

that you would give the greatest relative credit to the small taxpayer. What you can do through the tax credit plan is to reverse the regressivity of State-local taxes to the extent that such regressivity exists rather than ignoring it and wishing it away.

I believe that through the tax credit plan we can solve one of the problems that we have not yet been able to solve, the regressivity of certain State-local taxes, whereas by avoiding these taxes in the revenue-sharing scheme, all we are doing is perpetuating the defects of the State-local tax structure.

Regarding the question whether we will help the core cities, I had no intention of letting the "slumlords" get any benefit. My idea is this: If, through a tax credit, you reduce the burden of property taxation, the core city can fill the gap by raising its taxes sufficiently. Whether we like it or not, the core cities are primarily dependent on property taxes, and if we allow the Federal Government to pick up some of the property tax burden—some of it is now picked up through the deduction process but as I indicated, I think the tax credit plan is a better way of doing it—then the core cities can impose an adequate property tax to take care of their needs; and through the differential tax credit we can avoid or reduce the regressivity of the property tax.

And another thing that can be done is to provide some encouragement to uniformity of taxes. For instance, at the present time we have the very serious problem of multiple taxation of interstate corporations, with which Congress has been very much concerned. One of the problems is, of course, that each State has its own ideas as to what we might regard as a trivial matter, such as the allocation formula, but which in fact has a very serious impact on corporations. Well, it would be possible to make the tax credits conditional on the adherence to certain uniformity provisions. That would be one way in which tax credits could be used to achieve the modernization which is so important a part of your plan.

To say that the tax credit plan relies on the Federal income tax in contrast to the revenue sharing plan is just incomprehensible to me because revenue sharing is based on a certain percentage of the Federal income tax.

The real difference between my proposal and that of the CED is that the CED proposal is consciously attempting to force the remaining States to impose an income tax. My suggestion is that there is no need to impose our views as to the particular type of tax. Some States have decided to rely on other taxes.

So from the point of view of helping particular people in those States, there is no need for us to impose a State income tax. But the reliance on the Federal income tax is the same, because all these plans rely on the Federal income tax, however we may work out the formula.

With respect to instant aspects of the tax credit on the income tax portion, at the present time if you do not have State income tax withholding—or to the extent that your tax liability exceeds the income tax withholding that has been achieved during the year—you pay your State tax on April 15, when you make out your Federal tax, and only a year later do you get credit for or take as a deduction the State income tax paid. This is because when you make out your Federal tax on April 15 you are making it out for the preceding year,