

imum deduction allowed to a self-employed person with respect to his own contribution is \$1,250 under present law. H.R. 10 would remove this 50-percent limitation, and the deduction in such a case would under the bill simply be 10 percent of earned income or \$2,500, whichever is the lesser.

The second limitation that would be removed by the pending bill is that which restricts the amount of income that is considered as earned income in situations where both personal services and capital are material income producing factors in a business. Presently, only 30 percent of net profits in such cases may be considered earned income in determining the allowable size of the annual contribution, except that in the case of substantially full-time employment, the amount so treated is not to be less than \$2,500. H.R. 10 would remove this 30-percent limitation and would allow a self-employed individual to include in his earned income all of his net profits so long as his personal services are a material income producing factor in his business.

Mr. Speaker, the Self-Employed Individuals Tax Retirement Act of 1962 was enacted in order to give self-employed individuals an opportunity to defer tax on a portion of their income set aside for retirement purposes in much the same manner as they and others could already do for their employees under the provisions of the then existing law. It was intended to encourage the self-employed to make adequate provision for their old age.

That these objectives have been foiled and frustrated by certain limitations in that act, including the two restrictive provisions that would be removed by the pending bill, is beyond peradventure or question. A report of the Department of the Treasury with respect to the use of the self-employed retirement deduction in the taxable year 1964 shows that only about one-half of 1 percent of self-employed individuals took advantage of this deduction in that year. Moreover, when the 1962 legislation was originally enacted the Department estimated that the cost of the act in the first full year of operation would be \$115 million, whereas the actual cost as late as 1964 turned out to be only \$9 million.

The Committee on Ways and Means, after careful study of the operation of this law and the statistical information furnished by the Department of the Treasury relative to its use, has concluded that there is no justification for the two limitations which I have discussed and which would be removed by the pending bill. Furthermore the committee is convinced that these restrictive provisions have been major contributors to the discouragement of self-employed individuals, particularly small proprietors and farmers, in claiming the tax benefits that

were intended in the enactment of the 1962 legislation.

I firmly believe that we have traveled too far down the road of the obviously sound, basic philosophical concept that the workers of this country should be able adequately to provide for their superannuation to turn back. No one can take exception to the oft-repeated statement that pension plans promote the general welfare not only by helping to meet the individual's material needs in old age, but also by making the Nation's elderly a positive force in the economy, rather than a negative force or burden upon it.

Millions of words have been said and written about this legislation both in and outside the Congress. One of the most articulate, yet briefest paragraphs on this subject appeared in the 1965 hearings of the Subcommittee on Employment and Retirement incomes to the special Senate Committee on Aging:

A private pension plan is attractive to an employee because it assures him of greater independence in his retirement years. He is assured of greater freedom of choice as to how he lives and spends his money. Pension plans help employers to maintain an efficient work force with good morale and help to assure an effective market for goods and services among the retired population. Private pension plans advance the government's objective of a growing, yet stable private enterprise type of economy for the benefit of all citizens.

In 1942, the 77th Congress enacted an amendment that gave use to the tremendous growth of qualified private pension plans approved by the Treasury Department. Prior to this step, there were approximately 4 million covered; today the figure is 25 million and according to a recent Federal report the total by 1980 should be in the neighborhood of 42 million covered employees. We provided the impetus in 1942 and the American business community responded by approximately 1 million new faces annually.

I was privileged to cast an affirmative vote on that momentous day in 1942. June 6, 1966, is an eventful day for the self-employed and their employees, because today this distinguished body will extend to them a privilege which is presently enjoyed by over 25 million corporate employees.

Recent Treasury statistics indicated that approximately 39,000 self-employed, or less than one-half of 1 percent, were covered in 1964. Today we have an opportunity similar to the one we experienced in 1942; only this time we are going to provide the impetus for the self-employed. Granted it is 24 years later and the beneficiaries of the future will be the sons and daughters of those who were unintentionally excluded in 1942.

So, Mr. Speaker, joined as I am today by a distinguished roster of men and women in this body on both side of the