

The Treasury cannot deny that this would be the dollar result of its plan.

Let me interject here and say this. That if a manufacturer is paying \$14,000 more and his tax has been increased \$14,000 over the \$100,000 he would pay under existing law and you tell him you are only taxing him 10 percent he will tell you you are a darn liar. That isn't 10 percent.

That is a 14-percent tax increase or 40 percent more than his competitor who is selling domestically only would pay.

If the surtax is to be imposed for only a year or two, it would be an incentive to taxpayers to postpone plant improvements and the receipt of income from abroad. These results surely are not desired by your committee or the Congress.

OUR RECOMMENDATION

If there is to be a 10-percent surtax it should be exactly that: 10 percent added to the amount of tax otherwise payable under existing law—neither more nor less.

There are many other discriminatory tax burdens which the Treasury has been successful in imposing on U.S. manufacturers selling their products abroad, and thereby further aggravating the annual deficit in our balance of payments.

However, we recognize that this is not the occasion to discuss the need for tax reform in this area. At this time we only ask the committee not to impose further income tax penalties on U.S. exports and on the bringing home of income from abroad.

I hope that this has made the matter clear and no amount of words can change the fact that the Treasury proposal would increase the tax bill of many taxpayers over the existing law by more than 10 percent, sometimes as high as 20, 25 percent higher than their present tax bill in typical cases.

I have made my statement. I hope that if anyone has any questions that you will ask.

The CHAIRMAN. Are there any questions of Mr. Seghers?

Mr. Seghers, we thank you, sir, for coming to the committee.

Mr. SEGHERS. Thank you.

The CHAIRMAN. Mr. Kust. Mr. Kust, you too have been before the committee before but for this record we will ask you to again identify yourself.

STATEMENT OF LEONARD KUST, VICE PRESIDENT AND GENERAL TAX COUNSEL, WESTINGHOUSE ELECTRIC CORP.

Mr. KUST. Mr. Chairman and members of the committee, my name is Leonard Kust. I am vice president and general tax counsel of Westinghouse Electric Corp.

The CHAIRMAN. We are glad to have you with us, sir, and you are recognized.

Mr. KUST. Thank you. I appear to present the views of my company on the tax surcharge proposed in President Johnson's message on the state of the budget and the economy delivered to Congress on August 3, 1967.