809—and, for the first time, recognition was given to the problem of tax discrimination and unfair treatment offered the self-employed individual.

The Self-employed Individual's Tax Retirement Act of 1962 was a substantial step in the right direction, but it did not fully accomplish the needed tax encouragement of the many professional persons, small businessmen and even farmers which come within the scope and meaning of self-employed persons. For example, under existing law—subsection 404(a)(10) Internal Revenue Code of 1954—the deduction which may be taken for amounts contributed to a qualified retirement plan by any self-employed individual for his own benefit is limited to 50 percent of such contribution.

Mr. Speaker, I have introduced H.R. 15246, which would amend the Internal Revenue Code of 1954 to remove the 50-percent limitation and would permit the self-employed person to deduct the entire amount of the contribution made in his behalf to a retirement plan.

In addition, my bill would change the definition of "earned income" applicable with respect to the retirement plan so as to eliminate the ceiling on deductible contributions that could be placed in the retirement plan.

Mr. Speaker, among those individuals who would benefit most from the legislation which I have introduced, H.R. 15246, and from the substantially similar bill—H.R. 10—before us today, are the members of the medical and dental profession. As self-employed individuals, they are presently permitted by our tax laws to deduct only 50 percent of the contributions made in their behalf to a retirement plan.

In addition to repealing the limitations upon the contribution made by the self-employed, the legislation being considered today would permit a self-employed individual to include in earned income all of his net profits when his income is earned from a business in which both the performance of personal services and capital are material income-producing factors. In this way, medical and other professional and self-employed persons would be given the same or equal treatment as our tax laws presently afford corporations and their employees.

Mr. Speaker, I fully support H.R. 10, and hope that my colleagues will give every consideration to its passage.

Mr. Speaker, I would like at this point in the CONGRESSIONAL RECORD to include a statement regarding H.R. 10, written by the Honorable Edward W. Kuhn, president of the American Bar Association, which appeared in the February 1966 issue of the American Bar Journal, and which in a thorough and scholarly manner sets forth the history behind H.R. 10 and illustrates the need for its passage:

THE PRESIDENT'S PAGE

(By Edward W. Kuhn)

**A recent Senate report emphasizes the need for changes in our tax laws to encourage professional persons to participate in private pension plans. Twenty-five million Americans are now covered under private plans;** they constitute an estimated half of the persons in private nonfarm employment. The largest segment of our population not participating is composed of persons in the professions, small business and agriculture. In only fifteen years, it is estimated, three out of five employees, a total of 42,000,000 persons, will be covered under private plans, but unless there is a change in our tax laws, the participation is likely to include very few professional individuals in private practice.

The practicing lawyer has a peak earning period of about twenty years, generally between 45 and 65 years of age. The average income in 1962 for those in individual practice was about $8,200 and for those in partnerships $18,000. Some 200,000 lawyers are engaged in private practice but are denied a deferral of federal income taxes on the full amount of retirement savings because they have a self-employed status.

The number of lawyers employed in private concerns, primarily industry, has increased 127 per cent since 1951. Studies indicate that a major factor has been the attractive retirement benefits offered to corporate employees.

In 1942, our tax laws were changed to offer substantial tax benefit to corporations and their employees in the establishment of pension plans, supplementing social security. The tax effects of these plans are:

First, the contributions by the employer for the employee, although in the nature of additional compensation, are not taxable to the employee until the retirement benefits are received in later years.

Second, the employer gets a tax deduction for the contributions when made.

Third, the earnings from the retirement fund are tax exempt until distributed.

Fourth, the retirement benefits are distributed at a time when the employee would normally be in a lower tax bracket.

The result of the legislation enacted in 1942 was to discriminate in favor of employed persons and against all self-employed persons and their employees. To correct this obvious inequity, the American Bar Association led an effort in Congress to secure a measure of equality with corporate officers and employees in respect to the tax treatment of earnings set aside for retirement purposes. Finally, in 1962, the Smathers-Keogh Bill (H.R. 10) was passed by Congress and, for the first time, recognition was given to the problem of the self-employed in this field.

Although the Self-Employed Individuals Tax Retirement Act of 1962 was a step forward, it by no means provides an adequate method for the average self-employed individual to save for retirement. During the long struggle for passage, the legislation was weakened considerably. In the final days of the 87th Congress, an amendment to H.R. 10 was added on the Senate floor; it substantially diminished the intended value of the legislation by limiting the self-employed individual to a deduction of only one half the amount that he contributes in his behalf to a noncontributory plan. This limitation is even more severe in a contributory plan and results in possibly a deduction of only 25 per cent.