Comparison of depreciation deductions, initial and investment allowances[1] for industrial equipment in leading industrial countries with similar deductions and allowances in the United States

	Representative tax lives	Depreciation deductions, initial and investment allowances (percentage of cost of asset)		
		1st year	1st 2 years	1st 5 years
	Years			
Belgium	8	22.5	45.0	92.5
Canada	10	30.0	44.0	71.4
France	10	25.0	43.8	76.3
West Germany	10	20.0	36.0	67.2
Italy	10	25.0	50.0	100.0
Japan	16	43.4	51.0	68.2
Netherlands	10	26.2	49.6	85.6
Sweden	5	30.0	51.0	100.0
United Kingdom	27	39.0	46.3	64.0
Average, 9 foreign countries		29.0	46.3	80.6
United States:				
Practice prior to July 11, 1962	15	13.3	24.9	51.1
With new depreciation guidelines	12	16.7	30.6	59.8
With new depreciation guidelines and investment credit[2]	12	29.5	42.5	69.6

[1] The deductions and allowances for each of the foreign countries have been computed on the assumption that the investment qualifies fully for any special allowances or deductions permitted. The deductions in the United States have been determined under the double-declining balance depreciation method, without regard to the limited 1st-year allowances for small business.

[2] For purposes of this table, the 7-percent investment credit has been considered as equivalent to a 14-percent investment allowance. For corporation subject only to the 30-percent normal tax, for instance, it is equivalent to an investment allowance of 23 percent. Allowance has been made in these calculations for the adjustment to basis in the amount of the credit as provided in the bill as reported by the Senate Finance Committee.

Thank you, Mr. Chairman.

Chairman PATMAN. Thank you, Mr. Secretary.

And without objection the table will also be inserted in connection with your remarks.

Some of us, Mr. Secretary, are really very much disturbed about the kinds of tax cuts the Treasury has been recommending.

Let me be sure, when you refer to an across-the-board tax cut, that it means you would reduce each income tax bracket by the same number of percentage points?

Secretary DILLON. It is not necessarily limited to that. No, Mr. Chairman. We might go beyond that. We have not yet reached any conclusion as to what the best form of tax reduction would be, but we have not closed the door to coming near an equal percentage reduction across the board.

Chairman PATMAN. But it is contemplated that you will reduce each bracket some?

Secretary DILLON. Oh, most certainly; and substantially.

Chairman PATMAN. Have you closed the door on concentrating the reduction in the lower income groups; for example, increasing the $600 exemption to $800 or $1,000. You have closed the door on that?

Secretary DILLON. We have not reached final conclusions on anything, but I think that our basic idea is to have a reduction that would affect our whole economy, and would add to inducements for initiative and to incentives as well as merely increasing demand, which would be the result of merely increasing the exemptions.