other small businessmen; or more accurately—it is a bill to permit them to help themselves. I believe its passage will be a matter of pride for every Member of this Congress.

Of special interest to the House is the recommendation of the Subcommittee on Employment and Retirement Income to the Special Subcommitte on Aging of the U.S. Senate made just last June:

Recommendation No. 3. The subcommittee recommends that the Internal Revenue Code be amended to eliminate or liberalize the provision specifying that where both capital and personal services are material income-producing factors in a trade or business, not more than 30 percent of the self-employed taxpayer's net income from the trade or business may qualify as "earned income" (Internal Revenue Code, section 401(c)(2)(B)).

Where this provision is applicable, the self-employed individual's net earnings must be at least $83,333.33 for the year if he is to make the maximum pension contribution of $2,500 (30 percent of $83,333.33) is $25,000; 10 percent of $25,000 is $2,500). One of the largest occupational groups which are severely handicapped by this provision in taking advantage of the Smathers-Keogh Act are farmers. Testimony of the American Farm Bureau Federation showed how unreasonable and inflexible the arbitrary 30-percent provision is with reference to American farms, on many if not most of which the percent of net income attributable to operator labor is considerably over 30 percent. The subcommittee feels that this arbitrary concept should be eliminated or that, at the very least, the inflexible percentage should be raised to a more reasonable figure than 30 percent.

Incidentally, making it possible for more farmers to obtain self-employment pension coverage would assist in solving the Nation's farm problems and in providing better opportunities for younger farmers. In a letter reproduced in the hearings record, Dr. John A. Schnittker, who was then Director of Agricultural Economics of the Department of Agriculture (now Under Secretary of Agriculture), said: "the fact that many continue to farm past the age of 65 indicates that more attractive plans are needed. Pension plans based on voluntary contributions of farmers have promise. However, they probably could not be made sufficiently attractive to have much impact unless present tax laws were changed. Only small numbers take advantage of the present tax exemptions permitted for pension plans of the self-employed. If attractive to farmers, this type of plan could make a contribution to releasing resources to other farmers because there would likely be greatest participation among those farmers who have relatively high sales and who control much land * * * a program designed to be attractive to older farmers on larger farms would allow an impressive fraction of farm resources to become available to younger operators, including a small number of 'new' farm operators.

"Your committee might be interested in reviewing the experience of the Netherlands, which relies on programs to induce early retirement of farmers as a major instrument of achieving needed structural adjustments in the agriculture of the country."

Further along this line, the American Farm Bureau Federation said in its testimony: "The technological revolution has combined with the initiative and accomplishments of American farmers to bring about the most efficient agriculture in the world. In order to cope with what many consider an over-expanding plant, numerous proposals have been and are being made for land retirement programs. While such programs can be helpful, they require considerable Federal expenditures and deal with only one factor of agricultural production. As fewer and fewer farmers are capable of producing a greater and greater amount of food and fiber, it seems obvious that we must make allowance for human retirement as well as land retirement."

Needless to say, this improvement would also extend pension coverage in other occupational groups in which both capital and personal services are material income-producing factors.

The purposes of this recommendation would be accomplished by enacting either S. 1939 (Talmadge) or H.R. 8023 (Watts).

Mr. KEOGH. Mr. Speaker, the gentleman from Kentucky had much more than a small portion of the pending bill. He has furnished a great deal of leadership in bringing us to the point on the road at which we have arrived.

Now, Mr. Speaker, I hope I can reserve the balance of my time.

Mr. BYRNES of Wisconsin. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, this bill merely carries out the basic intention of the House of Representatives when back in 1961 we passed H.R. 10 to set up this system so that the self-employed would have an opportunity to provide for their own retirement and that of their employees on a basis somewhat analogous to the pension plans that corporations could set up for their officers and employees. As originally enacted by the House, I think that purpose could more nearly have been accomplished than is the situation today under the law as it was amended by the Senate. As a result of action in the other body there was adopted—and the conferees accepted it as a part of a compromise—an amendment which not only adopted the $2,500 maximum amount that could be contributed by the employer on his own behalf, but limited the deduction to one-half of the amount contributed.

That is the principal limitation which we seek to eliminate now by the passage of this legislation, because that amend-

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ment, adopted in the other body and accepted by the conference, really left very little incentive in the bill.

Mr. Speaker, I pointed this fact out at the time the conference report came to the House, and subsequent events have confirmed this conclusion. Since that time there have been a number of plans developed. Some 40,000 self-employed employers have established plans but, in the words of the committee report, this has been a great disappointment. You will find that it is only those with a high