2									do	21,232,473	5,668,750	14,400	26,834,623	2,919,465	24,915,158	23,719,186
American Smelting & Refining Co. 3									do	11,838,083	398,712	477,367	12,652,191	1,027,730	11,624,466	7,875,000
General Electric Co. 4									do	(11,700,540)	1,256,791	1,045,225	(9,397,524)	(6,037,614)	19,881,453	10,881,453
The Goodyear Tire & Rubber Co. 5									do	(227,407)	6,252,285	319,794	(6,172,017)	(6,172,017)	6,637,672	4,548,906
International Harvester Co. 6									do	31,636,214	3,392,511	540,141	35,568,866	4,267,479	30,551,420	8,261,010
National Biscuit Co. 7	Not consolidated	\$11,063,584	5798	\$214,393	\$14,308,775	\$1,934,743	\$12,375,032	\$12,406,410	do	12,732,176	2,285	524,626	13,259,087	1,730,674	11,508,713	10,939,342
National Dairy Products Corporation 8									do	(1,483,156)	64,641,588	1,684	62,540,116	62,540,116	62,540,116	8,197,573
The Ohio Oil Co. 9									do	(1,191,339)	1,893,274	28,407	730,342	730,342	6,294,728	6,294,728
R. J. Reynolds Tobacco Co. 10	Not consolidated	39,038,218	24,915	558,082	39,626,215	4,130,255	26,495,960	30,000,000	do	24,694,849	33,793	903,357	25,631,999	3,395,512	22,238,487	30,000,000
The Texas Corporation 11									do	(3,093,796)	9,315,711	38,267	6,261,173	6,261,173	6,261,185	9,348,820
Air Reduction Co., Inc. 12									do	2,872,511	59,628	137,620	3,462,759	394,070	3,194,785	3,737,309
Allied Chemical & Dye Corporation 13									do	1,615,365	1,31,717	765,917	3,693,049	226,238	3,466,811	15,793,374
Corn Products Refining Co. 14									do	9,305,451	2,703,476	79,676	11,888,603	1,279,500	10,609,103	9,294,750
The Curtis Publishing Co. 15	Not consolidated	4,029,778	593,914	163,577	5,787,269	633,844	5,153,425	6,300,000	Not consolidated	5,339,905	1,691,884	529,141	7,560,930	733,824	6,827,106	5,400,000
E. I. du Pont de Nemours & Co. 16	do	30,048,784	39,325,284	477,268	69,811,366	4,130,333	65,711,033	49,557,182	do	22,577,554	25,933,439	925,529	49,436,522	3,104,414	45,501,938	40,861,349
Firestone Tire & Rubber Co. 17	do	1,308,769	980	1,939	1,311,638	179,960	1,131,678	3,547,884	Consolidated	3,666,147	69,921	57,222	3,793,068	509,229	3,100,839	3,572,192
General Foods Corporation 18									Not consolidated	1,474,004	11,35,637	57,222	12,774,663	292,670	12,572,187	9,452,614
The Great Western Sugar Co. 19									do	7,005,079	75	75	7,005,157	693,198	6,311,959	6,311,959
Imperial Oil, Ltd. (foreign corporation) 20									do	980,831	38,660	—	1,388,831	134,894	1,253,937	—
Liggett & Myers Tobacco Co. 21	Not consolidated	18,689,841	452,877	691,558	19,834,274	2,569,853	17,267,421	17,115,882	do	22,298,313	82,455	1,704,130	24,484,899	3,069,018	21,418,871	17,260,682
Parke, Davis & Co. 22									do	257,926	—	—	257,926	35,465	222,461	250,000
The Pennsylvania R. R. Co. 23									Consolidated	(21,517,141)	19,961,462	1,678,778	(776,901)	(776,901)	14,919,389	14,919,389
United States Smelting, Refining & Mining Co. 24									Not consolidated	6,404,075	9,873	69,012	6,513,960	880,570	5,633,400	6,000,131
American Can Co. 25	Not consolidated	17,646,547	877,576	7,170	18,481,263	2,423,271	16,058,992	15,256,321	do	25,472,130	311,924	5,140	25,789,194	3,502,418	22,286,776	15,256,321
Armour & Co. 26									Consolidated	10,993,989	128,576	333	11,122,918	1,603,705	9,429,123	793,390
Eastman Kodak Co. 27									Not consolidated	238,860	14,159,914	28,561	14,397,335	37,845	14,360,490	10,499,086
General Motors Corporation 28									do	93,818,245	10,775,829	688,156	104,282,230	12,900,009	91,884,201	73,541,637
The Great Atlantic & Pacific Tea Co. of America 29									do	1,487,841	15,683,316	—	17,171,157	204,578	16,966,579	16,429,770
International Shoe Co. of Delaware 30	Not consolidated	\$10,465,078	19,289	—	10,484,367	1,389,448	8,755,919	7,510,611	do	11,513,071	955	313	11,514,339	1,583,047	9,931,292	6,671,742
J. C. Penny Co. 31	do	17,459,447	1,050,000	—	18,509,447	2,395,311	16,025,136	9,610,092	do	18,401,096	—	—	18,401,096	2,520,563	15,880,533	11,307,108
Phillips Petroleum Co. 32									do	(523,899)	11,312,294	—	10,788,395	10,988,365	10,988,365	—
The Proctor & Gamble Co. 33									do	18,688,516	482,226	452,840	19,623,582	2,469,671	17,153,911	11,782,538
Socony Vacuum Corporation 34									do	(9,263,474)	39,134,693	694,533	29,574,793	30,845,772	18,659,922	—
Standard Oil Co. of California 35									do	3,831,181	1,98,119	—	4,819,300	526,788	4,292,512	13,102,900
Standard Oil Co. of Indiana 36									do	(1,527,628)	12,382,239	—	10,854,611	—	10,854,611	15,371,229
Standard Oil Co. (New Jersey) 37									do	11,400,019	50,655,535	—	62,055,554	1,767,620	60,287,934	31,910,882
Texas Gulf Sulphur Co. 38	Not consolidated	5,190,978	36	64,794	5,255,808	701,384	4,464,424	7,680,000	do	4,126,459	70	—	4,126,529	4,158,473	5,730,000	5,730,000
United Fruit Co. 39									do	7,521,727	—	—	7,521,727	7,148,140	8,747,985	8,747,985
F. W. Woolworth Co. 40	Not consolidated	23,968,365	4,749,379	1,032,567	30,690,341	3,287,404	26,802,937	23,400,000	do	26,353,765	5,114,410	6,207	31,474,382	3,623,643	27,850,739	23,400,000

1 Extension granted to June 15, 1936.
2 Extension granted to May 15, 1936.

3 Apparently transferring surplus from subsidiary companies.
4 Fiscal year return to be filed at later date.

5 Extension granted to June 30, 1936.
6 No record in Washington.

7 Extension granted to Sept. 15, 1936.

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but I think in fairness, for the committee to pass judgment on the principle involved, we should know all of the things which helped to determine on the part of the Treasury that this proposal was sound from the point of view of the Government.

Senator BARKLEY. Perhaps we can get hold of Moody's and get the information—

Senator LA FOLLETTE (interposing). I say that Moody's does not show the true picture.

Senator BYRD. I think it clears up a great deal of the misunderstanding that may exist. Here is a list from the Treasury of 250 corporations earning \$1,000,000 or more, that will receive a reduction in tax under this bill of 50 percent or greater.

The CHAIRMAN. Of corporation tax?

Senator BYRD. Corporation tax. That has nothing to do with the other inquiry that I was compelled to make because I could not obtain the data upon which to do it, but here is a statement from the Treasury of 250 corporations that will receive a 50-percent reduction or greater under the present bill.

Senator LA FOLLETTE. There may be 250 or there may be 2,500 or there may be 3,000 or 5,000—I don't know—who will pay more taxes under this bill if they proceed to follow their same fiscal policy that they have followed in the past. My only point is, Senator—I am not critical at all of your wanting this information—but, on the other hand, it seems to me that we ought to have the other side of the picture.

Senator BARKLEY. How many corporations make returns to the Treasury?

Mr. RUSSELL. All told?

Senator BARKLEY. Yes.

Mr. RUSSELL. About 505,000.

Senator BARKLEY. Out of the 500,000, you have 250 here—

Senator BYRD (interposing). I beg your pardon. These are corporations earning \$1,000,000 or more. How many have you earning \$1,000,000 or more?

Mr. RUSSELL. About 600.

Senator BYRD. And 250 of them, or nearly half would get a reduction under this bill?

The CHAIRMAN. Would the balance of them pay an increase?

Mr. RUSSELL. Approximately—I could not say definitely—but there are almost as many that will go on the other side as go on that side.

Senator BYRD. Mr. Chairman, I would like to read my inquiry and ask that this be incorporated in the record. I asked the Treasury to furnish me with the names of all corporations for last year for which statistics are available that had a net income before Federal taxes of more than \$1,000,000, and based upon the actual distribution for the year, will receive a tax reduction of 50 percent or more under the pending bill. I read that because the caption does not give that information.

(Schedule 2 is as follows:)

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

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income
The Cream of Wheat Corporation..	\$1,440,130	\$149,100	\$1,589,230	\$1,350,500	84.95
Standard Brands, Inc.....	10,308,824	2,287,015	12,596,439	13,138,907	104.31
The Fairmont Creamery Co. (of Nebraska).....	1,180,025	21	1,180,046	1,500,000	152.53
Bordens Milk Product Co., Inc.....	1,330,453	7	1,330,460	2,125,000	159.72
Maxwell House Products Co., Inc.....	1,524,501	0	1,524,501	1,000,000	65.61
The Jell-O Co. Inc.....	1,210,808	0	1,210,808	1,150,000	94.98
Postum Co., Inc.....	4,240,180	0	4,240,180	3,350,000	79.00
The City Ice & Fuel Co.....	2,709,714	0	2,709,714	3,661,656	135.13
Beech Nut Packing Co.....	1,762,054	300,425	2,062,479	1,673,753	81.15
Royal Baking Powder Co.....	1,598,577	6,000	1,604,577	1,400,000	87.25
Liggett & Myers Tobacco Co.....	22,298,313	482,456	22,780,769	17,260,682	75.77
R. J. Reynolds Tobacco Co.....	24,604,840	33,793	24,728,642	30,000,000	121.32
United States Tobacco Co., Inc.....	3,670,937	136,800	3,807,737	3,415,671	89.70
P. Lorillard Co.....	2,520,559	133,500	2,654,059	4,839,238	182.33
General Cigar Co., Inc.....	2,545,175	0	2,545,175	5,727,802	225.05
Geo. W. Helme Co.....	2,160,026	13,300	2,173,326	3,013,556	138.66
The American Tobacco Co.....	26,836,223	5,703,750	26,836,223	23,719,186	88.38
Wisconsin Telephone Co.....	1,187,015	1,703	1,188,718	2,746,290	231.21
The Chesapeake & Potomac Telephone Co. of Virginia.....	1,467,037	44,244	1,511,181	1,440,000	95.29
American Telephone & Telegraph Co.....	2,559,540	114,263,611	116,823,160	167,960,475	143.77
The Bell Telephone Co. of Pennsylvania.....	8,842,969	12,102	8,855,071	9,000,000	101.64
New York Telephone Co.....	33,073,452	2,574,328	35,647,780	35,329,000	99.11
South Western Bell Telephone Co.....	14,271,881	309,338	14,581,219	15,364,985	105.37
North Western Bell Telephone Co.....	5,354,606	2,287	5,356,893	4,112,052	76.76
New Jersey Bell Telephone Co.....	5,840,102	329	5,840,431	6,621,736	113.38
Indiana Bell Telephone Co.....	1,830,248	29,115	1,859,363	1,650,000	88.74
The Chesapeake & Potomac Telephone Co. of Baltimore.....	2,826,263	5	2,826,268	2,310,000	81.73
Libby Owens Ford Glass Co.....	1,953,580	0	1,953,580	2,943,680	150.68
United States Gypsum Co.....	1,217,603	496,246	1,713,909	2,035,208	118.75
Corning Glass Works.....	2,252,015	96,500	2,348,205	1,886,491	80.30
Homestead Mining Co.....	7,928,511	0	7,928,511	7,534,800	94.09
Island Creek Coal Co.....	1,504,253	75,885	1,580,118	1,039,493	66.37
Campbell Soup Co.....	3,930,738	0	3,930,738	4,720,000	82.71
The Quaker Oats Co.....	5,674,150	14,000	5,688,150	5,271,407	90.89
Corn Products Refining Co.....	9,305,451	2,500,476	11,805,927	9,294,750	78.73
The American Sugar Refining Co.....	1,850,027	2,791,704	4,647,731	4,049,984	87.11
The Franklin Sugar Refining Co.....	1,690,850	0	1,690,850	2,000,000	118.28
The Horn & Hardart Co.....	1,284,283	0	1,284,283	1,314,362	102.34
General News Bureau, Inc.....	1,435,282	3,000	1,438,282	1,140,000	79.29
Byllesby Engineering & Manufacturing Corporation.....	1,067,777	4,100	1,071,877	912,710	85.15
Guaranty Trust Co. of New York.....	3,170,415	227,860	3,398,275	18,000,000	529.68
The First Boston Corporation.....	1,721,375	5,651	1,727,026	2,894,961	167.62
Reading Co.....	3,086,077	405,843	3,491,220	5,248,093	150.29
Duluth, Mesabie & Northern Ry. Co.....	1,313,228	0	1,313,228	25,703,125	1,957.24
Washburn Crosby Co., Buffalo, N. Y.....	1,827,573	0	1,827,573	1,800,000	98.10
E. I. du Pont de Nemours & Co.....	22,577,554	25,033,439	47,610,993	40,861,349	85.82
Hercules Powder Co.....	2,288,383	402,423	2,690,806	2,780,734	103.30
The Barret Co. (New Jersey).....	1,200,022	0	1,200,022	1,000,000	83.33
General Chemical Co.....	3,762,360	0	3,762,360	3,300,000	80.70
National Aniline & Chemical Co., Inc.....	1,884,701	0	1,884,701	2,100,000	111.42
Air Reduction Co., Inc.....	2,872,511	579,628	3,452,139	3,737,309	108.26
The Prest-O-Lite Co., Inc.....	1,575,908	0	1,575,908	1,370,580	87.55
Ethyl Gasoline Corporation.....	9,823,020	138,175	9,961,195	7,900,000	79.10
The Caribbean Petroleum Co.....	2,801,895	0	2,801,895	2,724,360	97.25
Standard Oil Co. of California.....	3,831,184	1,998,119	5,829,303	13,102,900	224.77
Vacuum Oil Co., Inc.....	3,362,803	2,358,538	5,721,341	5,500,000	96.11
Standard Oil Co. of New York, Inc.....	4,372,717	656,351	5,029,068	6,950,000	138.19
Magnolia Petroleum Co.....	2,078,762	7,326,658	10,005,540	16,800,000	167.90
Sanitary Grocery Co., Inc.....	1,681,735	0	1,681,735	1,798,098	106.92
International Harvester Co. of America.....	1,270,136	0	1,270,136	1,500,000	118.09

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

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income
American Medicinal Spirits Co.....	\$4,929,017	.....	\$4,929,017	\$5,599,934	113.61
General Food Sales Co., Inc.....	2,062,385	.....	2,062,385	1,800,000	87.29
Standard Oil Co. of Brazil.....	1,216,716	.....	1,216,716	6,453,053	537.76
The Coca Cola Fountain Sales Corporation.....	1,866,851	\$653,262	2,460,113	2,160,306	87.80
Lady Esther Co.....	1,511,206	.....	1,511,206	1,230,050	81.40
Chrysler Export Corporation.....	1,040,993	.....	1,040,993	1,258,769	120.92
Southern Banana Corporation.....	1,092,229	.....	1,092,229	1,250,000	114.44
R. H. Macy & Co., Inc.....	2,943,285	120,796	3,064,081	2,999,081	97.88
The Great Atlantic & Pacific Tea Co. (New Jersey).....	9,481,179	5,000	9,486,179	12,086,000	127.41
Safeway Stores Inc.....	1,537,493	.....	1,537,493	1,781,348	115.85
W. G. Manufacturing Corporation..	1,387,513	6,000	1,393,513	3,141,800	225.46
Novadel Agene Corporation.....	1,306,430	50,000	1,356,430	1,276,048	94.08
International General Electric Co., Inc.....	2,219,982	.....	2,219,982	2,000,003	90.09
American Supplies, Inc.....	1,929,351	.....	1,929,351	1,701,810	88.21
The Bon Ami Co.....	1,188,656	.....	1,188,656	1,034,200	87.01
Belknap Hardware & Manufacturing Co.....	1,056,159	.....	1,056,159	1,002,416	94.91
F. W. Woolworth Co., Philadelphia.	5,929,750	.....	5,929,750	5,871,329	99.02
The Kroger Grocery & Baking Co.	3,407,491	186,883	3,594,354	3,245,841	90.30
S. H. Kress & Co., New York City.	2,025,483	.....	2,025,483	2,035,834	100.51
American Stores Co.....	3,622,991	67,376	3,690,367	3,254,675	88.19
Standard Oil Co. (Kentucky).....	1,980,406	114,679	2,095,085	3,908,281	186.55
Lord and Thomas, Inc.....	1,374,306	109,323	1,483,629	1,247,813	84.10
The First National Bank of the city of New York	5,993,664	.....	5,993,664	10,000,000	166.84
United Trust Co. of New York	1,567,771	.....	1,567,771	1,400,000	89.30
The Union Trust Co. of Pittsburgh.	2,082,472	1,016,943	3,729,415	3,090,070	82.85
American Cigar Co.....	1,103,861	1,912,086	2,115,887	2,600,000	122.88
United States Smelting, Refining & Manufacturing Co.....	6,404,075	60,873	6,464,948	6,000,131	92.81
Reynolds Metal Co.....	1,564,305	47,355	1,611,660	2,443,159	151.59
The Niagara Falls Power Co.....	2,940,129	50,000	2,990,129	2,998,964	99.29
Southern California Gas Co.....	1,610,923	.....	1,619,923	4,409,339	272.19
Kentucky-West Virginia Gas Co.....	1,078,472	.....	1,078,472	1,097,150	101.73
United Natural Gas Co.....	1,865,487	.....	1,865,487	1,694,000	90.81
The Brooklyn Union Gas Co.....	4,540,544	.....	4,540,544	3,716,523	81.85
The Lone Star Gas Co.....	1,533,336	.....	1,533,336	1,350,000	80.91
The Ohio Fuel Gas Co.....	2,709,063	15	2,709,078	2,322,504	85.73
Hope Natural Gas Co.....	1,189,276	12,660	1,201,966	2,796,930	232.70
Ajax Pipe Line Co.....	3,959,828	540	3,960,368	3,200,000	80.80
The Texas-Empire Pipe Line Co. of Texas	5,368,042	.....	5,368,042	4,642,760	86.49
Magnolia Pipe Line Co.....	2,058,494	.....	2,058,494	1,570,440	76.29
Texas Gulf Sulphur Co.....	7,169,667	.....	7,169,667	7,275,000	101.47
National Biscuit Co.....	4,126,459	70	4,126,629	5,730,000	138.8
Wm. Wrigley, Jr., & Co.....	12,732,176	2,585	12,734,761	19,939,342	156.63
Pioneer Ice Cream Brands, Inc.....	7,925,146	113,737	8,038,883	6,937,542	87.53
Continental Baking Co.....	1,215,033	430	1,215,463	1,540,000	126.69
Hawaiian Commercial & Sugar Co.	1,968,818	105,000	2,073,818	2,190,000	105.60
Alaska Juneau Gold Mining Co.....	1,116,745	185,880	1,302,625	1,500,000	115.15
Yuba Consolidated Gold Mines	1,449,602	19,241	1,449,562	1,760,549	121.46
Sunshine Mining Co.....	1,050,609	.....	1,069,850	862,500	80.72
Glen Alden Coal Co.....	1,021,349	.....	1,021,349	1,012,399	99.12
The Union Pacific Coal Co.....	1,815,990	10,263	1,826,253	1,750,456	95.85
Lago Petroleum Corporation.....	2,054,748	7,500	2,062,248	1,750,000	84.86
The Carter Oil Co.....	8,228,181	.....	8,228,181	10,000,000	121.53
Phelps Dodge Corporation.....	1,511,915	.....	1,511,915	3,500,000	231.49
El Foston Mining Co.....	1,388,439	522,422	1,910,861	2,671,461	139.80
United Fruit Co.....	1,369,753	.....	1,369,753	1,500,000	109.51
Southern California Edison Co., Ltd.	7,521,727	.....	7,521,727	8,717,985	115.90
Northern States Power Co. (Minnesota)	5,643,504	.....	5,643,504	12,120,939	214.93
Turners Falls Power & Electric Co.	1,671,034	2,478,992	4,150,026	5,291,362	127.49
Louisville Gas & Electric Co. (Kentucky)	1,028,716	.....	1,028,716	1,100,000	106.92
Central Illinois Light Co.....	2,162,079	74,244	2,237,223	2,585,064	115.55
	1,857,369	3,349	1,860,718	1,743,013	93.67

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

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income
Indianapolis Power & Light Co.....	\$1,044,341	-----	\$1,044,341	\$1,486,554	142.34
Virginia Electric & Power Co.....	1,476,319	-----	1,476,319	1,868,717	126.57
Ohio Edison Co.....	1,473,688	\$56,734	1,530,422	3,016,416	197.11
Delaware Power & Light Co.....	1,557,662	-----	1,557,662	1,275,000	81.55
The Toledo Edison Co.....	2,072,307	146	2,072,453	2,054,195	99.12
Appalachian Electric Power Co.....	2,496,779	420,760	2,916,565	3,417,856	117.19
New York Power & Light Co.....	2,041,882	22	2,041,904	2,382,422	116.68
Buffalo General Electric Co.....	1,301,888	120,000	1,421,888	2,351,046	165.34
The New York Edison Co.....	12,051,153	7,583,499	19,634,642	18,593,989	94.73
New York and Queens Electric Light & Power Co.....	4,143,069	-----	4,143,069	3,500,788	84.48
Brooklyn Edison Co., Inc.....	13,493,307	-----	13,493,307	9,996,120	74.08
The United Electric Light & Power Co.....	9,083,408	-----	9,083,628	6,869,615	75.52
Pittsburgh Steamship Co.....	2,351,569	35,040	2,386,609	3,276,000	137.26
The Firestone Tire Rubber Co.....	3,666,147	69,921	3,736,068	3,572,192	95.59
Fibreboard Products, Inc.....	1,887,468	6,165	1,893,633	1,761,610	93.03
The Post Printing & Publishing Co.....	1,946,120	81	1,946,201	1,800,000	92.49
The Tribune Co.....	1,974,193	3,375,000	5,349,193	4,900,000	91.73
The Evening News Association.....	2,272,324	7,280	2,279,604	2,125,000	93.22
Booth Newspapers, Inc.....	2,040,406	3,916	2,044,322	1,600,000	78.26
The New York Times Co.....	1,048,523	-----	1,048,523	1,052,712	100.39
The Curtis Publishing Co. of Pennsylvania.....	5,338,005	1,051,854	6,388,759	5,400,000	84.52
American Weekly, Inc.....	2,308,799	-----	2,308,799	2,415,000	104.60
International Magazine Co., Inc.....	1,845,115	120,015	1,965,130	2,750,000	139.94
Mississippi River Power Co.....	1,046,411	5,098	1,051,499	1,054,068	100.21
Dallas Power & Light Co.....	1,184,071	-----	1,184,071	1,396,845	117.97
Blackstone Valley Gas & Electric Co.....	1,062,178	50,509	1,112,687	1,160,364	104.28
Los Angeles Gas & Electric Corporation.....	3,406,304	-----	3,406,304	5,371,098	157.68
Great Western Power Co. of California.....	1,802,534	299,970	2,102,504	2,698,643	128.35
The Connecticut Light & Power Co.....	2,822,379	22,553	2,844,932	4,030,250	141.66
New England Power Co.....	1,927,105	-----	1,927,105	1,818,856	94.38
Fall River Electric Light Co.....	1,004,443	-----	1,004,443	818,000	84.42
Kansas City Power & Light Co.....	3,522,662	-----	3,522,662	3,127,500	88.78
Nbraska Power Co.....	1,155,790	184,948	1,340,738	1,798,584	134.15
Public Service Electric & Gas Co.....	33,088,406	1,407,922	34,496,328	27,767,500	80.19
The Cleveland Electric Illuminating Co.....	4,303,352	-----	4,303,352	6,025,882	140.04
Houston Lighting & Power Co.....	1,436,474	-----	1,436,474	2,116,933	147.21
Duke Power Co.....	2,765,521	1,089,259	3,854,780	3,553,026	92.24
Central Hudson Gas & Electric Corporation.....	1,427,697	10,085	1,437,782	1,621,800	112.80
Edison Electric Illumination Co. of Boston.....	4,786,598	600	4,787,198	4,813,876	101.65
Consolidated Gas, Electric Light & Power Co. of Baltimore.....	6,060,912	184,348	6,245,260	5,361,604	85.85
Detroit Edison Co.....	1,762,026	23,160	1,785,186	5,065,777	283.77
Aluminum Manufacturers, Inc.....	1,098,259	-----	1,098,259	826,720	81.99
Viscose Corporation of Virginia.....	2,950,043	-----	2,950,043	3,000,000	101.69
The Viscose Co.....	3,173,662	-----	3,173,662	7,170,000	226.11
DuPont Rayon Co.....	3,015,375	-----	3,015,375	2,464,100	81.72
Congoleum-Nairn, Inc.....	1,241,482	98	1,241,580	2,257,386	181.82
Cannon Mills.....	2,608,327	37,858	2,646,185	2,370,665	89.59
J. P. Coots (H. I.), Inc.....	2,320,369	9,216	2,329,585	2,836,750	121.77
Clark Thread Co.....	1,460,887	167,780	1,628,667	2,790,000	171.31
The Richmond Bros. Co.....	1,811,120	None	1,811,120	1,787,460	98.69
Wilmington Loan & Investment Co.....	1,342,990	11,750	1,354,740	1,616,427	119.31
The Norman Co.....	2,010,898	None	2,010,898	1,616,751	75.12
Electric Bond & Share Co.....	7,104,290	3,096,828	10,201,124	8,433,930	82.68
Industrial Bankers of America, Inc.....	1,100,375	162,988	1,263,363	1,109,542	87.83
Great Atlantic & Pacific Tea Co. of America.....	1,487,841	15,085,316	16,573,157	16,429,770	99.13
Consolidated Holding Co.....	1,315,259	459,787	1,775,026	2,200,000	123.91
Sterling Products, Inc.....	1,536,608	6,092,672	7,629,280	6,563,846	86.03
Allied Chemical & Dye Corporation.....	1,645,365	1,281,747	2,927,112	16,703,374	536.48
Goodyear Investment Corporation.....	2,060,605	457,460	2,518,065	6,500,000	258.13
American Brass Co.....	1,423,538	801,275	2,224,813	12,750,000	573.08
Atlantic Pipe Line Co.....	3,150,287	None	3,150,287	4,250,000	134.91
Sun Pipe Line Co.....	1,585,852	None	1,585,852	1,000,000	94.58

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

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income
Stanolnd Pipe Line Co.....	\$10,611,656	None	\$10,611,656	\$8,144,476	76.75
Illinois Pipe Line Co.....	1,923,146	None	1,923,146	1,800,000	93.60
Oklahoma Pipe Line Co.....	2,384,581	None	2,384,581	1,800,000	75.48
Shell Pipe Line Corporation.....	8,147,354	None	8,147,354	10,850,000	133.17
Sinclair Prairie Pipe Line Co. of Texas.....	3,043,308	None	3,043,308	5,500,000	180.72
The Texas Pipe Line Co. of Oklahoma.....	1,053,723	None	1,053,723	900,000	86.41
The Texas Pipe Line Co.....	5,138,984	None	5,138,984	4,400,000	85.62
General Pipe Line Co. of California.....	1,039,320	None	1,039,320	1,500,000	144.33
Cincinnati & Suburban Bell Telephone Co.....	2,174,970	\$2,366	2,177,336	2,473,956	113.62
Southern New England Telephone Co.....	2,615,826	5,549	2,621,375	2,400,000	91.56
Southern California Telephone Co.....	8,331,521	None	8,331,521	7,569,000	90.02
Pacific Telephone & Telegraph Co.....	8,623,703	7,670,171	16,293,874	15,750,000	96.66
Mountain States Telephone & Telegraph Co.....	2,268,020	3,761	2,261,781	3,843,976	169.95
New England Telephone & Telegraph Co.....	8,875,011	45,398	8,921,409	8,000,748	89.68
Lambert Pharmaceutical Co.....	2,317,224	None	2,317,224	2,237,400	96.55
Bristol-Myer Co., N. J.....	1,053,999	24,687	1,078,686	2,400,000	222.49
Michigan Alhahn Co.....	2,288,216	32,686	2,320,902	4,000,000	172.35
Chas. H. Phillips Chemical Co.....	1,499,881	None	1,499,881	1,290,000	86.01
Bayer Company, Inc.....	3,708,568	None	3,708,568	2,968,000	80.03
Semet Solvay Co.....	1,610,614	None	1,610,614	2,000,000	124.18
W. T. Rawleigh Co.....	1,236,408	14,656	1,251,064	1,723,600	137.77
Eli Lilly & Co.....	5,333,897	10,800	5,344,697	5,543,420	103.71
Parke, Davis & Co.....	9,469,548	360,922	9,770,470	8,232,479	84.26
Ex-Lax, Inc.....	1,040,195	None	1,040,195	987,313	94.83
Fels & Co.....	1,344,611	43,761	1,388,372	1,169,623	84.24
Krebs Pigment & Color Corporation.....	2,269,481	5,363	2,274,844	1,875,400	82.44
The Glidden Co.....	1,225,852	None	1,225,852	1,185,505	96.79
Westchester Lighting Co.....	2,259,732	55	2,259,787	2,928,000	129.48
Shanghai Power Co.....	1,915,407	None	1,915,407	2,047,880	106.92
Public Service Co. of Colorado.....	1,482,477	438,120	1,920,597	2,335,615	121.50
Connecticut River & Power Co.....	1,147,470	None	1,147,470	1,242,000	108.24
Ohio Public Service Co.....	1,752,619	None	1,752,619	2,099,606	119.80
New York State Electric & Gas Corporation.....	1,268,505	29,510	1,298,015	2,831,000	218.10
Rochester Gas & Electric Corporation.....	2,361,671	None	2,361,671	2,481,914	105.09
West Penn Power Co.....	4,963,866	40,880	5,004,746	6,155,289	122.99
Atlantic City Electric Co.....	1,218,839	None	1,218,839	979,750	79.89
The Ohio Power Co.....	3,914,835	None	3,914,835	3,820,068	97.58
Washington Water Power Co.....	1,138,542	41,075	1,179,617	2,401,778	203.61
Tennessee Electric Power Co.....	1,027,497	5,856	1,033,353	1,764,286	170.73
Narragansett Electric Co.....	1,574,708	338,300	1,913,008	2,412,438	126.11
Philadelphia Electric Co.....	18,976,910	557,693	19,234,603	20,352,904	105.81
Metropolitan Edison Co.....	3,396,179	141,912	3,538,091	4,136,317	116.01
Pennsylvania Electric Co.....	1,072,609	1,000,026	2,072,635	1,892,600	91.31
Humble Pipe Line Co.....	1,169,926	None	1,169,926	1,270,000	108.55
Draper Corporation.....	7,024,897	None	7,024,897	7,500,000	106.78
The Electric Storage Battery Co.....	1,960,952	70,054	2,031,006	1,668,360	77.22
Eclipse Machine Co.....	1,255,731	908,458	2,164,189	2,042,311	94.36
Westinghouse Lamp Co.....	1,619,443	588	1,620,031	4,500,000	441.16
Ingersoll Rand Co.....	2,697,148	18,750	2,715,898	10,399,204	382.89
United Shoe Machinery Co.....	2,942,232	141	2,942,373	3,804,369	129.29
Old Colony R. R. Co.....	9,155,984	3,263,438	12,419,422	10,758,290	86.62
Boston & Albany R. R. Co.....	1,289,656	None	1,289,656	1,755,432	136.11
Cleveland & Pittsburgh R. R. Co.....	2,522,431	None	2,522,431	2,187,500	86.72
Pittsburgh Fort Wayne & Chicago Ry. Co.....	2,161,019	1,302	2,162,321	1,899,899	87.86
Carolina Clinchfield & Ohio Ry.....	10,701,658	None	10,701,658	9,399,459	87.83
The Northern Central Ry. Co.....	1,104,501	None	1,104,501	1,000,000	90.53
The Duluth & Iron Range R. R. Co.....	2,853,953	None	2,853,953	2,514,700	88.11
Empire City Subway Co., Ltd.....	1,127,527	None	1,127,527	10,400,000	922.38
Chicago Junction Rys. & Union Stock Yards Co.....	1,921,068	None	1,921,068	1,860,112	96.82
Transbay Construction Co.....	2,375,879	2,000	2,377,879	2,193,500	92.24
	1,154,043	None	1,154,043	1,000,000	86.65

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

Name of corporation	Statutory net income	Dividends received	Adjusted statutory net income	Dividends paid	Percentage of dividends paid to adjusted statutory net income
Indiana Harbor Belt R. R. Co.....	\$2,019,754	\$55	\$2,019,809	\$1,520,000	75.25
The Pittsburgh & Lake Erie R. R. Co.....	2,403,876	250,062	2,650,938	2,159,125	81.17
Southern Bell Telephone Co.....	7,521,574	136,296	7,557,870	7,499,940	97.94
Chesapeake & Potomac Telephone Co.....	1,036,848	-----	1,036,848	1,440,000	138.88
Union Electric Light & Power Co., Illinois.....	2,728,697	-----	2,728,697	2,355,000	86.30
New York Steam Corporation.....	1,278,736	-----	1,278,736	1,045,808	81.79
The Tarrington Co.....	1,575,491	398,174	1,973,635	2,242,800	113.63
Eastman Kodak Co. of New York.....	15,893,184	1,150,560	17,043,744	14,000,000	82.14
En No Co.....	1,215,276	-----	1,215,276	1,275,200	104.93
Pennsylvania Power & Light Co.....	6,619,632	107,707	6,727,339	8,732,493	129.80
Consumers Power Co.....	3,747,299	13,582	3,760,881	7,065,229	187.86
Tampa Electric Co.....	1,331,515	-----	1,331,515	1,339,012	100.56
The Hartford Electric Light Co.....	2,232,598	148,258	2,380,856	2,303,304	96.74
The United Illuminating Co.....	3,278,828	3,474	3,282,302	2,492,428	75.93
Pacific Gas & Elec. Co.....	11,581,771	10,183,253	21,765,024	17,122,880	78.67
San Joaquin Light & Power Co.....	2,298,821	-----	2,298,821	2,215,483	96.37
The Singer Manufacturing Co.....	12,808,492	227,732	13,036,224	13,050,000	100.11
Burroughs Adding Machine Co.....	2,082,457	790,000	2,872,457	3,163,365	110.13
O. B. Dick Co.....	2,054,280	-----	2,054,280	2,020,120	98.34
The Timken Roller Bearing Co.....	3,400,925	719	3,401,644	2,773,087	81.52
Central Aguirre Associates.....	1,260,162	-----	1,260,162	1,114,098	88.41
International Cigar Machinery Co.....	1,456,830	-----	1,456,830	1,200,000	82.37
Union Pacific Ry. Co.....	7,097,451	9,118,979	16,216,430	17,322,446	106.82
N. Y. Rapid Transit Co.....	2,527,266	16,125	2,543,391	3,393,120	133.42
The United N. J. Railroad & Canal Co.....	2,418,404	-----	2,418,404	2,124,040	87.83
The Morris & Essex Railroad Co.....	1,161,687	-----	1,161,687	1,161,687	100.00
Pullman Car & Manufacturing Corporation.....	2,516,455	-----	2,516,455	14,500,000	575.21
Champion Spark Plug Co.....	2,600,038	135	2,600,173	3,372,300	129.70
Wisconsin Electric Power Co.....	1,633,610	-----	1,634,210	1,376,365	84.22
Consolidated Telegraph, Subway & Electrical Co.....	5,771,903	-----	5,771,903	4,709,875	81.60
The Astoria Light Heat & Power Co.....	3,482,775	-----	3,482,775	3,120,000	89.58
Norton Co.....	1,608,194	557,891	2,166,075	1,981,576	91.48
The Carborundum Co.....	1,579,825	348,648	1,928,473	2,546,325	132.04
Hazel Atlas Glass Co.....	1,576,504	65,189	1,641,693	2,172,445	132.31
Great Lakes Steel Corporation.....	1,888,237	-----	1,888,237	2,300,000	121.81

The CHAIRMAN. Can you not furnish to the committee the number of corporations over \$1,000,000 that would show an increase of more than 50 percent?

Mr. RUSSELL. Yes.

The CHAIRMAN. Just the opposite of that?

Mr. RUSSELL. Yes, sir.

Senator BLACK. Without using additional information, this means nothing. It is but one step in a process—all of these 250 corporations—might be allied with associates and affiliates and subsidiaries. It does not show the dividends earned; it does not show to what other corporation they went. It might be that the corporation group would pay 100 percent more if we had the entire group with which each one of these individual corporations is allied. It does not show, and I would like to know if I could obtain it within any reasonable length of time, the persons to whom the dividends went and the corporations to which the dividends from these corporations went, or would have gone, together with the increase in the tax that the Government would

have obtained under the new bill from such payment of dividends. Could that be done?

Mr. RUSSELL. In probably 6 months time. Probably 30 percent of the dividends went to other corporations.

Senator BLACK. So far as this picture is concerned, that 250 or if you will bring us 250 more individual corporations which would have to pay more, is that a picture upon which we can determine whether that particular corporate group would lose or make money under the new bill, or whether the Government would make or lose money? Could we determine from those figures?

Mr. RUSSELL. It would be very doubtful. It would take some time.

Senator CONNALLY. Mr. Russell, if you knew who the stockholders were, you could not get an accurate picture of what tax they paid unless you related them back to the individual stockholder's rate and all of that?

Mr. RUSSELL. As I say, it would take 6 months time.

Senator BYRD. I agree with the Senator from Alabama that we ought to have that information before we enact this bill. We cannot get it within the next few weeks.

Senator CONNALLY. If these 250 corporations would save 50 percent of their tax under the new bill, and the other 250 would gain, you would have to show a gain of 100 percent to make that up.

Mr. RUSSELL. I believe they would probably wash out.

Senator CONNALLY. That is just a rough guess anyway.

Mr. RUSSELL. I believe they would probably wash out.

Senator BARKLEY. Could you by tomorrow or the day after tomorrow, furnish a list of 250 corporations with a million dollars of income where the taxes would be increased under this bill?

Mr. RUSSELL. I do not know whether it will be 250 or not, but it will be close to that. I can furnish you such a list tomorrow.

Senator BYRD. That would not give it. This is a reduction of 50 percent. If this list were compiled with any reduction, it would be much larger.

Senator BARKLEY. Any other list on the other side would be proportionately larger.

The CHAIRMAN. You will furnish that information to us by tomorrow if possible?

Mr. RUSSELL. Yes, sir.

(Discussion off the record.)

Mr. MORGENTHAU. Is there anything else?

The CHAIRMAN. There is nothing else any one wishes to ask the Secretary this morning, is there?

Mr. MORGENTHAU. May I just ask again, because it came awfully fast, that the Secretary of the committee will give us as soon as possible the additional information requested?

The CHAIRMAN. Yes. I have asked the clerk and Mr. Parker to prepare it, and they will get it from the transcript.

Mr. MORGENTHAU. Do I understand we are to come back again tomorrow?

The CHAIRMAN. I think they want this matter as soon as possible and if it is tomorrow morning, we would like to have it.

Senator BYRD. May I have a copy of these 250 corporations?

Mr. MORGENTHAU. I would like to give the chairman of the committee a copy, and if he wants to give it to you—

Senator BYRD (interposing). That has to be put into the record. I introduced the resolution, and I think I should have a copy.

The CHAIRMAN. Let Mr. Russell come down tomorrow.

Senator BYRD. I am speaking of a copy of these 250 corporations that have a tax reduction of more than 50 percent.

The CHAIRMAN. I do not see anything in the law that will prevent that information from being gotten out.

Senator BYRD. I have no desire to give it out; only in generalities. Everybody must be careful on these things. I do not want to violate the law.

The CHAIRMAN. No; I know that no one in the committee wants to violate the law.

Mr. MORGENTHAU. I do not want to in any way seem not to try to give Senator Byrd what he wants, but I would like to clear my responsibility. I would like officially to hand this to the chairman.

The CHAIRMAN. I shall turn it over to Senator Byrd.

Senator BYRD. It has been put in the record.

Senator BARKLEY. It is not in the record.

The CHAIRMAN. These figures that were given this morning, these 250 corporations, are going into the record.

Senator BARKLEY. It is going into the record of the stenographer's notes, but that does not mean that they can be given to the public.

The CHAIRMAN. There is nothing here that has happened this morning that I think ought to be given to the public except that the Secretary appeared before us in answer to the letter of Senator Byrd, and that the whole matter was with reference to these questions, and it is of a confidential nature and it cannot be made public.

Senator LA FOLLETTE. It can be, Mr. Chairman. There is a way in which it can be if it goes to the Senate, but it is a violation of law for either the executive department or the members of this committee—

Senator BYRD (interposing). You are speaking of specific information?

Senator LA FOLLETTE. Any specific information can be reported to the Senate, but you cannot give it out to anybody else.

Senator WALSH. The figures can be used without violating the law, if they are used without the name.

Mr. MORGENTHAU. As I understand it, we are here in executive session, and we have two groups of figures, one in answer to Senator Byrd which we have been over, and then these 250 corporations which we have not gone over. Without wanting to be legalistic, but I would like to be careful, and so I am officially going to hand this list to the chairman of this committee.

The CHAIRMAN. That is all right.

Mr. MORGENTHAU. What he does with it—if you do not mind my saying so—is your responsibility, Mr. Chairman.

Senator WALSH. Do you want to answer any communication that goes to you from any member of this committee?

Senator LA FOLLETTE. The law is that the committee has to ask for it. He cannot respond to the request of an individual member of this committee or of the Senate, but if they ask for information which

is now regarded as being cloaked in secrecy from income tax, the request must come from the committee.

The CHAIRMAN. There would be no question about it. As soon as I get it, I will present it to the committee as the chairman of the committee, and Senator Byrd shall have a copy.

Senator CONNALLY. That injunction of secrecy does not apply to any estimates.

Senator HASTINGS. Why not strike out the names and give the figures?

Senator LaFOLLETTE. That does not necessarily answer it, unless the figures will not make it possible for an individual to identify the corporation from the figures.

Senator HASTINGS. It certainly would be more difficult to identify if we take the name off.

The CHAIRMAN. If this committee later wants to recommend to the Senate that this matter be made public, we will get the vote of the Senate and make it public.

Senator BARKLEY. Of course there is going to be great pressure to make this thing public, because the letter making the request was made public and it was all printed in the newspapers, and they will want to know what was said about it, and we have to be very careful about it or the list will be in tomorrow's papers.

Senator BYRD. I will give nothing out except to say that 600 corporations earning \$1,000,000 or more, approximately 250 of them will gain a reduction under this bill. If that is not permissible, I won't do that.

The CHAIRMAN. I think that will be permissible. I think it should be given out that it was stated also by the Treasury officials that while they had not counted the number that they are of the opinion that there may be 250 or more which will pay 50 percent more.

Senator BLACK. I think if anything is given out it should be given out also that they testified that this was not a picture that would show the effect.

Senator BARKLEY. Any relevant or useful information thus obtained, may be submitted by the one obtaining it to the Senate or to the committee.

Senator HASTINGS. I do not think it should be done unless it becomes absolutely necessary.

The CHAIRMAN. If any Senator requests any estimates, that is not prohibited.

Mr. MORGENTHAU. I do not mean any discourtesy.

The CHAIRMAN. No one would believe that you had.

Mr. MORGENTHAU. I was under the impression that appearing before this committee, that all the information I gave to the chairman should clear through the chairman.

The CHAIRMAN. That is all right, but if Senator Connally desires information on a certain schedule, then you are at liberty to give it to him. Or any other Senator.

Senator WALSH. If it is illegal to give it to him, you may so ascertain.

Mr. MORGENTHAU. We have not held up a minute on Senator Connally's request; we are going right ahead. The only procedure that I took, and I thought I was showing the proper courtesy to this

committee, was to transmit it to Senator Connally through the chairman.

The CHAIRMAN. You can transmit that request, directly.

Senator CONNALLY. I do not care so much how it is transmitted so long as I get it.

Mr. MORGENTHAU. You will get it as soon as it is humanly possible to do it.

The CHAIRMAN. I wish we could get all of that information this afternoon, if we can get it.

Mr. MORGENTHAU. May I ask whom you want to appear here tomorrow?

The CHAIRMAN. Well, we want this information that has been requested. We are now in an attitude where the committee is going to get together to confer and try to see what they can do about this bill and adopting policies, and so forth, and that brings us to the point whether or not we should have a meeting of the committee this afternoon. There have been estimates requested of the Treasury Department with reference to certain schedules and certain things. We have not been able to get that yet, because some of it was not requested until yesterday. It might be possible to wait over until tomorrow morning and have a meeting at 10 o'clock.

Senator LA FOLLETTE. I do not see how we can proceed without the estimates.

The CHAIRMAN. What is the sense of the committee?
(Informal discussion.)

The CHAIRMAN. We will meet, without objection, at 10 o'clock tomorrow when we adjourn today.

Senator BLACK. Will it be all right for the Treasury Department to see what they can do before tomorrow morning to break down one of these companies, so far as possible, so that we can get all of the figures as to the subsidiaries and affiliates direct and indirect of the corporations and individuals to whom they paid the dividends?

(Informal discussion followed, after which, at 12:05 o'clock p. m., a recess was taken until tomorrow, Thursday, May 14, 1936, at 10 o'clock a. m.)