

excluding their first \$100,000. Consequently the same rules would apply to both.

The CHAIRMAN. At present we allow a corporation with tax liability of more than \$100,000 to exclude the first \$100,000 and then to pay on an estimated basis on that amount in excess of \$100,000 because we exclude those of \$100,000 or less.

Just how is that changed in the law? Take that \$100,000 away from the \$16,000 today that have the privilege of excluding it so that their estimates will be affected not only by the 70 to 80 but by the additional inclusion of the \$100,000 of tax liability excluded.

Mr. SURREY. What we say is that with respect to the first year which is 1968 you can exclude 80 percent of \$100,000.

The CHAIRMAN. You go down by 20 percent.

Mr. SURREY. That is right. The next year you can exclude 60 percent.

The CHAIRMAN. That is done, too, to minimize the combined effect?

Mr. SURREY. That is right. Also to smooth out the adjustment over 5 years.

The CHAIRMAN. What do you get in total over the 5-year period of additional advance payments through this process?

Mr. SURREY. From the gradual elimination of the \$100,000 tax exclusion we would get \$400 million a year.

The CHAIRMAN. For each of the 5 years?

Mr. SURREY. For each of the 5 years.

The CHAIRMAN. Actually then it would be about a \$2 billion pick-up over the 5 years.

Mr. SURREY. Yes, sir.

The CHAIRMAN. And then in the case now of the passenger automobile tax what you are doing is eliminating the April 1, 1968, date for the drop and what date are you putting in?

Mr. SURREY. We are putting in June 30, 1969. Congressman Bush corrected us; our draft had June 30. That is an amendment we agreed to.

The CHAIRMAN. Now with respect to communications services, you changed that April 1 to the same date?

Mr. SURREY. The same thing, June 30, 1969.

The CHAIRMAN. Is that effective also by the same provision that applies to the 10-percent surcharge?

In the event the Vietnam hostilities conclude at an earlier date it is an earlier date?

Mr. SURREY. No; the draft we submitted just has the definite date, July 1, 1969. It does not have a different termination date.

The CHAIRMAN. In other words, the termination of the Vietnam situation applies only to your 10-percent surcharge?

Mr. SURREY. No; even the 10-percent surcharge is on a definite basis.

The CHAIRMAN. You mean if the Vietnam situation should conclude within 6 months after this is done that these rates would still continue until the termination date?

Mr. SURREY. We had assumed that any changes prompted by the duration of the Vietnam hostilities would be reflected in new substantive legislation.

The CHAIRMAN. It would require an amendment to the bill that you submitted to carry out the exact intention that has been expressed