

HOUSE REJECTS SENATE'S HIKE IN BUDGET BILL

Action of Republican Bloc Means Committee Must Find Agreement.

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bill calling for a \$79,743,164 appropriation.

On top of the Budget Committee's figure, Senate Democrats in Finance Committee added \$41,182,30 and on the floor included \$100,000 for a Porter county harbor project.

The budget bills now call for a total appropriation of \$84,942,598.30.

The Senate's action was taken on adoption of a majority Committee report over opposition of Republicans.

Entirely New Measure

The House budget recommendation as sent to the Senate was not the Budget Committee's appropriation bill as sliced by the Ways and Means Committee as first anticipated, but an entirely new measure substituted technically as an amendment when the original bill was on second reading in the lower chamber.

As approved by the Ways and Means Committee the budget bills called for an appropriation of \$83,473,050. The new G. O. P. proposal called for the appropriation of \$79,743,164, and was offered as an amendment by Rep. Paul Brady (R. Muncie). It was passed 52 to 48 over the Democratic minority.

When it reached the Senate Finance Committee it was scrapped. "We just tore it up and threw it in the wastebasket," Senator Frederick Elchhorn (D. Gary), committee chairman, said.

When the committee's majority report came down for adoption Senator Elchhorn explained reasons for the new budget bill and the increases declaring "if the government is to be carried on satisfactorily there must be money to do it."

G. O. P. Cuts "Dictated"

He charged that the G. O. P. recommendations in the minority report were "dictated by the State Republican Central Committee for political reasons."

Senator William Jenner (R. Shoals), Finance Committee member and minority floor leader, said "the Republican bill was not dictated by the G. O. P. Central Committee but by the people of Indiana."

He said the minority of the Committee had adopted its report because "we followed two important rules of government that you can't spend more than you take in and can't tax beyond ability to pay."

Second reading Senator John W. Van Ness (R. Valparaiso) offered an amendment to include \$100,000 to enable the State to aid in establishing a harbor and terminal at the mouth of Burns Ditch in Porter county, on Lake Michigan.

Senators from the northern counties asked acceptance of the request declaring that it would bring a 25 million dollar steel plant to the site. It was pointed out that the expenditure of the appropriation was conditional upon the establishment of the steel plant.

The Democratic report was adopted, the new appropriation for the harbor was accepted and the entire bill passed under suspension of rules.

It now calls for an increase of \$3,773,446 over the appropriations bill under which the state is operating now.

Senator Walter R. Beardsley (R. Elkhart) today challenged the story of his Democratic colleagues in the Senate that the Republican majority in the House had made large budget slashes as "a grandstand play."

"The budget as passed by the House and supported by the Republican minority in the Senate is a workable budget," he said. "It was carefully worked out item by item so as not to hurt essential State functions."

"I absolutely believe that the State can be run and should be run on the proposed figure of 80 million dollars for the biennium. This amount is only slightly less than the appropriation for the last two years and is only about 6 per cent less than the amount approved by the State Budget Committee."

"The Republicans are not making a grandstand play. They are trying to follow the mandate of the last election."

Knapp Appoints Group To Conduct Probe

Acting under terms of a resolution passed several days ago in the House, Speaker James M. Knapp today appointed the seven-member committee to investigate all activities of State and local government.

Those named were Rep. Herbert H. Evans (R. New Castle), W. G. Hughes (R. Ft. Wayne), Paul Brady (R. Muncie), William Brown (R. Kokomo), Frank T. Mills (R. Indianapolis), J. Earl McCurdy (D. La Porte) and Leland L. Moore (D. Perryville).

The House resolution calling for this probe was broad enough in its scope to enable an investigation of counties where Republicans last fall claimed election frauds. It also would include a check of all State departments.

No appropriation was provided for this committee, which would be required to organize and begin its work by May 1, and it was said its expense would have to be paid by private donations.

The investigating resolution was passed with Democratic support, although the Democrats later made an unsuccessful attempt to amend the resolution to provide that the checkup be made of governmental activities since 1924 and include several former Republican adminis-

ALICE FAYE HAS COLD

HOLLYWOOD, March 6 (U. P.) — Blond Alice Faye was confined to her home today with a severe cold. The studio hoped she would be well enough to return to work tomorrow.

Birthday of Congress Is Full Dress Occasion



Members of Congress, the Supreme Court, the Cabinet and the diplomatic corps hear President Roosevelt address a joint session on the 150th anniversary of the first Congress. The President is in the center with his hands on the reading desk. At the extreme left are Speaker Bankhead (left) and Vice President Garner (right). On the House floor, beginning at the center aisle are Justices Frankfurter, Reed,

Black, Roberts, Stone, Butler, McReynolds, Chief Justice Hughes, Secretary of State Hull and Treasury Secretary Morgenthau. Second man from left (hands crossed) is Sir Ronald Lindsay, British Ambassador. On the left of the President is Senator Barkley (D. Ky.) majority leader. Among others shown are Senators Pittman, Harrison, McNary, Austin, Smith, Barbour, Vandenburg, King and McCarran.

HOUSE REJECTS GROSS TAX BILL

Senate Plan to Provide 'Sliding Scale' Is Turned Down.

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for retailers was introduced originally in the House. As passed by that chamber, it would have provided a gross income tax rate of half of one per cent for retailers and would have lowered the exemptions from \$3000 to \$1000.

Draft Different Bill

The Senate, however, passed and returned to the House an entirely different bill. This Senate proposal which was substituted for the House plan was introduced by Senator Jacob Weisz (D. Indianapolis).

Actually the Senate measure would set up an entirely new licensing law. Retailers and service establishments would be charged license fees ranging from 3-10 of 1 per cent on the first \$15,000 of gross receipts up to 2 per cent of all annual receipts in excess of \$95,000. As approved by the Senate the bill would grant an exemption of \$2,000.

Despite the protests of retailers, Senator Weisz said his plan would effect a gross income tax savings to this group of \$1,662,329 and of one million dollars to service groups.

There was no debate on the measure when it was passed under suspension of the rules Saturday night. An amendment was inserted, however, to exempt interstate busi-

ness from the tax.

Among objections which businessmen now are raising to this bill as modified by the Senate is the claim that this new proposal would disrupt the basic State taxing structure and create complicated administrative problems for the State.

Predict Legal Tangle

It also was predicted that this "sliding scale" plan would bring about numerous law suits particularly in view of the fact that similar plans in other states have been declared unconstitutional.

To sustain their contention that the "sliding scale" proposal would aggravate rather than correct inequalities in the gross income tax, some businessmen pointed out that under the present law a business establishment must pay gross income tax on all receipts, regardless of whether it is operating at a profit or a loss, but the tax rate is uniform.

Under the "sliding scale" proposal, they said, there would be no uniformity in the rates applying to competing businesses. Thus a big store operating at a loss might be compelled to pay double the present rate on all receipts over \$95,000 a year.

Objections Raised

Objections also have been raised to provisions of the bill which provide that a merchant's books could be checked by a representative of the Gross Income Tax Department and that businessmen could be sent to jail for six months or fined up to \$1000 for engaging in business without first obtaining a license and paying the required fee.

Under the plan approved by the House of a flat 1/2 of 1 per cent for retailers, it was estimated the State would lose approximately four million dollars annually in revenue. It was said the loss under the Senate proposal would be either two or three million dollars, depending on the court's interpretation of the amendment dealing with interstate commerce.

APPROVES CCC PLANS

WASHINGTON, March 6 (U. P.) — Acting Director J. J. McEntee of the Civilian Conservation Corps, today approved plans to enroll 107,611 youths and war veterans in the CCC between April 1-20 to bring it up to its authorized strength of 300,000.

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