The original documents are located in Box D14, folder "House Speech Taxes, February 28, 1951" of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

G.R.F., Jr.

GERALD R. FORD, JR. - MICHIGAN

MR. SPEAKER - The President in his proposals for a 16 billion dollar increase in the federal tax burden has recommended that the maximum tax on capital gains be increased from 25 to 37½ per cent. There may be some need and justification for an over-all increase in this rate but such an increase would accentuate in at least one instance what is already a gross inequity in the law. I refer specifically to the imposition of the capital gains tax on the profit on the sale of a home where the individual reinvests the proceeds in another home.

Recent testimony before the House Committee on Ways and Means has brought to the forefront the need for a revision in existing law. The staff of the Joint Committee on Internal Revenue Taxation two years ago recognized the gross inequity in the present law and recommended that legislative action be taken to remedy the situation. The Treasury Department says it has the matter under study.

I firmly believe the Congress should take the necessary action during this session. In January of 1950 I introduced H.R.6815 which would to a substantial degree handle the situation. On January 9, 1951 I reintroduced the same bill in the 82nd Congress. It is my understanding that other proposals of a similar nature are before the Committee on Ways and Means.

At the present time the Treasury, and it would be worse if the President's tax recommendations are approved, has a "heads-I-win-tails-you-lose" policy. The federal government says to its citizens, you cannot deduct a real loss on the sale of your home in computing your income tax and at the same time makes its taxpayers pay a tax on purely theoretical gains.

Recently a witness before the Committee on Ways and Means gave the following testimony in reference to this problem:

"Let me give you a glaring example of what the present law does. Suppose that in 1946 I bought a home in Detroit for $10,000 and my brother bought one in Cleveland for $10,000. As a result of the cheapening of the value of the dollar, the fair market value of my home in Detroit is now $15,000 and the fair market value of my brother's home in Cleveland is similarly $15,000. I am transferred to Cleveland from Detroit and my brother is transferred to Detroit from Cleveland, and we decide simply to trade homes.

"The law now says that I realize a taxable gain of $5,000 when I take over my brother's house, and he realizes a taxable gain of $5,000 when he takes over my house. Because we were transferred in our jobs, we are each penalized to the extent of the tax on $5,000 worth of increased value which is not real gain.

"Let us take another example. I have been employed by the X Corporation in Midville, U.S.A., for 20 years. Midville is essentially a one-industry town. The X Corporation at its plant in Midville produces aluminum windows. It also has a plant in Centerville, U.S.A., where it produces various other aluminum products. The National Production Authority prohibits the Midville plant from making any more aluminum windows, and the Centerville plant has received a large order from the Military Establishment for the production of vital parts for military aircraft. Because of the National Production Authority order it is necessary to the X Corporation to close down - at least temporarily - its Midville plant, but it needs all of its key Midville employees to work on the military contracts at its Centerville plant. I am one of the employees transferred to Centerville.

"Because of the closing down of the plant at Midville, I, along with many other employees in Midville, am forced to sell my home. But because Midville is essentially a one-industry town, and the industry is shutting down, I cannot sell my home even for what I paid for it and I am forced to take a substantial loss. Yet, when I purchase a new home in Centerville, I am compelled to pay a higher price."

Here is another situation. Under existing law, if for example Mr. Jones' home is destroyed by fire, or by flood, or by some other catastrophe, or if it is taken by the government for public purposes, the gain, if any, resulting from the insurance indemnity or the condemnation award is not recognized, provided I use the proceeds thereof to acquire another home. But if Jones is forced to move from one city to another because of a change in his job, he is caught in a trap. If his old home has increased in value over the original purchase price, this increase will be taxed to him as a gain, yet at the same time he is required to pay a comparable price for his new home. Jones had a home, and now all he has is another one, the cost of which takes all the proceeds from the sale of his first home. Neither residence is worth any more or any less than the other. But in changing his home, he has incurred a substantial tax liability to the federal government. Naturally the home owner does not believe that this sort of treatment is fair.

It is most important during the critical mobilization period that the Congress help rather than hinder the mobility of our working men and women.

The adoption of the President's tax recommendations without a change in the Internal Revenue Code along the lines contained in my bill will definitely penalize citizens who must move from one place to another in order to find employment in the defense rearmament program. The perpetuation of the present law with a 20% increase in the penalty for small income home owners will hamper and impede our mobilization effort. Furthermore, it is morally indefensible to continue this "heads-I-win-tails-you-lose" policy. Congress must do something this year to alleviate this unwarranted hardship on a vast segment of the American people.