

taxes is a deduction on their Federal tax return. So if they're in the 80 percent Federal income tax bracket, which some of them are, and their State taxes go up, they're only paying 20 percent of the increase anyhow because the rest is deductible from their Federal taxes. So the impact on them is not nearly as bad as they imagine it to be.

People who are knowledgeable, who have no axe to grind in government, have agreed that this approach of taxing income, of taxing ability to pay, is the way to approach the subject. We are not ashamed of our tax reform; we are proud of it. We don't go around the State hanging our heads about it like we are taking money out of the pockets of those who can least afford to pay it, because we know we are putting money in the pockets of those who can least afford to pay more.

Now business taxation needs to be studied and reformed too, and this is in progress by the committee that Glenn Beall serves so capably on. We intend to come in with new ideas of business tax reform which will eliminate some of the inequities in that area.

Right now we have crazy taxes on business relating to gross profits, relating to inventory; we have a sales tax on machinery and equipment that's inhibiting industrial development in areas where we need it most. I believe that if we rearrange our business tax structure, where the ability to pay is brought into that, where businesses that are making money after taxes are the ones that have to pay more instead of those that happen to be carrying a large inventory or making a large gross profit, we will have done something to make uniform the business taxation and attract new industry to this State which we all need if we are going to keep our cost of government down.

The business tax problem should be ready for the next session of the Legislature. This does not mean a massive new tax increase. One of the things that I believe is that the business reform should relate itself to smoothing out the bumps, to making the burden more nearly equal on the business community, not necessarily to providing a whole mass of new business credit.

I think in some areas of pollution effort a business should be given an accelerated write-off of facilities it puts in—not to help it make its product better or produce more rapidly or in greater quantity, but simply to help the citizens around it live better lives through the lack of water pollution or air pollution. I think they should get credits for that kind of effort certainly, but the entire business tax restructuring does not of necessity involve another big tax increase.