

close examination. Some of the choices for cutting back may not be simple, but faced with the alternatives, such decisions must be made.

Action in this respect is absolutely essential. It should be taken with a firm hand. Somehow, spending can be reduced more than the \$4 billion the administration has suggested it will recommend for cutting or possible postponement.

The national chamber urges the Congress to give prompt consideration to legislation introduced by Chairman Mills which would establish a bipartisan Government Program Evaluation Commission. Positive and forward thinking, this proposal definitely will point us in the direction we should take.

The Commission would (1) make a complete evaluation of Federal programs—old and new, (2) determine the effectiveness of such programs—in terms of present and projected costs, (3) determine whether these programs should—or should not—be continued, and (4) determine the relative priority a program should receive—in the allocation of Federal funds. The enactment of H.R. 10520 holds great promise. It can be the guide to significant savings and a better allocation of resources.

PROPOSED LEGISLATION

Mr. Chairman, we would like to make certain recommendations for changes in the proposed tax increase legislation, if it is determined that an increase is necessary.

What is being proposed without question discriminates against business conducted in corporate form. It is the position of the national chamber that any tax increase should be borne in like manner by individuals and corporations.

Individuals and corporations should be required to pay the same percentage surcharge. Any tax increase should become effective on the same date for both, and there should be no retroactivity. A retroactive feature would have the effect of disrupting corporate planning at a time when many corporations have reduced profits.

Formerly, corporations could absorb retroactive taxes. But the acceleration of corporate income tax payments, which was instituted by various enactments starting in 1950, has greatly reduced the flexibility of corporations to absorb unanticipated tax payments of a retroactive nature.

Further with respect to acceleration, under the administration's proposal there would be an elimination over a 5-year period of the \$100,000 exemption for estimated tax payments. There would also be an increase from 70 to 80 percent that a corporation's estimated tax for a given taxable year must bear to its final liability.

Such a speedup of corporate tax payments will yield only a temporary one-time fiscal gain in Government tax revenue. We are very concerned about the effect this will have on small businesses. It will have the impact of siphoning off their working capital.

The effect of this action would be to require corporations to keep large cash balances on hand to guard against contingencies, or to be readily able to resort to borrowing. For some small corporate businesses this might not be possible.

The increase from 70 to 80 percent with regard to the imposition of the penalty for underpayment of estimated tax also poses problems.