

# Here Are Highlights Of Eisenhower Message On 1955 Budget

WASHINGTON (AP) — Highlights from the text of President Eisenhower's message to Congress on the budget for fiscal 1955:

## FIRST GOP BUDGET

This new budget is the first prepared entirely by this administration. It provides adequately, in my judgment, for the national defense and the international responsibilities which we must undertake as a leader of the free world. On the success of this leadership depends our national security and prosperity.

## NATIONAL DEFENSE

The recommended budget continues the strengthening of our military posture; our progress in the development and production of atomic weapons; the expansion of our system of continental defense; assistance in the development of the military strength of friendly nations; and programs for rapid mobilization in an emergency should arise.

## ATOMIC ADVANCES

Authority is recommended for new and advanced work on the peacetime uses of atomic energy in the earnest hope that present international relations can be improved and the wonders of nuclear power can be turned gradually to

the development of a more abundant life for ourselves and all mankind.

## TAX REDUCTION

The reductions in expenditures already accomplished, together with those now proposed, justify the tax reductions which took effect Jan. 1 and the further tax reductions I am recommending. . . an amount approximately equal to the savings is being returned to the public in tax reductions and tax revision.

## BOLSTERING PROSPERITY

These lower taxes will encourage continued high capital investment and consumer purchases. Despite the substantial loss of revenue caused by these reductions, we have moved closer to a balanced budget.

## ESSENTIALS

NOT "DESIRABLES" — In preparing this budget the administration has directed its attention to essential activities and programs rather than to those which some might consider desirable and appropriate, at this time, for the federal government to undertake.

## FUTURE BENEFITS

But as we continue to reduce and eliminate the less desirable or unnecessary government expenditures, it will become possible to turn to other purposes which are the most desirable in terms of their benefits to all of the people.

## PARTNERSHIP

NOT PATERNALISM — This budget marks the beginning of a movement to shift to state and local governments and to private enterprise federal activities which can be more appropriately and more efficiently carried on in that way. . . . In those cases where federal participation is necessary, the effort of this administration is to develop partnerships rather than an exclusive and often paternalistic position for the federal government.

## THE BUDGET

(IN BILLIONS OF DOLLARS)

Receipts		Expenditures		Deficit	
(Truman's)	1954	1955	(Truman's)	1954	1955
	68.0	67.6	77.9	70.9	65.6
	9.9	3.3	2.9		

## 1954's RECORD

The current estimates of the 1954 budget show that the requests for new appropriations were reduced about 12.5 billion dollars, new obligatory authority was reduced more than 11 billion dollars, and expenditures were reduced 7 billion dollars below the totals estimated in the 1954 budget document of the previous administration.

## 1955's OUTLOOK

Similar reductions continue in the budget recommended for the fiscal year 1955. Recommended new obligatory authority is 4.4 billion dollars less than the current estimate for the fiscal year 1954, 15.5 billion dollars less than recommended for that year in the 1954 (Truman) budget document, and 23.9 billion dollars less than in 1953.

## SAVINGS

Thus, new obligatory authority has been reduced 15.5 billion dollars and estimated expenditures have been reduced 12.3 billion dollars since this administration took office.

## FIVE BILLION DOLLARS

Without tax reductions, a budget

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surplus was in sight for the fiscal year 1955. Together these tax reductions will total nearly 5 billion dollars.

## DEFICIT

We will still have a budgetary deficit of slightly less than 3 billion dollars for the fiscal year 1955, as now estimated. But we will continue determined efforts for economy to reduce that deficit during the 1955 fiscal year.

## CASH SURPLUS

Furthermore, despite the loss of cash revenue from the tax reductions and revisions, the total cash transactions of the government with the public are now estimated to show a small cash surplus for the fiscal year 1955. (The cash accounts consider social security contributions as government receipts; the conventional budget does not.)

## DEFENSE COSTS

Expenditures for major national security programs—for the military functions of the Department of Defense, the mutual military program, atomic energy, and stockpiling of strategic materials—dominate the budget and are estimated at 4.9 billion dollars in the fiscal year 1955. This compares with a presently estimated 48.7 billion dollars in 1954 and 50.3 billion dollars in 1953.

## MORE DEFENSE, LESS COST

Proposed reductions in major national security expenditures in 1955 represent the largest single element of reduction from the current year's level of expenditures. I emphasize, however, that these savings result from revisions in programs, from shifts in emphasis, from better balanced procurement, and from improved management and operations. Our security is being strengthened—not weakened.

## ATOM AND AIR POWER

Proposed 1955 expenditures for the Atomic Energy Commission and for the mutual military program will be at the highest levels since the initiation of the two programs. . . . Expenditures on behalf of our airpower will be the largest since World War II. Allocations of expenditures for our continental defense program will be greater than in any previous year.

## TAX PROGRAM

I am anxious to have taxes reduced as fast as that can be done without building up inflationary deficits. . . . The objective will be to return to the people, to spend for themselves and in their own way, the largest possible share of the money that the government has been spending for them.

## STARTING POINT

The start toward tax reductions is justified only because of success in reducing expenditures and improving the budgetary outlook. . . . These proposals are directed

toward removing the most serious tax hardships and tax complications, and reducing the tax barriers to continued economic growth.

## STOPPING POINT

I do not believe that the budgetary situation will permit further reductions of taxes at this time. . . . Hence, I repeat my recommendations of last May that the reductions in the general corporate income tax be deferred for one year; that the excise tax rates, scheduled to be reduced on April 1, including those on liquor, tobacco, automobiles, and gasoline, be continued at present rates; and that any adjustments in the other excise taxes be such as to maintain the total yield which we are now receiving from this source.

## NATIONAL DEBT

Nearly three-quarters of the debt we inherited a year ago matures within less than five years or is redeemable at the holder's option. Too large a proportion is in the hands of banks. These policies contributed to cheapening the dollar.

## DEBT LIMIT

The national debt is now close to the legal limit of 275 billion dollars. . . . In the second half of the calendar year, when tax receipts are seasonally low, there will be no way of operating within the present debt limit. For these reasons, I renew my request to the Congress to raise the debt limit.

## PART II

TAX PROPOSALS — Our whole system of taxation needs revision and overhauling. It has grown haphazardly over many years. The tax system should be completely revised.

## THE OBJECTIVES

Revision of the tax system is needed to make tax burdens fairer for millions of individual taxpayers. . . . It is needed to restore normal incentives for sustained production and economic growth.

## TAX REVISION

I believe that this proposed tax revision is the next important step we should take in easing our tax burdens. After it is completed further reductions in expenditures can be applied to our two objectives of balancing the budget and reducing tax rates.

- 1. Children Earning Over \$600** — I recommend that a parent should be permitted to continue to claim a child as a dependent regardless of the child's earnings if he is under 18 or away from home at school.
- 2. Heads of Families** — I recommend that widows and widowers with dependent children be allowed to split their income as is now done by married couples. This same tax treatment should be authorized for single people supporting dependent parents.
- 3. Foster Children** — At present, foster children and children in process of adoption

may not be claimed as dependents. I recommend that such children be allowed as dependents.

## 4. Expenses of Child Care

Some tax allowance can properly be given for actual costs of providing care for the small children of widows or widowers who have to work outside the home. The same tax privilege should be given to working mothers who, because their husbands are incapacitated, provide the principal support of their families.

## 5. Medical Expenses

I recommend that a tax allowance be given for medical expenses in excess of three per cent of income instead of five per cent as at present. I recommend further that the present ceiling of \$1,250 for a single person with a maximum ceiling of \$5,000 for a family should be doubled.

## 6. Sick Benefits

Insurance and other plans adopted by employers to protect their employees against the risks of sickness should be encouraged by removing the present uncertainties in the tax law.

## 7. Pension Plans

The condition for qualification for special tax treatment of employers' pension plans are too involved. Such plans are desirable. I recommend that the rules be simplified and that greater discretion be given in establishing plans for different groups of employees.

## 8. Taxation of Annuities

I recommend that tax treatment of annuities be determined on the basis of the life expectancy of the person receiving it. This will permit the hundreds of thousands of people who buy annuities to recover their capital free of tax over their life expectancies.

## 9. Double Tax on Dividends

At present, business income is taxed to both the corporation as it is earned and to the millions of stockholders as it is paid out in dividends. The double taxation is bad. . . . I recommend that a start be made in the removal of this double taxation by allowing stockholders a credit against their own income taxes as a partial offset for the corporate tax previously paid.

## 10. Estimated Returns

The burden on those required to file estimated tax returns should be reduced by increasing the number of optional ways in which an individual can estimate his tax. . . . I recommend also that the penalties resulting from underestimates be simplified.

## 11. Filing Date

To reduce the burdens of preparing and filing returns in the early months of the year, I recommend that the March 15 filing date for individuals be changed to April 15.

## 12. Business Taxes

Particular attention should be given to the revision of the law to

the problems of small and growing business concerns. A liberalization of the tax treatment of depreciation would have far-reaching effects on all business and be especially helpful in the expansion of small business whether conducted as individual proprietorships, or corporations. . . . Faster depreciation, it should be noted, will merely shift the tax deductions from later to earlier years. It will not increase total deductions.

## 13. Research and Development

I recommend that all companies be given an option to capitalize or to write off currently their expenses arising from research and development work.

## 14. Accumulated Earnings

The penalty tax on excessive accumulations of corporate earnings. . . . Is necessary to prevent avoidance of individual taxes by stockholders, but I recommend that the law be changed to make the government assume the burden of a retention of earnings is unreasonable.

## 15. Partnerships

The tax law applicable to partnerships is complex and uncertain. I recommend that it be simplified and made definite.

## 16. Optional Tax

I recommend that corporations with a small number of active stockholders be given the option to be taxed as partnerships and that certain partnerships be given the option to be taxed as corporations. . . .

## 17. Corporate Reorganization

The tax law applicable to reorganizations and recapitalizations of corporations. . . . should be simplified. . . . I recommend that a tax law permit tax-free rearrangements of stockholders' interests in corporations, so long as no corporate earnings are withdrawn.

## 18. Loss Carryback

At present, losses may be carried back and offset against prior earnings for one year and carried forward to be offset against future earnings for five years. I recommend that the carryback be extended to two years.

## 19. Soil Conservation

At present, only limited and uncertain tax deductions are allowed for soil conservation expenses on farms. I recommend that such deductions be allowed up to 25 per cent of the farmer's gross income.

## 20. Accounting

Tax accounting should be brought more nearly in line with accepted business accounting by allowing prepaid income to be taxed as it is earned rather than as it is received, and by allowing reserves to be established for known future expenses.

## 21. Corporate Taxes

I recommend that the law be tightened to remove abuses from the use of multiple corporations in a single enterprise. I also recommend that the penalty tax on consolidated returns and inter-corporate dividends be removed over a 3-year period.

## 22. Foreign Earnings

Our tax laws. . . . within reasonable limits should encourage profitable supplant government economic aid. Business income from foreign subsidiaries. . . . should be taxed at a rate 14 percentage points lower than the regular corporate rate.

## 23. Payment Dates

The irregularity of tax receipts increases the problems in managing the public debt. . . . I recommend that, beginning in the fall of 1955, a start be made in smoothing out corporation income tax payments by requiring advance payments in September and December before the end of the taxable year. Each of these payments should be made at 5 per cent of the amount due for this entire year in 1955, rising to 25 per cent each in 1956 and later years.

## 24. Administration of Tax Law

I recommend that the parts of the law covering assessments, collections, interest and penalties, the statute of limitations, and other administrative provisions be simplified and brought together in one place. . . . The regulations and administration of the tax laws are being tightened to prevent abuses by which a small minority of taxpayers avoid their fair share of taxes by misuse of expense accounts and other improper practices.

## 25. General Simplification

The entire internal revenue code needs rewriting and reorganization. Jointly, the Treasury Department and the staff of the congressional committees have developed many recommendations for changes other than those which I have described here.

## PROBLEMS AHEAD

There still are heavy national security requirements. Substantial expenditures are by law relatively nondiscretionary. The far-reaching activities of the federal government are extremely complex.

## PROGRESS TO DATE

Despite these inherent difficulties, we have made great progress. Federal expenditures have been cut substantially, tax reductions have been made justifiable, and the budgetary deficit has been sharply reduced. We have, furthermore, made appropriate provision for our national security and for our international obligations and we have been able to propose certain increases in federal expenditures to advance our domestic well-being and to foster economic growth.

## CONCLUSION

I firmly believe, therefore, that

this budget represents a government which will protect our way of life and also strengthen our economy and enhance the welfare of our people.

Dwight D. Eisenhower

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## Highlights In Congress For Today:

WASHINGTON (AP) — President Eisenhower sends Congress the first Republican federal budget in 21 years.

Eisenhower already has said that spending for the next fiscal year starting July 1 would be cut more than five billion dollars below current levels—or to about 65 billion dollars. He also indicated in his State of the Union speech that the budget will not be balanced.

St. Lawrence — The President has one early session legislative victory to his credit. The Senate last night approved 51-39 U. S. participation with Canada in constructing the St. Lawrence seaway a 27-foot-deep channel that would permit ocean vessels to reach Great Lakes ports from the Atlantic. The title must act.

Taxes—The House Ways and Means Committee continues work on another Eisenhower proposal—an overhaul of the nation's complex tax laws. The committee agreed yesterday to eliminate income taxes on most workers sick benefits paid directly by employers.

House — Approval seems assured for two bills before the House:

1. A measure to establish a separate Air Force academy and to authorize 26 million dollars to start work on it. In debate yesterday, only scattered opposition appeared.

2. A compromise bill increasing 1954 cotton planting allotments by 3,469,000 acres to a new total of 21,379,000 acres. A Senate-House conference committee approved the bill last night.

## EXECUTION

SEOUL (AP)—South Korean editor Chung Kook Gun, 38, convicted as a Communist spy, will be executed publicly by an Army firing squad Saturday, the Defense Ministry announced today.

Chung, for her editor of the newspaper Yun-Hap Shinmoon, was sentenced to death last month by a military court.

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