

ESTIMATES OF FEDERAL RECEIPTS FOR THE FISCAL YEAR

ESTIMATES OF FEDERAL RECEIPTS FOR FISCAL YEARS 1957 AND 1958

PREPARED BY THE

STAFF OF THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

CONGRESS OF THE UNITED STATES
MAY 21, 1957

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ESTIMATES OF FEDERAL RECEIPTS FOR THE FISCAL YEARS 1957 AND 1958

TABLE 1.—*Receipts, expenditures, and surplus of the Federal Government, actual for fiscal 1956, estimates for fiscal years 1957 and 1958*

[In billions of dollars]

| | Actual, 1956 | Estimated, 1957 | | Estimated, 1958 | |
|-------------------|-----------------|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| | | January budget esti- mates | May staff esti- mates | January budget esti- mates | May staff esti- mates |
| Receipts..... | 68.2 | 70.6 | 70.7 | 73.6 | 74.3 |
| Expenditures..... | 66.5 | 68.9 | 69.5 | 71.8 | 73.0 |
| Surplus..... | 1.6 | 1.7 | 1.2 | 1.8 | 1.3 |

The staff of the Joint Committee on Internal Revenue Taxation estimates that the surplus for the fiscal years 1957 and 1958 will be approximately \$1.2 billion and \$1.3 billion, respectively. This is shown in table 1, which also compares the staff estimates with the January budget estimates.

1. *Budget receipts.*—Based upon currently available information, the staff estimates that Federal net budget receipts will amount to \$70.7 billion in the fiscal year 1957 and \$74.3 billion in the fiscal year 1958. The receipt estimate for the fiscal year 1957 is about \$100 million above that presented in the budget this last January, while the receipt estimate for the fiscal year 1958 is about \$700 million above that appearing in the January budget document. The staff estimates are based upon the assumptions regarding personal income and corporate profits described later. The receipt estimates in table 1, since they are net budget estimates, do not include receipts earmarked for the highway trust fund, the Federal OASI trust fund, or the various other trust funds. However, information presented below shows receipt estimates without reduction for the amounts earmarked for the trust funds.

2. *Budget expenditures.*—In the budget presented last January, it was estimated that Federal net budget expenditures in the fiscal year 1957 would amount to \$68.9 billion. The staff does not attempt to make any detailed analysis of budget expenditures but experience to date makes it appear that expenditures for the fiscal year 1957 may be something like a half a billion above this estimate of last January. The increase reflects the fact that it now appears that military expenditures for the fiscal year 1957 may be considerably above the January estimates and that, although these may in part be offset by decreases in other categories, the net result is still likely to represent an increase. As a result, the staff has concluded that \$69.5 billion now appears to be a more reasonable estimate of net budget expenditures for the fiscal year 1957.

The January budget expenditure estimate for the fiscal year 1958 is \$71.8 billion. The staff believes that actual budget expenditures in

the fiscal year 1958 are more likely to be in the neighborhood of \$73 billion, or approximately \$1 billion above the January budget figure. The staff has reached this conclusion primarily on the grounds that there already have been, and are likely to continue to be, significant price rises which will necessitate increases in approved expenditure programs. It is believed that these price rises which have already occurred, or can be expected in the future, will be of special significance in raising the military expenditure totals. It is believed that the expenditure totals would be still higher if it were not for the substantial appropriation cuts being made by Congress. While these cuts are expected to reduce expenditure totals for the fiscal year 1958 below the levels which would otherwise prevail, it is believed that the reductions currently being made in appropriations by Congress will have their greatest impact on expenditure levels in the fiscal year 1959 and later years.

3. *Assumptions as to income levels.*—In estimating receipts for the fiscal years 1957 and 1958, the staff has assumed a personal income level for the calendar year 1957 of \$342 billion and for the first 6 months of the calendar year 1958, a personal income level of \$350 billion.¹ The personal income level for the first quarter of 1957, according to data available at the present time, averages about \$336.5 billion, and the most recent monthly figure, that for April, indicates a personal income level of \$339.3 billion. Thus, the \$342 billion personal income level assumed by the staff for the calendar year 1957 and the \$350 billion personal income level assumed for the first 6 months of the calendar year 1958, represents an assumption that personal income levels will continue to rise but represents a conservative estimate of the increase likely to occur.

For the calendar year 1957, the staff assumed that corporate profits before taxes will amount to \$44.5 billion.² The published corporate profits figure for the calendar year 1956 is \$43.7 billion. Thus, the staff estimate of \$44.5 billion for the calendar year 1957 is nearly \$1 billion above the 1956 level. Corporate income tax collection experience to date suggests that the 1956 profits figure now available may be somewhat overstated. This figure is based on a limited sample and has been subject to significant revision in the past. The level assumed by the staff for the calendar year 1957 may eventually prove to be somewhat more than a billion dollars above the actual level for 1956.

It should be made clear that any downward trend of personal income and corporate profits, or any sharp increase, would necessitate a revision of the revenue estimates presented in this pamphlet.

4. *Details of receipt estimates.*—Table 2, which follows, shows by major sources the actual 1956 and the estimated 1957 and 1958 fiscal year receipts. This table also indicates by major receipt sources the difference between the January budget estimates and the staff estimates. It also shows receipts before and after reduction for amounts earmarked for various trust funds and amounts payable as refunds. The staff estimates of excise and corporate income tax collections take

¹ The Treasury Department has announced (in a release on the press conference of January 15, 1957) that the January budget estimates were based on a personal income level of \$340 billion for the calendar year 1957.

² The Treasury Department has announced (in a release on the press conference of January 15, 1957) that the January budget estimates were based on a corporate profit level of \$44 billion for the calendar year 1957.

into account the fact that the Tax Rate Extension Act of 1957 extended the existing corporate income tax rates and also the existing rates of certain excise taxes to July 1, 1958. The estimates appearing in the January budget assumed that these rates would be extended, as recommended in the budget message, to April 1, 1958. These rate continuations for an additional 3 months account for about \$200 million of the excess of the staff excise tax estimates for the fiscal year 1958 over those in the budget for that year.

TABLE 2.—Receipts of the Federal Government, actual for fiscal 1956, estimates for the fiscal years 1957 and 1958

[In billions of dollars]

| | Actual, 1956 | Estimated, 1957 | | | Estimated, 1958 | | |
|--|-----------------|-------------------------------------|-------------------------|-----------------|-------------------------------------|-------------------------|-----------------|
| | | January budget esti- mates | Staff esti- mates | Differ- ence | January budget esti- mates | Staff esti- mates | Differ- ence |
| Individual income taxes..... | 35.3 | 38.5 | 38.8 | +0.3 | 41.0 | 41.5 | +0.5 |
| Corporation income taxes..... | 21.3 | 21.4 | 21.4 | ----- | 22.0 | 21.9 | -.1 |
| Excise taxes..... | 10.0 | 10.7 | 10.7 | ----- | 11.1 | 11.5 | + .5 |
| Estate and gift taxes..... | 1.2 | 1.4 | 1.4 | ----- | 1.5 | 1.5 | ----- |
| Employment taxes..... | 7.3 | 7.8 | 7.8 | + .1 | 8.4 | 8.4 | ----- |
| Customs..... | .7 | .8 | .8 | ----- | .8 | .8 | ----- |
| Miscellaneous receipts..... | 3.0 | 3.0 | 2.8 | -.2 | 3.3 | 3.2 | -.1 |
| Total..... | 78.8 | 83.5 | 83.7 | + .2 | 88.0 | 88.8 | + .8 |
| Deduct: | | | | | | | |
| Transfers to Federal old- age and survivors insur- ance and disability trust funds..... | 6.3 | 6.8 | 6.9 | + .1 | 7.4 | 7.4 | ----- |
| Transfer to railroad retire- ment account..... | .6 | .7 | .7 | ----- | .7 | .7 | ----- |
| Transfer to highway trust fund..... | | 1.5 | 1.6 | + .1 | 2.2 | 2.3 | + .1 |
| Refunds of receipts..... | 3.7 | 3.9 | 3.9 | ----- | 4.2 | 4.2 | ----- |
| Net budget receipts..... | 68.2 | 70.6 | 70.7 | + .1 | 73.6 | 74.3 | + .7 |

NOTE.—Detail may not add to total because of rounding.

