

important source of savings and capital supply. As for the employee's situation, it would be intolerable to ask an employee to include in taxable income the value of accrued benefits at the point of vesting (assuming that such value under collective funding could be precisely determined—a highly invalid assumption) which could amount to as much as 3 or 4 years' annual wage or salary. Under contributory plans, where vesting of benefits provided by employer contributions is usually forfeited if a terminating employee cashes out his own contributions (for example, the civil service retirement plan), how and when would the employee be taxed on the value of vested benefits? There is no unconditional vesting until retirement age when the value, again, could be several years' wage or salary. The case for special treatment can be sustained only if there is an equitable and workable alternative. It should be evident that there is no such alternative and, consequently, the present tax treatment of employer contributions is the natural method.

In addition, it is appropriate to recognize that, if advance funding of pension plans provides additional capital and, in turn, increased productivity, Federal revenues will be enhanced by taxation of the income associated with this increased productivity. It is then fair and reasonable to recognize, also, that any such additional revenue can be a significant offset to any net loss of revenue resulting directly from advance funding, whether such loss is of a theoretical mathematical character or results from extending the principle of deferred taxation to employee pension plan contributions and to retirement provisions of persons not covered by such plans, as recommended in this paper.