(d)(3) would also be amended so that a taxpayer relying on this exception in order to avoid penalty would have to pay an amount equal to 80%, rather than 70% of the tax computed by annualizing the taxable income for the appropriate period of the taxable year.

In a period of rising corporate income, a corporate taxpayer can be assured of avoiding a penalty either by basing his estimated tax on the tax paid for the preceding year or on the facts shown on the corporate return for the preceding year with the tax computed at the rates of the current year. In a period of declining profits, however, where the profits for the current taxable year are virtually impossible to estimate, a taxpayer can adequately protect itself from penalty only by relying on § 6655(d)(3). If it does so, its first installment must be determined by annualizing its taxable income for the first three months and paying ¼ of 70% thereof. Thus, the taxpayer has a period of 15 days from the close of its first quarter to prepare its accounting statements, to translate book income into taxable income and to compute its available investment credits and foreign tax credits. Since it is virtually impossible to do this with accuracy in so short a period of time, a taxpayer will generally make the best possible rough estimate which time allows and pay an amount equal to substantially more than ¼ of the 70% of the tax based on this estimate to be on the safe side. In the event that the taxpayer is now to be required to pay 80% of the estimated tax, the problem becomes much more difficult.

Consequently, it is recommended that if the 70% requirement is increased to 80%, an additional amendment be made to provisions of § 6655(d)(3)(A) which will permit the taxpayer, which finds it impossible to determine its taxable income accurately within the 15 day period between the end of its accounting period and the due date for its estimated tax payment, to make its computation based on the annualized income as at the end of the month prior to the month preceding the due date. In other words, § 6655(d)(3)(A) should be amended to read as follows:

"(3)(A) An amount equal to *80* percent of the tax for the taxable year computed by placing on an annualized basis the taxable income—

"(i) for the first *2 month or for the first* 3 months of the taxable year, in the case of the installment required to be paid in the 4th month.

"(ii) for the first 3 months or for the first *4 months or for the first* 5 month of the taxable year, in the case of the installment required to be paid in the 6th month.

"(iii) for the first 6 months or for the first *7 months or for the first* 8 months of the taxable years in the case of the installment required to be paid in the 9th month, and

"(iv) for the first 9 months or for the first *10 months or for the first* 11 months of the taxable year, in the case of the installment required to be paid in the 12th month of the taxable year.

"(B) For purposes of this paragraph, the taxable income shall be placed on an annualized basis by——

"(i) multiplying by 12 the taxable income referred to in subparagraph (A) and

"(ii) dividing the resulting amount by the number of months in the taxable years (*2*, 3, *4*, 5, 6, 7, 8, 9, *10*, or 11, as the case my be) referred to in subparagraph (A)."

The CHAIRMAN. Are there any questions of Mr. Bryant? Mr. Conable.

Mr. CONABLE. Mr. Bryant, I would like to welcome you here to Washington and give you a special greeting from one who also comes from western New York. We heard yesterday from Mr. Meany and he proposed that the surtax on corporations be substantially higher than on individuals.

Now, we have read a lot in the paper about how the surtax is going to be equal on both corporations and individuals, and yet you pointed out some things that are going to increase tax costs for corporations beyond the surtax level.

I wondered if the MCA has made any analysis of exactly what percentage increase in surtaxes the President's proposal would actually bring about? That would be something in excess of 10 percent, wouldn't