

Tax-Exempts

WASHINGTON, Dec. 31.—The Treasury is marshaling facts and arguments to support its drive, in the Congress that meets Friday, to tax the interest from all future issues of Government securities.



Although elimination of tax-exempt bonds has been advocated by Secretaries of the Treasury since Andrew Mellon's day, it now appears that Secretary Morgenthau is really going to bat, backed by the full power of the Administration.

The fight for abolishing tax-exempts may be a curtain-raiser to the much-needed overhauling of the entire Federal revenue system.

Mr. Morgenthau will encounter opposition not only from those who oppose taxing Federal securities, but more especially from local and state governments that now issue their bonds free from state and Federal income taxes.

Behind the Secretary, however, will be the opinion of many experts that tax-exempts must be eliminated before our Federal revenue structure can ever function fairly on the ability-to-pay principle.

Here is one example of how tax exemption confers special benefits:

Taxpayer A is a resident of New York State, and his income from his business last year was \$224,441. Also, he received \$880,408 in interest from wholly tax-exempt bonds. This would give him a net income of \$1,104,849.

Committee Is Critical

On the \$224,441 he would pay, according to 1940 rates, a New York State income tax of \$17,441. Then he would pay a Federal income tax of \$116,588. His total Federal and state income tax: \$134,027.

However, if that \$880,408 in interest from Government bonds had not been tax-free, this same Taxpayer A would have had to pay Federal and state income taxes totaling \$818,386—\$87,874 to New York State, \$730,512 to the Federal Treasury.

This is one reason why a recent study of tax-

By Marshall McNeil

exempt bonds by the Temporary National Economic Committee said:

"A most reprehensible form of tax favoritism benefiting the wealthy, who need such favors least of any group in the population, is the issuance of tax-exempt Government securities."

By exempting the interest on their bonds from taxation, the Federal, state and local governments have made things pretty soft for a lot of wealthy persons and corporations.

Purchasers of the bonds insure themselves against taxes that others pay. Also, their incomes are insured against the ordinary business risks that others take.

Moreover, their incomes are not levied upon according to ability-to-pay, and that is the underlying principle of our Federal income tax.

They have the ability to pay, but they don't pay, because their income gets favored treatment since it comes from governmental bonds.

Another Example Cited

Here's another example that shows how favoritism is extended to persons who invest in tax-exempt bonds:

Take Taxpayer A again. He has a total net income of \$1,104,849, of which \$880,408 comes from the interest on tax-exempt bonds. His Federal and state income taxes total \$134,027, so he has a net income (after taxes) of \$970,822.

To achieve that same net income (after taxes) from sources other than tax-exempt bonds, he would have to have a taxable net income of \$4,914,653.

In other words, the taxpayer who takes the business risks, and whose total income is from taxable sources, would need a taxable net income more than four times as great as Taxpayer A, if, after paying his State and Federal taxes, he wanted \$970,822 left in the city.

Or to say it another way, Taxpayer A had as much net income left from wholly tax-exempt securities yielding 2½% interest as had the taxpayer who invested in industrial securities yielding 13.3%.

A Senate committee that recently investigated the question of tax-exempts, and recommended that they be eliminated, heard one witness say:

"We cannot profess to be taxing in accordance with ability to pay while we are offering a wide loophole to our wealthy citizens to avoid the application of this principle of investing some of their wealth in wholly exempt securities."

Inside Indianapolis (And "Our Town")

THE HAPPIEST PEOPLE IN INDIANA over the license deadline extension to March 1 are the State Police. They heaved a collective sigh of relief when the executive order by Governor Townsend released them from the almost impossible task of trying to enforce a law without local cooperation.

Since both the Governor and Governor-elect Schricker stated emphatically several times that the Dec. 31 deadline would stand, yesterday's action came as a surprise to some. There were three things that caused them to change their minds. First was the failure of many small communities to go along with the idea. Second was the political pressure from several of the more populous counties. Third was the fact that it's almost physically impossible to sell 1,000,000 auto tags in three weeks, even with 100 per cent co-operation of the consumers.

A fourth reason might be that a majority of the people were frightened into buying their plates early and even if the pesky Republicans do take over the license business in a hurry there won't be much of that \$350,000 melon left for them.

It's Not True Again

YOU CAN TELL IT'S ALMOST Jan. 1, because the rumor that Police Chief Mike Morrissey will resign after the first of the year is making its annual rounds now. We heard it three times, and then decided to ask the Chief.

"What?" he exclaimed, "again? Well, my answer still is—I'm not resigning."

Just Like Shucking Corn

ADD COLORFUL DESCRIPTIONS: Governor Townsend, describing his reactions to four years as

Washington

WASHINGTON, Dec. 31.—In his fireside chat, which he described as "talk on national security," President Roosevelt indicated his intention of backing the British in a war to a finish with the Nazis—"There is far less chance of the United States getting involved, if we do all we can now to support the nations defending themselves against attack by the Axis, than if we acquiesce in their defeat, submit tamely to an Axis victory, and wait our turn to be the object of attack in another war later on."

Mr. Roosevelt excluded the idea of appeasement or of a negotiated peace—"we know now that a nation can have peace with the Nazis only at the price of total surrender.... Is it a negotiated peace if a gang of outlaws surrounds your community and on threat of extermination makes you pay tribute to save your own skins?"

Mr. Roosevelt said there was no demand for sending an American expeditionary force outside our own borders, and that there was no intention by any member of the Government to send such a force—"you can, therefore, nail any talk about sending armies to Europe as deliberate untruth."

Silent On the Navy

He omitted any discussion of whether our Navy will be used, and made no reference to the controversial questions of sending convoys, turning over more destroyers to England, expropriating neutral ships laid up in our harbors, or financing aid to Britain. As to what share of our nation would go to Britain, Mr. Roosevelt said we would furnish "far more" material support in the future than in the past but that "the decision as to how much shall be spent abroad and how much shall remain at home

depends on the effect of the bombing, and with this very news in mind, perhaps, he answered: "They are the bravest people I have ever seen."

Three of us listened in my apartment in New York City to the President's speech last night. I think all of us felt that it was an sincere a presentation of the question of national defense as it now stands before the nation, as could well be made.

The newspaper this evening announces that the "city" of London is in ruins as a result of bombing.

I imaging this means little loss of life, and all the activities which have been carried on in the past, in this particular part of London, can be resumed somewhere else. An American who had been in London not very long ago, came to see me today. Someone asked him about the effect of the bombing, and with this very news in mind, perhaps, he answered: "They are the bravest people I have ever seen."

The loss of material things seems to matter less and less as the days go by, just as they tell me the old class distinction are being wiped out by the necessities of the moment. Let us hope that we can learn some of the lessons of suffering without having to endure it.

I had a rather bumpy air trip to Washington this morning. My young fellow passenger, who was on her first flight, was not very happy, but we arrived in time for lunch and she seemed quite recovered, for she went off to the movies with Diana Hopkins afterward.

A minute or two later I met someone I really knew, Connie Ernst, a charming picture with a gay handkerchief tied around her head. She greeted me and we walked two blocks together. Further on,

By Raymond Clapper

must be made on the basis of our over-all military necessities."

Everyone should read over the printed text of this address once or twice and become thoroughly familiar with it, because this speech lays bare the reasoning that will guide this Government in dealing with the war during the coming months.

Obviously, Mr. Roosevelt was talking first to the American people, to impress upon them the danger that exists if the Nazis win and the necessity of sacrificing ourselves to production, with the same effort as we were at war. "This is an emergency as serious as war itself." Second, he was talking to the British, to encourage them in their resistance. Third, he was telling the Nazis that the United States regards them as potential enemies and is determined to aid Britain in defeating them.

Not War—Not Peace!

Mr. Roosevelt phrased his whole speech in terms of trying to keep the United States out of war. But a situation has developed between the United States and Germany now that is neither war nor peace. Mr. Roosevelt has in effect labeled Nazi Germany as an unfriendly government which menaces our security. As head of the United States he says that we not only hope for a British victory but will "do all we can" to help bring it about.

He is the crucial sentence that will be pondered in Berlin. "There will be no 'bottlenecks' in our determination to aid Great Britain. No dictator, no combination of dictators, will weaken that determination by threats of how they will construe that determination."

Mr. Roosevelt tosses the ball to Hitler. Time will tell the rest.

It is a moral and material war against Germany, war one degree removed from direct hostilities. Whether this becomes physical war seems now to depend upon Hitler.

My Day

WASHINGTON, Monday.—As I walked down Fifth Ave. in New York City, yesterday afternoon, I could not help being amused by little incidents along the way.

Two small boys, roller skating, recognized me. With the joy of devilmint in his eyes, one of the youngsters pulled up in front of me with a grand swirl and said: "Hurrah for Willkie!" I imagine he had no idea how funny he was, but I went chuckling down Fifth Ave. and remembered what pleasure it would have given me if at that age I could have thought of something which I considered really clever by which to annoy my elders.

A little further down, a woman, hesitating before crossing the street, caught sight of me and came over rather shyly, saying: "May I shake hands with you, Mrs. Roosevelt? I have always liked you!" And so we shook hands and I wished that it might have been a bridge to better acquaintance, for she had an interesting face. Two boys just behind her shook hands, too.

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War Scenes—But Most of Them Peaceful



This camouflaged gun guards the Scottish east coast against invasion. A telephonist (right center) keeps constant watch.



A member of the crack Greek Evzone troops questions a captured Italian soldier while the prisoner enjoys a meal of stew.



Clothes dummies (right) and furniture are piled in Piccadilly Circus while London firemen fight fire after a fierce bombing attack.



MISSION WILL HOLD WATCH NIGHT RITES

The annual Watch Night services will open at 7:30 o'clock tonight at the Wheeler City Rescue Mission, 245 N. Delaware St.

If You Do Drive Tonight, Be Wary

CHICAGO, Dec. 31 (U. P.)—Stay out of automobiles tonight!

That was the stern warning of the National Safety Council for New Year's Eve. It urged use of public transportation systems.

I had a rather bumpy air trip to Washington this morning. My young fellow passenger, who was on her first flight, was not very happy, but we arrived in time for lunch and she seemed quite recovered, for she went off to the movies with Diana Hopkins afterward.

But if you must drive tonight

"be suspicious of every car on the road," the council said.

And don't drink

Sews Up Wound In Boy's Heart

NEW YORK, Dec. 31 (U. P.)—Jamaica Hospital authorities said today that 9-year-old John Guerin had a good chance of recovering from a stab wound in the heart.

Dr. Gustav R. Petz, took three stitches in the boy's heart Sunday and today Francis C. Leupold superintendent, said recovery was probable.

John stabbed himself accidentally with a pair of scissors. His father, Edmund C. Guerin of Jamaica, carried him a block to the hospital.

In Municipal Court 3, Judge John McNeil declined to comment on Judge Karabell's new arrangement.

2 ARE NAMED AS JUDGES PRO TEM

Karabell Selects Rinier and Lewis to Serve Half Month Each.

Municipal Judge Charles J. Karabell today took steps toward a new arrangement for pro tem judges in Municipal Court 4 while he is recuperating from an illness.

Instead of having pro tem judges sit for only a day or a half-day in his court, the Judge has proposed that one attorney serve pro tem during the first half of January and that another serve for the remainder of the month.

Rinier, Lewis Named

This arrangement, Judge Karabell commented, might be more satisfactory than the present system of having numerous pro tems occupy the bench.

Judge Karabell said that George G. Rinier, attorney, would preside for the first 15 days and that David M. Lewis, retiring County prosecutor, would serve the remainder of the month.

The question of compensating the attorneys who are entitled to \$10 a day for their services is yet to be worked out, he said. But he indicated that Mr. Rinier and Mr. Lewis might be willing to accept only partial compensation. The court's pro tem budget is limited to \$500 a year.

It Was Merry-Go-Round

Announcement of the new arrangement followed a merry-go-round of pro tem judges in the Municipal Courts which reached a climax shortly before Christmas when two pro tems took turns on the bench so that each could defend a client.

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STUDENT COUNCILS' GROUP QUILTS A. Y. C.

NEW BRUNSWICK, N. J., Dec. 31 (U. P.)—The National Student Federation of America, representing the student councils of more than 100 colleges, became an independent organization today.

It withdrew from the American Youth Congress, which it helped to found, because of the A. Y. C.'s alleged radicalism, and refused to affiliate with the International Student Service, in which Mrs. Franklin D. Roosevelt has been interested because of the I. S. C.'s alleged lack of altruism.

TEST YOUR KNOWLEDGE

1—What is the term used by Englishmen for movies?

2—Name the capital of the Dominion of Canada.

3—Is the device resembling a clock on the front of a battleship used to