	Number of returns	Thousands of dollars
Salaries and wages	19	1,145
Business or profession income:		
Net profit	12	14
Loss	8	3,050
Farm income:		
Net profit	1	27
Loss	8	838
Partnership income:		
Net profit	4	24
Loss	17	2,625
Sales of capital assets:		
Gain	29	21,063
Loss	0	0
Sales of depreciable property:		
Gain	6	24
Loss	0	0
Sales of other property:		
Gain	0	0
Loss	3	72
Dividends	32	57,609
Interest	33	2,577
Pensions and annuities	6	74
Net income from rents	8	59
Net loss from rents	13	193
Royalties:		
Gain	3	7
Loss	1	8
Net income from other sources	0	1,430

Source: Statistics Division, Internal Revenue Service.

IRS indicated that, in general, the most probable factors accounting for this income being non-taxable are tax credits and itemized deductions, especially large contributions.

For greater detail on this issue, a copy of Philip Stern's, *The Great Treasury Raid*, is also enclosed. See especially Chapter 1.

PAUL F. PRESTON,
Analyst in Public Finance.

Mr. CURTIS. Sure.

Mr. TENZER. Let me say this. First of all, my own income, which is partly sheltered by real estate depreciation and capital gains, will be taxed considerably more under my bill than under the President's surcharge proposal, so I am not talking about soaking the rich. I am talking about taxing myself as well. I give substantial amounts to charity, but the foundation provision of the tax laws was originally intended to serve a useful purpose. It has been perverted by some and we ought to look into it in depth and we ought to correct the defects in the system.

Mr. CURTIS. I agree with that.

Mr. TENZER. The second point you make was about municipal bonds. I told the President that I had an individual visit me 3 weeks ago over a weekend. This is a man whom I represented over 20 years ago when he and his brother sold the business. He invested all of his proceeds in the sale after paying capital gains tax in tax-exempt securities.