

ard a guess that there is going to be a taxpayer revolt over the income taxes in this country unless we move in this area.

Now, the revolt is not going to come from the poor. They do not pay very much in taxes. The revolt is going to come from the middle class. It is going to come from those people with incomes from \$7,000 to \$20,000 who pay every nickel of taxes at the going rate. They do not have the loopholes and the gimmicks to resort to, Mr. Chairman.

However, when these people see, as I see, that in the year 1967, there were 155 tax returns in this country with incomes of over \$200,000 a year and 21 returns with incomes of over a million dollars for the year on which the "taxpayers" paid the U.S. Government not 1 cent of income taxes, I think those people are going to say it is time to do something about it and I concur.

Now, we have tried for 8 years to reform the tax system and we have made some dent in the problem. May I encourage this committee to keep up the impetus that it has always had in this area of tax reform.

We have a good tax system. Economically it works as a counter-cyclical force. It is working that way right now. When the economy starts running stronger than it should, the tax system soaks up excess demand and tends to cool off the economy. It is a magnificent system that is producing in the income tax area alone \$132 billion in this fiscal year.

Mr. Chairman, and members of the committee, this is a voluntary system. It will not work unless people support it. Mr. Chairman, I do not believe the problem is the level of taxation. I believe rather it is the equity of taxation. People want to feel they are not paying more than their share and that everyone should pay a fair share. This does not happen when you are running a corporation and you look at the international oil companies and see they pay little or no taxes. They pay huge taxes including royalties to other governments but not to this Government, Mr. Chairman.

You look around and you see many people with huge advantages. Now, these are difficult to terminate. These special tax provisions are controversial subjects, Mr. Chairman, but I submit that if we are going to maintain this magnificent tax system with its advantages for revenues, and provide the revenues that Senator Javits mentions that he wants to use in the cities and the rest of you want to use for various purposes, it must be a fair system.

Senator JAVITS. Mr. Chairman, I have one question that is so pertinent that I beg leave of the Chair to ask it.

Chairman PATMAN. You may proceed, Senator.

Senator JAVITS. It is a fact that the surcharge bill included a requirement for the President to submit a report on tax reform by December 31, 1968.

Secretary BARR. Right, sir.

Senator JAVITS. It is also a fact that on December 31, the President announced with the concurrence of Chairmen Mills and Long, that he will not submit such a report although the Treasury's recommendations would be available to Congress in confidence on request. I was talked to in advance of the date, and asked whether I would consent to