

VI. SUPPLEMENTAL VIEWS OF CONGRESSMAN THOMAS B. CURTIS

Although I strongly support the bill and disagree with the conclusions contained in the Treasury report on H.R. 10, I feel that it should be made a part of the official committee report. Therefore, I am setting it forth in my supplemental views.

TREASURY DEPARTMENT,
Washington, D.C., May 26, 1966.

Hon. WILBUR D. MILLS,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This report sets forth the views of the Treasury Department on the bill, H.R. 10, which has been ordered reported by your committee. The Department strongly objects to this bill.

H.R. 10, as amended and ordered reported by your committee, would liberalize the tax benefits applicable to self-employed pension and profit-sharing plans in two respects:

(1) The present law permits a self-employed individual to contribute each year for himself up to 10 percent, or \$2,500 (whichever is less) of his earnings to a pension or profit-sharing plan, but limits his tax deduction to one-half of his contribution. H.R. 10 would eliminate the one-half limitation and permit a tax deduction for the full contributions of the self-employed.

(2) Under the basic framework of the present law, the 10-percent limitation on the amount a self-employed may contribute each year to a pension plan is applied against his earnings from personal services. If the individual is in a business where both personal services and capital are material factors, no more than 30 percent of the profits from the business, subject to a minimum of \$2,500, may be treated as personal service earnings for this purpose. H.R. 10 would permit the individual in this situation to apply the 10-percent against the entire net profits from the business.

The Treasury Department strongly opposes the enactment of H.R. 10 for the following basic reasons:

(a) *Revenue.*—The bill would involve an estimated revenue loss for fiscal year 1967 of \$20 to \$30 million, of which \$18 to \$27 million would be attributable to the first amendment and \$2 to \$3 million to the second. For fiscal year 1968, the estimated revenue loss would increase to \$35 to \$60 million; with \$30 to \$50 million attributable to the first amendment and \$5 to \$10 million to the second.

The upper end of the revenue loss range for fiscal year 1968 is based on the assumption that 3 percent of the self-employed will be participating in pension plans as of the end of 1967. The annual revenue loss could increase substantially if the amendments encourage a larger percentage of the self-employed to adopt pension plans. For instance, if 5 percent of the self-employed participate, the annual revenue loss would increase to an estimated \$120 million.