Over a 5-year period, small corporations, as well as large, would become current in their tax payments, in the same way as individual proprietors already are.

This acceleration in collections should yield $800 million in additional revenues for Fiscal 1968, somewhat more in subsequent years.

2. *Continuation of excise taxes for the immediate future.*—The 7% manufacturer's excise tax on automobiles is now scheduled to fall to 2% on April 1, 1968, and to 1% on January 1, 1969.

The drop to 2% should be postponed to July 1, 1969, and the drop to 1% should be postponed to January 1, 1970.

The 10% excise tax on telephone service is now scheduled to fall to 1% on April 1, 1968, and to be eliminated on January 1, 1969.

The drop to 1% should be postponed to July 1, 1969, and the tax should be eliminated on January 1, 1970.

Extending these excise taxes would provide additional revenues of $300 million for Fiscal 1968 and more than $2 billion for Fiscal 1969.

3. *Surcharges on corporate and personal income taxes.*—

—*A temporary surcharge of 10% should be placed on corporate income tax liabilities, effective July 1, 1967.*

—*A temporary surcharge of 10% should be placed on individual income tax liabilities, effective October 1, 1967.*

These are surcharges on taxes, not on incomes. They would expire on June 30, 1969, or continue for so long as the unusual expenditures associated with our efforts in Vietnam require higher revenues.

These surcharges are four percentage points higher than recommended in January. But they are vitally necessary to provide some of the additional revenues this Nation must have. Altogether, the new surcharges will yield $6.3 billion in revenues for Fiscal 1968, and somewhat more in Fiscal 1969.

Under this proposal:

—A family of four with an income of $10,000, now ordinarily paying a tax of about $1,100 will pay at most an added tax of $9.25 a month.

—Those American families whose incomes are below $10,000—3 out of every 4—will pay less than this amount.

—The 16 million taxpayers in the lowest income brackets would be completely exempt from the surcharge. For example, a married couple with 2 children, with an income of less than $5,000 a year, would pay no surcharge.

—The one out of every four American families who now pay no income tax would be unaffected by the surcharge.

Let us be clear about the significance of this tax surcharge.

If Americans today still paid taxes at the rates in effect when I became President, a little over three and one-half years ago, they would be paying this year over $23 billion more than they are paying now.

Now your Government is asking for a return of substantially less than half of these tax cuts that I recommended and the Congress overwhelmingly passed in the last three years. This is necessary to give American fighting men the weapons, equipment and the help they need, to hold the budget deficit within limits and to continue our education, health, poverty, urban and other vital programs.

For three out of every four American families, the burden of this increase will be between a few cents and $9 a month. That is a small burden, a small inconvenience, compared to what is borne by our men in arms who put their lives on the line in Vietnam.

A SOUND AND HEALTHY ECONOMIC ADVANCE

These tax recommendations, taken together, would raise $7.4 billion in Fiscal 1968. These added revenues—combined with the steps that the Congress and the Executive can and should take to control expenditures—will reduce the deficit to manageable proportions. If, working together, we can avoid an excessive pay increase, and provide the recommended authorization for sale of participation certificates, the deficit could be reduced to a range between $14 and $18 billion, depending upon our ability to hold down expenditures.

Last January, we concluded that higher taxes in Fiscal 1968 would safeguard our prosperity. Present economic prospects reaffirm that judgment.

It is the unanimous judgment of the President's advisers that the fiscal program we are recommending is consistent with a sound and healthy economic advance during the year ahead, without tight money and soaring interest rates.

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