

The self-employed, if they have sufficient income to be able to take full advantage of these provisions, are able, without benefit of the provisions of this bill, to provide for their own disability and retirement. The lawyer and doctor, for example, enjoy high compensation and a part of their current income, after taxes, can be set aside for future needs. Furthermore, they build up a practice which will bring them an income in later years. There is no enforced retirement for doctors and lawyers. The farmer, retailer, or other small businessman can build up an investment in his farm or business which will provide for himself and his family in his later, less productive years. This is the traditional way of building up an investment in this country and is still possible, despite the competition from large enterprises, so long as we have an expanding and growing economy.

Of course, there are several million self-employed individuals who are unable to set aside substantial sums of money out of current earnings. These people must spend all of their current earnings to maintain themselves and their families. These are the self-employed who are most in need of assistance in providing for their nonproductive years but this amendment is of no assistance whatsoever to this large group. A tax deduction for setting aside \$2,500 per year out of current income is worse than meaningless to the head of a family earning \$3,500 per year. It is meaningful, of course, to the lawyer or doctor earning upwards of \$25,000 per year. It is helpful to those who need little help.

H.R. 10 has a long history, but I do not propose to detail it here. In 1960 spokesmen for the Treasury Department objected to the enactment of the bill in the form in which it had passed the House of Representatives. The Treasury made a counterproposal. In effect, this counterproposal states, "We will go along with the creation of a loophole in the tax laws which will reduce our revenues at a time when we cannot afford such a reduction, and which will benefit certain of the well-to-do self-employed, if, in exchange, the Congress will give us some tools with which we can fight abuses which are rampant in the corporate owner-employee field."

This counterproposal of the Treasury, insofar as it relates to correcting abuses in present law, was, in some respects, admirable. Certainly there are abuses in the pension and profit-sharing fields, particularly when one individual is the owner of all or most of the stock of a corporation of which he is also the manager and the only highly compensated employee.

The net effect of this amendment is further to erode the tax base, thereby necessitating higher and higher tax rates if the necessary total revenues are

to be raised. The increased burden must be borne by the salaried taxpayer for whom there is no way of escape, or by the small enterprise, whether a corporation or not, of insufficient affluence to enable its owners and managers to take advantage of the many opportunities for tax avoidance now afforded by the tax laws.

Many abuses allowed, and even encouraged, by existing law have been brought to the attention of the Finance Committee. Among these abuses are:

First. Existing law provides for capital gains treatment under certain circumstances for lump sum distributions of the proceeds from pension and profit-sharing plans. Instances have been brought to the attention of the Finance Committee in which lump sum payments in excess of \$800,000 have been made to corporate executives and accorded the 25 percent capital gains tax rate. This type of income bears no relationship whatsoever to capital gains but is, instead, accumulated and deferred ordinary income. There is no equity involved in according such income the favorable capital gains treatment.

Second. One individual who is the owner-employee of several corporations can participate in pension and profit-sharing plans in each of his corporations, thereby converting much of the income of these corporations, which should be taxed at corporate rates, into tax-exempt or tax-deferred income for himself or his family.

Third. Large estates are being built up out of untaxed income and passed on to members of the beneficiary's family, escaping any tax whatsoever, either current income tax, deferred income tax, or estate tax. Pension rights should be subject to estate and gift taxes.

Fourth. Existing law places no practical limits on the amounts which a corporation can deduct for contributions to pension and profit-sharing plans for the benefit of the high salaried executive of the large corporation. Many corporations have pension plans which provide for pensions amounting to 50 percent or more of the employee's salary during his peak earning years.

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H.R. 10 is a thoroughly unjustifiable piece of legislation. This amendment would reduce revenues at a time when such a reduction can hardly be viewed with equanimity, and it would do nothing whatsoever to correct flagrant tax avoidance abuses.

For the present, it seems to me that the Senate ought to delay action on this amendment. Let us at least consider it separately and on its own merits.

I hope the Senate will reject this amendment. As I said in the beginning, it represents an attack on the graduated