Dear ...:

I can fully appreciate your deep interest in the Simpson-Keogh Bill. As a matter of fact, I can see equity in it and also the principle which is involved in placing self-employed people, particularly professionals, in line with all others who enjoy the benefit of pension plans.

We are, however, confronted with another problem which I can recite in brief.

First, it is agreed that for the full calendar year in which this Bill might be in effect, it would cause a reduction of at least $365,000,000 in anticipated revenues and would, therefore, make that much of a hole in the President's 1960 Budget.

Secondly, in the case of teachers, social security beneficiaries, retired railroad workers, and others who participate in a contributory pension plan, it must be expected that they would immediately demand similar treatment with respect to that portion of the payment into a pension plan which the individual contributes. The Treasury estimates that this would cost the Government $3,000,000,000 more or less, in diminished revenues.

Finally, there is the fact that preponderant benefits would go to a small percentage of those who did enjoy the benefit of this Bill. It is estimated that 50 percent of the benefits would go to about 6 percent of eligible individuals.

Here, then, is the story which is the basis for Treasury opposition and, I dare say, the President's opposition to this proposal. Moreover, it would appear that there is no way of amending it to bring it closer in line with budget requirements. In prior years, I gave a sort of tentative commitment on this bill. But it should be remembered that now with a balanced budget in reach and the tremendous impact it will have in dampening inflationary fevers, I feel compelled in the whole public interest to oppose enactment of this measure. This is not a happy position to take, but it is taken with the well-being of the whole country in mind at this particular time. If this proposal came on at a time when the budget was in balance to the extent that this loss in revenue would not disturb into a state of imbalance, I am certain that the principle embodied in this bill would have wide appeal and command very strong support. In fact, I have endorsed the principle myself.

Sincerely,

Everett McKinley Dirksen
Dear ....:

Certainly the purpose of the so-called Simpson-Keogh bills heretofore known as the Jenkins-Keogh bills, and bearing the numbers H.R. 9 and 10, is good, but it does involve a very substantial diminution in revenues which would seriously affect the President's budget and the effort now under way to keep that budget in balance by protecting existing revenues and keeping expenditures in line.

If it does have this effect I shall want to reconsider this whole proposition very carefully.

Sincerely,

Everett McKinley Dirksen
March 17, 1959

Dear:

Coming at this time the so-called Simpson-Keogh bill to permit tax reductions up to $2500 a year by self-employed persons is unjustified on at least five grounds.

First, it is pretty well agreed that it would blow a $365 million hole in the 1960 budget. Second, its benefits are limited to one economic group. Third, it would effect an estimated $3 billion hole in the budget if it were uniformly applied across the board to all who might be eligible for its benefits. Fourth, by far the largest share of the benefits -- in fact, 60 percent -- would go to those in the upper income brackets, and finally, it piles another inequity on those which already exist in the present law.

It would be far better to withhold action on this measure at this time until a better review and revision of our laws can be developed.

Sincerely,

Everett McKinley Dirksen
March 26, 1959

Dear ...:

Bills similar to the Keogh-Simpson voluntary pension plan for self-employed have been before Congress at one time or another since 1951 and one of them, namely, the Jenkins-Keogh bill, passed the House in July of 1958.

The problems raised by this measure are substantial. The revenue loss is estimated at $365,000,000. If all taxpayers were allowed to deduct retirement savings on the same basis, the revenue loss is estimated at 3 billion dollars and already bills to provide just that have been introduced.

It is believed that the modest penalty provided to discourage withdrawal and use of the savings would not be effective and would be offset by other tax exemptions.

It is contended that the proposal equalizes the position of self-employed with others who get tax deferral on contributions made by employers under an approved pension plan. There is, of course, a big difference. Self-employed would at all times retain rights to the funds which are trusteed, but in the case of employees under pension plans, the right to such benefits does not, in fact, come into being until they have qualified by years of service under the plan.

Employees are excluded from this plan if at any time they have been covered by a pension profit sharing or stock bonus plan or are drawing wages covered by a plan EVEN THOUGH THE RIGHTS AND BENEFITS MIGHT BE FORFEITTED. This would seem rather hard to justify. If on the other hand all were included, the revenue losses would be enormous.
United States Senate
WASHINGTON, D.C.

March 26, 1939

It is estimated also that over 80% of the benefits would go to those with incomes over $10,000 as against less than 20% to those with incomes under $10,000 and yet the latter group constitutes 81% of all the returns filed for self-employed and this totals about five of the six million self-employed who file returns.

These are but some of the things that come up in connection with a matter of this kind and there are several others which have to be taken into account. I shall continue to give the matter my best attention.

Sincerely,

Everett McKinley Dirksen