

problem, and we are close to having an administration bill on that particular issue.

Secondly, I do not think that there is a taxpayers' revolt, certainly not.

Senator PROXMIRE. You should have been with me in Wisconsin for the last 10 weeks; you might have had a different view.

Mr. WALKER. I know the problem; I know the mail that is being received on the Hill, and I know the mail that has been received in the Treasury Department. Mr. Barr said, I think, "We face now the possibility of a taxpayer revolt." And I share with all those millions of Americans who do pay a relatively large share of their income in taxes, as I have over the years, a repugnance toward that part of a system which does not provide for complete equity, and that repugnance is shared by the Secretary of the Treasury and the President of the United States.

Now, I hope that the people of the United States, instead of revolting in a manner that impairs this unique income tax system, with voluntary reporting, that we have in this country, will revolt in a much more effective way, and that is by making clear to the Members of Congress and the tax-writing committees that they insist upon measures to bring about an equitable tax system at the earliest possible date. And I assure you that the Treasury Department will come forth with positive recommendations in that area.

Senator PROXMIRE. Let me just suggest a few. First, as I understand it, the unlimited charitable deductions require the taxpayer to give away up to 90 percent of his taxable income in 8 out of 10 years. The gimmick here is that their taxable income is small, because people with investments, with capital gains and so forth, are in a position where much of their income is not taxable. Therefore, they are in a position where they can escape from taxation, or at least limit that taxation very, very greatly.

I understand that there is a recommendation that this be eliminated over a period of 10 years. There is a staff recommendation. The Treasury has taken no position on it. Do you feel that this is something that you can give your support to?

Mr. WALKER. Not at the present time. We have to look at all areas, and we have got to ask ourselves the question first, in approaching these various areas: Is the preference which was originally given—and I use the word "preference" instead of loophole—is the preference that was originally given, presumably for a given purpose, operative or significant in 1969 and the 1970's? I think it would be a mistake—and I am not talking too much about the charitable deductions; I am talking more about certain other areas here—it would be a mistake not to approach these areas directly and look at the preference itself rather than to say, initially, you are going around through the back door with some other approach.

Senator PROXMIRE. Let me ask you about two loopholes that the banks have: One is that a bank sells some of its securities, and there is a capital gain, and the maximum tax is 25 percent. But if it has a loss, it is treated as an ordinary loss. This is information I get from the staff of the Joint Internal Revenue Taxation Committee.

The other is the fact that banks are permitted to deduct two and a half per cent of their debt as a bad debt reserve—

Mr. WALKER. 24.