

The CHAIRMAN. If you will, supply it for the record at this point.

Secretary FOWLER. Yes, sir. Suppose I take you through the calculations and get us from the \$73.2 billion to the \$70.5 billion and then I will comment on each individual one.

You would deduct from the \$73.2 billion \$3 billion because of the change in the estimate of the yield by reason of our marginal rate experience in calendar 1966 which I will explain later; second, a reduction in the personal income assumption.

The January budget assumed personal income for calendar year 1967 of \$624 billion. For comparability this must be adjusted upward by approximately \$3 billion to \$627 billion because of the July 1967 revisions in the national income accounts by the Department of Commerce. The current estimate of personal income under those revised adjusted accounts of \$625 billion is \$2 billion below the revised January estimate of \$627 billion which at the marginal rate we are now using of 15½ percent would reduce the receipts by a further \$300 million, so in addition to the \$3 billion of reduction you would add an additional \$300 million of reduction because of lower incomes than we previously estimated.

The CHAIRMAN. Let me see if I follow you. In January we estimated personal income subject to the income tax of \$624 billion? Is that what you are saying?

Secretary FOWLER. That is right.

The CHAIRMAN. What do you estimate now that income to be for purposes of the 1968 fiscal year?

Secretary FOWLER. Well, you have two adjustments up, one, the Department of Commerce adjustment up to \$627 billion. We think the income is less because incomes have been less in the first 6 months than originally estimated and we would deduct \$300 million from our revenue estimates to take into account that lower level of income.

The CHAIRMAN. You would end up in your own estimates with, say, \$623.7 billion?

Secretary FOWLER. Mr. Chairman, I am going to ask Mr. Schultze to see if he can try this.

Mr. SCHULTZE. Let me try, Mr. Chairman.

The CHAIRMAN. I know it is hard to get over to me.

Mr. SCHULTZE. We started in January with \$624 billion as the estimate of personal income on which individual income tax receipts were based. However, in the intervening period the Department of Commerce has revised the previous statistics. The result is that our figure of \$624 billion, if it were put on the basis of the current GNP statistics, would be \$627 billion. So, in effect, we are saying that our January estimate was based on calendar 1967 personal income of \$627 billion, even though that isn't the number you will see printed in the budget, the difference being recent revisions in the background statistics.

We are now estimating \$625 billion in personal income. That is a \$2 billion reduction in the estimate used to calculate the 1968 revenues. If you apply a 15½-percent marginal tax rate against that \$2 billion you will find it comes out to \$300 million. This is the \$300 million the Secretary referred to as the reduction in estimated personal income tax collections on account of a revision in our estimates of personal income.

The CHAIRMAN. Now, in January when we had an estimate of \$624 billion what percentage did we apply there?