

be 5 percent (compared to 2½ percent for individuals) since it applies for one-half the year. The full 10 percent surcharge would apply for 1968.

For corporations whose taxable year does not coincide with a calendar year, the rate of the surcharge would be determined on the basis of the number of days in the corporation's fiscal years that fall within the period during which the surcharge is in effect (July 1, 1967–June 30, 1969).¹

A calendar year corporation with profits before tax of \$100,000 will pay an extra \$2,075 in 1967 and 1969, and an extra \$4,150 in 1968.

4. *Revenue effect of the surcharge*

The revenue effect of the surcharge will be to:

Increase fiscal year 1968 receipts in the Administrative Budget by \$6.3 billion.
The increase in receipts from individuals amounting to \$4 billion.
The increase in receipts from corporations amounting to \$2.3 billion.

5. *The speedup in corporate tax collections*

Two steps are recommended to place corporations on the same current tax payment basis as individuals. Beginning January 1, 1968, corporations would pay their estimated tax liability on the basis of 80 percent of estimated tax liability, rather than 70 percent as under present law. Corporations would then be on the same percentage basis that individuals, sole proprietorships, and partnerships have been on since the beginning of this year.

The second proposal to bring corporations to a current estimated tax payment basis is to eliminate, over a five-year period commencing January 1, 1968, the \$100,000 of tax exemption from estimated tax payment requirements. By this measure, all corporations, small, medium and large, will gradually be placed on the same current tax payment basis as individual proprietors and partnerships. The five-year transition period assures that the change to a current tax payment basis will be accomplished in an orderly and balanced manner. All corporations, regardless of size, can plan for steady implementation of the system, and will not have to catch up to a totally current basis in any one year.

The 80 percent requirement would add about \$400 million revenue in fiscal year 1968.

The transition to current payment for the first \$100,000 of corporate tax would add about another \$400 million revenue in fiscal year 1968 and equivalent amounts in each of the ensuing four fiscal years.

These proposals are logical extensions of the transition to a current payment basis for corporations reflected most recently by the Tax Adjustment Act of 1966, and are appropriate responses to the obvious need to align corporate payment rules with those applicable to noncorporate taxpayers.

6. *The postponement of the scheduled excise tax reductions*

Under present law the excise tax on passenger automobiles is scheduled to drop from 7 percent to 2 percent April 1, 1968, and then to 1 percent January 1, 1969. The excise tax on telephone service is scheduled to drop from 10 percent to 1 percent April, 1968, and then to zero January 1, 1969.

It is appropriate in the light of our revenue needs that these scheduled reductions be deferred for the period during which the proposed surcharge is in effect. Since these excises are currently in effect, deferment of their reduction is a relatively simple matter administratively for business firms and the government. Moreover, the burden of these taxes is widely dispersed over the population and does not rest disproportionately on a narrow segment of the community. The proposal suspends the above scheduled reductions until July 1, 1969, and January 1, 1970, respectively. The additional revenue derived would be approximately \$300 million for fiscal year 1968 and approximately \$2.5 billion for fiscal year 1969.

Mr. FOWLER. The revenue effect for fiscal 1968 of the President's three-point tax program as a whole, then is to increase receipts by \$7.4 billion:

\$6.3 billion from the surcharge.

\$800 million from the speedup of corporate collections.

\$300 million from the deferral of scheduled excise tax reductions.

¹ Thus, a corporation with a November 30 fiscal year would apply a proportionate surcharge rate to its 1967 fiscal year determined as follows: 10 percent multiplied by a fraction the numerator of which is 153 (the number of days in the taxable year after June 30, 1967) and the denominator of which is 365, or approximately 4.2 percent.