and Georgia, being administered by the Florida Game and Fresh Water Fish Commission; H. R. 11702. An act to provide for the sale of lands in spinel areas under the jurisdiction of the Department of the Army for cottage site development and use.

On August 9, 1956:


HOUSE BILLS DISAPPROVED AFTER SINE DIE ADJOURNMENT

The message further announced that the President had disapproved the following bills of the House; his reasons for such actions are as follows:

IMPROVEMENT OF PRIVATE PROPERTY, DISTRICT OF COLUMBIA

H. R. 4993. I have withheld my approval of H. R. 4993, to authorize the Board of Commissioners of the District of Columbia to permit certain improvements to two business properties situated in the District of Columbia.

The two properties involved, owned by private corporations as gasoline filling stations in a residential use district. Under the zoning regulations promulgated pursuant to the act of March 1, 1920, as amended by the act of June 20, 1938, these properties may be continued as such in the category of nonconforming uses because they were in existence prior to the enactment of the zoning statute. However, under certain conditions, these nonconforming uses cannot be physically extended, enlarged, or improved. At present there are approximately 5,000 nonconforming uses in the District of Columbia.

The Board of Commissioners of the District of Columbia and the National Capital Planning Commission have had underway for the past 3 years a study looking to a complete revision of the zoning regulations for the District of Columbia. That study is almost completed, and when completed will doubtless include provisions dealing with the problem of nonconforming uses. We should not single out two of these now by special legislation and provide benefits for them which cannot be enjoyed by any of the other many nonconforming uses. To do so would constitute an invitation for other special legislative exceptions which, if enacted, could frustrate comprehensive planning and make impossible the orderly development of the Federal City.

I am unable to approve the bill because (1) the methods of control of lake levels and protection of property on the Great Lakes should be considered before arbitrary proceeding with the proposed diversion; and (2) the diversion has been authorized without reference to negotiations with Canada, and (4) the legitimate interests of the States of Illinois, Wisconsin, Michigan, and New York may be adversely affected.

A comprehensive report by the Corps of Engineers which will include consideration of the best methods of obtaining improved control of the levels of the Great Lakes and of preventing recurrence of damage along the shores is near completion. I am asking the Secretary of Defense to expedite completion of this report. This report is in addition to the technical studies of the effects of an increased diversion into the Illinois Waterway which has been made by the Joint Lake Ontario Engineering Board to the International Joint Commission. I think it would be unwise to proceed with the diversion in the manner proposed in H. R. 3210 until all relevant information has been obtained, particularly since objections to the proposed diversion have been registered by the Canadian Government in its note dated February 13, 1956, and additional objections filed by legal advisers of the States of Wisconsin, Ohio, and New York. Although I am fully aware of the seriousness of some of the problems confronting the Chicago area and the State of Illinois, the record on H. R. 3210 affords no basis for me to change my position in this matter. Accordingly, under the circumstances, I am convinced that the bill should not be approved.

I am asking the State Department to engage in discussions with the Canadian Government in an attempt to work out a solution to these problems as soon as all pertinent facts are available.

Dwight D. Eisenhower,

The White House, August 9, 1956.

TAXES, REAL-ESTATE INVESTMENT TRUSTS

H. R. 4392. I am withholding my approval from H. R. 4392, entitled "An act to amend the Internal Revenue Code of 1954 to provide for the avoidance, as deductions, of contributions to medical research organizations."

On August 8, 1956:

H. R. 11911. An act to authorize negotiations with respect to a compact to provide for the sale of lands in reservoir areas under the jurisdiction of the Federal Power Commission, and for the appointment by the President of a Federal representative to the compact negotiations.

On August 9, 1956:


LAKE MICHIGAN, DIVERSION OF WATER

H. R. 3210. I have withheld my approval of H. R. 3210, to authorize the State of Illinois and the Sanitary District of Chicago to increase from 1,500 to 2,500 cubic feet per second the diversion of water from Lake Michigan into the Illinois Waterway for a period of 3 years.

H. R. 3210 would also direct the Secretary of the Army to make a study with respect to the effect of the diversions on the lake levels and protection of property on the Great Lakes. The act would authorize without regard to the existence of negotiation with Canada, and (4) the legitimate interests of the States of Illinois, Wisconsin, Michigan, and New York may be adversely affected.

A comprehensive report by the Corps of Engineers which will include consideration of the best methods of obtaining improved control of the levels of the Great Lakes and of preventing recurrence of damage along the shores is near completion. I am asking the Secretary of Defense to expedite completion of this report. This report is in addition to the technical studies of the effects of an increased diversion into the Illinois Waterway which has been made by the Joint Lake Ontario Engineering Board to the International Joint Commission. I think it would be unwise to proceed with the diversion in the manner proposed in H. R. 3210 until all relevant information has been obtained, particularly since objections to the proposed diversion have been registered by the Canadian Government in its note dated February 13, 1956, and additional objections filed by legal advisers of the States of Wisconsin, Ohio, and New York. Although I am fully aware of the seriousness of some of the problems confronting the Chicago area and the State of Illinois, the record on H. R. 3210 affords no basis for me to change my position in this matter. Accordingly, under the circumstances, I am convinced that the bill should not be approved.

I am asking the State Department to engage in discussions with the Canadian Government in an attempt to work out a solution to these problems as soon as all pertinent facts are available.
method of taxation which present law provides for regulated investment companies. The effect would be to exclude from the corporate tax all but a small margin of retained earnings of real-estate trusts.

While the bill assumes a similarity between trusts and regulated investment companies, there are important differences between the two situations. The income of regulated investment companies is generally derived from real estate as contrasted with income trusts. The conduct of business and the assets of income trusts are generally subject to corporation income tax. In the case of regulated investment companies, therefore, the conduct of business merely avoids an additional level of corporate taxation, which for dividend income consists of the tax on the portion of dividends remaining after the 85 percent intercorporate dividends deduction.

By contrast, the conduct of business proposed for real-estate trusts would entirely remove the corporate income tax from much of the income originating in their real-estate operations. It is by no means clear how far a new provision of this sort might be applied. Though intended to be applicable only to a small number of trusts, it could, and might well become, available to many real-estate companies which were originally organized and have always carried on their activities as fully taxable corporations.

For these reasons, I am constrained to withhold my approval of the bill.

Dwight D. Eisenhower.
The White House, August 10, 1956.

TAXES, ROYALTIES ON PATENTS AND COPYRIGHTS

H. R. 7643. I am withholding my approval of H. R. 7643. "An act to amend the Internal Revenue Code of 1939 and the Internal Revenue Code of 1954 with respect to foreign tax credit for United Kingdom income tax paid with respect to royalties and other like amounts." This bill would extend to firms with a permanent establishment in the United Kingdom that receive royalties there a credit for the income tax paid by them to the United Kingdom on the payment of the royalties. This provision would be retroactive to 1950. Under the income tax convention with the United Kingdom royalties received by a United States licensor are not subject to income tax in the United Kingdom if the recipient has no permanent establishment there. If it does have a permanent establishment, the royalty is subject to British taxation. The American recipient reports the net amount of royalties from British sources and receives no United States tax credit for the British tax paid. This treatment under United States law arises from two court decisions (Trico Products Corp. v. United States, 336 U.S. 41 (1949); and United States v. Irving Air Chute Co. Inc. v. United States, 332 U.S. 217 (1947)). The combined effect of the United States income tax law and the income tax convention with the United Kingdom is to produce a different combination of the British and United States taxes on the royalties paid some American recipients than on others. However, the Treasury Department is of the opinion that the cause of this difference in treatment is not by the provisions in the convention itself. The appropriate way to correct the situation would be modification of the convention. The Treasury Department is currently conducting discussions on the convention with the British and will add this problem to the agenda.

The present status of royalty payments from the United Kingdom to the United States has been well known to interested parties at least since the convention was adopted in 1945. Many arrangements between licensees and licensors have reflected existing law and the burden of British tax may not rest on United States licensors in such cases. Consequently, the British tax as a credit against the United States tax may be retroactive to 1945. I would allow this provision of a credit against the United States tax on a retroactive basis would give a windfall gain to some American licensors.

The proposed change would single out for special relief a small group of taxpayers whose need for relief has not been demonstrated. The tax relief should not be given in this way.

For these reasons, I am constrained to withhold my approval of the bill.

Dwight D. Eisenhower.
The White House, August 10, 1956.

PUBLIC WORKS, RIVER AND HARBOR PROJECTS

H. R. 12080. I have withheld my approval of H. R. 12080, which would authorize appropriations totaling about $1.6 billion for 99 projects or project modifications and 14 river-basin authorizations involving improvements for navigation, shore protection, flood control, and related purposes. I regret that this action is necessary, because I believe that the periodic enactment of river and harbor and flood-control legislation is an important step in the formulation of a sound Federal program for the wise development of the Nation's water resources.

This bill does not appropriate funds. It only authorizes certain projects or project modifications that the Joint Committee on the Library can consider them for appropriation. So my action on the bill need cause no delay in starting the many worthwhile projects in the bill.

While the majority of the projects within which the bill would authorize have been given adequate study and review within the executive branch and by the affected States, there are still a large number which have not been reviewed in accordance with the orderly procedures set forth in the applicable laws. Therefore, it is not possible at this time for me to determine whether their authorization would be in the public interest. Still others have, after review, been found not to be in the public interest.

Existing law requires that before a new project or modification be authorized by Congress, it must receive adequate consideration in formulating proposals for water resources projects. This has not been accomplished for a number of projects included in this bill. Particularly, other projects in this bill would be authorized on a basis which would result in a lesser degree of local participation than was agreed to by the local interests and recommended by the executive branch. The authorization of water resources projects on such terms would represent a serious backward step in the desirable development of the Nation's water resources, and would result in the loss of the best test yet devised for insuring that a project is sound—the willingness of local people to invest their own money in a joint enterprise with the Federal Government.

In the weeks before the Congress convenes a careful, orderly review will be undertaken of those projects and other provisions of the bill which have not been fully studied or reviewed at the present time. This should enable the Congress to base its action on a full knowledge of all the facts involved. I believe that the people of the United States are entitled to expect that these procedures will be followed before new water resources projects, involving financial commitments, are authorized in law.

Dwight D. Eisenhower.
The White House, August 10, 1956.