

The adverse results which followed the suspension of the investment credit also indicate the severe economic effects which can occur as the result of a change in tax policies.

In view of these lessons, it is essential that any surcharge which is enacted provide a specific termination date so that long-range planning for economic growth and progress may proceed in an unhampered manner.

Accordingly, we support the recommendations of those who previously appeared before you and believe that a 1-year period for the surcharge merits serious consideration.

2. The rate of surcharge must be kept as low as possible.

It is reasonable to expect that a surcharge of 10 percent will have a depressing effect on the economy. To the extent that serious efforts are made to reduce governmental expenditures, the benefits of such reductions should be applied to the goal of maintaining the surcharge at the lowest possible level.

The new tax burden should be consistent with our national goals of financial responsibility and yet continued economic growth.

3. The surcharge should be applied equally to individual and corporate taxpayers.

The availability of resources with which to pay the cost of the surcharge dictates that its imposition on corporations should not be greater than that imposed on individuals.

The recent burdens placed on corporations at State and local levels, coupled with increased payroll tax burdens and speedups of estimated tax payments, has caused a severe drain on corporate working capital.

At present, while individual savings are increasing, it has become necessary for more and more corporations to resort to borrowings to provide working capital necessary to the continued operation of their businesses. To provide a disproportionate burden on corporations could result in severe economic dislocations and should be avoided.

There is no doubt that fairness requires that the proposed surcharge should apply equally to both corporations and individuals. In other words, tax liabilities of both groups should be affected uniformly. Based upon the tables provided by the Treasury Department in its press release of August 4, it is evident that the proposed surcharge—if enacted at the 10-percent level—would reduce the tax benefits of individuals provided in the Revenue Act of 1964 by approximately half.

Providing for a similar surcharge for corporations, however, has the effect of wiping out completely the reduction afforded under the Revenue Act of 1964.

4. The effective date should be January 1, 1968.

If this proposed surcharge is enacted, it should be effective only prospectively and should not be effective before January 1, 1968, for both individual and corporate taxpayers.

This effective date would permit taxpayers to make orderly plans for the future, taking into account only prospective tax increases. We do not believe that a retroactive tax increase of 10 percent is fair. The postponement would minimize the possibility of additional tax burdens depressing the economy before a full recovery from the economic deterioration of the first half of this year.