

withheld from his income on the money that he must put up to pay for social security.

When the doctors and lawyers came in asking for a 50 percent deduction provision, I was willing to vote for the bill. We passed the bill at their request in order to let them deduct half of what they put up on the theory that, with respect to the employees, the boss would put up half and his half would be deductible.

The part that the employee puts up is not deductible. That is personal, on which he has paid a tax.

It was my theory—and it was my amendment to this proposal—to say that we would let them deduct half of it, so we would treat them the same as a workingman on social security, or parallel to our Government employee program, or just about the same as we treat a fellow working for the railroad. The railroad puts up half, and that is deductible for the railroad; and the workingman puts up half, and he pays taxes on it.

So we passed a law, with Senator SMATHERS managing it on the floor. He has sponsored this proposal for many years, and he agreed to this amendment. So we would treat the self-employed the same as we treat an employee. On the theory that if he is the boss, we will let him deduct the half that would be attributable to the employer if he were working for someone, and he would pay taxes on the half that would be attributable to him as an employee. So we will give him the same break as though he were working for an employer and each were putting up half. Well, they are not satisfied.

Mr. BAYH. May I ask a question, for clarification?

The fact is that the employee has already paid taxes on the amount that is deducted from his wage, which goes into social security?

Mr. LONG of Louisiana. The Senator is correct. So do the Government employees.

Mr. BAYH. May I ask my colleague, the Senator from Indiana, whether he agrees or disagrees?

Mr. HARTKE. There is no question about what happens in that situation. We are not talking about social security. We are talking about pensions. Everyone knows that in a pension it is simple—employees do not pay taxes on pensions. No employee pays taxes on a pension, but it is given to him in lieu of wages. When they sit down at the bargaining table and get those benefits, the benefits are in lieu of wages.

There are very few contributory plans any more. The contributory pension plan is being retired out of existence. Under the noncontributory pension plans, the employer pays the entire amount of the pension into the fund,

and the employee does not pay one penny of the tax on it.

I do not see any reason why a poor secretary, who works for a lawyer,

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should be treated in a manner different from that in which a secretary who works for Sunshine Corp., is treated.

Mr. GORE. Mr. President, there are three very good and specific reasons for rejecting this amendment.

First, H.R. 10 is a major piece of legislation, and ought to be considered separately and on its own merits. There are times when the Senate must proceed by amendment in tax matters, but this is not one of them. This bill has been passed by the House as a separate bill. It should be so treated here.

Second, this amendment provides substantial tax reduction when we are faced with the necessity for increasing, not reducing taxes. The war in Vietnam will apparently continue to require more and larger expenditures, and Secretary McNamara will undoubtedly have a further report on this when he returns from Saigon.

Third, the amendment favors unduly a small and select group of taxpayers. In this connection, I would like to read from a recent address by Assistant Secretary of the Treasury Surrey.

Perhaps—as respects H.R. 10 plans—the money should come from the taxpayer himself. Much as our doctor friends and we lawyers dislike to admit it, in actual practice the self-employed pension plan becomes a tax reduction arrangement for the better off professional man, with doctors heading the list. Over 75 percent of the present H.R. 10 deductions are taken by doctors, lawyers, and dentists, and they would thus obtain 75 percent of the tax revenue involved in the pending revision. Indeed, about one-half of the revenue lost would go to individuals in these professions with incomes over \$25,000. These plans are not for the plumber, the small shopkeeper, or the farmer—the savings of these people are needed for their businesses, to meet the social security tax on the self-employed, and for their family obligations—and therefore are not available for H.R. 10 plans.

A glance at Canadian experience with these plans—where there is full deduction up to \$2,500 without a 50-percent limitation and no employee coverage requirement—since their adoption in 1957 is instructive. The latest figures show that 6 years later—1962—the rate of participation exceeded an almost negligible figure—3½ percent—only in the professional group—where we find over 40 percent of the doctors and dentists and 24 percent of the lawyers participating. As respects incomes, the rate of participation is quite low—never above 6 percent—under \$10,000 income—but is