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ESTIMATES OF FEDERAL RECEIPTS
FOR FISCAL YEARS 1956 AND 1957

PREPARED BY THE

STAFF OF THE JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION

MAY 16, 1956



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1956

CONGRESS OF THE UNITED STATES
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ESTIMATES OF FEDERAL RECEIPTS FOR THE FISCAL YEARS 1956 AND 1957

The staff of the Joint Committee on Internal Revenue Taxation estimates that Federal net budget receipts will amount to \$68.1 billion in the fiscal year 1956 and \$69.6 billion in the fiscal year 1957. These estimates are based upon assumptions regarding personal income and corporate profits which are described below. These estimates are also based upon existing law, i. e., it is assumed that the reductions in excise and corporate income tax rates will take place as scheduled; namely, April 1, 1957. If the excise tax rates are not reduced in the fiscal year 1957, revenues in that year can be expected to be about two-tenths of a billion dollars above the \$69.6 billion shown above. The extension of the corporate rates, however, would not affect revenues until the fiscal year 1958. It should also be pointed out that these estimates do not take into account any effect which the highway trust fund (provided by H. R. 10660 as passed by the House) would have upon the budget.

In the budget presented last January it was estimated that Federal expenditures in the fiscal year 1956 would amount to \$64.3 billion. The staff has not attempted to make any detailed analysis of Government expenditures, but actual expenditures and experience to date suggest that this estimate is probably something like \$1.5 billion too low. As a result, \$65.8 billion now appears to be a more reasonable estimate of the year-end total. Taken with the staff's estimates of receipts, this expenditure assumption will result in a surplus of \$2.3 billion for the current fiscal year, as compared with a \$0.2 billion surplus in the budget document.

The estimated expenditures in the January budget for the fiscal year 1957 are \$65.9 billion. In view of recent expenditure trends, it appears to the staff that it is reasonable to assume that these expenditures also will be increased by something like \$1.5 billion. Such an expenditure total, coupled with the staff's estimate of receipts, will result in a surplus of \$2.2 billion in the fiscal year 1957 as compared with the \$0.4 billion surplus shown in the budget document this last January. Table I summarizes these receipt, expenditure, and surplus totals for the fiscal years 1955, 1956, and 1957.

Table II shows, by major sources, the actual 1955 and the estimated 1956 and 1957 fiscal year receipts. This table also indicates by major receipt sources the differences between the January budget estimates and the staff estimates.

In estimating receipts for the fiscal years 1956 and 1957, the staff assumed a personal income level for the calendar year 1956 of \$317 billion and for the first 6 months of the calendar year 1957 a personal income level of \$322 billion. The personal income level for the first quarter of 1956, according to data released to the present time, averages about \$313.6 billion and the most recent monthly figure, that for March, indicates a personal income level of \$314.9 billion. Thus, the \$317 billion personal income level assumed by the staff for the calendar year 1956 is based upon the assumption that the moderate

upward trend, evident over a period of many months, will continue through the calendar year 1956. The \$322 billion assumed for the first 6 months of 1957, however, is a projection of the year-end figure assumed for 1956.

For the calendar year 1956 it was assumed that corporate profits before taxes would amount to \$45 billion. The most recently published figure for 1955 indicates a level for last year of \$43.4 billion, but corporate income tax collections occurring in the first 4 months of the calendar year 1956 suggested to the staff that this 1955 figure is something like \$1 billion too low. Thus, the estimate of \$45 billion for the calendar year 1956 is only approximately \$0.5 billion above what appears to be the more probable level for 1955.

In making these estimates it was recognized that inventory accumulation has been at a relatively rapid pace in the past several months and that the rate of accumulation is likely to slacken in the future. Despite this, the staff believed that the present and prospective large capital goods expenditures, coupled with a probable slight increase in Government expenditures necessitated the assumption of a slight upward trend in business activity. A marked change in this trend would, of course, necessitate a revision of the revenue estimates presented here.

TABLE I.—Receipts, expenditures, and surplus or deficit of the Federal Government, actual fiscal year 1955 and estimates for the fiscal years 1956 and 1957

[In billions of dollars]

	Actual, 1955	Estimated, 1956			Estimated, 1957		
		January budget estimate	Staff estimate	Differ- ence	January budget estimate	Staff estimate	Differ- ence
Receipts.....	60.4	64.5	68.1	3.6	66.3	69.6	3.3
Expenditures.....	64.6	64.3	65.8	1.5	65.9	67.4	1.5
Surplus (+) or deficit (-).....	-4.2	+2	+2.3	+2.1	+4	+2.2	+1.8

TABLE II.—Receipts of the Federal Government, actual fiscal 1955, and estimates for the fiscal years 1956 and 1957

[In billions of dollars]

	Actual, 1955	Estimated, 1956			Estimated, 1957		
		January budget estimate	Staff estimate	Differ- ence	January budget estimate	Staff estimate	Differ- ence
Individual income taxes.....	31.6	33.6	34.9	1.4	35.1	36.4	1.3
Corporation income taxes.....	18.3	20.3	21.9	1.6	20.3	21.9	1.6
Excises.....	9.2	9.9	10.0	.1	9.9	10.0	.1
Estate and gift taxes.....	.9	1.0	1.0	(¹)	1.1	1.2	(¹)
Employment taxes.....	6.2	7.4	7.4	0	7.6	7.6	(¹)
Customs.....	.6	.7	.7	(¹)	.7	.7	(¹)
Miscellaneous receipts.....	2.6	2.5	2.7	.2	2.8	2.8	(¹)
Total receipts.....	69.5	75.4	78.7	3.4	77.5	80.6	3.1
Deduct:							
Transfer to FICA trust fund.....	5.0	6.5	6.4	(¹)	6.6	6.6	(¹)
Transfer to railroad retirement account.....	.6	.6	.6	(¹)	.7	.7	0
Refunds.....	3.4	3.8	3.6	-.2	3.9	3.7	-.2
Net budget receipts.....	60.4	64.5	68.1	3.6	66.3	69.6	3.3

¹ Less than \$50 million.

NOTE.—Detail will not necessarily add to totals because of rounding.