

EXCISE TAX REVISION

The administration proposals to extend excise taxes on automobiles and telephone services are likewise inflationary. The Federal Communications Commission is trying to reduce telephone rates. Why not let the temporary Korean war excise taxes expire? The same thing applies to automobile excise taxes. Threatened strikes and other factors are going to force up automobile prices. Continuation of the excise tax will force prices even higher.

If there is to be an excise tax, which might be a saving grace if applied fairly, it should be a very low rate applied equally to all industry at the manufacturer's level, with the possible exception of food and drug industries.

The President estimates that extension of scheduled reductions in telephone and automobile excise taxes would provide additional Federal revenues of \$300 millions for fiscal 1968 and over \$2 billions in 1969. The \$2 billion figure for 1969 seems to us to be a highly questionable estimate.

A SOURCE OF NEW REVENUES

It would be much more simple to collect such additional revenues by a simple tax reduction. This could be done promptly by enacting H.R. 8146, a bill introduced on April 6, 1967, by one of your committee members, James B. Utt. This bill provides for a 50 percent reduction in the maximum tax rate on long-term capital gains, from 25 percent to 12½ percent.

Dependable surveys indicate that if this bill were enacted, the Treasury would receive nearly \$700 million more than under present rates. If these surveys were updated, they would indicate that the Treasury's increased revenues from this source would be even greater.

TIMING WRONG

The timing of the President's tax increase proposal seems all wrong. We can as yet see no indication of a big business boom. Ask the steel and auto boys. These are basic industries. Labor uncertainties in the near future are alarming to these industries and could well result in a slump, certainly not a boom.

CONSIDER THE STOCKHOLDER

Under the President's proposals, the individual who is a stockholder will be hit double since a 10 percent surcharge on the present 48 percent corporate rate will raise that rate to 52.8 percent or more than it was before the reduction of the old 52 percent rate. The individual will then bear that bite on any dividend distributions.

Because so much of personal income is in the lower tax brackets, a relatively small but constant increase in each of the percentages in the several graduated brackets, say by 2 percentage points, might well produce more tax revenue than the higher-sounding 10 percent surcharge.

Because inflation is best checked by a tax that reduces consumer income and that bears least heavily upon income likely to be invested, the flat increase in the scale of rates would seem more appropriate economically than the 10-percent surcharge at this time.