

TABLE 3.—COMPARISON OF 1963-66 TAX LIABILITY AND 1967-68 TAX LIABILITY UNDER PROPOSED TAX INCREASE FOR ILLUSTRATIVE TAXPAYERS<sup>1</sup> (MARRIED COUPLE, 2 DEPENDENTS)

| Wage income   | 1963 tax <sup>2</sup> | 1964 Tax Act decrease | 1966 tax <sup>3</sup> | 1967 tax <sup>3</sup> | Tax increase over 1966 tax <sup>3</sup> | 1968 tax <sup>3</sup> | Tax increase over 1966 tax <sup>4</sup> |
|---------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------------------|-----------------------|-----------------------------------------|
| \$3,000.....  | \$65                  | \$61                  | \$4                   | \$4                   | (9)                                     | \$4                   | (9)                                     |
| \$5,000.....  | 420                   | 130                   | 290                   | 290                   | (9)                                     | 290                   | (9)                                     |
| \$7,500.....  | 877                   | 191                   | 686                   | 703                   | \$17                                    | 755                   | \$69                                    |
| \$10,000..... | 1,372                 | 258                   | 1,114                 | 1,142                 | 28                                      | 1,225                 | 111                                     |
| \$12,500..... | 1,901                 | 334                   | 1,567                 | 1,606                 | 39                                      | 1,724                 | 157                                     |
| \$15,000..... | 2,486                 | 424                   | 2,062                 | 2,114                 | 52                                      | 2,268                 | 206                                     |
| \$20,000..... | 3,800                 | 640                   | 3,160                 | 3,239                 | 79                                      | 3,476                 | 316                                     |
| \$25,000..... | 5,318                 | 906                   | 4,412                 | 4,522                 | 110                                     | 4,853                 | 441                                     |
| \$35,000..... | 9,037                 | 1,508                 | 7,529                 | 7,717                 | 188                                     | 8,282                 | 753                                     |

<sup>1</sup> Proposed tax increase of 2.5 percent of the tax in 1967 and 10 percent in 1968 which does not apply to single returns with taxable income of \$1,000 or less and joint returns with taxable income of \$2,000 or less.

<sup>2</sup> Tax liability computations assume minimum standard deduction or deductions equal to 10 percent of income whichever is greater. Tax liability from optional tax table where income is under \$5,000.

<sup>3</sup> 1967 tax minus 1966 tax.

<sup>4</sup> 1968 tax minus 1966 tax.

<sup>5</sup> There is no increase in 1967 or 1968 for a married couple whose tax at 1966 rates is \$290 or less.

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TREASURY DEPARTMENT, WASHINGTON, AUGUST 4, 1967

#### CORPORATE CURRENT TAX PAYMENT PROPOSALS

In his August 3 Message on the Budget and the Economy, the President recommended two proposals relating to corporate current payments of tax, effective for 1968 tax years. Under the proposals there would be:

—Elimination over a 5-year period of the present exemption of the first \$100,000 of corporate tax liability from the requirement of payment on a quarterly estimated basis. This change would put corporations on the same current tax basis as an unincorporated proprietor, who must now make estimated tax payments based on his entire liability.

—An increase from 70 to 80 percent that a corporation's estimated tax for any given taxable year must bear to its final tax liability. The 80 percent requirement is now applicable to those individuals who are required to estimate their tax liabilities.

Revenue resulting from both proposals would be \$800 million in fiscal year 1968 and \$400 million in each of the succeeding fiscal years. The proposals do not increase the actual tax liabilities of any corporation.

#### EFFECTS OF PROPOSALS

Under present law, corporate taxpayers are required to make estimated tax payments only with respect to their estimated tax liability in excess of \$100,000. They are not required to make any estimated tax payments on their first \$100,000 of estimated tax liability, and if their annual estimated tax liability is \$100,000 or less, they are not required to file a declaration of estimated tax.

The first proposal places all corporate taxpayers on a current tax payment basis with respect to their entire tax liability. This result would be achieved under the proposal by providing for a gradual elimination of the \$100,000 exclusion over a five-year period, beginning with taxable years 1968.

The provision gears tax payments more closely to accruals of tax liability and to current developments in the economy.

The second proposal raises from 70 to 80 percent the percent of the tax liability that a corporation may pay in estimated tax by installments without incurring a penalty. The 70 percent rule was instituted in the 1954 Revenue Act, and has not been revised since as respects corporations. The proposed change to 80 percent conforms to the percentage now required to be paid by individual taxpayers, as established by legislation enacted in 1966.