

That will not produce payment of taxes otherwise uncollectable. It only calls for prepayment. The prescription cannot be renewed. This increase in Government revenue occurs only once, with the effect spread over 5 years following enactment. Once the change becomes fully effective, assuming no violent fluctuations in overall corporate income tax rates or in corporate income, collections should revert to normal, but hundreds of thousands of corporations would be left with the recurring annual problem of filing "Declaration of Estimated Tax."

The cure hardly seems worth the damage to the patient resulting from side effects.

Gentlemen, it would be extremely difficult and expensive for smaller corporations, those with income tax liabilities of \$100,000 all the way down to \$40, to comply with the provisions requiring current prepayments. Few of them have experienced tax personnel on their payroll, nor do they have budget experts to provide the necessary information.

I can tell you from our own experience that it is difficult enough for large corporations to estimate their income almost a year in advance, but at least they have trained budget, tax, and accounting employees.

In fact, it is difficult enough for most businessmen to have their income tax returns prepared and filed after the end of the year without having their attention distracted by a Government requirement that they enter the forecasting field, instead of concentrating on the need to make profits.

The ease of collecting prepayments from the Government's standpoint should not be allowed to obscure the corporate taxpayer's practical problems with estimating procedures. If this burden is to be imposed on small corporations, the penalty for lack of skill is unnecessarily severe. A poor shot results in underpayment which causes more than shame for poor marksman ship.

This unsteady hand produces a sharply defined penalty of 6 percent for the period of underpayment, not a 6-percent deductible interest charge for an inadvertent loan from a gracious government, but a non-deductible penalty more like a 12-percent simple interest charge.

A 6-percent nondeductible penalty for an honest mistake in estimating something that is often simply impossible to estimate with any accuracy seems to me harsh and severe.

Some will say that there is no need to worry about the penalty, even though unnecessarily harsh, since the statutory pattern of estimation offers several ways to avoid penalties, escape clauses, if you will. For example, no penalties will apply, even if the entire target is missed, and not just the bull's-eye, if the estimated tax paid is at least as large as the actual tax for the prior year.

As a practical matter, however, this is small comfort to the businessman whose corporate purse is slim and who cannot afford to overpay estimated tax simply to avoid a possible penalty.

His company needs every possible dollar of working capital in order to produce an ultimate profit for the year, a goal also necessary for any permanent benefit to the Government. There is hardly any advantage to the Government in unnecessarily stripping him of working capital during the year only to find that the corporation has been unable to make a profit during the year.

This results only in eventual refund of tax prematurely collected. The other major escape clause involves predicting the corporate tax,