

this country, to guarantee us that we will not continue to travel the high tax road to communism.

We invite you gentlemen of this committee and the Congress of the United States to join us in this fight. Thank you very much.

The CHAIRMAN. Thank you, Mr. Ferguson. Are there any questions? Thank you very much.

Mr. BETTS. I might just say you are a good fighter.

Mr. FERGUSON. Thank you very much, sir.

The CHAIRMAN. Mr. Mendenhall. Mr. Mendenhall, if you will identify yourself for our record by giving us your name, address, and capacity in which you appear, we will be glad to recognize you.

STATEMENT OF JOHN MENDENHALL, PARTNER, AND DIRECTOR OF TAXES, ARTHUR ANDERSEN & CO.

Mr. MENDENHALL. Mr. Chairman and gentleman, my name is John Mendenhall. I am a partner in, and director of taxes for, Arthur Anderson & Co., an international firm of certified public accountants, with home office at 69 West Washington, Chicago, Ill.

The CHAIRMAN. Thank you, sir, for coming, and you are recognized.

Mr. MENDENHALL. With your permission, I would like to submit a written statement for the record and to cover here only its major points.

The CHAIRMAN. Without objection that will be included in the record.

(The statement referred to follows:)

STATEMENT OF JOHN MENDENHALL, PARTNER, AND DIRECTOR OF TAXES, ARTHUR ANDERSON & CO.

Mr. Chairman and gentlemen, it is a privilege to be able to appear before the members of this Committee today in order to protest one provision of the recently proposed tax legislation. My name is John Mendenhall, and I am a partner in, and Director of Taxes for Arthur Anderson & Co., an international firm of Certified Public Accountants.

SUMMARY

I protest the provision that appears as Section 4 of the Treasury Department draft of the legislation and which proposes to eliminate, over a period of five years, the \$100,000 "floor" under which estimation and prepayment of corporate income taxes is not required. I protest for the following reasons:

- (1) The proposal is inconsistent with the policy that led to the original adoption of the \$100,000 floor in 1954.
- (2) It will be extremely difficult and expensive for small corporations to file declarations of estimated tax and make prepayments.
- (3) The penalty for underpayment of estimated tax is an unnecessarily harsh remedy for an honest mistake.
- (4) Smaller corporations will find it expensive to use the "escape clauses" which are more useful to larger corporations.

I am here primarily for two reasons. First, I respectfully protest this provision on behalf of my firm's many corporate clients with annual income taxes of less than \$100,000. Secondly, I am here on behalf of my firm itself. Because many of our smaller corporation clients would have to seek our advice on this matter frequently throughout the year, it would be a severe demand on the time of our own professional personnel. The time involved, as well as the cost incurred, would be disproportionate to the importance of the problem.

Actually I am here on behalf of almost all U.S. taxpaying corporations, at least a group representing probably from 80% to 85%. This is the group that is affected by Section 4 of the Treasury's draft. The Statistics of Income for