

ers don't. Frankly, as I say, obviously we are not communicating with each other in this particular area.

Mrs. DWYER. What does the IRS do about this as far as billing the 1st to the 30th for tax purposes?

Mr. BARR. Internal Revenue?

Mrs. DWYER. For tax purposes, accounts receivable?

Mr. BARR. Mrs. Dwyer, these credit charges are figured into the total profits of all these concerns. Now, I would imagine that IRS would have to, of necessity say, well, there is a 30-day grace period in there. Consequently it wouldn't figure out to an 18-percent return that they are getting for the use of this money. The store makes this credit charge after determining that 30 days is free, more or less.

Mr. WILLIAMS. Would the gentlewoman yield?

Mrs. DWYER. I yield.

Mr. WILLIAMS. Do I understand you to be saying that even though the stores on these revolving accounts state this 11½-percent rate, that they are making that charge for the first month?

Mr. BARR. That is where we differ as to what the rate really is, Mr. Williams. If you make the assumption that the credit transaction starts on the date when the sale is made, we disagree. We say they have told the customers that for the first 30 days there isn't any charge.

Mr. WILLIAMS. Even though they told the customers that they still charge from the first day?

Mr. BARR. That is correct, that is the argument.

Mr. WILLIAMS. From your familiarity with credit transactions is there any additional expense connected with these revolving accounts that could conceivably justify an 18-percent annual interest rate?

Mr. BARR. I don't believe that is an exorbitant rate. These are frequently small accounts and I am not saying that revolving credit is a bad thing. I think it is a great thing. It is the charge account principle that was once limited to a rather few affluent people and has now moved across the whole economy. But when you have millions of small credit transactions—with bookkeeping charges and credit examinations and other costs—I doubt that you can make money at much less than 18 percent.

Mr. WILLIAMS. Thank you, Mrs. Dwyer.

Mrs. DWYER. I just want to say in conclusion that I would prefer Mr. Barr, sometime during the course of his testimony, to give us some of these examples that he is talking about.

Mr. BARR. I would be delighted to any time the chairman indicates.

Mrs. SULLIVAN. Mr. Stephens?

Mr. STEPHENS. Mr. Barr, along the line of the questioning just pursued, how does Internal Revenue Service look at the financial charges that are paid; is it part of the cost of the item, or can you take it off as an interest charge?

Mr. BARR. We will have to go through some of these. If you look at page 11—there would be a distinction here as to whether this was a farmer buying a farm or a consumer buying a home. Which one do you want to take, Mr. Stephens?

Mr. STEPHENS. I was basically thinking about buying a king-size bed. How much would it be by the month? How much could I take off on income tax for interest payments if I bought a bed by the month? Or is that just the cost of the bed?