Since the enactment of the 1962 act, the Association's Committee on Retirement Benefits Legislation has given careful scrutiny to the new law to ascertain its shortcomings with an eye towards supporting remedial legislation.

Although there are several defects in the 1962 act, this Association is concentrating its support on the two most needed amendments. H.R. 10, introduced by Representative EUGENE KEOGH (Democrat of New York), would permit the self-employed person to deduct the entire amount of the contribution made in his behalf to a retirement plan. It also would eliminate the ceiling on deductible contributions that could be placed in such plans, provided, of course, that employees are covered. Seventeen bills to improve the 1962 act are pending before the Ways and Means Committee, including sponsorship by the ranking minority member, JOHN BYRNES (Republican of Wisconsin).

The following hypothetical case points out the reason that the 50 percent limitation is serving as a major deterrent to participation in retirement plans under the 1962 act:

"Assume a lawyer at age 40 with a wife and two children filing a joint return has an income of $15,000 and has $2,000 in deductible expenses. Under the Keogh Act, he could contribute to a retirement plan 10 per cent of his income, which would be $1,500. Because of the 50 per cent limitation, he would have a reduction of only $750 which would in this case leave him a taxable income of $9,850 and his tax would be $1,787. If the full deduction were permitted, he would have a taxable income of $9,100, paying a tax of $1,622. The savings of $165 per year in taxes invested at 6 per cent over a 25-year period would amount to $9,052. If the lawyer did not participate in the plan at all, he would pay a tax of $1,952, which is $330 more in taxes than if he had a plan permitting a full deduction. This $330 invested for a period of 25 years at 6 per cent would total $18,105."

It is apparent by this illustration that although the 1962 act provide some inducement to the private practitioner, it falls far short of providing him comparable tax treatment with a lawyer under a corporate plan.

Because of the inadequacy of the 1962 act, there has been increasing agitation by many professional persons to seek another approach to the problem by forming professional corporations or associations. Although some thirty states have enacted laws authorizing members of the various professions to form corporations, the Treasury Department has indicated that it did not recognize such professional associations as corporations for income tax purposes under the Internal Revenue Code. Therefore, this avenue has been virtually closed to the professional individual. H.R. 8347 and several bills are pending in the Ways and Means Committee that would require that such professional corporations be treated as corporations for income tax purposes.

In addition to individual or firm plans under H.R. 10 type legislation and the use of professional corporations, a third possible avenue for the self-employed person and his employees would be to participate in association or other group plans. The American Bar Association after careful study established a plan in 1963 for its members, but because of the severe restrictions in the 1962 act, the participation in this plan is extremely limited. In fact, of the 120,000 members of the American Bar Association, fewer than 1,000 persons, including lawyers and their employees, are now participating in the Association's plan. Undoubtedly, participation in such group plans would be greatly enhanced by passage of legislation like the new H.R. 10.

A report of the Senate Special Committee on Aging, issued in June, 1965, recommends enactment of provisions included in H.R. 10. It also recommends legislation "clarifying and reaffirming Congressional intent that professional corporations and associations are corporations within the meaning of that term as used in the Internal Revenue Code."

This Association, with the support of the state and local bar groups, and other organizations, is giving priority attention to bringing about much needed improvements in our tax laws to correct further an inequity which has existed for more than two decades. This should be of direct concern to every practicing lawyer.

Mr. KEITH. Mr. Speaker, in considering this bill it seems reasonable that an individual who is self-employed—who

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has had the courage to go out in the business world and make his own way—should be given the same tax break on his retirement plan as are the employees who work for him—and as are those holding similar positions of responsibility in corporate enterprise.

By refusing to allow the sole proprietor, the partner, or the self-employed lawyer, accountant, or doctor to provide for his own future in the same way that he provides for his employees is, in my view, an inequity that should be corrected.

The legislation authorizing pensions for the self-employed which we approved in 1962 was intended to give him a fair break. According to the estimates made by the Treasury Department, though, this—for the most part—did not occur. Apparently, a majority of self-employed business and professional men and women have been forced to choose therefore not to provide adequately for their own retirement.

The amendments which we are considering here today will overcome this inequity. Hopefully, they will encourage the small businessman to establish pension plans in which they themselves can participate.

I hope that the Senate will concur in our action and that the President will in turn approve the legislation. If these amendments become law, the small businessman will have an opportunity for security—which is long overdue.

Mr. ROGERS of Florida. Mr. Speaker, today we have a chance to encourage self-employed citizens to help themselves through passage of the amendment to the Internal Revenue Code of 1954.

The self-employed individual has been given only a small chance to make proper plans for his financial security after retirement in the 1954 code and the amendment of 1962. The amendment now standing before the House offers self-