

During the 1960's the United States has been plagued by a continuing deficit in its balance of payments despite various actions taken by the Government to reverse this situation. While it has been recognized that in the long run U.S. private investment abroad has had a substantial positive effect on the balance of payments, enactment of a surcharge before allowance of foreign tax credits will have an additional depressing effect on the balance of payments.

We are of the opinion that imposition of this temporary surcharge might well result in a reduction in the amount of foreign dividends being remitted to the United States, thus having an immediate adverse effect on the balance of payments.

6. No change should be made in the present estimated tax requirements of corporations.

The administration's proposal to accelerate payment of estimated taxes should not be approved. If enacted in conjunction with a surcharge, it will cause an additional strain upon corporate cash resources, having a possible adverse effect on the economic condition of the country.

Unlike individual taxpayers, most corporations utilize the accrual basis of accounting and are already required to pay taxes prior to the collection of the receivables which created the tax liability. The previous enactments which presently require corporations to pay estimated taxes on a current basis were inequitable in this respect and resulted in extensive corporate borrowings.

The present \$100,000 exemption and the 70 percent requirement alleviates, to some degree, the inequity of paying the tax before cash from the sales transaction is realized. These provisions must be continued in the law.

To even a greater extent, the smaller members of MCA will find the proposed changes extremely burdensome. Some of these smaller businesses lack the resources required to secure extended bank loans to fund increased tax prepayments before realization of cash.

In the event that you do decide to change the 70 percent requirement to 80 percent, we have attached for your consideration, a proposed amendment, with an explanatory note, which would permit the taxpayer to more readily comply with the new requirement. This would be accomplished by liberalizing the annualization relief provision.

On behalf of the Manufacturing Chemists Association, I wish to thank you for the opportunity you gave me to make this presentation, and I urge that serious consideration be given to the recommendations we have made.

I would be glad, sir, to answer any questions and my associates would be glad to help if we can be helpful in any further way.

The CHAIRMAN. Thank you, Mr. Bryant. Without objection the material appended to your statement will appear in the record at this point.

(The information referred to follows:)

ATTACHMENT TO STATEMENT OF MANUFACTURING CHEMISTS ASSOCIATION  
CONCERNING PROPOSED AMENDMENT TO SECTION 6655

Among the proposed amendments to the Internal Revenue Code made by the President in conjunction with a recommended surcharge on income tax was an increase from 70% to 80% of the amount of the corporate tax to be paid in estimated tax installments if no penalty is to be imposed. Presumably, § 26655