

It is suggested that this would put corporations on the same footing as individuals. It should be pointed out that corporations often have a more difficult time in estimating their earnings than do individuals.

The individual more often has salary and other income which can be estimated with greater certainty. Corporations generally are on the accrual method of accounting and report income before cash is received with which to pay taxes.

In order to protect itself, the corporation in estimating its tax must assume some margin of error in order not to have to pay the 6-percent penalty. By increasing the 70 to 80 percent, there would be less tolerance for error, and consequently it can be expected that more corporations will find themselves subject to the 6-percent penalty for underpayment of the estimated tax.

We suggest, therefore, that if the change is to be made from 70 to 80 percent, the law should at least provide that the present nondeductible for 6-percent penalty for underestimation in the future paid by corporations be deductible as interest.

Also, assuming a change from 70 to 80 percent, it is probable that more corporations will overestimate their taxes. By overestimating, a corporation under present law could lose the use of a considerable amount of capital, until a refund could be obtained.

Presently, it is necessary to wait until the filing of the final return to obtain a refund. We believe that provisions should be made to permit a refund for overpayment of estimated tax to be obtained prior to the filing of the final return.

Mr. Chairman, we have not addressed ourselves in this statement to whether the surcharge, if it is determined that there must be one, should be computed before or after the investment tax credit or the foreign tax credit.

We do not have a specific recommendation in this regard. We appreciate that to most taxpayers the imposition of the surcharge after subtracting the credits is preferred. Other taxpayers would prefer it otherwise. We are also aware of the balance-of-payments implications of the foreign tax question.

With regard to the proposal to postpone the reduction of the excise taxes on automobiles and telephone service, if a tax increase is ultimately deemed necessary, the chamber will not oppose such a postponement. We say this with reluctance. These taxes are discriminatory. Both the businesses affected and the taxpayers bearing their burden have the right to know when these reductions are actually to be made. They have the right to be given a firm date when these taxes will be reduced or will expire.

SUMMARY

Mr. Chairman, the position of the national chamber may be summarized as follows:

First, we recognize the probability of a major Federal deficit. However, we are not convinced that current economic conditions justify a tax increase at this time. We urge holding in abeyance the enactment of any increase until the Congress can be more certain of a major economic upturn accompanied by inflationary pressures of the nature predicted by the administration.