July 18, 1969

Dear:

The House Committee on Ways and Means is now in the process of preparing a revenue reform measure to be presented to the Congress. The Committee has indicated that the measure will contain amendments to that part of our revenue laws that deal with the tax treatment of farm income. A similar measure has been introduced in the Senate by Senator Metcalf and others.

The Congress is concerned over the abuses of the present law that have been brought to our attention. Many persons have found it to be very much to their advantage taxwise to be able to claim farm losses against their ordinary income and then only pay a capital gains tax on the sale of livestock. They are not farmers in the ordinary sense at all, by far the major portion of their income is derived from other sources—the farm is a tax avoidance device that they have employed to reduce their taxes. It is this type of "tax farming" that the Congress will change. Ordinary farmers will not be affected adversely by the measures under consideration.

Sincerely,

Everett McKinley Dirksen