

I protest the provision which proposes to eliminate over a period of 5 years the \$100,000 floor under which prepayments 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 smaller corporations to make such estimated payments.

(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 large corporations.

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 protest on behalf of my firm itself. Because many of our smaller corporate 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 professional personnel. The time involved, as well as the cost incurred, would be disproportionate to the importance of the problem.

We know that regarding individual taxes vast sums of revenue come from the lower income tax groups. However, with corporations we know that a rather small portion of the total corporate tax collections comes from corporations paying under \$100,000 in tax.

All but a small percent of corporate tax revenue comes from the rather small number of corporations showing a tax liability of over \$100,000.

In other words, the number of corporations earning under \$100,000 is amazingly high and these smaller corporations owe a very small portion of the corporate tax collections.

In 1954 Congress carefully considered these facts. At that time Congress decided on the \$100,000 floor rather than a \$50,000 floor, which was considered. The \$100,000 floor placed only 20,000 corporations under the estimated tax system and did not bother the other 405,000 tax paying corporations.

Nevertheless, these larger 20,000 corporations subjected to the system paid 85 percent of the total corporate tax. Congress concluded that the difficulties which would have been incurred by the other 405,000 smaller corporations under the prepayment system exceeded the benefits of accelerating Treasury receipts.

Although my statement submitted for the record contains some statistics on this point, the Treasury and your own staff will undoubtedly have more current information for you to show that these distribution proportions are still substantially accurate.

Unfortunately, the administration's revenue estimates on their bill to date combined this \$100,000 matter with the effect of moving the 70 percent escape clause to 80 percent. So the proposal under consideration takes this shape: You are being asked to approve legislation which would compel over 400,000 corporations to file annual "Declaration of Estimated Tax," many undoubtedly requiring also periodic quarterly revisions, solely to accelerate the payment of corporate income tax that undoubtedly represents a small percent of the total corporate income tax.