

EXTENDING UNTIL DECEMBER 31, 1953, THE PERIOD WITH RESPECT TO WHICH THE EXCESS-PROFITS TAX SHALL BE EFFECTIVE

JULY 14 (legislative day, JULY 6), 1953.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 5898]

The Committee on Finance, to whom was referred the bill (H. R. 5898) to extend until December 31, 1953, the period with respect to which the excess-profits tax shall be effective, report the same without amendment and recommend that the bill do pass.

GENERAL

The President in his message of May 20, 1953, requested legislation to terminate the excess-profits tax as of December 31, 1953, instead of as of June 30, 1953, the expiration date now provided by law. It is estimated that the bill will increase Federal revenues for the fiscal year ending June 30, 1954, by \$800 million. In his message, the President stated:

The excess-profits tax should be extended as now drawn for 6 months beyond its present expiration date of June 30. This action seems necessary in spite of the fact that this is an undesirable way of taxing corporate profits.

Though the name suggests that only excessive profits are taxed, the tax actually penalizes thrift and efficiency and hampers business expansion. Its impact is especially hard on successful small businesses which must depend on retained earnings for growth. These disadvantages of the tax are now widely recognized. I would not advocate its extension for more than a matter of months. However, under existing circumstances the extension of the present law is preferable to the increased deficit caused by its immediate expiration or to any short-term substitute tax.

The scheduled expiration of the tax in June would be misleading in its consequences. It would simply mean that the tax would be applied at half the full rate, 15 percent, to all of this year's business income. Therefore its bad effects in penalizing efficiency and encouraging waste will continue through this year in any event. The extension of the tax through December 1953 would maintain the full 30-percent rate for the entire year and would produce a gain in revenue of \$800 million in the fiscal year 1954.

2 EXTENDING EXCESS-PROFITS TAX UNTIL DECEMBER 31, 1953

While your committee believes that the excess-profits tax is inequitable, it is of the opinion that the size of the present deficit makes it necessary to continue the tax for another 6 months. The deficit for the fiscal year ending June 30, 1954, is estimated at \$6.6 billion. By continuing the excess-profits tax for an additional 6-month period, it is estimated that the deficit will be further reduced to \$5.8 billion. Thus, the bill will help in the effort of the administration to arrive at a balanced budget at the beginning of the next fiscal year. Moreover, it will remove the complaint that the existing law terminates the excess-profits tax 6 months ahead of any individual income-tax reduction. Both the President and the Secretary of the Treasury have assured the Congress that they will not request any continuation of the excess-profits tax beyond December 31, 1953.

