

Corps, and other USMC representatives also testified. Adjourned subject to call of the Chair.

#### LABOR RACKETEERING

*Committee on Government Operations:* The Bender subcommittee postponed until next Friday today's scheduled meeting to probe alleged nationwide racketeering in labor.

#### NATIONAL PARKS

*Committee on Interior and Insular Affairs:* Subcommittee on Public Lands approved for reporting to the full committee H. R. 6251, authorizing conveyance of lands embraced in Shoshone Cavern to the city of Cody, Wyo., for public recreational use; and agreed to the committee amendments, which will be offered during House consideration, to H. R. 4646, to permit Government acquisition for public uses of privately owned lands which are being managed on a sustained-yield basis or primarily for the growing of timber in exchange for public lands of equal value, etc.

Also considered 22 proposed national park concession awards, and adopted a resolution offering no objection to same. Meeting with the subcommittee was Donald Lee, Chief of Concessions Management, National Park Service.

#### HEALTH INSURANCE

*Committee on Interstate and Foreign Commerce:* Resumed its study of methods now available to groups and individuals to protect themselves against the cost of illness, and to find ways and means of expanding the same. Testifying at today's session were E. R. Leibert, Scarsdale, N. Y.; Gordon Gray, president, University of North Carolina, and chairman, Commission on the Financing of Hospital Care, Chicago, Ill.; and William S. McNary, chairman, Council on Government Relations, American Hospital Association, Chicago, Ill. Recessed until tomorrow morning.

#### U. S. FLAG—LEGAL PRACTICE— IMMIGRATION-NATIONALITY

*Committee on the Judiciary:* Subcommittee No. 1 approved for reporting to the full committee S. 2111, permitting the U. S. flag to fly 24 hours each day in Flag House Square, Baltimore, Md. Also approved 38 private immigration bills (7 of the House and 31 of the Senate), and H. Con. Res. 197, granting status of permanent residence to certain aliens. Reported adversely on 51 private immigration bills of the House.

The subcommittee also reported adversely on the following bills—H. R. 139, to make it a Federal offense to use the U. S. flag for advertising purposes, or to mutilate, defile, or cast contempt upon it; H. R. 485, making eligible for practice before any administrative agency, members of the bar of the highest court of a State, Territory, possession, or the District of Columbia; H. R. 1020, prohibiting use of U. S. flag for advertising pur-

poses; H. R. 1265, amending U. S. Code, regarding eligibility of members of the bar of the Supreme Court to practice before all U. S. courts of appeals and district courts; H. R. 1744, similar to H. R. 485, above; H. R. 2117, to provide that members of the bar of the U. S. district court shall be eligible to practice before all administrative agencies; H. R. 3417, amending U. S. Code regarding imposition of penalties for using U. S. flag for advertising purposes; and five bills providing for repeal of the Immigration and Nationality Act of 1952 (H. R. 220, 435, 2710, 2959, and 3914).

#### TAX COURT

*Committee on the Judiciary:* Subcommittee No. 3 approved the following bills for reporting to the full committee—S. 984, amended, making provision for judicial review of certain Tax Court decisions; and H. R. 1067, amended, to authorize the U. S. Supreme Court to make and publish rules for procedure on review of decisions of the Tax Court of the United States.

#### POSTAL RATE READJUSTMENTS

*Committee on Post Office and Civil Service:* Resumed executive consideration of H. R. 6052, a bill to readjust postal rates. Recessed on the legislation to tomorrow morning.

#### PRIEST RAPIDS, WASH.

*Committee on Public Works:* Subcommittee on Flood Control resumed hearings on H. R. 4898 and H. R. 4899, bills relating to development of the Priest Rapids dam site on the Columbia River, Wash. Witnesses were Representatives Holmes and Magnuson, authors of the respective bills; and Brig. Gen. E. C. Itschner, Deputy Chief of Engineers, Department of the Army.

The subcommittee met in executive session following the hearing and suggested that Representatives Holmes and Magnuson introduce a clean bill embodying amendments suggested by executive departments.

#### ST. LAWRENCE SEAWAY

*Committee on Public Works:* Announced that an executive session will be held Wednesday morning, February 3, to consider St. Lawrence seaway.

#### ANTI-SUBVERSIVISM

*Committee on Un-American Activities:* Chairman Velde announced the following legislative recommendations based upon investigations and hearings in the year 1953—

That the Smith Act be amended so that in the field of the law of evidence it should be provided that proof of membership in the Communist Party shall constitute prima facie evidence of violation of the act;

That legislation be enacted to permit as evidence the results of technical surveillance in matters affecting the national security, provided that adequate safeguards are adopted to protect the civil liberties of all citizens;

That adequate legislation be enacted to provide against this misuse of the fifth amendment and the Bill of Rights, which

misuse prevents the committee from obtaining facts and information necessary to the proper function of the committee;

A study of the anti-Communist oath provisions of the Taft-Hartley Act, with the view of strengthening the provision of said act to prevent Communist infiltration into unions;

That legislation be enacted to make it a crime for any person or persons unauthorizedly to transport in interstate commerce any Government document falling within a top secret, secret, or confidential classification;

That legislation be enacted forbidding the use of the U. S. mails under second-class mailing privileges to subversive publications emanating either from foreign sources or from sources within the borders of the United States. It is also recommended that the Internal Security Act of 1950 be amended to permit the citing of said publications as subversive;

That the Foreign Agents Registration Act of 1938 be reexamined to determine its effectiveness in controlling and exposing subversive activities; and

That in any instance where a person holding a commission in the armed services chooses to refuse to answer questions by a duly authorized authority concerning his present or past membership in the Communist Party, such commission should be immediately revoked.

## GENERAL TAX REVISION

*Committee on Ways and Means:* Announced that the following substantive changes were agreed to today during its executive consideration of the general revenue revision bill for 1954—

### *Accounting Principles*

Considered a series of provisions designed to bring the income-tax provisions of the code into harmony with accepted accounting principles for reporting income and expenses. The adoption of these principles means that income will be reported as earned, expenses will be deductible at the same time the related income is reported; the "lumping" of income, when accounting methods are changed, will be prevented; and income will not be reported more than once, or omitted, and that expenses will not be deducted more than once, or omitted, when the taxpayer changes from one accounting system to another.

1. *Prepaid income.*—Present law generally taxes income upon receipt even though the taxpayer receives it in advance of the period in which it is earned and even though the deductions which ordinarily would be offset against this income cannot yet be taken. The committee adopted a provision which would give accrual basis taxpayers the option to report this "prepaid" income as it is earned if this period is not more than 5 years after the year of the receipt of the income. Where the expenses attributable to the income are incurred over more than a 5-year period the prepaid income can be written off ratably over the current year and next 5 years or in any other manner approved by the Internal Revenue Service. This treatment is to be available only for income received after the end of 1953.

2. *Shift from accrual to installment method.*—Present law, when a taxpayer shifts from an accrual to an installment method of accounting, in the year of change taxes some of the taxpayers income already taxed in the prior year. An accrual-basis taxpayer, for example, who sells articles which represent \$100,000 in gross income to him would have to include the entire amount in his income in the year of sale even though he does not collect \$20,000 of this gross income until the next year. If for the next year he shifts to the installment method of accounting, that is, reporting the income as he received it, the \$20,000 of gross incomes on collections on prior sales would have to again be reported for income-tax purposes. The committee adopted a provision which provides that a taxpayer shifting from an accrual to an installment method of accounting is not to be taxed twice

on the same income. The single tax imposed with respect to this amount included in income of the first year under the accrual method of accounting and in income of the second year under the installment method is to be the lower of the two taxes attributable to it. The tax attributable to this income is the same percentage of the total tax which the amount is of total gross income. In the example cited in this paragraph, if the \$20,000 were 10 percent of gross income in the first year, under the accrual method, and the total tax in that year \$75,000, the tax attributed to this income would be \$7,500. If in the second year, under the installment method, the \$20,000 were 13 $\frac{1}{3}$  percent of gross income and the tax (including the tax on this income) \$45,000, the tax attributed to this income would be \$6,000. Since the \$6,000 is the lower of the two taxes the final tax in the second year would be only \$39,000.

3. *Reserve for estimated expenses.*—Present law permits a deduction for expenses only when the liability becomes fixed and the amount is certain. Because present law requirements are not in accord with accepted accrual accounting principles the committee adopted a provision which permits taxpayers (other than those on a cash basis) to take a deduction for reasonable additions to reserves for estimated expenses. The expenses must be related to income taxed during the year and of a type which the Secretary or his delegate is satisfied can be reasonably estimated. Reserves for contingencies, indefinite future losses, and amounts in litigation would not fall in this category. At the end of each year these reserves are to be reexamined and any amount found to be excessive is to be added back to income for that year. Examples of the types of reserves referred to above are cash discounts valuation reserves against outstanding receivables, reserves for cost of product guaranties and reserves for such expenses accrued at the end of a year for vacation pay, cost of handling, packing, shipping, etc., merchandise sold but undelivered, and self-insured cargo claims pending.

4. *Research and experimental expenditures.*—Adopted a provision which provides specifically that a business can either write off research and experimental costs in the year in which incurred or elect to treat them as deferred expenses to be written off over a period of 5 years or more. A method for the treatment of these expenditures once adopted must be adhered to for subsequent years unless approval for a change (with respect to all or a part of the expenditures) has been obtained from the Secretary or his delegate. This provision does not apply to expenditures for land, depreciable or depletable property or mineral, oil or gas exploration. At the present time the Internal Revenue Service is permitting taxpayers to expense, rather than capitalize, certain research expenditures, but there is no specific statutory authority for this treatment. This will be particularly beneficial to small business which may have been unaware of the possibility of expensing these amounts.

5. *Organizational expenditures.*—Present law requires a corporation to capitalize expenses incident to their organization and at present there generally is no way in which these expenses can be written off prior to the corporation's liquidation. The committee adopted a provision which permits these expenses to be treated as deferred expenses and written off over a period of 5 years or more.

6. *Adjustments for changes of accounting methods.*—At present taxpayers who request permission to make a change in their method of accounting must make certain adjustments in the year of change. The adjustments are necessary to prevent income and expenses from being reported twice and to prevent the omission of certain income entirely. However, in certain instances where a change in accounting methods is made involuntarily, the courts have denied the Internal Revenue Service the right to require these adjustments. The committee adopted a provision requiring these adjustments to be made in all cases where there is a change in accounting methods. This does not apply,

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however, in the case of a shift from an accrual to an installment basis of accounting (see paragraph No. 2, today).

The committee provision also provides an averaging device, where these adjustments are made, if (a) the taxpayer has not changed his method of accounting in the prior 2 years, and (b) the adjustments increase his taxable income by more than \$3,000 in the year of change. The averaging device provides that the tax of the person making the change is not to be increased by more than it would be if the income attributable to the adjustment were spread evenly over the year of the change and the 2 prior years.

7. *Repayments of amounts previously included in income.*— Under existing law when a taxpayer is required to repay an amount which he had previously included in income, he is allowed a deduction equal to that amount in the year the income is repaid. If the taxpayer has little or no other income in the year of repayment he may derive no benefit from part or all of this deduction. The committee adopted a provision which permits a taxpayer who repays more than \$3,000 to go back to the year the amount was reported as income and recompute his income for that year omitting the amount which had to be repaid.

Recessed on the subject until tomorrow morning.

## BILLS SIGNED BY THE PRESIDENT

## New Laws

S. 727, to provide that certain costs and expenses incurred in connection with repayment contracts with the Deaver, Willwood, and Bell Fourche Irrigation Districts shall be nonreimbursable. Signed January 30, 1954 (P. L. 289).

H. R. 6665, establishing cotton acreage allotments for 1954. Signed January 30, 1954 (P. L. 290).

H. R. 7209, to continue the effectiveness of the Missing Persons Act until July 1, 1955. Signed January 30, 1954 (P. L. 291).

COMMITTEE MEETINGS FOR TUESDAY,  
FEBRUARY 2

(All meetings are open unless otherwise designated)

## Senate

*Committee on Agriculture and Forestry*, on S. 1386, to amend section 2 of Commodity Exchange Act relating to meaning of word "commodity," 10 a. m., 318 Senate Office Building.

*Committee on Appropriations*, Subcommittee on Army Civil Functions, on Missouri River Basin project, 10 a. m., room F-39, Capitol.

*Committee on Armed Services*, Subcommittee on Real Estate and Military Construction, on Air Force real-estate acquisition projects, 10 a. m.; Hendrickson-Cooper-Kefauver subcommittee, on miscellaneous bills, 2 p. m., both in 212 Senate Office Building.

*Committee on Banking and Currency*, on operations of the Export-Import Bank and International Bank for Reconstruction and Development and their relationship to expansion of international trade, with foreign witnesses, 10 a. m., 301 Senate Office Building.

*Committee on Foreign Relations*, executive, on nominations, 10:30 a. m., room F-53, Capitol.

*Committee on Interior and Insular Affairs*, Subcommittee on Territories and Insular Affairs, executive, to consider Alaska statehood legislation, 10 a. m., 224 Senate Office Building; Minerals, Materials, and Fuels Economic Subcommittee, to hear

## Joint Committee Meetings

## PRESIDENT'S ECONOMIC REPORT

*Joint Committee on the Economic Report*: Committee met in executive session with Rowland R. Hughes, Assistant Director, Bureau of the Budget. Mr. Hughes discussed with the committee the Federal budget and its relation to the recommendations contained in the President's economic report.

Committee will continue tomorrow in open session with testimony from Secretary of the Treasury Humphrey.

## D. C. PUBLIC WORKS

*Joint meeting*: Subcommittees on Fiscal Affairs of the Senate and House Committees on the District of Columbia concluded open hearings on H. R. 7389, to authorize and finance a program of public works construction for the D. C., with testimony today from James L. Martin, Assessor of the D. C.

Maj. Alexander de Seversky on use of titanium in aircraft production, 10 a. m., 457 Senate Office Building.

*Committee on the Judiciary*, subcommittee, on nomination of Gov. Earl Warren to be Chief Justice of U. S. Supreme Court, 10 a. m., 424 Senate Office Building.

*Committee on Labor and Public Welfare*, on Taft-Hartley amendments, 10 a. m.; on nomination of Albert Cummins Beeson to be a member of the NLRB, 2:30 p. m., both in room P-63, Capitol.

*Committee on Post Office and Civil Service*, on S. 2244, promotion by merit of postal service employees, S. 361, adjustment of compensation under contracts for carrying mail on water routes, S. 2773, transportation of mails on motor-vehicle routes, and S. 2728, collection of indebtedness of military and civilian personnel resulting from erroneous payments, 10 a. m., 135 Senate Office Building.

## House

*Committee on Agriculture*, to hear representatives of CROP on disposition of surplus commodities, 10:30 a. m., 1310 New House Office Building.

*Committee on Armed Services*, to resume on H. R. 7103, to establish limitations on the number of officers who may serve in the commissioned grades in the armed services, 10 a. m., 313-A Old House Office Building.

Subcommittee No. 1, on two bills relating to the National Advisory Committee for Aeronautics, 2 p. m., 313-A Old House Office Building.

*Committee on Foreign Affairs*, Subcommittee on International Organizations and Movements to hear Henry Cabot Lodge, Jr., U. S. representative to the United Nations, 2:30 p. m., G-3 U. S. Capitol.

*Committee on Government Operations*, Subcommittee on Military Operations to hear Rear Adm. Murray Royar on the Navy's conversion program regarding cataloging. Will also hear Roger F. Hepenstal, Director of Federal Cataloging Program, 10 a. m., 429 Old House Office Building.

*Committee on Interior and Insular Affairs*, regular meeting day, executive, 10 a. m., 1324 New House Office Building.

*Committee on Interstate and Foreign Commerce*, on health-insurance inquiry, 10 a. m., 1334 New House Office Building.

*Committee on the Judiciary*, regular meeting day, executive, 10:30 a. m., 346 Old House Office Building.

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February 1

*Committee on Merchant Marine and Fisheries*, Subcommittee on Panama Canal, executive, 10 a. m., 219 Old House Office Building.

*Committee on Post Office and Civil Service*, on H. R. 6052, postal rate revision bill, executive, 10 a. m., 213 Old House Office Building.

Hagen Subcommittee on Federal Civil Service, executive, 9:30 a. m., 213 Old House Office Building.

Gross subcommittee on H. R. 7201, and H. R. 7554, providing for compensation of certain employees on days when departments or establishments of the Government are closed by administrative order, executive, 9:30 a. m., 213 Old House Office Building.

*Committee on Public Works*, Subcommittee on Rivers and Harbors on sundry projects, 10 a. m., 1304 New House Office Building.

*Committee on Ways and Means*, on general revenue revision bill for 1954, executive, 10 a. m., 1102 New House Office Building.

## Joint Committees

*Joint Committee on the Economic Report*, on President's economic report, with Secretary of the Treasury Humphrey, 10 a. m., 1301 New House Office Building.

*Joint Committee on Atomic Energy*, executive, to hear Lewis L. Strauss on statistics report from AEC, 2:30 p. m., room F-88, Capitol.