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THE WHITE HOUSE

WASHINGTON

March 27, 1975

MEMORANDUM FOR THE PRESIDENT

FROM:

R. L. DUNHAM

Dick

SUBJECT:

Recommended Action on the Tax Bill

It is my personal recommendation that you approve the tax bill now before you.

My reasoning includes the following items:

- 1) Your original tax cut proposals totalled \$16 billion. It has been reported in the press that you were willing to compromise the amount up to \$20 billion. This bill is estimated to cost \$22 billion. In the public mind, there is not a substantial difference between 20 and 22 billion dollars, particularly when compared with the original Senate and House bills which were estimated to cost \$30 billion.
- 2) The main reasons for veto would, it seems to me, be very difficult to explain since they are essentially on tax theory or administrative difficulty grounds.
- 3) I agree with most of your advisers who feel that the chances of sustaining a veto are at best 50-50, and there is a likelihood that in any event a more expensive or otherwise worse bill would be sent to you.
- 4) One of the primary arguments against this bill is that it provides too large a tax rebate to lower income groups as opposed to your more balanced proposals which would have distributed the benefits to a broader income spectrum. This again would be difficult to explain.
- 5) It seems to me that the argument using the size of the deficit is weak because it is based on speculation which includes elements, namely the expenditure issues, which are not now before you in this bill. Your single fiscal decision at this stage is a \$6 billion difference of added costs since this bill would increase your already acknowledged \$55 billion deficit to \$61 billion.

6) Since a tax cut is, in terms of your position, a better way to stimulate the economy than governmental expenditures, your approval of this bill may put you in a better position to resist further expenditure increases while still maintaining your original position of tax cut stimulus vs. governmental expenditure stimulus.