

The schedule indicates a reduction in individual income taxes with some emphasis on the middle-income group. The reduction probably will be in a combination of lower rates, particularly in the lower and medium brackets, and changes in the dollar amount of exemptions and/or the standard deduction.

An interesting sidelight here is the "cash flow" pattern of the individual taxpayer. Now that withholding rates on individuals are more closely approximating actual tax liabilities and the Social Security base is increasing over the years, the amount of the salary check will be constant during the year for most taxpayers. Once the Social Security base is increased to \$10,800, considerably fewer taxpayers will enjoy the step-up in cash flow accompanying full payment of Social Security taxes.

An even cash flow throughout the year smacks somewhat of a planned budget. Will this tend to increase purchasing on the installment plan by those earning between \$6,600 and \$10,800—i.e., those individuals most affected by the increased Social Security rate and base?

CONCLUDING NOTE

Changes in tax rates and payment dates for corporations and consumers have had and will continue to have material influence on the business environment. Acceleration of taxes amounts to an estimated \$22 billion to \$23 billion, which alone would warrant attention. Because so much of the effect is structural, and because business, when making plans, does not normally concern itself with structural changes, many businessmen will not be aware of them until after they have occurred. Businessmen with foresight, however, will have an opportunity to improve their competitive position.

The CHAIRMAN. Mr. Kust, we thank you sir for bringing to the committee your views. Any questions? Mr. Schneebeli.

Mr. SCHNEEBELI. Corporations and the business community have been borrowing very heavily in the market in the first 6 to 8 months of this year. You seem to infer that much of the borrowing was brought on by the corporate speedup payments.

Would you give us any indications of what percentage to your mind of the corporate borrowing this year was caused by the increased accelerated payments? Was there a substantial amount?

Mr. KUST. Well, I would have no way of directing Congress to figure, but Secretary Fowler in his statement indicated that corporate borrowing had increased by about \$13½ billion, I believe is the figure that he used, in the first half of 1967.

The additional corporate payments that were made in the fiscal year 1967 were in fact made on April 15 and on June 15. This is when the speedups were effective.

Well, this additional amount that was paid by corporations in total was \$5 billion, and I don't think you can say that \$5 billion of the \$13½ billion borrowing is to be attributed to the speedup, but I don't think there is any doubt at all that a very substantial part of the \$13½ billion is attributable to the fact that the corporations had to hand over \$5 billion that was in excess of a normal year's tax payment and this created pressure on cash resources necessitating borrowing.

Mr. SCHNEEBELI. Despite this accelerated payment which caused Westinghouse to pay \$70 million in 2 years, the Federal revenue was still less than they anticipated, wasn't it? In fiscal 1967, the total Federal revenue was a lot less than anticipated despite the speedup.

Mr. KUST. I think the speedup of course was taken into account in the original projections. The speedups were certainly there and have remained there, but what they have had to revise their projections on or the results for the year 1967 was because of the declining corporate profits which were caused by tax payments.