

proposal by the Council of State Chambers of Commerce to eliminate approximately \$5½ billion in spending.

We feel the fact that the United States is engaged in a war has not been fully taken into account in our governmental spending patterns. During World War II and the Korean conflict, there was forthright curtailment of governmental functions. While the current conflict may not require equally drastic restraints, some of the priorities established then may provide a guide to appropriate action under the present emergency.

ANY TAX INCREASE SHOULD BE TEMPORARY AND NONDISCRIMINATORY

A surcharge tax is appropriate only if it is to meet a temporary emergency. It has the advantage of permitting an increase in revenues with a minimum of delay; however, such a surcharge is not the answer to every need for additional revenue, and does not eliminate the need for continuous study and review of the Internal Revenue Code to improve the basic tax structure.

Should it be determined that an emergency tax measure of this type is necessary, it should be nondiscriminatory and not attempt to indirectly change the proportion of sharing the Federal tax burden.

Under the current proposal there is discrimination against business corporations in two regards: First, the use of an earlier effective date than for individuals; and, second, the initiation of a program to further accelerate Federal income tax payments by corporations.

A temporary tax of an emergency nature is not an appropriate device to reassess and redefine the degree of graduation in our tax structure. It can be argued that there is too much or too little graduation in our present system of individual income tax rates or that graduation occurs in the wrong part of the rate schedule. If current concepts of equity dictate changes in the degree of graduation, they should be made carefully on a more or less permanent basis. Such a temporary reassessment of relative equities is proposed in exempting from the surcharge individuals—other than estates and trusts—whose income does not exceed that generally covered by the first two brackets of taxable income. If an emergency exists which justifies a tax surcharge, the responsibility for meeting such an emergency should be shared proportionally by all taxpayers.

We sincerely appreciate the opportunity to present these views, and again emphasize that this testimony in behalf of the Illinois State Chamber of Commerce is an attempt to communicate to you the viewpoints of businessmen in Illinois. I am not an economist, nor is Mr. Beatty, but in the context of our experience we would be pleased to answer any questions that you may have.

Mr. ULLMAN. Thank you very much, Mr. Hoffman. You have brought an interesting point of view to the committee.

Are there questions of Mr. Hoffman?

Thank you very much, Mr. Hoffman.

The committee will stand adjourned until 10 a.m. tomorrow morning.

(Whereupon, at 2:40 p.m. the committee adjourned, to reconvene at 10 a.m., Wednesday, August 23, 1967.)