Double Taxation Remains

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WITHHOLDING of estimated taxes on dividends and interest at the source seems to be a dead issue, with Congress having sent a repealer measure to the White House that President Reagan is expected to sign. Strenuous objections from investors, savings institutions and corporations motivated Congress to eliminate the proposal enacted in 1981.

Still alive, however, is the question of whether corporate dividends should continue to be taxed twice. Present laws require corporations to pay taxes on earnings at rates ranging up to 48 percent. Those same earnings are taxed again as income when distributed to individuals or other shareholders.

It would simplify the tax collection problem if Congress would enact laws for all applicable taxes to be paid by corporations on distributed earnings. This has been proposed repeatedly to no avail, apparently because of fears of reduced treasury revenues.

The probability of repeal of double taxation on corporate earnings remains low, even though the vast majority of stockholders are individual citizens and voters.

Indications are that the Internal Revenue Service will continue to tighten collection and enforcement methods to extract more dollars from every possible source.

The IRS terminology for allowable deductions on tax returns is "tax expenditures." From this one might infer that taxpayers are being subsidized by government when they deduct payments made for interest, taxes, health care or charitable contributions.

IRS officials would like to eliminate such deductions, and in fact some already have been wiped out, as in the case of state gasoline taxes no longer allowed and a formula that limits the amount of medical expenses that can be deducted.

The dividend-interest tax withholding plan has been sent to the deep freeze for now, but we may expect the IRS to apply other pressures to collect more taxes. The reason is that there is no sign that Congress plans to reduce its extravagance.