

REMARKS OF HONORABLE JOHN E. FOGARTY, REPRESENTATIVE OF THE SECOND CONGRESSIONAL DISTRICT OF RHODE ISLAND IN THE HOUSE OF REPRESENTATIVES ON JUNE 12, 1958 IN SUPPORT OF HIS BILL TO ENCOURAGE THE ESTABLISHMENT OF VOLUNTARY PENSION PLANS BY SELF-EMPLOYED INDIVIDUALS.

Mr. Speaker. I have received many communications from professional groups and individuals urging that legislation be enacted to enable self-employed persons to establish their own retirement programs. These communications have pointed out that under present law corporate officials and their employees are allowed substantial tax reductions on amounts contributed to corporate pension or retirement programs for the benefit of these officials and employees. No such tax savings are permitted self-employed individuals for amounts they contribute to their private pension or retirement plan.

This to me, Mr. Speaker, is regrettable discrimination against self-employed taxpayers in that they are denied the tax benefits accorded to employees generally for their retirement. Physicians, dentists, lawyers, accountants, farmers, self-employed businessmen and many other individuals are thus refused equal treatment under our tax law. They are denied the opportunity to make realistic provision for their years of retirement.

Bills have been introduced in the Congress over the past several years to correct this obvious inequity. Unfortunately, to date none of them has received the necessary approval of the Committee on Ways and Means which would permit action by the full House of Representatives. I am confident that should such a bill come before us for a vote it would receive the overwhelming support of the distinguished membership of this great legislative body.

Since time is running out in this session, Mr. Speaker, and since I firmly believe that legislation of this type is a must for favorable action in this Congress, I have today introduced a companion bill to those already submitted. My purpose is to bring to the attention of the Committee the urgency of the need for immediate action if we are to correct this tax inequity before adjournment. Simply stated the bill I have introduced would allow self-employed individuals to exclude amounts up to 10 per cent of their otherwise taxable income in computing their tax liability, provided such amounts are invested in prescribed types of retirement funds, annuities, and insurance contracts. It would provide an annual

maximum deduction of \$5,000 and a lifetime maximum deduction of \$100,000. Appropriately, the legislation would allow a somewhat larger annual deduction for individuals who are over 50 years of age at the time the legislation becomes effective. The amounts excluded from tax would become subject to tax as they are withdrawn after the taxpayer reaches 65 and retires.

Thus, a small businessman running his own individual company or a professional man who is self-employed such as an accountant, lawyer, druggist, physician or dentist, would, for the first time be able to intelligently plan for his retirement. Such an individual with a net taxable income of \$10,000 would be permitted to apply \$1,000 of it to the purchase of an annuity or insurance contract. From experience we know that any person who works for a living faces tremendous difficulty in attempting to provide for the needs of his family out of currently earned income after the payment of taxes. In the great majority of cases a self-employed person finds it impossible to take care of his family and still put aside something for his later years. The application of this bill would permit such a person to provide for family needs and at the same time invest a moderate sum in a retirement program.

From this brief description of the bill it is evident that self-employed individuals from all walks of life would receive deserved benefit from its enactment. It seems to me to be a matter of simple justice that the millions of American citizens who are now victims of discrimination in our present tax structure be offered the benefit of equal treatment under our tax law. I hope, Mr. Speaker, that the Committee on Ways and Means takes quick action to report out the bill and that the members of this House be given the opportunity to extend to this large group of self-employed the tax fairness and tax equity to which they are entitled.