

Tax Cuts

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Misplaced,

Simon Says

Washington

Treasury Secretary William Simon said yesterday the House was wrong to concentrate its \$21.3 billion tax-cut bill on lower-income families because they will not spend the money where it will do the most good to help the economy revive.

Higher-income families, Simon told the Senate Finance Committee, are more likely to buy such major items as new cars, houses and home appliances — sectors, he said, that need stimulus the most.

"Approximately 70 per cent of these goods are bought by households with incomes over \$10,000," Simon said. The poor, he added, would spend their tax rebates on "non-durable goods.

The House bill is based on the theory that lower-income groups have been hit the hardest by inflation and recession and are therefore the most in need.

Simon also told the committee the House was wrong in adding to the bill a selection increasing oil industry taxes more than \$2 billion

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this year by repealing the oil depletion allowance.

Simon called on the committee, which began tax-cut hearings yesterday, to forget the House-passed bill and go back to the \$16.5 billion, one-year-only tax cut proposed by President Ford.

The Senate, however, is expected if anything to increase the House cut even further. Congress hopes to complete action on the tax legislation before it goes home this month for Easter.

The House bill provides for an immediate \$8.1 billion rebate of 1974 income taxes — the ones payable in full this April 15. Rebates in general would be ten per cent, but with a maximum of \$200 per tax return and a minimum of \$100 or a total refund of all taxes paid, whichever is less.

In addition, the House bill provides for about \$8.1 billion in 1975 tax cuts for individuals, mostly for lower-income groups, to be reflected in lower withholding rates later this year. The remainder of the cut would be in 1975 business taxes; the 1975 tax cuts are the ones likely to be made permanent.

The President's plan involved about \$4 billion for business and a straight 12 per cent, \$12 billion rebate on 1974 taxes for individuals, subject only to a maximum of \$1000 per return. More than 40 per cent of the rebate as he proposed it would go to families making more than \$20,000 a year.

Simon, however, said "we do not think it unfair" to give refunds in proportion to taxes paid. He added, "To stimulate the really soft spots on our economy, the tax cuts must be focused more heavily above the \$10,000 (income) level." The House bill would give 55 per cent of the cut to families below that level.