

EXCESS PROFITS TAX PLANNED TO CARE FOR PREPAREDNESS COST

House Committee Feels Large Interests Better Able to Pay Than Taxpayers.

PROTESTS ARE RECEIVED

Bill Provides 8 Per Cent Tax on Profits Over 8 Per Cent on Actual Capital Investment, \$5000 Exempt.

Washington, Feb. 5.—(WASHINGTON BUREAU OF THE JOURNAL.)—The new revenue bill framed by the majority of the ways and means committee of the house in harmony with the views of the administration, is built on the idea that the mounting cost of the preparedness program should be met, so far as possible, from those who most conspicuously share the prosperity of the day.

The estimated increase of nearly \$250,000,000 in revenue is not to come in five and ten-cent pieces from the small taxpayers, but in hundred and thousand dollar checks from wealthy corporations and estates. This course was deliberately chosen, in preference to extension of the income tax to smaller incomes, or to tariff taxation upon necessities of life.

Manufacturers Protest.

There is some dissatisfaction over this program, as there always is over a matter of taxation. Protests against the excess profits tax are coming from some of the manufacturing districts. Some of the big interests say that through the income tax, the corporation tax and the munitions tax they are already too much burdened. The committee has taken the view that large corporations which make over 8 per cent are better able to pay into the special preparedness fund created by the bill than taxpayers generally.

Only such corporations, joint-stock companies, partnerships and insurance companies as do a fair business will be affected, for there is a flat exemption of all concerns having an annual net profit of less than \$5000, and a deduction of that amount in all cases. Then a further deduction is made of all profits under 8 per cent.

When Excess Tax is Paid.

If the company has profits exceeding \$5000 and earns over 8 per cent on its actual capital investment, including money borrowed through bonds or otherwise, the income beyond the 8 per cent line becomes subject to a tax of 8 per cent. The same exemptions are allowed as under the income tax, and exemption is also extended to the income of partnerships engaged in agriculture or income derived from professional services. This excess income tax is estimated to produce \$226,000,000 a year, \$170,000,000 from corporations and \$56,000,000 from partnerships. All of this is to be turned into the special preparedness fund, along with \$175,000,000 estimated to be collected under the revenue act of last year, and also one-third of the additional inheritance tax, inheritance taxes to be raised.

Inheritance Taxes to Be Raised.

The inheritance taxes are to be increased 50 per cent over the rates imposed last year, running from 1 1/2 per cent on estates less than \$50,000 to 15 per cent on estates beyond \$50,000. The additional rates are calculated to bring in \$22,000,000 in revenue.

Total Appropriations for the Army and Navy for the Fiscal Year 1918, prior to the adoption of the new preparedness program, amounted to \$258,000,000. For the present fiscal year the appropriations are better than double, being \$613,500,000. The estimates for the next fiscal year register an increase to \$777,500,000. These may be pared to some extent, but are bound to be well over \$700,000,000.

Big Army and Navy Increase.

Here is an increase for army and navy of around \$450,000,000 for next fiscal year over the fiscal year 1918, due directly to the demands of preparedness. It includes nothing for the military cost along the Mexican border, which it is proposed to carry by bond issue. That is \$182,000,000 more.

Study of these figures tells why more revenue must be had, since at the same time the regular cost of administration increases, and the government has a number of enterprises on foot, costing millions in each case, which a few years ago it did not have. For instance, agricultural extension, aid to good roads, proposed increase of pay to government employees, armor plant, nitrate plant, Danish West Indies, Alaskan railway, federal shipping board, rural credits plan, and many other things comparatively new.

\$1,388,000,000 Is Needed.

As the matter stands, it is estimated \$1,388,000,000 will be needed by Uncle Sam to pay his way next year. This will be met by \$320,000,000 from customs, \$325,000,000 from "ordinary" internal revenue, \$134,000,000 from emergency taxes, munitions and inheritance taxes, \$132,000,000 from the corporation income tax, \$111,750,000 from individual income tax, \$66,000,000 miscellaneous receipts, \$10,000,000 Panama canal tolls, \$2,000,000 deposits for postal savings bonds, \$226,000,000 from excess profits tax, \$22,000,000 from increased inheritance tax, \$303,000,000 from bond issues covering Mexican border expense, Alaskan railway, armor plate plant, nitrate plant, Danish West Indies and shipping board.

Margin of \$41,000,000 Necessary.

The excess of these receipts over the \$1,288,000,000 needed results from adjustments which allow \$100,000,000 working balance in the treasury and an estimated treasury balance at the end of the current fiscal year of \$64,000,000.

The net result gives a margin of \$41,000,000 over the estimated requirements, which is deemed to be necessary from the fact that the figures of revenue and many of the expenditures are based upon estimates which may vary several millions in the test of experience.

Wife's Advice.

From the Boston Transcript. "Do you ever ask your wife's advice about things?" "No, sir; she doesn't wait to be asked."

For ten seconds after the close of the picture the big audiences yesterday sat breathless, then they burst into applause, for they knew they had witnessed a masterpiece. You can see it tonight.

Only Tonight, Tomorrow and Wednesday

A genuine classic of screen-art; the characters reach right out and take hold of your heart—you laugh and sob and fight with "Joe," the greatest character ever created by the surpassing artist

George Beban

the famed star of "Pasquale," "An Alien," "Sign of the Rose."

A throbbing modern drama of mother love:

"His Sweetheart"

Crammed to overflowing with true comedy, swift action and powerful heart-appeal. New Pictographs, added, at the popular

PEOPLES

Alder at West Park

A photoplay that will live overlastingly in your memory—enjoy it tonight!

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DEVELOPMENTS HOPEFUL

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By Robert J. Bender.

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Austrian Relations In Doubt.

This government has yet to reach a decision on relations with Austria. Careful consideration has led officials to feel that the break with her will not come, however, unless Austria herself precipitates it—if she has not already.

Whether peace continues or war is to come, the present situation with Germany should develop within a few days, it is officially believed. Within that time the attitude of most of the neutral nations will become publicly known and whether or not Germany intends to halt or continue the campaign President Wilson called ruthless will also develop.

Attention Centers on Neutrals.

At the same time he is employing the mailed fist to emphasize his peace hopes, the president is taking every step to prepare the country for eventualities more serious than those already developed.

With diplomatic relations at an end, there is always the constant danger that the situation between the United States and Germany will develop into a state of war; officials realize such a severance of relations has always been followed by war.

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