The CHAIRMAN. Are you charging them 10 percent surcharge or not?

Mr. SURREY. We are taking 14 points off the new corporate rate in effect.

The CHAIRMAN. These types of corporations have always paid 14 points less as a tax rate. If the corporation had to pay 52 percent, these corporations pay 14 points less or 38 percent, they have always been given preferential treatment. I don't know why you have to have an exclusion for them here. Why is it that they, like any other corporation, cannot figure their tax and then pay 10 percent more?

Mr. SURREY. That would give them a greater advantage than they have today.

The CHAIRMAN. Would it?

Mr. SURREY. Yes.

The CHAIRMAN. You are hitting them harder then? I misunderstood then.

Mr. SURREY. If you just increased their tax 10 percent it would give them a greater advantage than they have today.

The CHAIRMAN. You take care of the point. I was fearful that you had not taken care of it.

Mr. SURREY. We will study the suggestion, Mr. Chairman.

The CHAIRMAN. What about the minimum distribution by foreign subsidiaries, how do you treat those?

Mr. SURREY. The minimum distribution table is a table that indicates what percentage of distribution certain foreign subsidiaries have to make so that they will not have to pay the so-called subpart F.

The CHAIRMAN. If this is to go through by October 1, we have to begin thinking now about these technical points. I want you to get you mind on these points and not wait until we get into executive session.

Mr. SURREY. We have used a table for minimum distribution that was applicable when the corporate rate was 52 percent.

The CHAIRMAN. You have maintained the comparability.

Mr. SURREY. That is right.

The CHAIRMAN. What period of time do you say these corporations with $100,000 or less of tax would have to adjust to an 80-percent estimated payment?

Mr. SURREY. The suggestion is that it be done over 5 years, 20 percent a year.

The CHAIRMAN. Beginning when?

Mr. SURREY. Beginning in the year 1968, calendar 1968.

The CHAIRMAN. With respect to calendar year 1968?

Mr. SURREY. Yes. For a calendar year corporation it would be the estimate for that year.

The CHAIRMAN. Do you follow the same general pattern in the estimating and payment of the tax in the case of these corporations that presently applies in the case of those subjected to the requirement today? Is there any difference or are they treated in all respect just as though they had tax liability above $100,000 today?

Mr. SURREY. I believe so, Mr. Chairman, because this provision also applies to those corporations presently over $100,000 in tax who are