

demonstrably short of achieving its objective.

Under the Self-Employed Individuals Tax Retirement Act of 1962, most farmers are classified as "owner-employees." Owner-employees are authorized to contribute up to 10 percent of their earned income, but not more than \$2,500 per year, to a retirement plan and to claim a Federal tax deferral for 50 percent of such contributions.

However, in the case of farmers, the benefits of this act are drastically limited by a restrictive definition of "earned income." If the earnings of an "owner employee" are a joint product of personal services and invested capital, as is the case with most farmers, not more than the larger of \$2,500 or 30 percent of the taxpayer's earnings from self-employment may be treated as "earned income."

Limiting the deferral to 50 percent of the contributions has retained a serious inequity with respect to self-employed retirement programs. Consequently, very few retirement programs have been established. The restriction that earned income must be arbitrarily computed at 30 percent of net earnings has made the program meaningless to farmers and other self-employed who must invest capital as well as labor in their enterprises.

If enacted, this proposal would remove both the 50 percent and 30 percent limitations. For example, self-employed individuals, professional and farmer, with a \$10,000 net income could contribute \$1,000 annually toward an authorized retirement program and deduct the full amount. This program would apply only to income where the self-employed individual's labor was a material income-producing factor.

There is a misconception that a provision included as an amendment to the Foreign Investors Act corrects the serious inequity and discrimination in our tax laws. This is not true. That provision simply states that the self-employed will not be discriminated against until his net income exceeds \$6,600 per year. It is clear that an individual, for all practical purposes, must earn more than that in any given year before he is able to set aside funds for retirement purposes. It is also true that the provision does nothing to remove the requirement that only 50 percent of his contribution can be treated as a tax deduction.

The provisions of H.R. 10, as passed by the House, correct the problem rather than confuse the situation. I believe that is the job we want to accomplish today.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. LONG of Louisiana. Mr. President, I hope the amendment is not agreed to. People have been lobbying

for 15 years that, because corporations have retirement plans and because an employee puts his money into it and has no vested interest in it until he retires and pays no tax on it until he starts drawing the money, doctors, lawyers, and others who do not have this plans should be protected and should have a deduction of \$2,500 to set up their own retirement funds.

If these employees are so protected, there is a loophole that should be closed. This measure moves in the opposite direction from closing that loophole. The pending amendment would discriminate by using that loophole as a precedent against every workingman who paid a social security tax. He cannot deduct the social security tax that he puts into the fund, although his employer can deduct his contribution as a necessary expense.

This amendment would discriminate against all Federal employees. Senators are under the Federal retirement system, and they know that the 7 percent that they contribute to their retirement fund, which is matched by 7 percent Government money, is money on which they have paid a tax. Here it is proposed that a doctor, making \$75,000 a year, should receive a better tax treatment than Members of Congress receive, or should be given preferential treatment over our own Federal employees who pay into the retirement fund money on which they have paid a tax.

The amendment would provide a deduction of \$2,500, on which a person would not have to pay a nickel of tax for what he puts up. It would be used mainly by doctors and lawyers and others who are making more than \$25,000 a year. It would be a complete deduction, above what they are allowed for their own expenses, for providing for their own retirement.

It would make better sense to allow a man to deduct the expenses of an insurance policy to provide for the living expenses for his wife and children in the event he should die at an early age. It would make better sense to deduct the expenses for an insurance policy to provide for food for that wife and children.

There are all kinds of expenses for which an argument for deduction would be more compelling. It would make more sense to deduct the expense of paying rent—

Mr. GORE. Mr. President, will the Senator yield?

Mr. LONG of Louisiana. I yield.

Mr. GORE. How would the Senator compare the fairness in an act of the Senate to permit doctors, lawyers, and dentists, who, according to the Treasury, would receive 75 percent of these benefits, to deduct the cost of the premium of a retirement insurance policy, with giving to people who have a tragedy