

# TARIFF BILL AND CORPORATION TAX

Side Lights on the Great Fight in Congress to Revise the Dingley Schedules.

Meaning of the New Tax to Business Interests and to the Public in General.

By FREDERICK R. TOOMBS.  
THE making of a tariff law for a country with interests as large, important and varied as those of the United States requires as much labor, thought and time and the attention of as many expert minds as the founding of an empire.

And always there is the chance that the measure finally produced and started on its way through congress will be defeated or else amended to a point of uselessness, as witness the vote on the new Payne tariff measure, which was squeezed through the lower house a few days ago by the close vote of 195 to 183. Presuming a quorum to be present, it requires a majority of these to pass a bill under the rules of the lower house. Therefore the changing of the votes of but six members of congress to the negative would have defeated the bill on which such tremendous and vital interests depended. A tie vote, 189 to 189, would have resulted.

As a rule, there are sections in every tariff bill which are objected to by individual senators and congressmen. Framers of national tariffs find it impossible to please every one, public and legislators and president. Yet, so far as the legislators are concerned, they supply the votes that pass the bill; therefore those that revolt must be tenderly nursed along under the scientific system of intensive political agriculture. Perhaps a promise of a committee chairmanship or of an appointment to an important commission, etc., will bring over some of the insurgents to the side of the party "whip." While it is amazing how much independence and insurrection in Washington will before the persuasive voice of the dispensers of party patron-

corporation tax law is section 6, which reads as follows:

When the assessment shall be made as provided in this section the returns, together with any corrections thereof which may have been made by the commissioner, shall be filed in the office of the commissioner of internal revenue and shall constitute public records and be open to inspection as such.

This section is an evidence, it is claimed, that the tax is levied not solely for the purposes of revenue. Certainly it gives the national government a measure of control over corporate institutions (excepting certain defined organizations), and the bill also, through section 6, goes further and opens up the annual summary of each corporation's business to the public.

### Producer of Inside Information.

That is to say, every corporation which must make a return (report) under the law will thus place at the convenience of the general public "inside" information as to the annual amount of business transacted by the corporation. Business rivals will probably take advantage of this opportunity to learn something about the operations of their competitors. Persons intending to purchase stock or bonds of the corporations affected will have a new and accurate source of information from which to ascertain the desirability or undesirability of the contemplated investment. Employees will be able to learn whether or not their employers are making enough money to be able to pay a raise in salary. Inquisitive wives will be in a position to learn how much the companies controlled by their husbands are netting annually, and other effects of the new era of corporation publicity could be enumerated.

Among the facts which under the Taft provisions will be placed before the public each year regarding the

that it is unreasonable to assume that any president of the United States would make an inquisitorial use of this power. "He would be guilty of malfeasance in office," they say, "and would place himself open to impeachment proceedings."

When it is considered that the corporation tax is but one item of the new tariff bill and that the measure contains over 4,000 items, it may perhaps, and only perhaps, be realized by the general public how gigantic a task is the drafting and perfecting and enacting of such a statute. Many of the so called items or articles in the tariff bill are divided and subdivided and resubdivided into a bewildering number of classifications—that is, bewildering to the lay mind. For instance, take thread made from hemp, flax or ramie. This sort of thread is given a tariff graded according to the fineness of the yarn from which it is made. While the actual bill does not show them in detail, yet the drafters and enactors of a tariff bill for the United States must calculate what the tax should be on over 150 different qualities of such thread before intelligently making a tariff schedule. The qualities, grades or sizes range from "yarn not finer than 15 lea or number" upward to that likewise technically described as 322 lea or number; also the tariff framers to work intelligently must consider the known value or amount of imports of each grade or size and the revenue that a given rate of duty will produce.

### Busy Days For Legislators.

Tariff making days in Washington are busy days for congressmen and senators. During the controversy over the new tariff bill—the Payne bill—the daily mail of members of both houses averaged 120 letters a day. Most of the correspondents wanted copies of the Payne bill or of schedules of certain classes of goods or of the tariff on some particular article named in the bill. Owners of factories, importing houses, mills, cattle, etc., not only wrote or visited their representatives themselves, but had their thousands of employees write letters also. Employees are voters. Congressmen need votes. All the communications must be answered acceptably—those that want the duty on hides or gloves

## "THE WASPS OF WAR"

French Military Official's Characterization of Aeroplanes.

### HOW ARMY MEN REGARD THEM

Colonel H. O. S. Heistand Points Out Value of Wright and Bleriot Machines if Used in Swarms—Valuable Adjunct to Troops in Many Ways.

Wartime efficiency of the aeroplane is at the moment a much discussed subject among army men. It is admitted by many that the possibilities in aerial warfare have yet to be developed, but recent achievements by Louis Bleriot and Orville Wright have given rise to considerable speculation. There are apparently few officers who are prepared to assert that modern warfare would be revolutionized by the introduction of a fleet of Bleriot monoplanes or Wright biplanes. But there are many who go so far as to say that such a fleet would be of value to any army.

Speaking of Bleriot's flight across the English channel, General Brun, the new French minister of war, recently characterized the aeroplane as "the wasp of war."

"As soon as it is perfect," he declared, "the French army will be provided with a swarm of these wasps." The figure, according to officers of the regular United States army, was well chosen. It illustrates, they say, exactly what the mode of aerial warfare is likely to be.

There is plainly less skepticism among army men concerning air craft than formerly. Many have come to the conclusion that it is high time to consider seriously the adaptability of aeroplanes to military purposes. It is the signal corps, of course, that has taken hold of the matter officially, but interest has spread to every branch of the service.

### Colonel Heistand a Believer.

It is the opinion of Colonel H. O. S. Heistand, adjutant general of the department of the east, that the aeroplane will play an important part in the warfare of the future. "I am not an expert," he said the other day—"in fact, I have never seen an aeroplane in a real test. Nevertheless I am convinced that our government ought to be liberal in its appropriations for aeroplanes. There is no doubt that the aeroplane, even in its present stage of development, would be of service in time of war."

"I think that comparison of an aeroplane to a wasp is a good one. It suggests what could be done with a fleet of these craft. For purposes of reconnoitering and scout work a single aeroplane would have its place, but with a whole fleet of them an army would be able to do considerable damage.

"Imagine, for example, what might be done if they were to be employed in an attack on New York city, or any city, for that matter. With one aeroplane going at the rate of forty miles an hour it would be difficult to do much harm in the way of dropping explosives or inflammable materials down upon our heads, but with a fleet of them it would be different. It would then be the same as a volley fired by a troop of soldiers. Some of the shots would be almost sure to take effect.

### An Attack by Sea.

"Now, suppose a fleet of warships, preparing an attack on New York harbor, came equipped with a lot of these wasps, as they have been called. While still out of range of the harbor guns they could launch their aeroplanes and keep them hovering over our fortifications, with more than an even chance of doing us considerable damage. Anyway, they would make things uncomfortable for the noncombatants of the city. As for the fortifications, the fleet might succeed in dropping explosives so as to strike our magazines and storehouses, and you can readily imagine what that would mean.

"All this would be accomplished more easily with aeroplanes of the Wright or Bleriot type than with dirigibles, because they would furnish less of a target for our guns. Besides, they are safer. A dirigible is always in danger of a spark from its own motor, which would be sufficient to explode the gas that supports it.

### Harassed by a Torpedo Boat.

"Not long ago I took part in some maneuvers and was delegated to the army of defense. Every night the attacking fleet had a way of sending out one of those little torpedo boats, which would come sneaking in close to shore and give us all a scare. It became necessary to call out the garrison at all hours just because of that one torpedo boat, and you can see that after a few days the army of defense was in sore need of a good night's rest. The men had been kept on the qui vive almost constantly, while the attacking force was slumbering soundly well out of our reach.

"That is the sort of tactics, it seems to me, that aeroplanes would be able to carry out effectively. They could worry a whole army, if they did nothing else. It would be a sort of hit and run game. They would be like so many wasps about a man's head.

"If they wanted to, they could disregard the rules of warfare and destroy a city without warning. And there is not much doubt in my mind that the rules would be disregarded by the average army if the destruction of a certain city seemed advisable. The officer in command would no doubt find a good military reason for it."—New York Post.



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age, yet these same insurrectionists have sometimes lost only through lack of the right sort of leader.

### The Corporation Tax.

One of the reasons why the Payne tariff bill was in unmistakable danger of defeat in the lower house was the corporation tax provision. This tax is an extension of federal power into new fields and into which, according to many congressmen, it should not enter. The tax, they argue, is a hardship on many corporations that have had difficulty in recovering from the effects of the panic. They further assert that the provisions of the act tend to a centralization of power in the federal government and that this tendency should not be encouraged. Members of state governments who visited Washington during the tariff controversy claim that the states are continuously in need of money, that they are constantly devising new and needed forms of taxation and that the national corporation tax takes money out of the states that is needed more urgently in the various states than in Washington.

President Taft takes the stand that the national government needs the money and that, as it has a right to tax corporations in this manner, the objections raised are not vital. Supporters of the tax agree with the president and argue that the corporate interests of the United States derive most of the benefit of high or protective tariff; that consequently it is only right that they should pay the national impost.

Attorney General Wickersham and Senator Elihu Root drew the corporation tax under the direction of President Taft. Its original form aroused so much opposition as to cause re-drafting or amendment into the present and final form.

As now provided for the corporation tax will bring in a total of \$25,000,000 to the government from "certain sources of wealth," to use the words of Congressman Nicholas Longworth, "that today pay no tax to the federal government." President Roosevelt's son-in-law also supports the stand taken by President Taft by adding, "We need the increased revenue to aid not only in paying off a big deficit, but to provide for a larger expenditure than has hitherto been made for the improvement of our inland waterways."

### Radical Feature of the Tax.

What is considered in Washington to be a particularly radical feature of the

thousands of corporations affected are some which have always been ascertainable by the public, and others which have not so been. True statements of the following must be included in the report:

First.—Total amount of paid up capital stock outstanding at the close of the year.

Second.—Total amount of bonded or other indebtedness.

Third.—Gross amount of income received from all sources and if a corporation or joint company, etc., of a foreign country the total amount of income received within the year from all business transacted or capital invested within the United States and any of its territories; also the amount received within the year by way of dividends upon stock of other corporations subject to the tax.

Fourth.—The total amount of all the ordinary and necessary expenses actually paid out of earnings in the maintenance and operation of business and properties within the year, stating separately all charges such as rentals or franchise payments required to be made as a condition to the continued use or possession of property and if organized under the laws of a foreign country the amount so paid in the maintenance and operation of its business within the United States and its territories, etc.

Fifth.—The total amount of all losses actually sustained during the year and not compensated by insurance or otherwise, stating separately any amounts allowed for depreciation of property.

Sixth.—The amount of interest actually paid within the year on its bonded or other indebtedness and in the case of a bank, banking association or trust company stating separately all interest paid by it within the year on deposits.

Seventh.—The amount paid by it within the year for taxes imposed under the authority of the United States or any state or territory thereof and separately the amount so paid by it for taxes imposed by the government of any foreign country as a condition to carrying on business therein.

Eighth.—The net income of such corporation, joint stock company or association or insurance company after making the deductions in this section authorized.

### Great Power Given to President.

A powerful new executive arm is given the president to wield in section 7. This section provides severe punishment for any government employee who discloses to any person any information which under the law he should not disclose. But the president can cause him to disclose such information or evidence, owing to that part of section 7 which states that the employee shall divulge the facts that we will assume to be in question "upon the special direction of the president."

In answer to the claim made by several United States senators that the president is thus given a power in its nature inquisitorial by section 7 the administration authorities state

or cotton, as the case may be, raised, as well as those that want the same duties lowered. The congressman would of course do his best for both sides. Yes; a congressman, especially in tariff times, must have imagination and a quick witted secretary. One New York congressman represents a district in which \$175,000,000 in capital is invested in wood pulp mills. He did not sleep much during the weeks that the conference committee was juggling with the rates on the mechanically ground and the chemical wood pulp schedule.

### The Tariff and the Temper.

Tariff times make bad tempers, even in a deliberative body like the United States senate, better known in Washington as "the millionaires' club." On one of the recent days when everybody at the capital was wondering what the conference committee would or would not do Senators Joe Bailey of Texas and Scott of West Virginia were in a cantankerous mood. They were on opposite sides in the tariff row, and the temperature was higher than the Wright aeroplane. Bailey continued a tedious oration on a point of order growing out of a senate resolution affecting the granting of "unanimous consent" for the considering of certain motions. Senator Scott could finally stand it no longer. Laboriously wielding a palm leaf fan with one hand and mopping a perspiring brow with a handkerchief in the other, he rose.

"Mr. President," he snapped, "having heard the gentleman from Texas talk for some time, I rise to ask what is before the house."

Bailey was angry and yelled across the senate chamber:

"The only thing before the house is the gentleman from West Virginia," and Bailey abruptly sat down.

"The gentleman from West Virginia" stood alone in his place before the house for many seconds, completely flustered by the quick retort and the wave of laughter that followed it. His words choked in his throat, and he sat down with a grunt, a growl and a glare that boded ill for "the gentleman from Texas."

### A Poverty Show.

Next year's international exhibition in Brussels is to have a very uncommon feature. It is proposed to give an ocular display of the misery and poverty in which the Belgian home workers exist, with a view of bringing their needs under public notice.



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