

RELIEF OF THE ESTATE OF JOHN SEALY

APRIL 20 (calendar day, APRIL 21), 1928.—Ordered to be printed

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

REPORT

[To accompany S. 4166]

The Committee on Finance, to whom was referred the bill (S. 4166) to remit estate tax on the estate of John Sealy, having had the same under consideration, report it back to the Senate without amendment and recommend that the bill do pass.

The John Sealy Hospital and its accessories, the women's hospital, the children's hospital, and the home for nurses, are the property of the State of Texas. It is now operated under a lease contract between the regents of the University of Texas and the city of Galveston, dated May 9, 1913, which contract expires May 9, 1938, under the terms of which the university furnishes medical staff of the hospital and the city is required to make yearly adequate appropriations for the care of the indigent sick of the city in the hospital and for the maintenance, operation and support of the hospital. For a number of years the appropriation made by the city has been insufficient and Mr. Sealy in his lifetime each year paid the deficiency. The Sealy and Smith Foundation for the John Sealy Hospital, as indicated by its name, was incorporated as a charitable corporation exclusively for the benefit of the hospital. The will of Mr. Sealy, after making bequests to relatives and friends, aggregating \$220,000—a small per cent of his estate—leaves one-half of his residuary estate immediately to the Sealy and Smith Foundation for the John Sealy Hospital, and provides that the foundation shall expend so much of the income from such half of the estate as the board of directors shall deem appropriate or necessary for the support, maintenance, operation, and repair of or of additions to the John Sealy Hospital, or for the construction of additional buildings to be operated in connection therewith. The will, in connection with the codicil, bequeathes the other half of the residuary estate to trustees who are to pay over the income therefrom to four persons named in the will, after the death

of which four persons such half of the residuary estate goes to the foundation for the same purposes above specified. The codicil to his will provides that all estate or inheritance taxes shall be paid out of the half of the residuary estate which is immediately bequeathed to the foundation for the benefit of the hospital, so that any estate or inheritance taxes paid or which may be paid will to that extent diminish that part of the estate which under the will goes immediately to the foundation. At the hospital a low charge is made against persons able to pay who wish a separate room, but the main function of the hospital is to care for the indigent. The hospital is used in connection with the medical department of the State University, located at Galveston, Tex., for clinical purposes.

The appraisers appointed by the probate court at Galveston valued the estate of Mr. Sealy at \$10,055,565.43. However, the taxing authorities of New York in fixing the amount of transfer tax which was paid on transfer of stock in the Standard Oil Co. of New York, increased the value which the Galveston appraisers had placed on the oil stock to the extent of \$1,898,624.49. The Legislature of Texas passed an act, approved October 1, 1926, by which the Sealy and Smith Foundation, the legatee under the will of Mr. Sealy and his estate were relieved and released from the payment of inheritance taxes provided for in chapter 5, title 122, of the Revised Statutes of Texas, conditioned that the foundation should set apart assets of the value of \$700,000, the estimated amount of the taxes released, such assets to be under the joint control of the foundation and of the regents of the university, the income therefrom to be used for any of the purposes of the hospital mentioned in Mr. Sealy's will.

Mr. Sealy died on February 19, 1926. Had he died 12 days later the revenue act of 1926 would have applied under which State inheritance and estate taxes not exceeding 80 per cent of the Federal taxes would be deductible from the latter, while under the law applicable on the date of his death estate taxes up to only 25 per cent of the Federal taxes would be deductible from the latter.

No person or individual will receive any benefit under this bill, the purpose of which is to remit the Federal estate tax and allow the entire amount to go to the charity.

○