

ESTIMATES OF FEDERAL RECEIPTS
FOR THE FISCAL YEARS
1967 AND 1968

PREPARED BY THE
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INTERNAL REVENUE TAXATION



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ESTIMATES OF FEDERAL BUDGET RECEIPTS IN THE FISCAL YEARS 1967 AND 1968

The staff of the Joint Committee on Internal Revenue Taxation estimates that administrative budget receipts will total approximately \$117 billion in the fiscal year which ends June 30, 1967. The staff further estimates that in fiscal year 1968 receipts will total about \$118 billion.

The staff's estimate of receipts in fiscal year 1968 is substantially less than the estimate presented by the administration in the January 1967 budget message, but a major portion of the difference is attributable to the treatment of the revenue effects of proposed legislation. The January budget estimates include the estimated effects of legislation to be proposed by the administration while the staff estimates presented here do not. The Treasury estimated that proposed legislation, primarily the 6-percent income tax surcharge, would increase administrative budget receipts in fiscal year 1968 by \$5,016 million. In fiscal year 1967, proposed transfers to the trust funds and other proposals would result in a reduction of \$104 million in administrative budget receipts. To facilitate meaningful comparison with staff estimates, tables 1 and 2 contain January budget estimates of receipts adjusted to exclude the effects of proposed legislation.

The differences between the staff and the January budget estimates are also attributable in part to H.R. 6950. This bill, which restores the 7-percent investment credit and certain uses of accelerated depreciation, was proposed after the budget message was released, and its estimated effect on receipts is not reflected in the January budget estimates. Staff estimates of receipts include the effect of this bill. The results are expressed as a range of estimates rather than a single figure because the House and Senate conferees had not met at the time these estimates were prepared. It is estimated that if the bill enacted is the same as the bill passed by the House of Representatives, it will reduce fiscal year 1967 receipts by \$370 million and fiscal year 1968 receipts by \$910 million. Under the version of the bill passed by the Senate, which would reduce receipts in each of the fiscal years by somewhat less than the House bill, receipts would be reduced by an estimated \$145 million in fiscal year 1967 and \$460 million in fiscal year 1968.

In table 1, the estimates of the staff and those of the January budget message are summarized. The table contains the January budget estimates inclusive and exclusive of the effect of proposed legislation. The staff estimates are shown exclusive of the effect of proposed legislation but include H.R. 6950. The table includes estimates of Federal administrative budget expenditures and of the budget deficit as they were presented in the January budget message. In addition, estimates are presented of the deficit in the administrative budget based on staff estimates of receipts and January budget message estimates of expenditures. In the latter case, the deficit is shown as a range

rather than as a single figure because of the uncertainty as to the final version of H.R. 6950. The budget estimates do not reflect this legislation.

TABLE 1.—*Receipts, expenditures, and deficit in the Federal administrative budget, fiscal year 1966 actual, fiscal years 1967 and 1968 estimated*

[In billions]

	1966 actual	1967		1968	
		Staff estimate	January budget estimate ¹	Staff estimate	January budget estimate ¹
Receipts.....	\$104.7				
Including proposed legislation.....			\$117.0		\$126.9
Excluding proposed legislation.....		² \$117.1-117.3	117.1	² \$117.7-118.1	121.9
Expenditures.....	107.0	³ 126.7	126.7	³ 135.0	135.0
Deficit.....	2.3				
Including proposed legislation.....			9.7		8.1
Excluding proposed legislation.....		² 9.6-9.4	9.6	² 17.4-16.9	13.1

¹ Budget estimates do not reflect the effect of H.R. 6950, a bill to restore the investment credit and certain uses of accelerated depreciation.

² A range of estimates is given because the final version of H.R. 6950 (restoring the investment credit) is undetermined. The first figure assumes adoption of the version of the bill approved by the House while the second figure assumes adoption of the version of the bill approved by the Senate.

³ Expenditure estimate contained in January budget message.

Detail may not add to totals due to rounding.

Coupling the staff estimate of receipts with the January budget estimate of expenditures results in the projected budget deficit of from \$9.4 to \$9.6 billion for fiscal year 1967. This deficit is very close to the deficit estimated in the January budget message. When the same procedure is followed for fiscal year 1968—again assuming the January budget estimates of expenditures—a deficit ranging from \$16.9 to \$17.4 billion is indicated. This contrasts with a January budget estimate of \$13.1 billion exclusive of the effect of proposed legislation. In the January budget message it was estimated that the proposed 6-percent income tax surcharge and other proposals would increase fiscal 1968 receipts by \$5 billion, thus reducing the administrative budget deficit to \$8.1 billion in that year.

ECONOMIC ASSUMPTIONS

The estimates of budget receipts prepared by the staff are based on a projected gross national product for the calendar year 1967 of \$784.5 billion, measured at current prices. In connection with this estimate, total personal income of \$624.7 billion and corporate profits before tax of \$80.0 billion were projected.

In formulating these projections, the staff assumed that social security, old-age and survivors insurance benefits would be increased by 10 percent effective in July 1967. Restoration of the 7-percent investment credit was assumed effective March 10, 1967. The income tax surcharge proposed by the administration was not taken into account, nor was any increase in social security contribution rates beyond that provided by existing law.

The estimates by the staff imply a quickening pace of general economic activity during the remainder of calendar year 1967 which will carry over into the first half of 1968. Consumption expenditures and Government purchases generally are expected to maintain recent

rates of increase. Investment, including the volatile net inventory change component, is estimated to rebound during the second half of 1967, with residential construction expenditures recovering sharply from last year's lowest level.

The staff formulated these economic projections following a discussion with a panel of economists from private industry. The staff also benefited from discussions with Government economists from Congress and the executive departments.

The staff projections may be compared to those which underlie the estimates presented by the administration in the January budget message. In the budget, a gross national product of \$787 billion was projected for the calendar year 1967. The budget also projected personal income of \$624 billion and corporate profits before tax of \$83 billion.

DETAILS OF THE RECEIPTS ESTIMATES

Table 2 shows the major sources for actual administrative budget receipts in fiscal year 1966 and the staff and January budget estimates of administrative budget receipts in fiscal years 1967 and 1968. January budget estimates of receipts in both fiscal years have been adjusted to delete the effect of proposed legislation. Staff estimates have been prepared with the same considerations in mind, and estimates also have been prepared which contain adjustments for H.R. 6950—the bill restoring the investment credit and accelerated depreciation.

For fiscal year 1967, the joint committee staff estimates receipts at \$117,484 million compared with \$117,099 million for the adjusted January budget estimate, a difference of \$385 million. The major difference occurs in the individual income tax estimates. The staff estimated \$700 million greater individual income tax receipts. The January budget estimate of corporation income taxes was reduced by \$190 million to exclude the effect in June 1967 of corporation income tax payments in anticipation of the proposed 6-percent income tax surcharge. A transfer of \$294 million from miscellaneous receipts to revolving funds for several Federal programs which was reflected in the January budget estimates was restored.

In fiscal year 1968, the staff estimates budget receipts at \$118,573 million compared with \$121,921 million for the adjusted January budget estimates. The greatest difference—\$2,635 million—occurs in the corporation income tax estimates because the staff estimates reflect a lower level of corporate profits. The individual income tax estimates by the staff are \$600 million lower. Neither estimate of receipts includes the effects of the proposed 6-percent surcharge on income taxes. Accordingly, the January budget estimates were reduced by \$5,500 million: \$3,400 million in the individual income tax and \$1,300 million in the corporation income tax. The corporation income tax was reduced by an additional \$800 million to remove the effect of the proposed acceleration in corporation income tax payments. Excise tax receipts were increased by \$367 million to offset the effects of the proposed transportation user charges. Miscellaneous receipts were increased by a net \$117 million adjustment for the proposed revolving funds and various user charges.

The staff prepared two additional estimates of corporation income tax receipts for each fiscal year. The differences are based upon the

distinctive versions of H.R. 6950 which were passed by the House of Representatives and the Senate. At the time this report was prepared, the conferees had not met to reconcile the two versions of the bill. Either version of the bill will reduce corporation income tax receipts in each fiscal year. In fiscal year 1967, the House version will reduce receipts by \$370 million and the Senate version by \$145 million. In fiscal year 1968, the House version will reduce receipts by \$910 million and the Senate version by \$460 million.

TABLE 2.—Budget receipts: Actual for fiscal year 1966, estimated for fiscal years 1967 and 1968

[In millions]

Source	1966 actual	Estimates for 1967			Estimates for 1968		
		Staff estimate	January estimate ¹ without proposed legisla- tion	Increase (+) or decrease (-), staff over January budget	Staff estimate	January estimate ¹ without proposed legisla- tion	Increase (+) or decrease (-), staff over January budget
Individual income tax	\$55,446	\$62,900	\$62,200	+\$700	\$69,200	\$69,800	-\$600
Corporation income tax ²	30,007	34,185	34,210	-25	29,165	31,800	-2,635
House version, H. R. 6950 ³		33,815			28,255		
Senate version, H. R. 6950 ³		34,040			28,705		
Excise taxes	9,145	9,110	9,300	-190	9,055	9,167	-112
Estate and gift taxes	3,066	3,000	3,100	-100	3,100	3,100	
Customs	1,767	⁴ 1,980	1,980		⁴ 2,100	2,100	
Miscellaneous receipts	5,865	⁴ 7,075	7,075		⁴ 6,635	6,635	
Interfund transactions	-635	⁴ -766	-766		⁴ -682	-682	
Budget receipts ²	104,727	117,484	117,099	+385	118,573	121,921	-3,347
House version, H. R. 6950		117,114			117,663		
Senate version, H. R. 6950		117,339			118,113		

¹ The estimates do not include effects of tax legislation proposed in January 1967 budget submission. The proposals would raise individual income tax receipts by \$3,400,000,000 in fiscal year 1968 and corporation income tax receipts by \$190,000,000 in fiscal year 1967 and \$2,100,000,000 in fiscal year 1968. The proposals would reduce excise tax receipts by \$367,000,000 and miscellaneous receipts by \$117,000,000 in fiscal year 1968 and would reduce miscellaneous receipts by \$294,000,000 in fiscal year 1967.

² Estimates exclude effects of H. R. 6950.

³ Estimates adjusted to reflect H. R. 6950 as passed by the House of Representatives or the Senate.

⁴ Staff does not estimate these items. Estimates shown here are January budget estimates which were adjusted to exclude proposed legislation.

Detail may not add to totals due to rounding.