December 5, 1955

Honorable Harry F. Byrd, Chairman
Senate Finance Committee
Senate Office Building
Washington, D. C.

My dear Senator:

Many of my constituents have been writing to inquire about the prospects for action to reduce or repeal the 20% federal tax on amusements. President James C. Petrillo has written me asserting that the repeal of this particular tax would substantially increase, rather than decrease, the federal revenues by reason of the increased income of places of entertainment and other workers employed therein who are now unemployed because of the tax.

Mr. Petrillo's argument is a summary of the paper entitled "Economic Impact of the Federal Excise and Sales Tax System" -- a case study by the economist A. W. Zelomek. This case study can be found in a congressional document, "Federal Tax Policy for Economic Growth and Stability," prepared for Congressman Mills' Taxation Subcommittee of the Joint Committee on the Economic Report, beginning page 594.

The report as a whole is worthy of consideration. Its chief thesis appears to be that the progressive structure of the federal income tax is almost completely nullified by the sharply regressive impact of other state and federal taxes, particularly excise taxes. This is a startling conclusion, and one to which I believe we should devote some hard thought in any impending review of our tax policy and revisions in our tax laws.

With kindest personal regards,

Yours very sincerely,