

Last year he had \$170,000 of income, all tax exempt. He came to me to complain about the war in Vietnam and about the riots in our cities and I asked him, "Joe,"—his name isn't Joe—but, "Joe, how much did you pay toward replacing the hardware this Government lost in Vietnam? How much did you pay to improve conditions in the slums of our riot-potential cities?" and he said, "None."

I said, "Well, I am going to propose a bill that is going to make you pay some," and this good friend of mine said, "How much?"

I said, "At least 10 percent."

He said, "So that means that I would have to pay \$17,000, I would gladly pay. Nobody asked me."

I don't want to eliminate provisions relating to municipal bond income. I don't want to eliminate the tax-exempt bond procedures. When you are asking me to tell my constituent who has to pay \$1,000 in taxes, "I want you to pay \$100 more to meet the current budget, to meet the exigencies and the needs of our country," I want to turn around to him and say that that man who had the \$170,000 income is going to pay \$17,000. Everyone should pay something. That is all I want to accomplish.

Mr. CURTIS. The point is that I think he may not realize it, but he actually is paying something. If he had invested in other forms of investment he would probably be earning, say, \$400,000 instead of \$170,000. He has foregone this.

Mr. TENZER. But that was his choice.

Mr. CURTIS. I understand it, but I am simply saying that the net result was that the \$130,000 in effect went to the cities of this country to assist them in building these community projects.

Now let me point out—

Mr. TENZER. It will still go for that, Mr. Curtis. Under my proposal it will still go to them. It will not detract one bit.

Mr. CURTIS. I am simply posing the economic problem. I again agree with you that these things need to be looked into. One other thing, because I find this is so frequently misunderstood.

The Federal Government under the 16th amendment does not have the power to tax return of capital. We didn't put depreciation laws and depletion laws in there out of choice, but the Constitution forbids us to tax return of capital.

Now, it is true that I think we need to look at the way we measure return on capital and depletion and depreciation, but let's don't oversimplify it; or real estate depreciation you mentioned, because in one sense through inflation we actually have been imposing a tax on return of investment to our people, a return of capital investment, so this needs looking into, I must emphasize, but I don't think you are going to find these sources of revenue that you anticipate because these have not been written completely irrationally.

Mr. TENZER. May I comment on that, Mr. Curtis?

Mr. CURTIS. Sure.

Mr. TENZER. In H.R. 12445 which has been referred to this committee on page 3, section 4, it says:

An amount equal to the amount by which the allowance under Section 167 relating to depreciation for real property for the taxable year was greater than it would have been under the straight line method of depreciation when applied to such property for the taxable year.