63D CONGRESS, 2d Session. } SENATE. { REPORT No. 813.

WAR-REVENUE BILL.

OCTOBER 8, 1914.—Ordered to be printed.

Mr. SIMMONS, from the Committee on Finance, submitted the following

REPORT.

[To accompany H. R. 18891.]

The Committee on Finance, to whom was referred the bill (H. R. 18891) entitled "An act to increase the internal revenue, and for other purposes," having had the same under consideration, reports it back to the Senate with sundry amendments and recommends that the bill as amended do pass.

During the fiscal year ending June 30, 1914, the revenue derived by the Government from customs, income, and internal-revenue taxes exceeded the expenditures of that fiscal year by about $34,000,000.

Early in August of the present year seven of the great nations of Europe became involved in war, six of them being the chief industrial countries of that continent. These conditions in Europe have necessarily affected our trade relations with those countries, especially our imports, and as our customs revenue is derived from duties on imports our revenue from this source has greatly suffered, and will continue to suffer while this conflict continues.

In round numbers the decrease of customs revenue for July, August, September, and the first five days of October, 1914, as compared with a similar period in 1913, are as follows:

July	$4,800,000
August	11,500,000
September	9,600,000
October (5 days)	2,800,000
Total to Oct. 5, inclusive	28,700,000

On September 4, 1914, the President of the United States, in the discharge of the duty imposed upon him by the Constitution, appeared in person before the two Houses of Congress, and after setting forth the situation and its effect upon the revenues of the Government urged that an additional revenue of $100,000,000 be raised through internal taxes in order to meet every demand upon the Treasury without delay or peradventure and in order to keep the Treasury strong throughout the exigencies created by this war.

Responding to the recommendation made by the President, on the 22d day of September, 1914, the Ways and Means Committee of the House of Representatives reported to that body H. R. 18891, and on the 25th day of September it was approved by the House and shortly thereafter transmitted to the Senate and referred to the Committee on Finance.

In the bill as reported back, your committee recommend many amendments, but it is deemed sufficient for the purpose of this report to enumerate only the more important amendments, as follows:

First. The House bill raised the tax on fermented liquors from $1 to $1.50 per barrel. Your committee recommend that this be further increased to $1.75 per barrel, with a discount of 5 per cent, being a net increase of 16¼ cents per barrel over the House rate.

Second. Your committee recommend a tax of 5 cents per gallon on each gallon of rectified spirits. Neither the present law nor the House bill imposes any tax on rectified spirits as such.

Third. The House bill imposes a tax of 2 cents per gallon on gasoline. Your committee recommend that this provision of the House bill be eliminated altogether.

Fourth. The section of the House bill relating to wines has been rewritten and changed as follows: First. To include liqueurs or compounds known or designated as wines, liqueurs, or cordials. Second. To apply the tax to imported wines or cordials as well as to domestic wines. Third. To reduce the rate of tax upon dry wines from 12 to 8 cents per gallon. Fourth. That the tax shall be paid by the dealer instead of by the manufacturer, as provided in the House bill.

Fifth. The House bill imposes a tax upon bankers of $2 for each $1,000 of capital and surplus. Your committee recommends that this be reduced to $1 for each $1,000 of capital and surplus.

Sixth. The House bill imposes a tax of $50 upon brokers. Your committee recommends that this tax be eliminated.

Seventh. Your committee recommends that the provisions of the House bill relating to theaters, museums, and concert halls be changed as follows: First. That the provision restricting the operation of that section of the bill to cities with a population of 15,000 be stricken out. Second. That instead of a flat rate of $100 on each theater, museum, or concert hall, a graduated tax be imposed, as follows:

Upon theaters, museums, and concert halls having a seating capacity of not more than 300, $25; having a seating capacity of more than 300 and not more than 600, $50; having a seating capacity of more than 600 and not more than 1,000, $75; having a seating capacity of more than 1,000, $100.

Eighth. Your committee also recommends an amendment to the section of the House bill relating to exhibitions or shows by exempting from its operation chatauquas, lecture lyceums, agricultural or industrial fairs, or exhibitions held under the auspices of religious or charitable associations.

Ninth. To meet a decision of the courts to the effect that commission merchants are not included under the term "commercial brokers," your committee recommends an additional paragraph to section 4 imposing a specific tax of $20 upon commission merchants, and defining what is meant by the phrase "commission merchants."

Tenth. The House bill imposes a tax upon each tobacco dealer, not specially provided for, of $4.80. Your committee has amended this provision by adding the words, "for each store, shop, or other place in which tobacco in any form is sold." This amendment was deemed necessary to cover cases where one person or corporation sells tobacco in more than one place.

Eleventh. The House bill makes three classifications of manufactured tobacco and cigars, imposing a tax, respectively, of $6, $12, and $24. Your committee recommends two additional classifications of $48 and $96, respectively.

Twelfth. The House imposes a tax of $24 upon manufacturers of cigarettes. Your committee recommends two additional classifications of $48 and $96.

Thirteenth. Your committee recommends that section 6, section 9, and sections 17, 18, 19, 20, 21, and 22 be amended by the insertion of certain amendments relating to the administration.

Fourteenth. Your committee recommends the striking out of the provision in section 7 of the House bill making the instruments, documents, and papers enumerated in that section incompetent as evidence in any court unless stamped as therein provided. It also recommends that the provision in section 13 of the House bill providing that the instruments, documents, and papers therein enumerated should be deemed invalid unless stamped. Your committee recommends that the provisions of section 15 of the House bill making registration or transfer of the instrument mentioned therein when unstamped incompetent in evidence be stricken out.

Fifteenth. The paragraph of the bill relating to telegraph and telephone messages has largely been rewritten. The chief effect of the changes is to require the sender of telegraph and telephone messages to pay the tax of 1 cent and to require the companies to collect the tax and account to the Government monthly for same.

Sixteen. Your committee recommends the elimination of section 11, relating to acceptor or acceptors of bills of exchange or orders for the payment of money drawn or purported to be drawn in foreign countries and payable in the United States.

Seventeen. The House bill imposes certain taxes upon life insurance and accident policies. Your committee recommends that the section of the bill imposing this tax be eliminated.

Eighteen. Your committee recommends an amendment to the paragraph relating to marine, inland, and fire insurance, providing that upon the cancellation of a policy or the refund in whole or in part of the premium the tax thereupon shall be repaid pro rata to the insured. It also provides that policies of reinsurance shall be exempt from the tax imposed by the paragraph.

Nineteen. Your committee recommends that the provisions of the bill relating to mortgage or pledge of lands and personal property and to the transfer of such instruments be eliminated from the bill.

Twenty. The House bill imposes a graduated tax upon passage tickets by vessels from a port in the United States to a foreign port. Your committee recommends an amendment that passage tickets costing $10 or less be exempted.

Twenty-one. The House bill imposes a tax of 2 cents upon every seat sold in a palace or Pullman car and every berth in a sleeping car. Your committee recommends that this tax be reduced to 1 cent.

Twenty-two. Your committee recommends the addition of a new schedule to be known as Schedule B, covering medicinal proprietary articles and preparations, perfumery and cosmetics, chewing gum and substitutes therefor, sparkling and other wines not otherwise taxed in this act. The rate of tax recommended upon the various articles in this schedule are the same as those imposed in the act of 1898, commonly known as the war-revenue act.

Twenty-three. Upon the recommendation and estimates made by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury, your committee recommend that section 19 of the House bill be amended so as to provide an appropriation of $492,000 for expenses of administration in the collection of the taxes imposed under this act. During the fiscal year ending June 30, 1914, it cost 1½ per cent to collect taxes imposed under the internal-revenue laws. The amendment recommended will allow only one-half of 1 per cent for the collection of the taxes imposed by this act.

Your committee recommends that the bill be amended so as to provide that it shall take effect 30 days after its approval.

Your committee also recommends that the bill be so amended as to provide that none of the taxes levied and collected under this act be levied and collected after the 31st day of December, 1915.

The message of the President, hereinbefore referred to, and the report of the Committee on Ways and Means of the House of Representatives upon the general features of the bill, as well as the reasons for its enactment, are able and comprehensive, and your committee submits them herewith as a part of its report.

[House Document No. 1157, Sixty-third Congress, second session.]

Additional Revenue.

ADDRESS OF THE PRESIDENT OF THE UNITED STATES DELIVERED AT A JOINT SESSION OF THE TWO HOUSES OF CONGRESS SEPTEMBER 4, 1914.

Gentlemen of the Congress:

I come to you to-day to discharge a duty which I wish with all my heart I might have been spared; but it is a very clear duty, and therefore I perform it without hesitation or apology. I come to ask very earnestly that additional revenue be provided for the Government.

During the month of August there was, as compared with the corresponding month of last year, a falling off of $10,629,538 in the revenues collected from customs. A continuation of this decrease in the same proportion throughout the current fiscal year would probably mean a loss of customs revenues of from sixty to one hundred millions. I need not tell you to what this falling off is due. It is due, in chief part, not to the reductions recently made in the customs duties, but to the great decrease in importations; and that is due to the extraordinary extent of the industrial area affected by the present war in Europe. Conditions have arisen which no man foresaw; they affect the whole world of commerce and economic production; and they must be faced and dealt with.

It would be very unwise to postpone dealing with them. Delay in such a matter and in the particular circumstances in which we now find ourselves as a nation might involve consequences of the most embarrassing and deplorable sort, for which I, for one, would not care to be responsible. It would be very dangerous in the present circumstances to create a moment's doubt as to the strength and sufficiency of the Treasury of the United States, its ability to assist, to steady, and sustain the financial operations of the country's business. If the Treasury is known, or even thought, to be weak, where will be our peace of mind? The whole industrial activity of the country would be chilled and demoralized. Just now the peculiarly difficult financial problems of the moment are being successfully dealt with, with great self-possession and good sense and very sound judgment; but they are only in process of being worked out. If the process of solution is to be completed, no one must be given reason to doubt the solidity and adequacy of the Treasury of the Government which stands behind the whole method by which our difficulties are being met and handled.

The Treasury itself could get along for a considerable period, no doubt, without immediate resort to new sources of taxation. But at what cost to the business of the community? Approximately $75,000,000, a large part of the present Treasury balance, is now on deposit with national banks distributed throughout the country. It is deposited, of course, on call. I need not point out to you what the probable consequences of inconvenience and distress and confusion would be if the diminishing income of the Treasury should make it necessary rapidly to withdraw these deposits. And yet without additional revenue that plainly might become necessary, and the time when it became necessary could not be controlled or determined by the convenience of the business of the country. It would have to be determined by the operations and necessities of the Treasury itself. Such risks are not necessary and ought not to be run. We can not too scrupulously or carefully safeguard a financial situation which is at best, while war continues in Europe, difficult and abnormal. Hesitation and delay are the worst forms of bad policy under such conditions.

And we ought not to borrow. We ought to resort to taxation, however we may regret the necessity of putting additional temporary burdens on our people. To sell bonds would be to make a most untimely and unjustifiable demand on the money market; untimely, because this is manifestly not the time to withdraw working capital from other uses to pay the Government's bills; unjustifiable, because unnecessary. The country is able to pay any just and reasonable taxes without distress. And to every other form of borrowing, whether for long periods or for short, there is the same objection. These are not the circumstances, this is at this particular moment and in this particular exigency not the market, to borrow large sums of money. What we are seeking is to ease and assist every financial transaction, not to add a single additional embarrassment to the situation. The people of this country are both intelligent and profoundly patriotic. They are ready to meet the present conditions in the right way and to support the Government with generous self-denial. They know and understand, and will be intolerant only of those who dodge responsibility or are not frank with them.

The occasion is not of our own making. We had no part in making it. But it is here. It affects us as directly and palpably almost as if we were participants in the circumstances which gave rise to it. We must accept the inevitable with calm judgment and unruffled spirits, like men accustomed to deal with the unexpected, habituated to take care of themselves, masters of their own affairs and their own fortunes. We shall pay the bill, though we did not deliberately incur it.

In order to meet every demand upon the Treasury without delay or peradventure and in order to keep the Treasury strong, unquestionably strong, and strong throughout the present anxieties, I respectfully urge that an additional revenue of $100,000,000 be raised through internal taxes devised in your wisdom to meet the emergency. The only suggestion I take the liberty of making is that such sources of revenue be chosen as will begin to yield at once and yield with a certain and constant flow.

I can not close without expressing the confidence with which I approach a Congress, with regard to this or any other matter, which has shown so untiring a devotion to public duty, which has responded to the needs of the Nation throughout a long season despite inevitable fatigue and personal sacrifice, and so large a proportion of whose Members have devoted their whole time and energy to the business of the country.

Mr. UNDERWOOD, from the Committee on Ways and Means, submitted the following

REPORT.

[To accompany H. R. 18891.]

The Committee on Ways and Means, to whom was referred House bill H. R. 18891, to increase the internal revenue, and for other purposes, having had the same under consideration, report it back to the House with an amendment striking out the word "similar" where it appears after the word "other" on line 12 of page 3 and insert after the word "gasoline," on line 12, page 3, the words "motor spirit," and recommend that the bill as amended do pass.

NECESSITY OF THIS LEGISLATION.

The necessity for this legislation grows out of the reduction of revenue derived from customs receipts caused by the disturbed conditions resulting from the war in Europe.

The following table shows the value of dutiable imports into the United States from the European countries at war during the fiscal year ending June 30, 1914, together with the estimated falling off in customs revenue during the next 12 months, computed on the basis of the tariff act of October 3, 1913:

Estimated falling off in customs revenue during the next 12 months because of the European war.

Country.	Dutiable imports, value 1914.	Estimated falling off in revenues during next 12 months.
Austria-Hungary	$15,232,645	$5,267,000
Belgium	21,324,417	5,398,000
France	95,445,062	35,560,000
Germany	119,383,978	38,683,000
Russia in Europe	2,420,602	242,000
Servia and Montenegro	9,627	2,000
United Kingdom	132,173,220	40,653,000
Total	385,989,551	125,811,000

NOTE.—This estimate is made on the assumption that all imports from the European countries at war will cease during the next 12 months. The import values shown represent the dutiable articles imported during the fiscal year ending June 30, 1914. The estimated falling off in revenue is computed by applying the rates of the act of 1913 to the imports for the fiscal year ending June 30, 1914.

It must be borne in mind that the above estimates are based on the assumption that all imports from the countries at war will cease. It seems certain that the imports of some articles will continue and that the falling off in customs revenue will not be greater than $100,000,000. We feel certain that should the customs revenue decrease more than $100,000,000 during the next year because of the European war that the increased collections under the income tax will be entirely sufficient to make up any deficit that may occur.

CUSTOMS AND TOTAL ORDINARY REVENUE RECEIPTS.

The following tables show the customs revenue and the total ordinary revenue collected, by months, for the fiscal years ending June 30, 1912, 1913, and 1914, and also for the first two months of the fiscal year 1915.

Customs revenue and total ordinary receipts for the fiscal years 1912, 1913, 1914, and 1915 to date.

CUSTOMS REVENUE.

Month.	1912	1913	1914	1915
July	$23,404,503.50	$28,136,502.27	$27,806,054.54	$22,988,405.01
August	25,952,460.21	30,205,331.96	30,931,952.44	19,431,362.52
September	24,740,300.77	27,475,127.85	29,701,491.25	....
October	25,757,030.40	30,210,821.02	30,138,019.37	....
November	24,701,345.15	25,600,353.25	21,173,627.85	....
December	24,587,327.35	24,248,161.30	21,510,130.09	....
January	24,054,052.30	20,331,124.09	23,528,079.83	....
February	26,337,528.23	27,605,115.83	17,609,603.70	....
March	30,408,501.39	27,457,480.20	25,927,212.00	....
April	26,184,467.79	23,093,960.70	22,232,760.57	....
May	26,578,073.14	20,434,740.21	20,800,573.25	....
June	28,005,501.09	24,417,050.12	23,672,372.94	....
Total	311,321,672.22	318,891,395.86	292,128,527.63	42,419,827.59

Customs revenue and total ordinary receipts for the fiscal years 1912, 1913, 1914, and 1915 to date—Continued

TOTAL ORDINARY RECEIPTS.

Month.	1912	1913	1914	1915
July	$52,085,061.76	$59,536,333.50	$60,231,524.12	$73,221,173.55
August	54,803,082.82	60,205,002.32	61,000,107.16	51,072,898.30
September	56,335,353.09	55,682,556.08	58,073,397.05	....
October	56,054,411.33	64,469,504.07	64,196,633.15	....
November	56,588,831.93	59,069,393.94	55,515,132.02	....
December	53,740,605.62	55,821,538.88	53,152,435.89	....
January	52,461,711.56	60,542,303.45	63,077,886.39	....
February	53,932,609.01	54,803,419.47	43,033,857.33	....
March	59,290,026.64	56,720,083.57	54,803,890.84	....
April	53,305,711.82	53,452,556.72	50,488,806.53	....
May	58,369,052.26	55,370,303.84	55,389,211.77	....
June	84,795,507.53	88,438,114.00	125,280,727.05	....
Total	691,778,465.37	724,111,229.84	734,343,700.20	124,294,071.85

THE NECESSITY FOR THIS LEGISLATION CAN NOT BE TRACED TO THE TARIFF ACT OF 1913.

If it had not been for the war in Europe, the tariff act of October 3, 1913, and the other sources of revenue would have yielded sufficient revenue to meet the demands of the Government.

The above table shows that during the fiscal year 1914 the customs revenue collected amounted to $292,000,000. Of this amount $85,500,000 was collected before the present law went into effect. The customs revenue collected during the first 9 months the new law was in effect amounted to $206,500,000, or $22,900,000 per month. The customs revenue collected during the fiscal year 1913 (the last year the Payne law was in operation) amounted to $318,891,395.86, or $26,600,000 per month. The new tariff law provides an income tax to make up for the reduction in customs revenue because of the lowering of the tariff taxes.

For the last 10 months of the calendar year 1913 there accrued from the income tax on individuals $31,344,539. The amount of corporation, excise, and income tax accruing for the entire calendar year of 1913 was $45,851,028. The total amount of the excise tax on corporations derived by the Treasury for the calendar year 1912 was $35,006,299. The new income tax law eliminated the corporation exemption of $5,000, added to the tax list many corporations not subject to the excise tax, and also imposed a graduated rate upon corporations holding stock in others. These provisions account for the entire difference between the receipts from corporations for the year 1912 and the year 1913, which difference is $10,844,729. This sum added to the amount of income tax accruing from individuals for the year 1913, viz, $31,344,539, would aggregate $42,189,268, or $4,000,000 per month. Adding the average monthly customs receipts to the average monthly income tax receipts under the new law gives $26,900,000, as compared with $26,600,000 under the act of 1909. This average monthly comparison only extends to the close of the fiscal year 1914.

For the present fiscal year 1915 the comparison is much more favorable to the new tariff and income-tax law, for the reason that the individual income-tax law only covered 10 months of the year 1913, and in reality only reaching all semiannual incomes payable in January and July for 4 months of that year and all like quarterly income payable in January, July, and October for but 7 months of that year. Considering the unsettled business conditions during the year 1914, largely on account of disturbed international commercial and other conditions, the best obtainable figures as to the estimated amount that will accrue from the corporation tax for 1914 is $42,500,000, while the same estimates from individual income tax is $42,500,000, making a total of $85,000,000. Deducting from this amount $35,000,000 that would otherwise have accrued from corporation excise tax under the act of 1909 leaves $50,000,000, or $4,166,000 per month that would accrue to the Treasury from the income tax for the fiscal year 1915. Adding this average monthly yield to the average monthly yield of the present tariff law gives $27,066,000, as compared with $26,600,000 under the act of 1909. These estimates of the income tax are exceedingly conservative.

The customs revenue collected during the fiscal year 1913 amounted to $318,891,395, as compared with $292,128,527 for the fiscal year 1914. The customs revenue, therefore, fell off $26,762,868, which amount was more than made up by the $31,344,539 accruing from individual incomes, and the $10,844,729 additional tax accruing from corporations, as heretofore explained.

THE EFFECTS OF THE EUROPEAN WAR.

The countries now at war comprise Austria-Hungary, Belgium, France, Germany, Japan, Russia, Servia and Montenegro, and the United Kingdom of Great Britain. If it were not for war conditions and the amount of imports had remained the same as those of last year, the customs taxes levied by the present tariff act from said countries would have yielded $133,079,000. This does not include the importation from the other countries that will naturally be affected by the war and which if included would bring the customs revenue that is directly affected by war conditions to an amount over $150,000,000. The fact that the ships of those belligerent countries carried over 80 per cent of the foreign commerce entering our ports and the further fact that war conditions have disturbed the lines of transportation belonging to these countries and forced many of their tramp steamers to remain in port, will seriously affect the importation of merchandise coming from neutral countries, and thereby cause a diminution of customs revenues from neutral as well as belligerent nations.

It is impossible to accurately determine at this time the full extent of the falling off of the customs revenues, but when we consider that most of the available male population in Austria-Hungary, Germany, France, and Belgium are serving in the armies, and are necessarily withdrawn from the mills and factories, that many of the mills and factories in those countries obtain their raw material from abroad, and that it can not be obtained under present war conditions, it is apparent that the importations from these countries must cease almost entirely.

The usual customs revenue coming from the above-named European countries would amount to more than $100,000,000. The usual customs revenue from Great Britain is more than $40,000,000, and, although there will undoubtedly continue to be importations coming from the British Isles to this country, it is fair to estimate that there will be a considerable falling off in this part of the customs revenue.

DECREASE IN CUSTOMS REVENUE BECAUSE OF THE WAR IN EUROPE.

We have therefore reached the conclusion that it is conservative to state that the loss of customs revenue that will be caused by war conditions abroad for one year will be $100,000,000. This amount, unless replaced by taxes from some other source, will cause a serious deficit in our Treasury balance. It is true that at this time we have a general fund balance in the Treasury amounting to about $119,000,000. About $75,000,000 of this money is now deposited in the national banks of the country to assist in the movement of crops and to meet the Treasury daily needs when required. Of the remaining Treasury balance there is a large amount in subsidiary coin and bullion, which is not available for use in meeting current obligations.

THE QUESTION CONFRONTING CONGRESS.

The question, therefore, confronts us as to whether it is advisable to call in this surplus from the banks at this time or to levy additional taxes to take care of the loss of revenue caused by the war in Europe. All conditions throughout the civilized world have been disturbed and interfered with by the war in Europe. The great nations of Europe have gone to a paper basis and gold has gone to a premium. International exchange has been interrupted and must be reestablished on a new basis. The usual course of exports abroad that we expected to return gold to this country within the next four months has been interrupted and interfered with, bringing about a more or less demoralized condition of business in our own country and has placed a tremendous strain on our banking facilities. It is therefore deemed unwise at this time to withdraw Government funds from the banks of the country, because, if the Government now withdraws its funds, it will necessitate the banks reducing their credits, embarrassing the movement of our crops, and reducing our Treasury working balance to the minimum, and probably bringing disastrous conditions to our people. It therefore seems to be the part of wisdom for the Congress to levy a tax at this time to take care of the deficit in our customs revenues brought about by conditions over which our Government and our people have no control.

FROM WHAT SOURCE CAN THE NECESSARY REVENUE BE BEST SECURED?

The question, then, arises as to what source we shall turn to secure the additional revenue; what taxes can be levied that will respond to the Government's needs immediately and be of the least burden to the people who are compelled to pay them? The disturbed conditions of our customs revenues are such that it is impossible to turn in that direction with any degree of certainty to raise a large amount of money, and certainly there is no opportunity open for the Government to raise from additional customs revenue the amount that would in any way respond to the existing governmental needs.

We then have the choice of increasing the revenue derived from the income tax or levying an internal revenue tax to secure the amount of revenue required.

The present machinery of the income tax law provides for the payment of the taxes in the month of June each year. If we do not withdraw our present available Treasury balance from the banks, we can not wait until June of next year to get the revenue on account of the existing monthly requirements of the Treasury. We must turn to a source of revenue that will immediately bring money into the Treasury of the United States. We must, therefore, as a last resort to meet the present emergency, increase our present internal revenue taxes or levy additional internal revenue taxes to meet the demands of the Government.

THE PROPOSED EMERGENCY MEASURE.

The taxes proposed in this measure with two exceptions were assessed subsequent to and during the Civil War and in the war-revenue act of June 13, 1898. Therefore this measure opens up no new and untried system of taxation. While this country is not at war, it finds its Treasury balance rapidly falling off because of the decline in importations due to the present war in Europe. In framing this measure the committee has endeavored to propose taxes that can be collected by the present force of internal-revenue officials, slightly increased in number, with a small additional expense, and with a minimum disturbance of trade.

The bill H. R. 18891 proposes to supplement the Government revenues by increasing the tax that is now levied on beer, lager beer, ale, porter, and other similar fermented liquors by increasing the present tax of $1 a barrel to $1.50 a barrel. It is estimated that this increase in taxation will produce an additional annual revenue amounting to $32,500,000.

The proposed bill levies a tax of 12 cents a gallon on dry wines manufactured and sold in the United States, and a tax of 20 cents a gallon on sweet wines manufactured and sold in the United States. It is estimated that the annual revenue derived from this tax will amount to $6,000,000.

A tax of 2 cents per gallon is levied upon gasoline, naphtha, and other similar products obtained from crude, partially refined, or residuum oils. It is estimated that this tax will bring to the Government a revenue of $20,000,000 a year.

SPECIAL TAXES.

It is proposed to levy the following special taxes: A tax on bankers of $2 for each $1,000 of capital used or employed; brokers, $50; pawnbrokers, $20; commercial brokers, $20; customhouse brokers, $10; proprietors of theaters, museums, and concert halls in cities having more than 15,000 population, $100; proprietors of circuses, $100; proprietors of other public exhibitions or shows, $10; and proprietors of bowling alleys and billiard rooms, $5 for each alley or table. It is estimated that the above special taxes will yield $10,000,000 during the first 12 months this law is in effect.

SPECIAL TAXES ON TOBACCO DEALERS AND MANUFACTURERS.

In addition to the above special taxes, it is proposed to tax dealers in leaf tobacco and manufacturers of tobacco whose annual sales do not exceed 50,000 pounds, $6; those whose annual sales exceed 50,000 and do not exceed 100,000 pounds, $12; and those whose annual sales exceed 100,000 pounds, $24. The bill levies the following taxes on manufacturers of cigars: Manufacturers of cigars whose annual sales do not exceed 100,000 cigars, $6; those whose annual sales exceed 100,000 and do not exceed 200,000 cigars, $12; and those whose annual sales exceed 200,000 cigars, $24.

Each manufacturer of cigarettes will be taxed $24, and a special tax of $4.80 per year is levied on all other dealers in tobacco. It is estimated that the Government will receive $5,000,000 per year from the taxes levied on tobacco dealers and manufacturers.

The bill also proposes a tax upon telephone companies of 1 cent for each message or conversation for which a charge of 15 cents or more is made and a tax upon telegraph companies of 1 cent for each dispatch or message sent. It is estimated that the tax upon telephone and telegraph companies will yield to the Treasury during the first year this bill is in operation $1,500,000.

STAMP TAXES.

The stamp-tax provisions of the proposed bill are largely a reenactment of certain of the stamp-tax sections of the war-revenue act of June 13, 1898. In framing this schedule the committee has endeavored to select articles that will most equitably distribute the tax burden and at the same time be immediately responsive as revenue producers.

The committee believes that, by rigid economy in expenditures, the stamp taxes levied in the proposed bill will not be necessary for a longer period than 14 months, and therefore we have provided that the stamp-tax provision shall remain in force only until January 1, 1916.

It is estimated that for the first 12 months the stamp-tax provisions are in operation the Government revenue therefrom will amount to $30,000,000.

The following table shows the articles on which stamp taxes will be levied under the proposed bill and the proposed rate of tax:

Articles upon which a stamp tax is levied and the rate of tax.

Article.	Tax.
Bonds, debentures, or certificates of indebtedness, etc., for each $100	$0.05
Certificates of stock, original issue, for each $100	.05
Certificates of stock, transfers, for each $100	.02
Sales of products at exchanges, for each $100	.01
Promissory notes, for each $100	.02
Express receipts	.01
Freight receipts or domestic bills of lading	.01
Bonds of indemnity and bonds not otherwise specified	.50
Certificate of profits, for each $100	.02
Certificate of damage	.25
Certificates not otherwise specified	.10
Broker's contract	.10
Conveyances, exceeding $100, for each $500	.50
Entry of goods at customhouse (according to value)	$0.25-$1.00
Entry for withdrawal of goods from customs bonded warehouse	.50
Insurance:	
Life, on each $100 of the amount insured	.08
Marine, inland, and fire, on each $1 of premium charged	.0½
Casualty, fidelity, and guaranty, on each $1 of premium charged	.0½
Mortgage and conveyance in trust, exceeding $1,000, for each $1,500	.52
Passage ticket (according to value)	1.00- 5.00
Power of attorney to vote	.10
Power of attorney to sell	.25
Protest of note, check, etc	.25
Sleeping and parlor car tickets	.02

GOVERNMENT REVENUES.

Should this bill become a law as proposed by the committee, we confidently estimate that the revenue that will be derived during the first 12 months this bill is in operation will amount to $105,000,000, distributed as follows:

Fermented liquors	$32,500,000
Wines	6,000,000
Gasoline	20,000,000
Special taxes	16,500,000
Stamp taxes	30,000,000
Total	105,000,000

We are of the opinion that this additional revenue will provide sufficient funds to meet governmental expenditures until the falling off of the revenue caused by the disturbed conditions of Europe have ceased and the normal revenues derived at the customhouse have reestablished themselves, at which time the taxes provided for in this bill will no longer be necessary to take care of governmental expenditures and the law will be repealed.

Oscar W. Underwood, *Chairman.*
Claude Kitchin.
Henry T. Rainey.
Lincoln Dixon.
Cordell Hull.
W. S. Hammond.
A. Mitchell Palmer.
Timothy T. Ansberry.
John N. Garner.
James W. Collier.
Augustus O. Stanley.
Clement C. Dickinson.
Michael F. Conry.
John J. Mitchell.