for reasons which I understand, but do not agree with. And I cannot help but feel, if I can say so very strongly, that there is in this bill an attempt to get the camel's nose under the tent or the foot in the door with establishing the principle that tax exemption can be eliminated. I do not think this is the place, if I may be so bold as to say, to try and do it under a program which is of such tremendous importance, which has been given so much support by the Congress. I do not think this is the place to debate and undertake a new concept in the whole area of tax-exempt bonds.

I would like also to say that State and local governments are having a very tough time as it is getting the money to finance needed facilities and activities. If we want to preserve government close to the people and the strength of our Federal system, we have got to find ways that funds can be put in the hands of local governments so that they can take initiative.

In our own State, the Federal Government collects 68 percent of all the taxes; the State collects 14 percent of all the taxes that are collected; and the local government, 18 percent.

We have gone a long way on the 14 percent. One of the features that has been useful to us is the tax-exempt bonds which makes it possible for us have a certain advantage.

A second reason for the proposed elimination of tax exemption seems to stem from the contention that the amount of Federal tax revenue derived from the interest earned on taxable municipal bonds would be greater than the cost of the proposed subsidy to meet the difference between the interest rate for a tax-exempt and a taxable bond.

In other words, Treasury would make money out of this proposed program as it is presently presented in this legislation. It would get more money back from the taxes on the bonds sold than they would put out in paying the differential.

Yet, the possible advantage of a relatively minor improvement in Federal revenues is far outweighed by the far-reaching ramifications of this proposal to eliminate the tax exemption. Such action would seriously curtail the ability of State and local governments to meet their problems.

If this should occur, there might well be increased demands on the Federal Government to provide funds to meet problems which State and local governments are now working to solve, and thus negate the improvement in Federal revenues.

Most importantly, taxation of bonds for a clearly public purpose such as water treatment facility construction would impair the long-standing precedent of tax immunity which State and local bonds have traditionally enjoyed.

Since the apparent two reasons for this drastic change in public policy seem to have little merit, at least from my point of view, I am deeply concerned that the main reason for inclusion of this provision in a bill to further meet pollution abatement needs is really an initial attempt to erode the traditional immunity from Federal taxation of the obligations of the States or their subdivisions.

A number of bills before Congress and a proposed Treasury regu-