NEW CORPORATE TAX PROPOSED BY ROOSEVELT

Revision of Whole Setup Is Asked by President in Message.

(Continued From Page One)

000,000 in permanent revenue which would be needed to finance a continued farm program and the increased amortization costs due to immediate payment of the bonus.

Mr. Roosevelt criticised present corporate taxes as containing "inequalities" and "leaks."

"The accumulation of surplus in corporations controlled by taxpayers with large incomes is encouraged by the present freedom of undistributed corporate income from surtaxes," he declared.

Equality Aim, He Says

The President said that, since stocknolders are the "beneficial owners of both distributed and undistributed corporate income, the aim, as a matter of fundamental equity, should be to seek equality of tax burden on all corporate income whether distributed or withheld from the beneficial owners.

"As the law now stands our corporate taxes dip too deeply into the shares of corporate earnings going to stockholders who need the disbursement of dividends, while the shares of stockholders who can afford to leave earnings undistributed escape current surtaxes altogether."

Mr. Roosevelt pointed to past difficulties with this problem and asserted that "repeated attempts by the Congress to prevent this form of evasion have not been successful."

"The evil," he said, "has been a growing one. It has now reached disturbing proportions from the standpoint of the inequality it represents and of its serious effect on the Federal revenue."

Calls Proposal "Suggestion"

The President emphasized that his proposal should be treated as a suggestion but said that "the Treasury Department will be glad to submit its estimates to the Congress showing that this simplification and removal of inequalities can, without unfairness, be put into practice so as to yield the full amount of $620,000,000 — the amount I have indicated above as being necessary."

In connection with the corporate tax, the Treasury explained that the proposal applied to all profits with the exception of those distributed to stockholders but not to accumulated surpluses of previous years.

The Treasury pointed out that the proposal might be expected to increase personal income tax returns since corporate earnings distributed in the form of dividends would be taxed as reported by individual taxpayers.

Uses Caustic Language

President Roosevelt referred in caustic language to those who profited by return or non-payment of processing levies.

"By far the greater part of the processing taxes," he said, "was in the main either passed on to consumers or taken out of the price paid producers.

"The Congress recognized this fact last August and provided . . . that, in the event of invalidation of the processing taxes, only those processors who had borne the burden of these taxes should be permitted to receive refunds.

"The return of the impounded funds and failure to pay taxes that were passed on result in unjust enrichment, contrary to the spirit of that enactment. A tax on the beneficiaries unfairly enriched by the return or non-payment of this Federal excise would take a major part of this windfall income for the benefit of the public."

Seeks to Recover Losses

Mr. Roosevelt emphasized the differentation between the two types of taxes proposed. The corporate tax change would be permanent and intended to pay costs of permanent additions to government expense.

The so-called "windfall' tax and the proposed broader processing tax would be intended only for the purpose of making good Treasury losses due to the Supreme Court AAA decision. They probably would apply only in the next two or three years.

The new processing tax proposal, Mr. Roosevelt suggested, could be devised to fall much more lightly on producer, consumer and processor "by increasing the number of commodities so taxed, by greatly lowering the rates of the old processing tax and by spreading the tax over two or three years."

Termed Substitute Taxes

The President reasserted his belief that the bulk of the new tax program represented "substitute" taxes.

"We are called upon," he said, "to raise by some form or permanent taxation an annual amount of $620,000,000. It may be said, truthfully and correctly, that $500,000,000 of this amount represents substitute taxes in place of the old processing taxes and that only $120,000,000 represents new taxes not hitherto levied."

OFFICIAL WEATHER

United States Weather Bureau

Sunrise ..... 6:15 | Sunset 5:39

TEMPERATURE

—March 3, 1935—

7 a. m.	40	1 p. m.	48

—Today—

6 a. m.	32	10 a. m.	46
7 a. m.	33	11 a. m.	53
8 a. m.	36	12 (noon)	55
9 a. m.	41	1 p. m.	59

BAROMETER

7 a. m. .... 29.87 1 p. m. 29.72

Precipitation 24 hrs. ending at 7 a. m. .00
Total precipitation since Jan. 1 ..... 4.54
Deficiency since Jan. 1 ..... 1.49

OTHER CITIES AT 7 A. M.

Station.	Weather.	Bar.	Temp.
Amarillo, Tex.	Clear	29.88	38
Bismarck, N. D.	Cloudy	29.50	38
Boston	Snow	29.98	32
Chicago	PtCldy	29.68	34
Cincinnati	Cloudy	29.80	38
Dodge City, Kas.	PtCldy	29.86	38
Helena, Mont.	Cloudy	29.72	48
Jacksonville, Fla.	Cloudy	30.04	58
Kansas City, Mo.	Clear	29.76	44
Little Rock, Ark.	Clear	29.96	42
Los Angeles	Clear	29.90	52
Miami, Fla.	Clear	30.02	68
Minneapolis	Clear	29.56	32
Mobile, Ala.	Cloudy	29.98	54
New Orleans	PtCldy	30.00	58
New York	Cloudy	29.88	36
Okla. City, Okla.	Clear	29.90	44
Omaha, Neb.	Clear	29.74	36
Pittsburgh	Rain	29.86	32
Portland, Ore.	Clear	30.18	46
San Antonio, Tex.	Cloudy	29.92	54
San Francisco	Clear	29.92	54
St. Louis	Clear	29.76	42
Tampa, Fla.	Cloudy	30.04	60
Washington, D. C.	Foggy	29.98	34

WHEN BOYS START FLYING KITES, IT'S A SURE SIGN SPRING IS NEAR

As sure a sign of spring as the Chinook winds, is that these boys got out their kites and let them fly with the wind above the War Memorial Plaza yesterday.

The boys (left to right) are Robert Keller, Jimmy Gillock, Miles Berks, Major Willis, Earl Williams, James Lawson, Jack Hitchcock, Robert Stafford, William Fryer, Junior George, Paul Hill and Farrell Sendler.

Text of Roosevelt's Tax Message

By United Press

WASHINGTON, March 3. — The text of President Roosevelt's tax message to Congress follows:

"To the Congress of the United States:

"On Jan. 3, 1936, in my annual budget message to Congress, I pointed out that without the item for relief the budget was in balance. Since that time an important item of revenue has been eliminated through a decision of the Supreme Court, and an additional annual charge has been placed on the Treasury through the enactment of the Adjusted Compensation Payment Act.

"I said in my budget message:

"'. . . The many legislative acts creating the machinery for recovery were all predicated on two interdependent beliefs. First, the measures would immediately cause a great increase in the annual expenditures of the government—many of these expenditures, however, in the form of loans which would ultimately return to the Treasury. Second, as a result of the simultaneous attack on the many fronts I have indicated, the receipts of the government would rise definitely and sharply during the following few years, while greatly increased expenditures for the purposes stated, coupled with rising values and the stopping of losses would, over a period of years, diminish the need for work relief and thereby reduce Federal expenditures. The increase in revenues would ultimately meet and pass the declining cost of relief.

"'This policy adopted in the spring of 1933 has been confirmed in actual practice by the Treasury figures of 1934, of 1935, and by the estimates for the fiscal years of 1936 and 1937.

POLICY IS HELD SOUND

"'There is today no doubt of the fundamental soundness of the policy of 1933. If we proceed along the path we have followed and with the results attained up to the present time we shall continue our successful progress during the coming years.'

"If we are to maintain this clear-cut and sound policy, it is incumbent upon us to make good to the Federal Treasury both the loss of revenue caused by the Supreme Court decision and the increase in expenses caused by the Adjusted Compensation Payment Act, I emphasize that adherence to consistent policy calls for such action.

"To be specific: The Supreme Court decision adversely affected the budget in an amount of one billion and seventeen million dollars during the fiscal year 1936 and the fiscal year 1937. This figure is arrived at as follows:

"Deficit to date (expenditures chargeable to processing taxes less processing taxes collected) in excess of that contemplated in the 1937 budget $281,000,000.

"Estimated expenditure to be made from supplemental appropriation approved in the supplemental appropriation act, 1936, $296,000,000.

DEFICIT TOPS BILLION

"Estimated expenditures to be made under the Soil Conservation and Domestic Allotment Acts $440,000,000.

"Total additional deficit 1936 and 1937, due to Supreme Court decision and adjusted farm program $1,017,000,000.

"For the purposes of clarity, I divide the present total additional revenue needs of the government into the permanent and the temporary ones.

"Permanent Treasury income of 500 million dollars is required to offset expenditures which will be made annually as a result of the Soil Conservation and Domestic Allotment Acts recently enacted by the Congress and approved by me; and an additional sum recurring annually for nine years will be required to amortize the total cost of the Adjusted Compensation Payment Act.

"The net effect of paying the veterans' bonus in 1936, instead of 1945, is to add an annual charge of $120,000,000 a year to the $160,000,000 already in the budget.

"We are called upon, therefore, to raise by some form of permanent taxation an annual amount of $620,000,000. It may be said, truthfully and correctly, that $500,000,000 of this amount represents substitute taxes in place of the old processing taxes, and that only $120,000,000 represents new taxes not hitherto levied.

SUGGESTS TAX PLAN

"I leave, of course, to the discretion of the Congress the formulation of the appropriate taxes for the needed permanent revenue. I invite your attention, however, to a form of tax which would accomplish an important tax reform, remove two major inequalities in our tax system, and stop 'leaks' in present surtaxes.

"Extended study of methods of improving present taxes on income from business warrents the consideration of changes to provide a fairer distribution of the tax load among all the beneficial owners of business profits whether derived from unincorporated enterprises or from incorporated businesses and whether distributed to the real owners as earned or withheld from them. The existing difference between corporate taxes and those imposed on owners of unincorporated businesses renders incorporation of small businesses difficult or impossible.

"The accumulation of surplus in corporations controlled by taxpayers with large incomes is encouraged by the present freedom of undistributed corporate income from surtaxes. Since stockholders are the beneficial owners of both distributed and undistributed corporate income, the aim, as a matter of fundamental equity, should be to seek equality of tax burden on all corporate income whether distributed or withheld from the beneficial owners. As the law now stands our corporate taxes dip too deeply into the shares of corporate earnings going to stockholders who need the disbursement of dividends, while the shares of stockholders who can afford to leave earnings undistributed escapes current surtaxes altogether.

TERMS METHOD EVASION

"This method of evading existing surtaxes constitutes a problem as old as the income tax law itself. Repeated attempts by the Congress to prevent this form of evasion have not been successful. The evil has been a growing one. It has now reached disturbing proportions from the standpoint of the inequality it represents and of its serious effect on the Federal revenue. Thus the Treasury estimates that, during the calendar year 1936, over four and one-half billion dollars of corporate income will be withheld from stockholders.

"If this undistributed income were distributed, it would be added to the income of stockholders and there taxed as is other personal income. But, as matters now stand, it will be withheld from stockholders by those in control of these corporations. In one year alone, the government will be deprived of revenues amounting to over one billion three hundred million dollars.

"A proper tax on corprate income (including dividends from other corporations), which is not distributed as earned, would correct the serious two-fold inequality in our taxes on business profits if accompanied by a repeal of the present corporate income tax, the capital stock tax, the related excess profits tax and the present exemption of dividends from the normal tax on individual, incomes. The rate on undistributed corporate income should be graduated and so fixed as to yield approximaeiyl the the same revenue as would be yielded if corporate profits were distributed and taxed in the hands of stockholders.

GREATER SIMPLICITY SEEN

"Such a revision of our corporate taxes would effect great simplification in tax procedure, in corporate accounting and in the understanding of the whole subject by the citizens of the nation. It would constitute distinct progress in tax reform.

"The Treasury Department will be glad to submit its estimates to the Congress showing that this simplification and removal of inequalities can, without unfairness, be put into practice so as to yield the full amount of $620,000,000—the amount I have indicated above as being necessary.

"Turning to the temporary revenue needs of the government, there is the item of $517,000,000 which affects principally the current fiscal year. This amount must in some way be restored to the Treasury, even though the process of restoration might be spread over two years or three years.

"In this case also the formulation of taxes lies wholly in the discretion of the Congress. I venture, however, to call your attention to two suggestions.

TERMS REFUND WINDFALL

"The first relates to the taxation of what may well be termed a windfall received by certain taxpayers who shifted to others the burden of processing taxes which were impounded and returned to them or which otherwise have remained unpaid. In unequal position is that vast number of other taxpayers who did not resort to such court action and have paid their taxes to the government.

"By far the greater part of the processing taxes was in the main either passed on to consumers or taken out of the price paid producers. The Congress recognized this fact last August and provided in Section 21(D) of the Agricultural Adjustment Act that, in the event of the invalidation of the processing taxes, only those processors who had borne the burden of these taxes should be permitted to receive refunds. The return of the impounded funds and failure to pay taxes that were passed on result in unjust enrichment, contrary to the spirit of that enactment. A tax on the beneficiaries unfairly enriched by the return or non-payment of this Federal excise would take a major part of this windfall income for the benefit of the public. Much of this revenue would accrue to the Treasury during the fiscal years 1936 and 1937.

"The other suggestion relates to a temporary tax to yield the portion of $517,000,000 not covered by the windfall tax. Such a tax could be spread over two years or three years. An excise on the processing of certain agricultural products is worth considering. By increasing the number of commodities so taxed, by greatly lowering the rates of the old processing tax and by spreading the tax over two or three years, only a relatively light burden would be imposed on the producers, consumers or processors.

"FRANKLIN D. ROOSEVELT,
"The White House,
"March 3, 1936."

For Digestion's Sake—smoke Camels

IN BRITISH GUIANA—the LaVarre Expedition (*left*) fords a river. "I always take Camels along," says William La Varre. "They make any meal digest easier." Mrs. LaVarre (*right*) adds: "Camels help my digestion, in the jungle or in New York."

People get "keyed up." The effects on digestion are known to all! Smoking Camels tends to aid and promote digestion. Enjoy Camel's mildness ... the feeling of *well-being* fostered by Camel's costlier tobaccos. Camels set you right!

CAMELS *Costlier Tobaccos!*

LONDON GROOMS INDUSTRIES FOR WAR OPERATION

Program Mapped for Quick Switch in Event of Emergency.

By United Press

LONDON, March 3.—A government plan to organize industry for a lightning turn over from commercial to war production in event of an emergency was announced today as part of a gigantic defense program.

It was disclosed that preliminary steps leading to the emergency preparation of industry already have been taken.

The plan was announced in an official "white paper" promised by the government to explain to the country the necessity for its great defense program, which has been estimated to call for a total of $1,500,000,000.

In addition to the industrial organization plan, the white paper gave the first specific rearmament program, calling for:

Two new battleships during 1937.

Five New Cruisers Sought

Continuation of modernization of existing battleships.

Five new cruisers during 1936, with the object of bringing the total cruiser strength to 70.

Rapid replacement of destroyers and submarines.

Construction of a new, smaller type of aircraft carrier.

Increase of 6000 in navy personnel by March 31, 1937.

Increase of Royal Air Force first-line planes to a total of 1750, exclusive of planes in the navy.

Increase of 12 squadrons in the portion of the air force assigned to general imperial defense.

Four new battalions of infantry.

Modernization of field artillery.

Improvement of coast defense.

The white paper said industry would be geared so "it can rapidly change over at vital points from commercial to war production should necessity arise."

Britain must rearm because other countries are doing so, the paper asserted, though the government reaffirmed its determination to do all it could do to improve international relations and promote agreements limiting armaments.

IT WASN'T ROBBERY, SUSPECT TELLS JUDGE

Myers Suspends Sentence on Man Who Borrows Taxi.

Vernon Jones, 1330 Calhoun-st, explained to Municipal Judge Dewey Myers today that the taxicab he was charged with having stolen three weeks ago belonged to a friend and he had merely borrowed it.

When the taxi driver substantiated the testimony, Judge Myers suspended sentence on charges of unlawful possession and resisting an officer.

The resisting charge was made, Sergt. Ed Kruse said, when Jones refused to put on his shoes, so he could be taken to headquarters. Eventually, Sergt. Kruse and Patrolman Hod Eller had to put them on for him, they testified.

Cost of Job Insurance, U. S. Annuities in State Set at 30 Million Yearly

Indiana Employers of 8 or More to Become Liable for Tax April 1.

(Continued From Page One)

his labor turnover, is to become operative in 1940 and is to determine the employer levy.

Reserve Balance Plays Part

If he has maintained a reserve account—one maintained for his employes only—the job compensation levy is to be dependent on the per cent of the reserve balance.

If the reserve balance is as much as 12½ per cent of the employer's pay roll in the preceding calendar year, the levy is to be permitted to lapse.

Employes are not taxable for job insurance this year, but are to begin in 1937 to pay half as much as the levy paid by his employer. The employe maximum contribution is to be limited to 1 per cent of his wage.

No benefits under the job insurance plan are to be paid for two years in order that the reserve accounts and state funds may accumulate. The compensation to be paid eligibles for whom work can not be found is to be limited to 50 per cent of his wage and limited further by a $5 minimum and $15 maximum.

Workers to Benefit

Reserve accounts are to provide worker compensation in proportion to the degree of unemployment. Workers for whom reserve accounts are not maintained are to be cared for from the state pool which is to be created by a transfer of one-sixth of the reserve account payments.

An employer is to be permitted to offer a guaranteed employment plan. In this he could agree to guarantee all of his employes, in advance, 40 weeks of employment in a year on a basis of 30 hours a week at a rate specified in advance.

Extensive eligibility requirements are set up in the model bill to be considered by the Legislature.

Under the Federal annuity plan, on which the state is not required to act, workers and employers pay equal levies to the Federal government until the worker is ready to retire at 65.

Levies Are Listed

Wage and pay roll levies for each are: 1 per cent for 1937, 1938 and 1939; 1½ per cent for 1940, 1941 and 1942; 2 per cent for 1943, 1944 and 1945; 2½ per cent for 1946, 1947 and 1948 and 3 per cent for 1949 and thereafter.

Experts estimate the total Indiana payment in 1949 and after for both job insurance and annuity levies will range from $30,000,000 to $35,000,000.

If you reach your sixty-fifth birthday before Jan. 11, 1942, you will not receive a pension, although you will receive settlement for the amounts you and your employer will have paid from Jan. 1, 1937, until you reach 65.

$15 to Be Minimum

Minimum pensions under the annuity plan are to be $15 and the maximum $85. Following is an example of what you may expect when the annuity plan starts working: Assuming you now are 30 and receive an average monthly salary of $200 for the next 35 years (after this year). At 65 you would receive $61.25 monthly from the government.

You have property rights in your contributions to the annuity. If you should die after you reach 65, your heirs will get 3½ per cent of the money you contributed to the fund, up to $3,000 a year, from 1936 on.

Your property right in your contributions will be effective also despite your financial status when you reach 65. You still will be entitled to the pension regardless of what other income or property you may possess.

(Next: Public Health.)

HOAGY CARMICHAEL TO WED INDIANA GIRL

But All His Family Knows Is What Radio Says.

All the Carmichaels know about Hoagy's marriage plans is what they hear from Walter Winchell, they admitted today when pressed for details.

Winchell announced over the air that Hoagy, Indianapolis' favorite son in Tin Pan Alley, is to be married to Ruth Minardi, formerly of Warsaw, Ind., Friday.

Miss Martha C. Carmichael, his sister, who lives with the family at 3120 Graceland-av, said:

"Well, I am going on the assumption that Winchell is nearly always right, but I wouldn't confirm it, even on that. If you know anything about Hoagy, you know it's difficult to say what he will do. He lets nobody interfere with what he wants to do.

"Blond or brunet? Well, now, I really couldn't say. I've never met her. My sister has, and she told me, but I forget. I know that he's been talking about Ruth for more than a year, but I don't know where he met her."

Ladies and gentlemen, it has been announced that Hoagy Carmichael is to marry Ruth Minardi Friday this week. More about it Saturday.

SON FILES INTOXICATION COUNT AGAINST FATHER

Judge Karabell Suspends Penalty, but Demands Sobriety.

If Earl Metz, 48-year-old contractor, 662 Mary-st, falls off the water wagon again he must serve 180 days at the State Farm and pay a fine of $25 and costs.

A son, Edwin J. Metz, signed the affidavit against his father on an intoxication charge, and another son, William Metz, was the prosecuting witness in Municipal Court today.

Judge Charles J. Karabell suspended sentence on condition that Metz remain sober.

BEAUTICIANS REMOVED FROM BARBER'S ACT

City Still Faces Threat of Injunction Suit Against Law.

By unanimous vote, the City Council today definitely had removed beauticians from all provisions of the barber licensing and inspection ordinance, and had made a legal distinction between the two vocations.

The city, however, still faces the threat of an injunction suit against enforcement of the barber act, made at last night's session by Ira Holmes, an attorney representing a group of barbers and beauty operators.

Although he asked that beauticians be relieved of obligations of this act, Mr. Holmes declared if they were, the barber ordinance, itself would not hold water.

"This ordinance is identical with the state law," he said.

"Why burden taxpayers by putting more inspectors on the pay roll. It is not legal for the Council to amend or amplify an act of the General Assembly."

To Buy Piling for Bridge

Council members explained the ordinance could not be enforced until money had been appropriated to pay two inspectors. A measure to provide $300 annually for this purpose was not acted upon.

Mrs. Mildred Watters, heading a beauticians' delegation, asked for an amendment exempting them from provisions of the act. Several operators testified they would be forced out of business if the added burden of new fees was put on them. Mrs. Watters said sanitary regulation was provided in a state law.

Under a suspension of rules, the Works Board was authorized to purchase 5000 square feet of sheet steel piling at a cost of $3000. Henry B. Steeg, city engineer, explained the material was needed at once so that work might be started on the W. 10th-st bridge over White River. He said the city and the WPA are to split the $20,000 material cost of the project.

No Action on Cab Bill

The councilmen also approved the establishing of a three-car taxicab stand at 1033 Prospect-st. But held for further consideration measures which would provide for relocation of the dog pound, increase salaries of police and firemen, purchase a new automobile for Chief Morrissey, and allow peaceful picketing.

No action was taken on the taxicab licensing bill, because Edward B. Raub, president, was absent, members said. The safety committee held a public hearing on the measure yesterday, attended by representatives of cab companies and the Indianapolis Railways. Charles W. Chase, car company president, asked for provisions prohibiting cruising and limiting the number of cabs. Taxi officials said they were "almost satisfied" with the proposed ordinance.

HEARD THE NEWS? FREE LIFEBUOY *and* RINSO

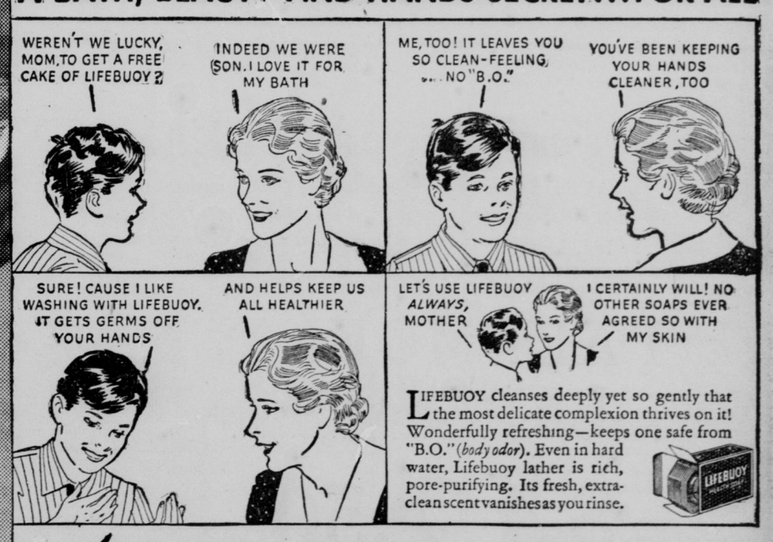
Local girls will call at every home in Indianapolis

WATCH FOR LOCAL GIRLS WITH FREE SOAP

Watch for the girls, of this city, who are going to call on you soon with a free cake of Lifebuoy Health Soap. This wonderful soap is yours for the taking. You don't have to buy anything, just take it and try it—that's all we ask. In addition, you will also receive, without cost or obligation, money-saving coupons that entitle you to an extra cake of Lifebuoy when you buy one cake—and an extra package of Rinso, when you buy one package. So welcome the Lifebuoy-Rinso girl when she calls on you.

L

A BATH, BEAUTY AND HANDS SECRET... FOR ALL



LIFEBUOY cleanses deeply yet so gently that the most delicate complexion thrives on it! Wonderfully refreshing—keeps one safe from "B.O." (*body odor*). Even in hard water, Lifebuoy lather is rich, pore-purifying. Its fresh, extra-clean scent vanishes as you rinse.

and WHITER WASHES ALL OVER TOWN

Safe for colors—easy on hands

FOR the whitest wash—for the easiest washday ever—*Rinso* is all you need. No washboard, no boiler. Even in hardest water Rinso *soaks* clothes whiter—*safely*. Recommended by the makers of 33 famous washers. Wonderful for dishwashing and all cleaning. Saves you—saves your hands. *Try it!*

Rinso

THE BIGGEST-SELLING PACKAGE SOAP IN AMERICA