

SIMPLIFIED INCOME-TAX RETURN

**PROCEEDINGS
IN EXECUTIVE SESSION
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
SEVENTY-EIGHTH CONGRESS
SECOND SESSION
ON
H. R. 4646
AN ACT TO PROVIDE FOR SIMPLIFICATION
OF THE THE INDIVIDUAL INCOME TAX**

MAY 9, 1944

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SIMPLIFIED INCOME TAX RETURN

TUESDAY, MAY 9, 1944

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

EXECUTIVE SESSION

The committee met, at 10:30 a. m., pursuant to call, in the Finance Committee Room, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Walsh, Barkley, Connally, Byrd, Gerry, Radcliffe, La Follette, Vandenberg, Davis, Danaher, Butler, Millikin, and Brewster.

Also present: Colin F. Stam, Chief of Staff, and Ralph E. Burgoss, actuary, Joint Committee on Internal Revenue Taxation; Stanley S. Surrey, tax legislative counsel; Roy Blough, Director of Tax Research, and Al F. O'Donnell, Assistant Director, Division of Research and Statistics, Department of the Treasury.

(REPORTER'S NOTE.—Due to lateness in notification as to having these proceedings stenographically reported, the committee was in session with proceedings under way upon the arrival of the reporter.)

(H. R. 4646 is as follows:)

[H. R. 4646, 78th Cong., 2d sess.]

AN ACT To provide for simplification of the individual income tax

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act may be cited as the "Individual Income Tax Act of 1944".

(b) ACT AMENDATORY OF INTERNAL REVENUE CODE.—Except as otherwise expressly provided, wherever in this Act an amendment is expressed in terms of an amendment to a chapter, subchapter, title, supplement, section, subsection, subdivision, paragraph, subparagraph, or clause, the reference shall be considered to be made to a provision of the Internal Revenue Code.

(c) MEANING OF TERMS USED.—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

Part I—Amendments to Chapter 1 of the Internal Revenue Code

SEC. 2. TAXABLE YEARS TO WHICH APPLICABLE.

Except as otherwise expressly provided, the amendments made by this part shall be applicable with respect to taxable years beginning after December 31, 1943.

SEC. 3. NORMAL TAX ON INDIVIDUALS.

Section 11 (relating to the normal tax on individuals) is amended to read as follows:

"SEC. 11. NORMAL TAX ON INDIVIDUALS.

"There shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax of 3 per centum of the amount of the net income in excess of the credits against net income provided in section 25 (a). For alternative tax which may be elected if adjusted gross income is less than \$5,000, see Supplement T."

SEC. 4. SURTAX ON INDIVIDUALS.

(a) IMPOSITION OF TAX.—Section 12 (b) (relating to the surtax on individuals) is amended to read as follows:

"(b) RATES OF SURTAX.—There shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual the surtax shown in the following table:

"If the surtax net income is:	The surtax shall be:
Not over \$2,000.....	20% of the surtax net income.
Over \$2,000 but not over \$4,000...	\$400, plus 22% of excess over \$2,000.
Over \$4,000 but not over \$6,000...	\$840, plus 26% of excess over \$4,000.
Over \$6,000 but not over \$8,000...	\$1,360, plus 30% of excess over \$6,000.
Over \$8,000 but not over \$10,000...	\$1,960, plus 34% of excess over \$8,000.
Over \$10,000 but not over \$12,000.	\$2,640, plus 38% of excess over \$10,000.
Over \$12,000 but not over \$14,000.	\$3,400, plus 43% of excess over \$12,000.
Over \$14,000 but not over \$16,000.	\$4,260, plus 47% of excess over \$14,000.
Over \$16,000 but not over \$18,000.	\$5,200, plus 50% of excess over \$16,000.
Over \$18,000 but not over \$20,000.	\$6,200, plus 53% of excess over \$18,000.
Over \$20,000 but not over \$22,000.	\$7,260, plus 56% of excess over \$20,000.
Over \$22,000 but not over \$26,000.	\$8,380, plus 59% of excess over \$22,000.
Over \$26,000 but not over \$32,000.	\$10,740, plus 62% of excess over \$26,000.
Over \$32,000 but not over \$38,000.	\$14,460, plus 65% of excess over \$32,000.
Over \$38,000 but not over \$44,000.	\$18,360, plus 69% of excess over \$38,000.
Over \$44,000 but not over \$50,000.	\$22,500, plus 72% of excess over \$44,000.
Over \$50,000 but not over \$60,000.	\$26,820, plus 75% of excess over \$50,000.
Over \$60,000 but not over \$70,000.	\$34,320, plus 78% of excess over \$60,000.
Over \$70,000 but not over \$80,000.	\$42,120, plus 81% of excess over \$70,000.
Over \$80,000 but not over \$90,000.	\$50,220, plus 84% of excess over \$80,000.
Over \$90,000 but not over \$100,000.	\$58,620, plus 87% of excess over \$90,000.
Over \$100,000 but not over \$150,000.	\$67,320, plus 89% of excess over \$100,000.
Over \$150,000 but not over \$200,000.	\$111,820, plus 90% of excess over \$150,000.
Over \$200,000.....	\$156,820, plus 91% of excess over \$200,000."

(b) **LIMITATION ON AGGREGATE TAX.**—Section 12 is amended by striking out subsection (g) and inserting in lieu thereof the following:

“(g) **LIMITATION ON TAX.**—The tax imposed by this section and section 11, computed without regard to the credits provided in sections 31, 32, and 35, shall in no event exceed in the aggregate 90 per centum of the net income of the taxpayer for the taxable year.

“(h) **ALTERNATIVE TAX.**—For alternative tax which may be elected if adjusted gross income is less than \$5,000, see Supplement T.”

SEC. 5. ALTERNATIVE TAX ON INDIVIDUALS WITH ADJUSTED GROSS INCOME OF LESS THAN \$5,000.

(a) **IN GENERAL.**—Supplement T of Chapter 1 (relating to the alternative tax on individuals with gross income from certain sources of less than \$3,000) is amended to read as follows:

“**Supplement T—Individuals with Adjusted Gross Income of Less than \$5,000**

“SEC. 400. IMPOSITION OF TAX.

“In lieu of the taxes imposed by sections 11 and 12, there shall be levied, collected, and paid for each taxable year upon the net income of each individual whose adjusted gross income for such year is less than \$5,000, and who has elected to pay the tax imposed by this supplement for such year, the tax shown in the following table:

"SEC. 401. DEFINITION OF 'SURTAX EXEMPTION'.

"As used in the table in section 400, the term 'number of surtax exemptions' means the number of the exemptions allowed under section 25 (b) as credits against net income for the purpose of the surtax imposed by section 12.

"SEC. 402. MANNER AND EFFECT OF ELECTION.

"The election referred to in section 400 shall be exercised in the manner provided in regulations prescribed by the Commissioner with the approval of the Secretary. For cases in which election to take the standard deduction also constitutes an election to pay the tax imposed by this supplement, see section 23 (aa) (3) (D). For cases in which election to file a return without showing tax thereon constitutes an election to pay the tax imposed by this supplement, see section 51 (f).

"SEC. 403. CREDITS NOT ALLOWED.

"For credits against tax and against net income not allowed, in the case of a taxpayer who elects to pay the tax imposed by this supplement, because of the fact that such election constitutes an election to take the standard deduction, see section 23 (aa).

"SEC. 404. CERTAIN TAXPAYERS INELIGIBLE.

"This supplement shall not apply to a nonresident alien individual, to a citizen of the United States entitled to the benefits of section 251, to an estate or trust, or to an individual making a return for a period of less than twelve months on account of a change in the accounting period. For provisions making both husband and wife ineligible to elect to pay the tax imposed by this supplement if either does not elect to take the standard deduction, see section 23 (aa) (4)."

(b) **TECHNICAL AMENDMENT.**—Section 4 (relating to special classes of taxpayers) is amended by striking out subsection (l) and inserting in lieu thereof the following:

"(l) Individuals with adjusted gross income of less than \$5,000, — Supplement T."

SEC. 6. REPEAL OF VICTORY TAX.

(a) **IN GENERAL.**—Subchapter D of Chapter 1 (relating to the victory tax) is repealed.

(b) **TECHNICAL AMENDMENTS.**—

(1) Section 3 (relating to classification of provisions) is amended by striking out the following:

"Subchapter D—Victory tax on individuals, divided into parts and sections."

(2) Section 56 (f) (cross reference) is amended by striking out ", 144, and Part II of Subchapter D" and inserting in lieu thereof "and 144".

(3) Section 103 (relating to rates of tax on citizens and corporations of certain foreign countries) is amended by striking out "and 450" wherever appearing therein and inserting in lieu thereof "and 400".

(4) Section 131 (a) (relating to taxes of foreign countries and of possessions of the United States) is amended by striking out "or section 450".

(5) Section 131 (l) (relating to tax withheld at source) is amended by striking out "406 (e)" and by inserting in lieu thereof "35".

(6) Section 145 (e) (cross reference) is amended to read as follows:

"(e) For penalties for failure to file information returns with respect to foreign personal holding companies and foreign corporations, see section 340."

(7) Section 291 (b) (cross reference) is repealed.

(8) Section 294 (d) (2) (relating to substantial underestimate of estimated tax) is amended by striking out ", 35, and 466 (e)" and inserting in lieu thereof "and 35".

(9) Section 322 (a) (2) (relating to excessive withholding) is amended by striking out "Part II of Subchapter D or" and by striking out "or 466 (e)".

(10) Section 322 (e) (relating to presumption as to date of payment) is amended by striking out "under Part II of Subchapter D or" and "or section 466 (e)".

SEC. 7. SERVICES OF CHILDREN.

Section 22 (relating to gross income) is amended by inserting at the end thereof the following:

• "(m) SERVICES OF CHILD.—

"(1) Amounts received in respect of the services of a child shall be included in his gross income and not in the gross income of the parent, even though such amounts are not received by the child.

"(2) All expenditures by the parent or the child attributable to amounts which are includible in the gross income of the child and not of the parent solely by reason of paragraph (1) shall be deemed to have been paid or incurred by the child.

"(3) For the purposes of this subsection, the term 'parent' includes an individual who is entitled to the services of a child by reason of having parental rights and duties in respect of the child.

"(4) In the case of income includible in the gross income of the child and not of the parent solely by reason of paragraph (1), the parent shall be considered as acting in a fiduciary capacity for the purposes of the tax imposed by this chapter attributable to such income; and all provisions of law applicable in respect of a fiduciary shall be applicable to such parent."

SEC. 8. ADJUSTED GROSS INCOME.

(a) IN GENERAL.—Section 22 (relating to gross income) is amended by inserting at the end thereof the following:

"(n) DEFINITION OF 'ADJUSTED GROSS INCOME'.—As used in this chapter the term 'adjusted gross income' means the gross income minus—

"(1) TRADE AND BUSINESS DEDUCTIONS.—The deductions allowed by section 23 which are attributable to a trade or business carried on by the taxpayer, if such trade or business does not consist of the performance of services by the taxpayer as an employee;

"(2) EXPENSES OF TRAVEL AND LODGING IN CONNECTION WITH EMPLOYMENT.—The deductions allowed by section 23 which consist of expenses of travel, meals, and lodging while away from home, paid or incurred by the taxpayer in connection with the performance by him of services as an employee;

"(3) REIMBURSED EXPENSES IN CONNECTION WITH EMPLOYMENT.—The deductions allowed by section 23 (other than expenses of travel, meals, and lodging while away from home) which consist of expenses paid or incurred by the taxpayer, in connection with the performance by him of services as an employee, under a reimbursement or other expense allowance arrangement with his employer;

"(4) DEDUCTIONS ATTRIBUTABLE TO RENTS AND ROYALTIES.—The deductions (other than those provided in paragraph (1), (5), or (6)) allowed by section 23 which are attributable to property held for the production of rents or royalties;

"(5) CERTAIN DEDUCTIONS OF LIFE TENANTS AND INCOME BENEFICIARIES OF PROPERTY.—The deductions (other than those provided in paragraph (1)) for depreciation and depletion, allowed by section 23 (l) and (m) to a life tenant of property or to an income beneficiary of property held in trust; and

"(6) LOSSES FROM SALES OR EXCHANGE OF PROPERTY.—The deductions (other than those provided in paragraph (1)) allowed by section 23 as losses from the sale or exchange of property."

(b) CHARITABLE CONTRIBUTIONS.—Section 23 (o) (relating to the so-called "charitable deduction") is amended by striking out "net income as computed without the benefit of this subsection or of subsection (x)" and inserting in lieu thereof "adjusted gross income".

(c) MEDICAL EXPENSE DEDUCTION.—Section 23 (x) (relating to the so-called "medical expense deduction") is amended to read as follows:

"(x) MEDICAL, DENTAL, ETC., EXPENSES.—Expenses paid during the taxable year, not compensated for by insurance or otherwise, for medical care of the taxpayer, his spouse, or a dependent specified in section 25 (b) (3), to the extent that such expenses exceed 5 per centum of the adjusted gross income. If only one surtax exemption is allowed under section 25 (b) for the taxable year, the maximum deduction for the taxable year shall be not in excess of \$1,250. If more than one surtax exemption is so allowed, the maximum deduction shall be not in excess of \$2,500. The term 'medical care', as used in this subsection, shall include

amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure, or function of the body (including amounts paid for accident or health insurance)."

SEC. 9. OPTIONAL STANDARD DEDUCTION.

(a) IN GENERAL.—Section 23 is amended by adding at the end thereof a new subsection to read as follows:

"(aa) OPTIONAL STANDARD DEDUCTION FOR INDIVIDUALS.—

(1) ALLOWANCE.—In the case of an individual, at his election a standard deduction as follows:

"(A) Adjusted Gross Income \$5,000 or More.—If his adjusted gross income is \$5,000 or more, the standard deduction shall be \$500.

"(B) Adjusted Gross Income Less Than \$5,000.—If his adjusted gross income is less than \$5,000, the standard deduction shall be an amount equal to 10 per centum of the adjusted gross income upon the basis of which the tax applicable to the adjusted gross income of the taxpayer is determined under the tax table provided in section 400.

"(2) IN LIEU OF CERTAIN DEDUCTIONS AND CREDITS.—The standard deduction shall be in lieu of: (A) all deductions other than those which under section 22 (n) are to be subtracted from gross income in computing adjusted gross income, (B) all credits with respect to taxes of foreign countries and possessions of the United States, (C) all credits with respect to taxes withheld at the source under section 143 (a) (relating to interest on tax-free covenant bonds), and (D) all credits against net income with respect to interest on certain obligations of the United States and Government corporations of the character specified in section 25 (a) (1) and (2).

"(3) METHOD AND EFFECT OF ELECTION.—

"(A) If the adjusted gross income shown on the return is \$5,000 or more, the standard deduction shall be allowed only if the taxpayer so elects in his return, and the Commissioner, with the approval of the Secretary, shall by regulations prescribe the manner of signifying such election in the return.

"(B) If the adjusted gross income shown on the return is less than \$5,000, the standard deduction shall be allowed only if the taxpayer elects, in the manner provided in Supplement T, to pay the tax imposed by such supplement.

"(C) If the taxpayer does not signify, in the manner provided by subparagraph (A) or (B), his election to take the standard deduction, it shall not be allowed. If he does so signify, such election shall be irrevocable.

"(D) If the adjusted gross income shown on the return is \$5,000 or more, but the correct adjusted gross income is less than \$5,000, then an election by the taxpayer under subparagraph (A) to take the standard deduction shall be considered as his election to pay the tax imposed by Supplement T; and his failure to make under subparagraph (A) an election to take the standard deduction shall be considered his election not to pay the tax imposed by Supplement T. If the adjusted gross income shown on the return is less than \$5,000, but the correct adjusted gross income is \$5,000 or more, then an election by the taxpayer under subparagraph (B) to pay the tax imposed by Supplement T shall be considered as his election to take the standard deduction; and his failure to elect under subparagraph (B) to pay the tax imposed by Supplement T shall be considered his election not to take the standard deduction.

"(4) HUSBAND AND WIFE.—In the case of husband and wife living together, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction. For the purposes of this paragraph the determination of whether an individual is married and living with his spouse shall be made as of the last day of the taxable year, unless his spouse dies during the taxable year, in which case such determination shall be made as of the date of such spouse's death.

"(5) SHORT PERIOD.—In the case of a taxable year of less than twelve months on account of a change in the accounting period, the standard deduction shall not be allowed."

(b) ESTATES, TRUSTS, AND COMMON TRUST FUNDS.—

(1) **ESTATES AND TRUSTS.**—Section 162 (relating to net income of estates and trusts) is amended by inserting at the end thereof the following:

“(f) The standard deduction provided in section 23 (aa) shall not be allowed.”

(2) **COMMON TRUST FUNDS.**—Section 169 (d) (relating to income of common trust funds) is amended by inserting at the end thereof the following:

“(4) The standard deduction provided in section 23 (aa) shall not be allowed.”

(c) PARTNERSHIPS.—Section 183 (relating to partnership income) is amended—

(1) by striking out “(b) and (c)” in subsection (a) and inserting in lieu thereof “(b), (c), and (d)”; and

(2) by inserting at the end thereof the following:

“(d) **STANDARD DEDUCTION.**—In computing the net income of the partnership, the standard deduction provided in section 23 (aa) shall not be allowed.”

(d) **NONRESIDENT ALIENS.**—Section 213 (relating to deductions in computing net income of certain nonresident aliens) is amended by inserting at the end thereof the following:

“(d) **STANDARD DEDUCTION.**—The standard deduction provided in section 23 (aa) shall not be allowed.”

SEC. 10. CREDITS AGAINST NET INCOME.

(a) **FOR NORMAL TAX.**—Section 25 (a) (relating to credits against net income for the purposes of the normal tax) is amended by adding at the end thereof a new paragraph to read as follows:

“(3) **NORMAL-TAX EXEMPTION.**—A normal-tax exemption of \$500. In the case of a joint return by husband and wife under section 51, the normal-tax exemption shall be \$1,000, except that if the adjusted gross income of one spouse is less than \$500, the normal-tax exemption shall be \$500 plus the adjusted gross income of such spouse.”

(b) **FOR SURTAX.**—Section 25 (b) (relating to credits for both normal tax and surtax) is amended to read as follows:

“(b) **CREDITS FOR SURTAX ONLY.**—

“(1) **CREDITS.**—There shall be allowed for the purpose of the surtax, but not for the normal tax, the following credits against net income:

“(A) A surtax exemption of \$500 for the taxpayer;

“(B) A surtax exemption of \$500 for the spouse of the taxpayer if—

“(i) a joint return is made by the taxpayer and his spouse under section 51, in which case the surtax exemption of the spouses under subparagraph (A) and this subparagraph shall be only \$1,000 in the aggregate, or

“(ii) a separate return is made by the taxpayer, and his spouse has no gross income and is not the dependent of another taxpayer;

“(C) A surtax exemption of \$500 for each dependent whose gross income is less than \$500, except that if such dependent is married the exemption in respect of such dependent shall not be allowed if such dependent has made a joint return with the other spouse under section 51.

“(2) **DETERMINATION OF STATUS.**—The determination of whether an individual is married shall be made as of the last day of the taxable year, unless his spouse dies during the taxable year, in which case such determination shall be made as of the date of his spouse's death.

“(3) **DEFINITION OF DEPENDENT.**—As used in this chapter the term ‘dependent’ means any of the following persons over half of whose support for the taxable year was received from the taxpayer:

“(A) a son or daughter of the taxpayer, or a descendant of either,

“(B) a stepson or stepdaughter of the taxpayer,

“(C) a brother, sister, stepbrother, or stepsister of the taxpayer,

“(D) the father or mother of the taxpayer, or an ancestor of either,

“(E) a stepfather or stepmother of the taxpayer,

“(F) a son or daughter of a brother or sister of the taxpayer.

“(G) a brother or sister of the father or mother of the taxpayer,

“(H) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the taxpayer.

"As used in this paragraph, the terms 'brother' and 'sister' include a brother or sister by the half-blood. For the purposes of determining whether any of the foregoing relationships exist, a legally adopted child of a person shall be considered a child of such person by blood. The term 'dependent' does not include any individual who is a citizen or subject of a foreign country unless such individual is a resident of the United States or of a country contiguous to the United States."

(c) **REDUCTION OF CREDITS IN CASE OF JEOPARDY.**—Section 47 (e) (relating to reduction of certain credits against net income in case of jeopardy) is amended by striking out "personal exemption and credit for dependents" and inserting in lieu thereof "normal tax exemption and surtax exemptions"; and by striking out "the full credits provided" and inserting in lieu thereof "the full normal tax exemption (in the case of the normal tax) and the full surtax exemptions (in the case of the surtax)".

(d) **CREDITS AGAINST NET INCOME IN CASE OF INTEREST ON TAX-FREE COVENANT BONDS.**—Section 143 (a) (2) (relating to credits against net income in the case of interest on tax-free covenant bonds) is amended by striking out "credits provided in section 25 (b)" and inserting in lieu thereof "normal tax exemption provided in section 25 (a) (3) and the surtax exemptions provided in section 25 (b)".

(e) **CREDITS OF ESTATE OR TRUST AGAINST NET INCOME.**—Section 163 (a) (1) (relating to credits of estates and trusts against net income) is amended to read as follows:

"(1) For the purpose of the normal tax an estate shall be allowed the same normal tax exemption as is allowed to a single person under section 25 (a) (3). For the purpose of the surtax an estate shall be allowed the same surtax exemption as is allowed to an individual under section 25 (b) (1) (A). A trust shall be allowed a credit of \$100 against net income for the purpose of the normal tax and a credit of \$100 against net income for the purpose of the surtax. Such credits shall be in lieu of the normal tax exemption under section 25 (a) (3) and the surtax exemption under section 25 (b) (1) (A)."

(f) **CREDITS OF NONRESIDENT ALIENS AGAINST NET INCOME.**—Section 214 (relating to credits of nonresident aliens against net income) is amended to read as follows:

"SEC. 214. EXEMPTION FOR DEPENDENTS.

"In the case of a nonresident alien individual who is not a resident of a contiguous country, the normal tax exemption allowed by section 25 (a) (3) shall be only \$500 and the surtax exemptions allowed by section 25 (b) (1) (B) and (C) shall not be allowed."

(g) **CREDITS OF NONRESIDENT ALIEN AGAINST NET INCOME IN CASE OF TAX WITHHELD AT SOURCE.**—Section 215 (b) (relating to credits of nonresident alien against net income in case of tax withheld at source) is amended by striking out "the personal exemption and credit for dependents" and inserting in lieu thereof "the normal tax exemption and the surtax exemptions".

(h) **CREDITS OF CITIZENS ENTITLED TO BENEFITS OF SECTION 251.**—Section 251 (f) (relating to credits against net income in the case of citizens entitled to the benefits of section 251) is amended to read as follows:

"(f) **CREDITS AGAINST NET INCOME.**—A citizen of the United States entitled to the benefits of this section shall be allowed a normal tax exemption of only \$500 and shall not be allowed the surtax exemptions allowed by section 25 (b) (1) (B) and (C)."

(i) **DEFINITION OF HUSBAND AND WIFE.**—Section 3797 (a) (17) (defining husband and wife for certain purposes) is amended by striking out "25 (b) (2) (A)", and by striking out "and the last sentence of section 401 (a) (2)".

SEC. 11. RETURNS.

(a) **IN GENERAL.**—Section 51 (a) and (b) (relating to individual returns) is amended to read as follows:

"(a) **REQUIREMENT.**—Every individual having for the taxable year a gross income of \$500 or more shall make a return, which shall contain or be verified by a written declaration that it is made under the penalties of perjury. Such return shall set forth in such cases, and to such extent, and in such detail, as the Commissioner with the approval of the Secretary may by regulations prescribe, the items of gross income and the deductions and credits allowed under this chapter and such other information for the purpose of carrying out the provisions of this chapter as may be prescribed by such regulations.

"(b) HUSBAND AND WIFE.—A husband and wife may make a single return jointly. Such a return may be made even though one of the spouses has neither gross income nor deductions. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several. No joint return may be made if either the husband or wife is a non-resident alien or if the husband and wife have different taxable years. The status of individuals as husband and wife shall be determined as of the last day of the taxable year."

(b) RETURNS BY WAGE EARNERS.—Section 51 (relating to returns by individuals) is amended by striking out subsection (f) and inserting in lieu thereof the following:

"(f) TAX COMPUTED BY COLLECTOR IN CASE OF WAGE EARNERS.—

"(1) RETURN REQUIREMENTS.—An individual entitled to elect to pay the tax imposed by Supplement T whose gross income is less than \$5,000 and is entirely from one or more of the following sources: Remuneration for services performed by him as an employee, dividends, or interest; and whose gross income from sources other than wages, as defined in section 1621 (a), does not exceed \$100, shall at his election be relieved, by using the form prescribed as the form for the return for the purposes of this subsection, from showing on the return the tax imposed by this chapter. In such case the tax shall be computed by the collector.

"(2) RESULT OF COMPUTATION.—After the collector has computed the tax, he shall mail to the taxpayer a notice stating the amount determined by the collector as payable and making demand therefor.

"(3) REGULATIONS.—The Commissioner with the approval of the Secretary shall prescribe regulations for carrying out this subsection, and such regulations may provide for the application of the rules of this subsection to cases where the gross income includes items other than those enumerated in paragraph (1), to cases where the gross income from sources other than wages on which the tax has been withheld at the source is more than \$100 but not more than \$200, and to cases where the gross income is \$5,000 or more but not more than \$5,200. Such regulations shall provide (A) for the application of this subsection in the case of husband and wife, including provisions determining when a joint return under this subsection may be permitted or required and what constitutes a joint return, whether the liability shall be joint and several, and whether one spouse may make return under this subsection and the other without regard to this subsection, and (B) whether and the extent to which the benefits of this subsection may be availed of, in the case of taxable years beginning in the calendar year 1944, by persons required to make or making payments of estimated tax with respect to any such taxable year.

"(4) METHOD OF ELECTION.—The election to have the benefits of this subsection shall be made by making return on the form prescribed as the form for the return for the purposes of this subsection. An election so made shall constitute an election to pay the tax imposed by Supplement T."

(c) FIDUCIARY RETURNS.—Section 142 (a) (relating to fiduciary returns) is amended by striking out paragraphs (1) to (5), inclusive, and inserting in lieu thereof the following:

"(1) Every individual having a gross income for the taxable year of \$500 or over;

"(2) Every estate the gross income of which for the taxable year is \$500 or over;

"(3) Every trust the net income of which for the taxable year is \$100 or over, or the gross income of which for the taxable year is \$500 or over, regardless of the amount of net income;

"(4) Every estate or trust of which any beneficiary is a nonresident alien."

(d) INFORMATION AS TO WHOLLY TAX EXEMPT INTEREST.—The second sentence in section 22 (b) (4) is amended to read as follows: "Every person owning any of the obligations enumerated in clause (A), (B), or (C) shall, when so required by regulations prescribed by the Commissioner with the approval of the Secretary, submit in the return required by this chapter a statement showing the number and amount of such obligations owned by him and the income received therefrom, in such form and with such information as such regulations may prescribe".

SEC. 12. PAYMENT IF TAX NOT COMPUTED BY TAXPAYER.

Section 56 (relating to payment of tax) is amended by inserting at the end thereof the following:

"(1) **PAYMENT OF TAX IF NOT COMPUTED BY TAXPAYER.**—Where under section 51 (f) a taxpayer who is an individual is permitted to file return without showing the tax thereon, and the tax is to be computed by the collector, the amount determined by the collector as payable shall be paid within thirty days after the mailing by the collector to the taxpayer of a notice stating such amount and making demand therefor."

SEC. 13. ESTIMATED TAX OF INDIVIDUALS.

(a) **DECLARATIONS AND AMENDMENTS.**—Sections 58, 59, and 60 (relating to declaration and payment of estimated tax), are amended to read as follows:

"SEC. 58. DECLARATION OF ESTIMATED TAX BY INDIVIDUALS.

"(a) **REQUIREMENT OF DECLARATION.**—Every individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable) shall, at the time prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if—

"(1) his gross income from wages (as defined in section 1621) can reasonably be expected to exceed the sum of \$5,000 plus \$500 with respect to each surtax exemption (except his own) provided in section 25 (b); or

"(2) his gross income from sources other than wages (as defined in section 1621) can reasonably be expected to exceed \$100 for the taxable year and his gross income to be \$500 or more.

"(b) **CONTENTS OF DECLARATION.**—In the declaration required under subsection (a) the individual shall state—

"(1) the amount which he estimates as the amount of tax under this chapter for the taxable year, without regard to any credits under sections 32 and 35 for taxes withheld at source;

"(2) the amount which he estimates as the credits for the taxable year under sections 32 and 35; and

"(3) the excess of the amount estimated under paragraph (1) over the amount estimated under paragraph (2), which excess for the purposes of this chapter shall be considered the estimated tax for the taxable year.

The declaration shall also contain such other information for the purposes of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall contain or be verified by a written statement that it is made under the penalties of perjury.

"(c) **JOINT DECLARATION BY HUSBAND AND WIFE.**—In the case of a husband and wife, a single declaration under this section may be made by them jointly, in which case the liability with respect to the estimated tax shall be joint and several. No joint declaration may be made if either the husband or wife is a nonresident alien. If a joint declaration is made but a joint return is not made for the taxable year, the estimated tax for such year may be treated as the estimated tax of either the husband or the wife, or may be divided between them.

"(d) **TIME AND PLACE FOR FILING.**—

"(1) **IN GENERAL.**—The declaration required under subsection (a) shall be filed on or before March 15 of the taxable year, except that if the requirements of section 58 (a) are first met

"(A) after March 1 and before June 2 of the taxable year, the declaration shall be filed on or before June 15 of the taxable year, or

"(B) after June 1 and before September 2 of the taxable year, the declaration shall be filed on or before September 15 of the taxable year, or

"(C) after September 1 of the taxable year, the declaration shall be filed on or before January 15 of the succeeding taxable year.

"(2) **AMENDMENT OF DECLARATION.**—An individual may make amendments of a declaration filed during the taxable year under this subsection, under regulations prescribed by the Commissioner with the approval of the Secretary. If so made, such amendments may be filed on or before the

fifteenth day of the last month of any quarter of the taxable year subsequent to that in which the declaration was filed and in which no previous amendment has been filed, except that in the case of an amendment filed after September 15 of the taxable year, it may be filed on or before January 15 of the succeeding taxable year. Declarations and amendments thereof shall be filed with the collector specified in section 53 (b) (1).

"(3) RETURN AS DECLARATION OR AMENDMENT.—If on or before January 15 of the succeeding taxable year the taxpayer files a return, for the taxable year for which the declaration is required, and pays in full the amount computed on the return as payable, then, under regulations prescribed by the Commissioner with the approval of the Secretary—

"(A) If the declaration is not required to be filed during the taxable year, but is required to be filed on or before such January 15, such return shall, for the purposes of this chapter, be considered as such declaration; and

"(B) If the tax shown on the return (reduced by the credits under sections 32 and 35) is greater than the estimated tax shown in a declaration previously made, or in the last amendment thereof, such return shall, for the purposes of this chapter, be considered as the amendment of the declaration permitted by paragraph (2) to be filed on or before such January 15.

"(e) EXTENSION OF TIME.—The Commissioner may grant a reasonable extension of the time for filing declarations and paying the estimated tax, under such rules and regulations as he shall prescribe with the approval of the Secretary. Except in the case of taxpayers who are abroad, no such extension shall be for more than six months.

"(f) PERSONS UNDER DISABILITY.—If the taxpayer is unable to make his own declaration, the declaration shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

"(g) SIGNATURE PRESUMED CORRECT.—The fact that an individual's name is signed to a filed declaration shall be prima facie evidence for all purposes that the declaration was actually signed by him.

"(h) PUBLICITY OF DECLARATION.—For the purposes of section 55 (relating to publicity of returns), a declaration of estimated tax shall be held and considered a return under this chapter.

"SEC. 59. PAYMENT OF ESTIMATED TAX."

"(a) IN GENERAL.—The estimated tax shall be paid as follows:

"(1) If the declaration is filed on or before March 15 of the taxable year, the estimated tax shall be paid in four equal installments. The first installment shall be paid at the time of the filing of the declaration, the second and third on June 15 and September 15, respectively, of the taxable year, and the fourth on January 15 of the succeeding taxable year.

"(2) If the declaration is filed after March 15 and not after June 15 of the taxable year, and is not required by section 58 (d) to be filed on or before March 15 of the taxable year, the estimated tax shall be paid in three equal installments. The first installment shall be paid at the time of the filing of the declaration, the second on September 15 of the taxable year, and the third on January 15 of the succeeding taxable year.

"(3) If the declaration is filed after June 15 and not after September 15 of the taxable year, and is not required by section 58 (d) to be filed on or before June 15 of the taxable year, the estimated tax shall be paid in two equal installments. The first installment shall be paid at the time of the filing of the declaration, and the second on January 15 of the succeeding taxable year.

"(4) If the declaration is filed after September 15 of the taxable year, and is not required by section 58 (d) to be filed on or before September 15 of the taxable year, the estimated tax shall be paid in full at the time of the filing of the declaration.

"(5) If the declaration is filed after the time prescribed in section 58 (d) (including cases in which an extension of time for filing the declaration has been granted under section 58 (e)), paragraphs (2), (3), and (4) of this subsection shall not apply, and there shall be paid at the time of such filing all installments of estimated tax which would have been payable on or before

such time if the declaration had been filed within the time prescribed in section 58 (d), and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed.

“(b) AMENDMENTS OF DECLARATION.—If any amendment of a declaration is filed, the remaining installments, if any, shall be ratably increased or decreased, as the case may be, to reflect the increase or decrease, as the case may be, in the estimated tax by reason of such amendment, and if any amendment is made after September 15 of the taxable year, any increase in the estimated tax by reason thereof shall be paid at the time of making such amendment.

“(c) INSTALLMENTS PAID IN ADVANCE.—At the election of the individual, any installment of the estimated tax may be paid prior to the date prescribed for its payment.

“(d) PAYMENT AS PART OF TAX FOR TAXABLE YEAR.—Payment of the estimated tax, or any installment thereof, shall be considered payment on account of the tax for the taxable year. Assessment in respect of the estimated tax shall be limited to the amount paid.

“SEC. 60. SPECIAL RULES FOR APPLICATION OF SECTIONS 58 AND 59.

“(a) FARMERS.—In the case of an individual whose estimated gross income from farming for the taxable year is at least two-thirds of the total estimated gross income from all sources for the taxable year, in lieu of the time prescribed in section 58 (d), the declaration for the taxable year may be made at any time on or before January 15 of the succeeding taxable year.

“(b) APPLICATION TO SHORT TAXABLE YEARS.—The application of sections 58, 59, and 294 (d), and of subsection (a) of this section, to taxable years of less than twelve months shall be as prescribed in regulations prescribed by the Commissioner with the approval of the Secretary.

“(c) FISCAL YEARS.—In the application of sections 58 and 59, and subsection (a) of this section, to the case of a taxable year beginning on any date other than January 1, there shall be substituted, for the months specified therein, the months which correspond thereto.”

(b) TECHNICAL AMENDMENT TO SECTION 294 (d).—The last sentence of section 294 (d) (1) (A) (relating to additions to the tax in case of failure to file declaration of estimated tax) is amended to read as follows: “For the purposes of this subparagraph the amount and due date of each installment shall be the same as if a declaration had been filed within the time prescribed showing an estimated tax equal to the correct tax reduced by the credits under sections 32 and 35.”

(c) EFFECTIVE DATE.—The amendment made by subsection (a), insofar as it relates to section 58 (a) of the Internal Revenue Code, shall be applicable only with respect to taxable years beginning after December 31, 1944.

(d) SPECIAL RULE FOR 1944.—The provisions of sections 58 and 59 of such Code, as amended by this Act, shall be subject to the following modifications with respect to declaration and payment of estimated tax for the calendar year 1944:

(1) TIME FOR FILING DECLARATION.—If the requirements of section 58 (a) of such Code, without regard to its amendment by this Act, are first met before April 1, 1944, the declaration shall be filed on or before April 15, 1944, and if such requirements are first met after March 31, 1944, and before June 2, 1944, the declaration shall be filed on or before June 15, 1944.

(2) PAYMENT OF ESTIMATED TAX.—If the declaration is filed on or before April 15, 1944, then (even though such declaration under existing law or under paragraph (1) of this subsection was not required to be filed before June 15, 1944) the estimated tax shall be paid in four equal installments and at the times provided in section 59 (a) (1) of such Code, as amended by this Act. If the declaration is filed after April 15, 1944, and not after June 15, 1944 (and is not required by paragraph (1) to be filed on or before April 15), the estimated tax shall be paid in three equal installments and at the times provided in section 59 (a) (2) of such Code, as amended by this Act. The rule provided in section 59 (a) (5) of such Code, as amended by this Act, shall apply with respect to declarations filed after the time prescribed in paragraph (1) of this subsection.

(e) PENALTY FOR UNDERESTIMATE FOR 1944.—For the purposes of section 294 (d) (2) (relating to underestimate of estimated tax), in the case of a taxpayer filing a declaration for a taxable year beginning in the calendar year 1944 the

term "80 per centum of the tax" as appearing in such subsection shall be taken to refer to 80 per centum of whichever of the following is the lesser: (1) a tax computed under the law applicable to such taxable year without regard to the amendments made by this Act, and (2) a tax computed under such law as amended by this Act.

Part II—Withholding of Tax at Source on Wages

SEC. 21. EFFECTIVE DATE.

The amendments made by this Part shall apply only with respect to wages paid on or after January 1, 1945.

SEC. 22. WITHHOLDING OF TAX AT SOURCE ON WAGES.

(a) TECHNICAL AMENDMENTS.—Section 1621 (relating to definitions) is amended by striking out subsections (e) to (k), both inclusive, and inserting in lieu thereof the following:

"(c) NUMBER OF WITHHOLDING EXEMPTIONS CLAIMED.—The term 'number of withholding exemptions claimed' means the number of withholding exemptions claimed in a withholding exemption certificate in effect under section 1622 (h), except that if no such certificate is in effect, the number of withholding exemptions claimed shall be considered to be zero."

(b) PERCENTAGE WITHHOLDING.—Section 1622 (a) and (b) (1) (relating to percentage withholding) are amended to read as follows:

"(a) REQUIREMENT OF WITHHOLDING.—Every employer making payment of wages shall deduct and withhold upon such wages a tax equal to the sum of the following:

"(1) 2.7 per centum of the amount by which the wages exceed the amount of one withholding exemption, the amount of such exemption for various payroll periods being shown in the table in subsection (b) (1) of this section;

"(2) 18 per centum of whichever of the following is the lesser:

"(A) the amount by which the wages exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in the table in subsection (b) (1) or

"(B) the amount shown in the last column in the table in subsection (b) (1)

"(3) 19.8 per centum of the amount by which the wages exceed the sum of:

"(A) the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in the table in subsection (b)

(1) plus

"(B) the amount shown in the last column in the table in subsection (b) (1).

"(b) (1) The table referred to in subsection (a) is as follows:

"Percentage Method Withholding Table

Pay-roll period	Amount of one withholding exemption	Maximum amount subject to 18 per centum rate
Weekly.....	\$11.00	\$44.00
Biweekly.....	22.00	88.00
Semi-monthly.....	23.00	92.00
Monthly.....	46.00	184.00
Quarterly.....	139.00	556.00
Semi-annual.....	278.00	1,112.00
Annual.....	556.00	2,224.00
Daily or miscellaneous (per day of such period).....	1.50	6.00"

(c) WAGE BRACKET WITHHOLDING.—Section 1622 (c) (1) (relating to wage bracket withholding) is amended to read as follows:

"(1) At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a):

SIMPLIFIED INCOME-TAX RETURN

"If the pay-roll period with respect to an employee is weekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
The amount of tax to be withheld shall be—												
		18% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.	\$11.	\$2.10	.20	0	0	0	0	0	0	0	0	0
\$11.	\$12.	2.30	.40	0	0	0	0	0	0	0	0	0
\$12.	\$13.	2.50	.60	.10	.10	.10	.10	.10	.10	.10	.10	.10
\$13.	\$14.	2.70	.80	.10	.10	.10	.10	.10	.10	.10	.10	.10
\$14.	\$15.	2.90	1.00	.10	.10	.10	.10	.10	.10	.10	.10	.10
\$15.	\$16.	3.10	1.20	.20	.20	.20	.20	.20	.20	.20	.20	.20
\$16.	\$17.	3.30	1.40	.20	.20	.20	.20	.20	.20	.20	.20	.20
\$17.	\$18.	3.50	1.60	.20	.20	.20	.20	.20	.20	.20	.20	.20
\$18.	\$19.	3.70	1.80	.20	.20	.20	.20	.20	.20	.20	.20	.20
\$19.	\$20.	4.00	2.00	.30	.30	.30	.30	.30	.30	.30	.30	.30
\$20.	\$21.	4.20	2.20	.50	.30	.30	.30	.30	.30	.30	.30	.30
\$21.	\$22.	4.40	2.40	.50	.30	.30	.30	.30	.30	.30	.30	.30
\$22.	\$23.	4.60	2.70	.70	.30	.30	.30	.30	.30	.30	.30	.30
\$23.	\$24.	4.80	2.90	.90	.40	.40	.40	.40	.40	.40	.40	.40
\$24.	\$25.	5.00	3.10	1.10	.40	.40	.40	.40	.40	.40	.40	.40
\$25.	\$26.	5.20	3.30	1.40	.40	.40	.40	.40	.40	.40	.40	.40
\$26.	\$27.	5.40	3.50	1.60	.50	.50	.50	.50	.50	.50	.50	.50
\$27.	\$28.	5.60	3.70	1.80	.50	.50	.50	.50	.50	.50	.50	.50
\$28.	\$29.	5.80	3.90	2.00	.50	.50	.50	.50	.50	.50	.50	.50
\$29.	\$30.	6.00	4.10	2.20	.50	.50	.50	.50	.50	.50	.50	.50
\$30.	\$31.	6.20	4.30	2.40	.60	.60	.60	.60	.60	.60	.60	.60
\$31.	\$32.	6.40	4.50	2.60	.70	.60	.60	.60	.60	.60	.60	.60
\$32.	\$33.	6.60	4.70	2.80	.90	.60	.60	.60	.60	.60	.60	.60
\$33.	\$34.	6.80	4.90	3.00	1.10	.60	.60	.60	.60	.60	.60	.60
\$34.	\$35.	7.00	5.10	3.20	1.30	.70	.70	.70	.70	.70	.70	.70
\$35.	\$36.	7.20	5.30	3.40	1.50	.70	.70	.70	.70	.70	.70	.70
\$36.	\$37.	7.40	5.50	3.60	1.70	.70	.70	.70	.70	.70	.70	.70
\$37.	\$38.	7.60	5.60	3.60	1.70	.80	.80	.80	.80	.80	.80	.80
\$38.	\$39.	7.70	5.80	3.80	1.90	.80	.80	.80	.80	.80	.80	.80
\$39.	\$40.	7.90	6.00	4.00	2.10	.80	.80	.80	.80	.80	.80	.80
\$40.	\$41.	8.10	6.20	4.20	2.30	.80	.80	.80	.80	.80	.80	.80
\$41.	\$42.	8.30	6.40	4.50	2.50	.80	.80	.80	.80	.80	.80	.80
\$42.	\$43.	8.50	6.60	4.70	2.70	.90	.90	.90	.90	.90	.90	.90
\$43.	\$44.	8.70	6.80	4.90	2.90	1.00	.90	.90	.90	.90	.90	.90
\$44.	\$45.	9.00	7.00	5.10	3.20	1.20	.90	.90	.90	.90	.90	.90
\$45.	\$46.	9.20	7.20	5.30	3.40	1.40	.90	.90	.90	.90	.90	.90
\$46.	\$47.	9.40	7.40	5.50	3.60	1.60	1.00	1.00	1.00	1.00	1.00	1.00
\$47.	\$48.	9.60	7.60	5.70	3.80	1.90	1.00	1.00	1.00	1.00	1.00	1.00
\$48.	\$49.	9.90	7.80	5.90	4.00	2.10	1.00	1.00	1.00	1.00	1.00	1.00
\$49.	\$50.	10.10	8.00	6.10	4.20	2.30	1.00	1.00	1.00	1.00	1.00	1.00
\$50.	\$51.	10.30	8.20	6.30	4.40	2.50	1.10	1.10	1.10	1.10	1.10	1.10
\$51.	\$52.	10.50	8.40	6.50	4.60	2.70	1.10	1.10	1.10	1.10	1.10	1.10
\$52.	\$53.	10.80	8.70	6.70	4.80	2.90	1.10	1.10	1.10	1.10	1.10	1.10
\$53.	\$54.	11.00	8.90	6.90	5.00	3.10	1.20	1.20	1.20	1.20	1.20	1.20
\$54.	\$55.	11.20	9.10	7.10	5.20	3.30	1.40	1.20	1.20	1.20	1.20	1.20
\$55.	\$56.	11.40	9.30	7.40	5.40	3.50	1.60	1.20	1.20	1.20	1.20	1.20
\$56.	\$57.	11.70	9.50	7.60	5.60	3.70	1.80	1.20	1.20	1.20	1.20	1.20
\$57.	\$58.	11.90	9.80	7.80	5.80	3.90	2.00	1.30	1.30	1.30	1.30	1.30
\$58.	\$59.	12.10	10.00	8.00	6.10	4.10	2.20	1.30	1.30	1.30	1.30	1.30
\$59.	\$60.	12.30	10.20	8.20	6.30	4.30	2.40	1.30	1.30	1.30	1.30	1.30
\$60.	\$61.	12.70	10.60	8.50	6.60	4.60	2.70	1.40	1.40	1.40	1.40	1.40
\$61.	\$62.	13.10	11.00	8.90	7.00	5.00	3.10	1.40	1.40	1.40	1.40	1.40
\$62.	\$63.	13.60	11.50	9.30	7.40	5.50	3.60	1.50	1.50	1.50	1.50	1.50
\$63.	\$64.	14.00	11.90	9.80	7.80	5.90	4.00	1.60	1.50	1.50	1.50	1.50
\$64.	\$65.	14.50	12.40	10.20	8.20	6.30	4.40	2.50	1.60	1.60	1.60	1.60
\$65.	\$66.	14.90	12.80	10.70	8.60	6.70	4.80	2.90	1.60	1.60	1.60	1.60
\$66.	\$67.	15.40	13.30	11.10	9.10	7.10	5.20	3.30	1.70	1.70	1.70	1.70
\$67.	\$68.	15.80	13.70	11.60	9.50	7.50	5.60	3.70	1.80	1.70	1.70	1.70
\$68.	\$69.	16.30	14.20	12.00	9.90	8.00	6.00	4.10	2.20	1.80	1.80	1.80
\$69.	\$70.	16.70	14.60	12.50	10.40	8.40	6.40	4.50	2.60	1.80	1.80	1.80
\$70.	\$71.	17.20	15.10	12.90	10.80	8.80	6.80	4.90	3.00	1.90	1.90	1.90
\$71.	\$72.	17.60	15.50	13.40	11.30	9.20	7.30	5.40	3.40	2.00	2.00	2.00
\$72.	\$73.	18.10	16.00	13.80	11.70	9.60	7.70	5.80	3.80	2.00	2.00	2.00
\$73.	\$74.	18.50	16.40	14.30	12.20	10.10	8.10	6.20	4.30	2.30	2.10	2.10
\$74.	\$75.	19.00	16.90	14.70	12.60	10.50	8.50	6.60	4.70	2.80	2.10	2.10
\$75.	\$76.	19.40	17.30	15.20	13.10	11.00	8.90	7.00	5.10	3.20	2.20	2.20
\$76.	\$77.	19.90	17.80	15.60	13.50	11.40	9.30	7.40	5.50	3.60	2.20	2.20
\$77.	\$78.	20.30	18.20	16.10	14.00	11.90	9.80	7.80	5.90	4.00	2.30	2.30
\$78.	\$79.	20.80	18.70	16.60	14.40	12.30	10.20	8.30	6.30	4.40	2.50	2.30
\$79.	\$80.	21.20	19.10	17.00	14.90	12.80	10.60	8.70	0.70	4.80	2.90	2.40
\$80.	\$100.	22.00	19.60	17.80	15.70	13.50	11.40	9.40	7.50	5.50	3.60	2.50
\$100.	\$110.	23.10	21.00	18.90	16.80	14.70	12.60	10.40	8.50	6.50	4.70	2.70
\$110.	\$120.	24.30	22.10	20.00	17.90	15.80	13.70	11.60	9.50	7.60	5.70	3.80
\$120.	\$130.	25.40	23.30	21.10	19.00	16.90	14.80	12.70	10.60	8.60	6.70	4.80
\$130.	\$140.	26.50	24.40	22.30	20.20	18.00	15.90	13.80	11.70	9.70	7.80	5.80
\$140.	\$150.	27.60	25.50	23.40	21.30	19.20	17.10	14.90	12.80	10.70	8.80	6.90
\$150.	\$160.	28.80	26.60	24.50	22.40	20.30	18.20	16.10	13.90	11.80	9.80	7.90

SIMPLIFIED INCOME-TAX RETURN

"If the pay-roll period with respect to an employee is semimonthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
\$60	\$62	\$12.00	\$7.80	\$3.70	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
\$62	\$64	12.40	8.30	4.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
\$64	\$66	12.80	8.70	4.60	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
\$66	\$68	13.20	9.10	4.90	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
\$68	\$70	13.70	9.50	5.30	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
\$70	\$72	14.10	9.90	5.70	1.60	1.30	1.30	1.30	1.30	1.30	1.30	1.30
\$72	\$74	14.50	10.30	6.20	2.00	1.30	1.30	1.30	1.30	1.30	1.30	1.30
\$74	\$76	14.90	10.70	6.60	2.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
\$76	\$78	15.30	11.10	7.00	2.80	1.50	1.50	1.50	1.50	1.50	1.50	1.50
\$78	\$80	15.70	11.60	7.40	3.20	1.60	1.50	1.50	1.50	1.50	1.50	1.50
\$80	\$82	16.10	12.00	7.80	3.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
\$82	\$84	16.60	12.40	8.20	4.10	1.60	1.60	1.60	1.60	1.60	1.60	1.60
\$84	\$86	17.00	12.80	8.60	4.60	1.70	1.70	1.70	1.70	1.70	1.70	1.70
\$86	\$88	17.40	13.20	9.10	4.90	1.70	1.70	1.70	1.70	1.70	1.70	1.70
\$88	\$90	17.80	13.60	9.60	5.30	1.80	1.80	1.80	1.80	1.80	1.80	1.80
\$90	\$92	18.20	14.00	9.90	5.70	1.80	1.80	1.80	1.80	1.80	1.80	1.80
\$92	\$94	18.60	14.50	10.30	6.10	2.00	1.90	1.90	1.90	1.90	1.90	1.90
\$94	\$96	19.10	14.90	10.70	6.60	2.40	1.90	1.90	1.90	1.90	1.90	1.90
\$96	\$98	19.50	15.30	11.10	7.00	2.80	2.00	2.00	2.00	2.00	2.00	2.00
\$98	\$100	20.00	15.70	11.50	7.40	3.20	2.00	2.00	2.00	2.00	2.00	2.00
\$100	\$102	20.40	16.10	11.90	7.80	3.60	2.10	2.10	2.10	2.10	2.10	2.10
\$102	\$104	20.90	16.50	12.40	8.20	4.00	2.20	2.20	2.20	2.20	2.20	2.20
\$104	\$106	21.30	16.90	12.80	8.60	4.40	2.20	2.20	2.20	2.20	2.20	2.20
\$106	\$108	21.80	17.40	13.20	9.00	4.90	2.30	2.30	2.30	2.30	2.30	2.30
\$108	\$110	22.20	17.80	13.60	9.40	5.30	2.30	2.30	2.30	2.30	2.30	2.30
\$110	\$112	22.70	18.20	14.00	9.90	5.70	2.40	2.40	2.40	2.40	2.40	2.40
\$112	\$114	23.10	18.60	14.40	10.30	6.10	2.40	2.40	2.40	2.40	2.40	2.40
\$114	\$116	23.60	19.00	14.80	10.70	6.50	2.50	2.50	2.50	2.50	2.50	2.50
\$116	\$118	24.00	19.50	15.30	11.10	6.90	2.50	2.50	2.50	2.50	2.50	2.50
\$118	\$120	24.50	19.90	15.70	11.50	7.30	3.20	2.60	2.60	2.60	2.60	2.60
\$120	\$122	25.20	20.60	16.30	11.10	7.90	3.80	2.70	2.70	2.70	2.70	2.70
\$122	\$124	26.10	21.50	17.10	11.50	8.00	3.80	2.70	2.70	2.70	2.70	2.70
\$124	\$126	27.00	22.40	18.00	13.80	9.60	5.50	2.90	2.90	2.90	2.90	2.90
\$126	\$128	27.00	23.00	18.60	14.60	10.40	6.30	3.00	3.00	3.00	3.00	3.00
\$128	\$130	27.90	23.30	19.00	15.40	11.30	7.10	3.10	3.10	3.10	3.10	3.10
\$130	\$132	28.80	24.20	20.60	16.30	12.10	7.90	3.80	3.20	3.20	3.20	3.20
\$132	\$134	29.70	25.10	21.40	17.10	12.90	8.80	4.60	3.30	3.30	3.30	3.30
\$134	\$136	30.60	26.00	22.30	17.90	13.80	9.60	5.40	3.40	3.40	3.40	3.40
\$136	\$138	31.50	26.90	23.20	18.80	14.60	10.40	6.30	3.50	3.50	3.50	3.50
\$138	\$140	32.40	27.80	24.10	19.60	15.40	11.20	7.10	3.60	3.60	3.60	3.60
\$140	\$142	33.30	28.70	25.00	20.40	16.20	12.10	7.90	3.70	3.70	3.70	3.70
\$142	\$144	34.20	29.60	25.90	21.30	17.10	12.90	8.70	4.60	3.90	3.90	3.90
\$144	\$146	35.10	30.50	26.80	22.20	17.90	13.70	9.60	5.40	4.00	4.00	4.00
\$146	\$148	36.00	31.40	27.70	23.10	18.70	14.60	10.40	6.20	4.10	4.10	4.10
\$148	\$150	37.00	32.30	28.60	24.00	19.60	15.40	11.20	7.10	4.20	4.20	4.20
\$150	\$152	38.00	33.20	29.50	24.90	20.40	16.20	12.00	7.90	4.30	4.30	4.30
\$152	\$154	39.00	34.10	30.40	25.80	21.20	17.00	12.90	8.70	4.40	4.40	4.40
\$154	\$156	40.00	35.00	31.30	26.70	22.10	17.90	13.70	9.50	5.40	4.60	4.60
\$156	\$158	41.00	36.00	32.20	27.60	23.00	18.70	14.60	10.40	6.20	4.80	4.80
\$158	\$160	42.00	37.00	33.10	28.50	23.90	19.50	15.40	11.20	7.00	4.70	4.70
\$160	\$162	43.00	38.00	34.00	29.40	24.80	20.40	16.20	12.00	8.50	4.90	4.90
\$162	\$164	44.00	39.00	34.90	30.30	25.70	21.30	17.10	12.90	9.30	5.10	5.10
\$164	\$166	45.00	40.00	35.80	31.20	26.60	22.20	18.00	13.80	10.10	5.30	5.30
\$166	\$168	46.00	41.00	36.70	32.10	27.50	23.10	18.90	14.70	10.90	5.50	5.50
\$168	\$170	47.00	42.00	37.60	33.00	28.40	24.00	19.80	15.60	11.70	5.70	5.70
\$170	\$172	48.00	43.00	38.50	33.90	29.30	24.90	20.70	16.50	12.50	5.90	5.90
\$172	\$174	49.00	44.00	39.40	34.80	30.20	25.80	21.60	17.40	13.30	6.10	6.10
\$174	\$176	50.00	45.00	40.30	35.70	31.10	26.70	22.50	18.30	14.10	6.30	6.30
\$176	\$178	51.00	46.00	41.20	36.60	32.00	27.60	23.40	19.20	14.90	6.50	6.50
\$178	\$180	52.00	47.00	42.10	37.50	32.90	28.50	24.30	20.10	15.70	6.70	6.70
\$180	\$182	53.00	48.00	43.00	38.40	33.80	29.40	25.20	21.00	16.50	6.90	6.90
\$182	\$184	54.00	49.00	43.90	39.30	34.70	30.30	26.10	21.90	17.30	7.10	7.10
\$184	\$186	55.00	50.00	44.80	40.20	35.60	31.20	27.00	22.80	18.10	7.30	7.30
\$186	\$188	56.00	51.00	45.70	41.10	36.50	32.10	27.90	23.70	18.90	7.50	7.50
\$188	\$190	57.00	52.00	46.60	42.00	37.40	33.00	28.80	24.60	19.70	7.70	7.70
\$190	\$192	58.00	53.00	47.50	42.90	38.30	33.90	29.70	25.50	20.50	7.90	7.90
\$192	\$194	59.00	54.00	48.40	43.80	39.20	34.80	30.60	26.40	21.30	8.10	8.10
\$194	\$196	60.00	55.00	49.30	44.70	40.10	35.70	31.50	27.30	22.10	8.30	8.30
\$196	\$198	61.00	56.00	50.20	45.60	41.00	36.60	32.40	28.20	22.90	8.50	8.50
\$198	\$200	62.00	57.00	51.10	46.50	41.90	37.50	33.30	29.10	23.70	8.70	8.70
\$200	\$202	63.00	58.00	52.00	47.40	42.80	38.40	34.20	30.00	24.50	8.90	8.90
\$202	\$204	64.00	59.00	52.90	48.30	43.70	39.30	35.10	30.90	25.30	9.10	9.10
\$204	\$206	65.00	60.00	53.80	49.20	44.60	40.20	36.00	31.80	26.10	9.30	9.30
\$206	\$208	66.00	61.00	54.70	50.10	45.50	41.10	36.90	32.70	26.90	9.50	9.50
\$208	\$210	67.00	62.00	55.60	51.00	46.40	42.00	37.80	33.60	27.70	9.70	9.70
\$210	\$212	68.00	63.00	56.50	51.90	47.30	42.90	38.70	34.50	28.50	9.90	9.90
\$212	\$214	69.00	64.00	57.40	52.80	48.20	43.80	39.60	35.40	29.30	10.10	10.10
\$214	\$216	70.00	65.00	58.30	53.70	49.10	44.70	40.50	36.30	30.10	10.30	10.30
\$216	\$218	71.00	66.00	59.20	54.60	50.00	45.60	41.40	37.20	30.90	10.50	10.50
\$218	\$220	72.00	67.00	60.10	55.50	50.90	46.50	42.30	38.10	31.70	10.70	10.70
\$220	\$222	73.00	68.00	61.00	56.40	51.80	47.40	43.20	39.00	32.50	10.90	10.90
\$222	\$224	74.00	69.00	61.90	57.30	52.70	48.30	44.10	40.00	33.30	11.10	11.10
\$224	\$226	75.00	70.00	62.80	58.20	53.60	49.20	45.00	41.00	34.10	11.30	11.30
\$226	\$228	76.00	71.00	63.70	59.10	54.50	50.10	45.90	42.00	35.00	11.50	11.50
\$228	\$230	77.00	72.00	64.60	60.00	55.40	51.00	46.80	43.00	35.90	11.70	11.70
\$230	\$232	78.00	73.00	65.50	60.90	56.30	51.90	47.70	44.00	36.80	11.90	11.90
\$232	\$234	79.00	74.00	66.40	61.80	57.20	52.80	48.60	45.00	37.70	12.10	12.10
\$234	\$236	80.00	75.00	67.30	62.70	58.10	53.70	49.50	46.00	38.60	12.30	12.30
\$236	\$238	81.00	76.00	68.20	63.60	59.00	54.60	50.40	47.00	39.50	12.50	12.50
\$238	\$240	82.00	77.00	69.10	64.50	59.90	55.50	51.30	48.00	40.40	12.70	12.70
\$240	\$242	83.00	78.00	70.00	65.40	60.80	56.40	52.20	49.00	41.30	12.90	12.90
\$242	\$244	84.00	79.00	70.90	66.30	61.70	57.30	53.10	50.00	42.20	13.10	13.10
\$244	\$246	85.00	80.00	71.80	67.20	62.60	58.20	54.00	51.00	43.10	13.30	13.30
\$246	\$248	86.00	81.00	72.70	68.10	63.50	59.10	54.90	52.00	44.00	13.50	13.50
\$248	\$250	87.00	82.00	73.60	69.00	64.40	60.00	55.80	53.00	45.00	13.70	13.70
\$250	\$252	88.00										

SIMPLIFIED INCOME-TAX RETURN

"If the pay-roll period with respect to an employee is monthly—Continued

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
\$210.....	\$248.....	\$50.30	\$41.20	\$32.60	\$24.30	\$16.90	\$7.60	\$5.30	\$5.30	\$5.30	\$5.30	\$5.30
\$218.....	\$250.....	52.10	43.00	34.20	25.90	17.00	9.20	5.00	5.00	5.00	5.00	5.00
\$266.....	\$261.....	53.90	44.80	35.90	27.00	19.20	10.90	5.80	5.80	5.80	5.80	5.80
\$264.....	\$272.....	55.70	46.00	37.60	29.20	20.90	12.60	6.00	6.00	6.00	6.00	6.00
\$272.....	\$280.....	57.50	48.40	39.20	30.90	22.50	14.20	6.20	6.20	6.20	6.20	6.20
\$280.....	\$288.....	59.30	50.20	41.00	32.50	24.20	15.90	7.50	6.40	6.40	6.40	6.40
\$288.....	\$296.....	61.10	52.00	42.80	34.20	25.00	17.50	9.20	6.60	6.60	6.60	6.60
\$296.....	\$304.....	62.90	53.80	44.60	35.50	27.50	19.20	10.90	6.90	6.90	6.90	6.90
\$304.....	\$312.....	64.70	55.60	46.40	37.60	29.20	20.80	12.50	7.10	7.10	7.10	7.10
\$312.....	\$320.....	66.50	57.40	48.20	39.20	30.80	22.50	14.20	7.30	7.30	7.30	7.30
\$320.....	\$328.....	68.30	59.20	50.00	40.80	32.50	24.20	15.80	7.50	7.50	7.50	7.50
\$328.....	\$336.....	70.10	61.00	51.80	42.60	34.10	25.80	17.50	9.10	7.70	7.70	7.70
\$336.....	\$344.....	71.90	62.80	53.60	44.40	35.80	27.50	19.10	10.10	7.90	7.90	7.90
\$344.....	\$352.....	73.70	64.60	55.40	46.20	37.50	29.10	20.80	12.60	8.10	8.10	8.10
\$352.....	\$360.....	75.50	66.40	57.20	48.00	39.10	30.80	22.40	14.10	8.40	8.40	8.40
\$360.....	\$368.....	77.30	68.20	59.00	49.80	40.80	32.40	24.10	15.80	8.60	8.60	8.60
\$368.....	\$376.....	79.10	70.00	60.80	51.60	42.50	34.10	25.80	17.40	9.10	8.80	8.80
\$376.....	\$384.....	80.90	71.80	62.60	53.40	44.30	35.70	27.40	19.10	10.70	9.00	9.00
\$384.....	\$392.....	82.70	73.60	64.40	55.20	46.10	37.40	29.10	20.70	12.40	9.20	9.20
\$392.....	\$400.....	84.50	75.40	66.20	57.00	47.90	39.10	30.70	22.40	14.10	9.40	9.40
\$400.....	\$420.....	87.70	78.50	69.30	60.20	51.00	42.00	33.60	25.30	17.00	9.80	9.80
\$420.....	\$440.....	92.20	83.00	73.80	64.70	55.50	46.30	37.80	29.40	21.10	12.80	10.40
\$440.....	\$460.....	96.70	87.50	78.30	69.20	60.00	50.80	41.00	33.60	25.20	16.90	10.90
\$460.....	\$480.....	101.20	92.00	82.80	73.70	64.50	55.30	40.20	37.70	29.40	21.00	12.70
\$480.....	\$500.....	105.70	96.50	87.30	78.20	69.00	59.80	60.70	41.80	33.50	25.20	16.80
\$500.....	\$520.....	110.20	101.00	91.80	82.70	73.50	64.30	55.20	46.00	37.70	29.30	21.00
\$520.....	\$540.....	114.70	105.50	96.30	87.20	78.00	68.80	59.70	50.50	41.80	33.50	25.10
\$540.....	\$560.....	119.20	110.00	100.80	91.70	82.50	73.30	64.20	55.00	45.90	37.60	29.30
\$560.....	\$580.....	123.70	114.50	105.30	96.20	87.00	77.80	68.70	59.50	50.30	41.70	33.40
\$580.....	\$600.....	128.20	119.00	109.80	100.70	91.50	82.30	73.20	64.00	54.80	45.90	37.50
\$600.....	\$640.....	134.90	125.80	116.60	107.40	98.30	89.10	79.00	70.80	61.60	52.40	43.80
\$640.....	\$680.....	143.90	134.80	125.60	116.40	107.30	98.10	88.90	79.80	70.60	61.40	52.30
\$680.....	\$720.....	152.90	143.80	134.60	125.40	116.30	107.10	97.90	88.80	79.60	70.40	61.30
\$720.....	\$760.....	161.90	152.80	143.60	134.40	125.30	116.10	106.90	97.80	88.60	79.40	70.30
\$760.....	\$800.....	170.90	161.80	152.60	143.40	134.30	125.10	115.90	106.80	97.60	88.40	79.30
\$800.....	\$840.....	179.90	170.80	161.60	152.40	143.30	134.10	124.00	115.80	106.60	97.40	88.30
\$840.....	\$880.....	188.90	179.80	170.60	161.40	152.30	143.10	133.90	124.00	115.60	106.40	97.30
\$880.....	\$920.....	197.90	188.80	179.60	170.40	161.30	152.10	142.90	133.80	124.00	115.40	106.30
\$920.....	\$960.....	206.90	197.80	188.60	179.40	170.30	161.10	151.90	142.80	133.60	124.40	115.30
\$960.....	\$1,000.....	215.90	206.80	197.60	188.40	179.30	170.10	160.90	151.80	142.60	133.40	124.30
\$1,000 and over.....		22.5 percent of the excess over \$1,000 plus										
		220.40	211.30	202.10	192.90	183.80	174.60	165.40	156.30	147.10	137.90	128.80

"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—												
		0	1	2	3	4	5	6	7	8	9	10 or more		
		The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period												
At least	But less than	18% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0.....	\$1.50.....	\$0.35	0	0	0	0	0	0	0	0	0	0	0	0
\$1.50.....	\$1.75.....	0	0	0	0	0	0	0	0	0	0	0	0	0
\$1.75.....	\$2.00.....	.05	0	0	0	0	0	0	0	0	0	0	0	0
\$2.00.....	\$2.25.....	.10	0	0	0	0	0	0	0	0	0	0	0	0
\$2.25.....	\$2.50.....	.15	0	0	0	0	0	0	0	0	0	0	0	0
\$2.50.....	\$2.75.....	.20	0	0	0	0	0	0	0	0	0	0	0	0
\$2.75.....	\$3.00.....	.25	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$3.00.....	\$3.25.....	.30	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$3.25.....	\$3.50.....	.35	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$3.50.....	\$3.75.....	.40	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$3.75.....	\$4.00.....	.45	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$4.00.....	\$4.25.....	.50	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$4.25.....	\$4.50.....	.55	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$4.50.....	\$4.75.....	.60	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$4.75.....	\$5.00.....	.65	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$5.00.....	\$5.25.....	.70	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$5.25.....	\$5.50.....	.75	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$5.50.....	\$5.75.....	.80	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$5.75.....	\$6.00.....	.85	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$6.00.....	\$6.25.....	.90	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$6.25.....	\$6.50.....	.95	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$6.50.....	\$6.75.....	1.00	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$6.75.....	\$7.00.....	1.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$7.00.....	\$7.25.....	1.10	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$7.25.....	\$7.50.....	1.15	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$7.50.....	\$7.75.....	1.20	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$7.75.....	\$8.00.....	1.25	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$8.00.....	\$8.25.....	1.30	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$8.25.....	\$8.50.....	1.35	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$8.50.....	\$8.75.....	1.40	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$8.75.....	\$9.00.....	1.45	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$9.00.....	\$9.25.....	1.50	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$9.25.....	\$9.50.....	1.55	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$9.50.....	\$9.75.....	1.60	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$9.75.....	\$10.00.....	1.65	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$10.00.....	\$10.50.....	1.70	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$10.50.....	\$11.00.....	1.75	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$11.00.....	\$11.50.....	1.80	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$11.50.....	\$12.00.....	1.85	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$12.00.....	\$12.50.....	1.90	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$12.50.....	\$13.00.....	1.95	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$13.00.....	\$13.50.....	2.00	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$13.50.....	\$14.00.....	2.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$14.00.....	\$14.50.....	2.10	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$14.50.....	\$15.00.....	2.15	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$15.00.....	\$15.50.....	2.20	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$15.50.....	\$16.00.....	2.25	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$16.00.....	\$16.50.....	2.30	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$16.50.....	\$17.00.....	2.35	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$17.00.....	\$17.50.....	2.40	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$17.50.....	\$18.00.....	2.45	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$18.00.....	\$18.50.....	2.50	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$18.50.....	\$19.00.....	2.55	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$19.00.....	\$19.50.....	2.60	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$19.50.....	\$20.00.....	2.65	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$20.00.....	\$21.00.....	2.70	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$21.00.....	\$22.00.....	2.75	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$22.00.....	\$23.00.....	2.80	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$23.00.....	\$24.00.....	2.85	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$24.00.....	\$25.00.....	2.90	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$25.00.....	\$26.00.....	2.95	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$26.00.....	\$27.00.....	3.00	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$27.00.....	\$28.00.....	3.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$28.00.....	\$29.00.....	3.10	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$29.00.....	\$30.00.....	3.15	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05	.05
\$30.00 and over.....			22.5 percent of the excess over \$30 plus											
			6.60	6.30	6.00	5.70	5.40	5.10	4.80	4.50	4.20	3.90	3.60"	

(d) WITHHOLDING EXEMPTIONS.—Section 1622 (h) (relating to withholding exemption certificates) is amended to read as follows:

“(h) WITHHOLDING EXEMPTIONS.—

“(1) IN GENERAL.—An employe receiving wages shall on any day be entitled to the following withholding exemptions:

“(A) An exemption for himself.

“(B) If the employe is married, an exemption with respect to his spouse, unless his spouse has in effect a withholding exemption certificate claiming a withholding exemption under subparagraph (A).

“(C) An exemption for each individual with respect to whom, on the basis of facts existing on such day, a surtax exemption under section 25 (b) (3) for the taxable year in which such day falls, may reasonably be expected to be allowable.

“(2) EXEMPTION CERTIFICATES.—

“(A) On Commencement of Employment.—On or before the date of the commencement of employment with an employer, the employe shall furnish the employer with a signed withholding exemption certificate relating to the number of withholding exemptions which he claims, which shall in no event exceed the number to which he is entitled.

“(B) Change of Status, Etc.—If, on any day during the calendar year, the number of withholding exemptions to which the employe is entitled is less than the number of withholding exemptions claimed by the employe on the withholding exemption certificate then in effect with respect to him, the employe shall within ten days thereafter furnish the employer with a new withholding exemption certificate relating to the number of withholding exemptions which the employe then claims, which shall in no event exceed the number to which he is entitled on such day. If, on any day during the calendar year, the number of withholding exemptions to which the employe is entitled is greater than the number of withholding exemptions claimed, the employe may furnish the employer with a new withholding exemption certificate relating to the number of withholding exemptions which the employe then claims, which shall in no event exceed the number to which he is entitled on such day.

“(3) WHEN CERTIFICATE TAKES EFFECT.—

“(A) First Certificate Furnished.—A withholding exemption certificate furnished the employer in cases in which no previous such certificate is in effect shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the date on which such certificate is so furnished.

“(B) Furnished to Take Place of Existing Certificate.—A withholding exemption certificate furnished the employer in cases in which a previous such certificate is in effect shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least thirty days from the date on which such certificate is so furnished, except that at the election of the employer such certificate may be made effective with respect to any payment of wages made on or after the date on which such certificate is so furnished. For the purposes of this subparagraph the term ‘status determination date’ means January 1 and July 1 of each year.

“(4) PERIOD DURING WHICH CERTIFICATE REMAINS IN EFFECT.—A withholding exemption certificate which takes effect under this subsection shall continue in effect with respect to the employer until another such certificate takes effect under this subsection.

“(5) CONTENTS OF CERTIFICATE.—Withholding exemption certificates shall be in such form and contain such information as the Commissioner may, with the approval of the Secretary, by regulations prescribe.”

(e) NEW WITHHOLDING EXEMPTION CERTIFICATES TO BE FURNISHED.—

(1) OLD CERTIFICATES MADE INEFFECTIVE.—Certificates furnished (whether before or after the enactment of this Act) under section 1622 (h) of the Internal Revenue Code, without regard to its amendment by this Act, shall have no effect with respect to withholding to which such section, as amended by this Act, is applicable.

(2) **REQUIREMENT OF FURNISHING NEW CERTIFICATE.**—On or before December 1, 1944, and on or before the date of commencement of employment if such date occurs after December 1, 1944, and prior to January 1, 1945, each employee receiving wages shall furnish his employer with the withholding exemption certificate, required by section 1622 (h) of the Internal Revenue Code (as amended by this Act) in the case of commencement of employment on or after January 1, 1945, and for such purposes the number of withholding exemptions which he is entitled to claim shall be the number which he would be entitled to claim if such certificate was furnished on January 1, 1945.

(3) **WHEN NEW CERTIFICATES TAKE EFFECT.**—A certificate furnished under paragraph (2) of this subsection shall take effect with respect to the first payment of wages with respect to which section 1622 of the Internal Revenue Code, as amended by this Act, is applicable. A certificate furnished under section 1622 (h) of the Internal Revenue Code, as amended by this Act, after December 1, 1944, and prior to January 1, 1945, and not furnished on or before the date of commencement of employment, shall take effect as provided in section 1622 (h) (3) (B) of such Code, as so amended, except that it may not be made effective with respect to any payment of wages to which section 1622 of such Code, as so amended, is not applicable. A certificate furnished under section 1622 (h) of such Code, as so amended, to an employer on or after January 1, 1945, and not furnished on or before the date of commencement of employment with such employer, shall take effect as provided in section 1622 (h) (3) (B) of such Code, as so amended, if such certificate is the first certificate so furnished and if on December 31, 1944, a certificate was in effect with respect to such employer under section 1622 (h) of such Code, without regard to such amendments.

(f) **CHANGE OF STATUS AFTER JULY 1, 1944.**—Effective (despite the provisions of section 21) with respect to wages paid during the calendar year 1944, section 1622 (h) (1) (relating to withholding exemption certificates furnished by reason of a change of status) is amended by striking out “, if furnished by reason of a change of status occurring on or before July 1 of the calendar year,”.

Passed the House of Representatives May 5, 1944.

Attest:

SOUTH TRIMBLE, *Clerk.*

Mr. BURGESS. Mr. Chairman and members of the committee, I should like to make a few introductory remarks before taking up with you the question of changes in tax burden which will result from the enactment of the House bill.

First, I wish to emphasize the fact that the staff of the Joint Committee on Internal Revenue Taxation and the Treasury Department are in complete agreement as to the over-all revenue effect of the bill under consideration. It is estimated that during a full year of operation, at levels of income estimated for the calendar year 1944, the House bill will reduce the aggregate income tax liability of individuals by approximately \$60,000,000. This amount represents about one-third of 1 percent of the estimated total liability of individuals for 1944, of \$17,000,000,000.

Next, I should like to review briefly the principal changes in law made by the House bill, and their effect on the tax burden in individual cases.

Certain of the changes tend to increase the tax burden, while others exert an influence in the opposite direction. You know, of course, that under present law there is imposed a Victory tax of 3 percent of the gross income in excess of a certain exemption. In the House bill the Victory tax is, in effect, replaced by a normal tax of 3 percent of the net income in excess of a certain exemption. This change from a gross income base to a net income base is, on the average, the equivalent of reducing the rate of tax applied to gross income from 3 percent to 2.7 percent. Therefore, this change has the tendency to reduce the tax of all persons.

For the Victory tax, the first \$624 of each person's gross income is exempt from tax, whereas under the new normal tax the first \$500 of each person's net income is exempt from tax. This modification is the equivalent, on the average, of reducing the Victory tax exemption from \$624 to about \$556; therefore, this particular change of base and exemption has the effect of increasing tax burdens.

Under present law, users of the short income tax form, the one containing the tax table, are automatically allowed a standard deduction equal to 6 percent of their gross income. Under the House bill, users of the short-form tax table, as well as those for whom the collector will compute the tax, are permitted a standard deduction of 10 percent of their adjusted gross income, while others are allowed to deduct \$500 in lieu of actual deductions. In addition to liberalizing the amount of the standard deduction, the use of the short form is greatly broadened so far as size and source of income are concerned. Hence, the tax burden in most individual cases will tend to be lowered by the provisions relating to the standard deduction.

Perhaps the most important change of all, from the standpoint of its effect upon tax burdens, is the change in the personal exemption and credit for dependents allowed for surtax from \$500, \$1,200, and \$350 under the present law, to \$500, \$1,000 and \$500 in the House bill. These changes affect taxpayers differently according to their family status. For example, under present law, married persons with no dependents are allowed an exemption of \$1,200, whereas, under the House bill, the per capita exemption system will allow \$1,000. The reduction of \$200 in the total personal exemption in this case will naturally have the effect of increasing the tax. As a single person's exemption for surtax is not altered by these provisions, no change in such a person's tax will occur on this score. Under present law, a married person with one dependent is permitted a personal exemption of \$1,200, plus \$350 credit for the dependent, or a total of \$1,550; under the House bill, this taxpayer would have a total personal exemption and credit for dependents of \$1,500, or \$50 less. The tax in this instance would, therefore, be slightly increased by the exemption provisions.

Now, you will note that all married persons having more than one dependent are benefited by the change to a per capita exemption system. Under present law, a married person with two dependents is allowed a personal exemption of \$1,200, plus a \$700 credit for dependents, making a total of \$1,900; under the House bill, this taxpayer will have a total personal exemption and credit for dependents of \$2,000, an increase of \$100. In this case the tax will be lowered.

The change in definition of dependents will, in many cases, tend to reduce the tax. In order to be claimed as a dependent under present law, a person must be either under 18 years of age or, if over, physically or mentally incapable of self-support. Both of these requirements are eliminated in the House bill which provides that a dependent is a person for whom the taxpayer contributes over half the support, provided the dependent is closely related to the taxpayer, and provided the dependent is not himself required to file a tax return. This modification in the definition of a dependent will open the door to the claiming of large additional numbers of dependents. For example, most children in college will, under the terms of the House bill, be classed as dependents, where under present law parents were barred from claiming them because of the age limitation. Hence, under the

House bill, many families will have their taxes reduced, or held to a lower level, as a result of a gain in the number of dependents which they may be permitted to claim. Another factor in this same connection, also operating to reduce tax liability, is the provision that income of a dependent need not be reported in the return of the taxpayer.

The integration of the present law normal tax and surtax into the one surtax schedule contained in the House bill does not affect the tax burdens in individual cases, except where partially tax exempt interest is included in income. However, further upward adjustments that are made in the surtax rates, to maintain revenue and minimize shifts in tax burden, do tend to increase the tax liability.

Having traced the manner in which certain major provisions in the House bill affect tax burdens, I believe it would be in order to examine the burden tables which we have prepared for you. These tables show, for persons of various family status and levels of income, the tax under existing law, the tax under the House bill, and the net increase or decrease in tax resulting from the House bill. The effective rates of tax are also shown.

(The tables referred to are as follows:)

BURDEN TABLES—(GROSS INCOME LEVELS)

TABLE I.—Tax under supplement T of the Revenue Act of 1943 compared with that under supplement T of the House bill, H. R. 4646

SINGLE PERSONS WITH NO DEPENDENTS

Adjusted gross income	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4646	Revenue Act of 1943	H. R. 4646	
\$500.....	\$0	\$0	6	0	\$0
\$525.....	1	0	.2	0	-1
\$650.....	5	1	.9	0	-4
\$675.....	10	7	1.7	1.2	-3
\$600.....	14	12	2.3	2.0	-2
\$700.....	35	32	5.0	4.6	-3
\$800.....	50	53	7.0	6.6	-3
\$900.....	77	74	8.6	8.2	-3
\$1,000.....	97	95	9.7	9.5	-2
\$1,100.....	118	115	10.7	10.5	-3
\$1,200.....	139	136	11.6	11.3	-3
\$1,300.....	160	167	12.3	12.1	-3
\$1,400.....	181	177	12.9	12.6	-4
\$1,500.....	202	198	13.5	13.2	-4
\$1,600.....	223	219	13.9	13.7	-4
\$1,700.....	244	239	14.4	14.1	-5
\$1,800.....	264	260	14.7	14.4	-4
\$1,900.....	285	281	15.0	14.8	-4
\$2,000.....	306	302	15.3	15.1	-4
\$2,100.....	327	322	15.6	15.3	-5
\$2,200.....	348	343	15.8	15.6	-5
\$2,300.....	369	364	16.0	15.8	-5
\$2,400.....	390	384	16.3	16.0	-6
\$2,500.....	410	405	16.4	16.2	-5
\$2,600.....	431	426	16.6	16.4	-5
\$2,700.....	454	446	16.8	16.5	-8
\$2,800.....	477	468	17.0	16.7	-9
\$2,900.....	501	490	17.3	16.9	-11
\$3,000.....	528	516	17.6	17.2	-12
\$3,200.....	575	561	18.0	17.5	-14
\$3,400.....	622	606	18.3	17.8	-16
\$3,600.....	670	651	18.6	18.1	-19
\$3,800.....	717	696	18.9	18.3	-21
\$4,000.....	764	741	19.1	18.6	-23
\$4,200.....	812	780	19.3	18.7	-26
\$4,400.....	859	831	19.5	18.9	-28
\$4,600.....	906	876	19.7	19.0	-30
\$4,800.....	955	921	19.9	19.2	-34
\$4,900.....	983	943	20.1	19.2	-40

¹ Under the Revenue Act of 1943, supplement T is limited to gross incomes under \$3,000. For incomes of \$3,000 and over the tax was computed by the same method employed in constructing the supplement T tables prescribed by the Revenue Act of 1943.

SIMPLIFIED INCOME-TAX RETURN

TABLE II.—Tax under supplement T of the Revenue Act of 1943 compared with that under supplement T of the House bill, H. R. 4846

MARRIED PERSONS WITH NO DEPENDENTS

Adjusted gross income	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4846 ²	Revenue Act of 1943	H. R. 4846	
\$550.....	\$0	\$0	0	0	\$0
\$575.....	0	1	0	.2	1
\$600.....	0	2	0	.3	2
\$625.....	0	2	0	.3	2
\$650.....	1	3	.2	.5	2
\$675.....	2	4	.3	.6	2
\$700.....	3	4	.4	.6	1
\$800.....	6	7	.8	.9	1
\$900.....	9	10	1.0	1.1	1
\$1,000.....	12	12	1.2	1.2	0
\$1,100.....	15	15	1.4	1.4	0
\$1,200.....	18	36	1.5	3.0	18
\$1,300.....	27	57	2.1	4.4	30
\$1,400.....	48	77	3.4	5.5	29
\$1,500.....	69	98	4.6	6.5	29
\$1,600.....	90	119	5.6	7.4	29
\$1,700.....	111	139	6.5	8.2	28
\$1,800.....	131	160	7.3	8.9	29
\$1,900.....	152	181	8.0	9.5	29
\$2,000.....	173	202	8.7	10.1	29
\$2,100.....	194	222	9.2	10.6	28
\$2,200.....	215	243	9.8	11.0	28
\$2,300.....	236	264	10.3	11.5	28
\$2,400.....	257	284	10.7	11.8	27
\$2,500.....	277	305	11.1	12.2	28
\$2,600.....	298	326	11.5	12.5	28
\$2,700.....	319	346	11.8	12.8	27
\$2,800.....	340	367	12.1	13.1	27
\$2,900.....	361	388	12.4	13.4	27
\$3,000.....	384	411	12.8	13.7	27
\$3,200.....	426	453	13.3	14.2	27
\$3,400.....	468	496	13.8	14.6	28
\$3,600.....	516	541	14.3	15.0	25
\$3,800.....	563	586	14.8	15.4	23
\$4,000.....	610	631	15.3	15.8	21
\$4,200.....	658	676	15.7	16.1	18
\$4,400.....	705	721	16.0	16.4	16
\$4,600.....	752	766	16.3	16.7	14
\$4,800.....	800	811	16.7	16.9	11
\$4,900.....	824	833	16.8	17.0	9

¹ Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract \$19 from the tax shown. Under the Revenue Act of 1943, supplement T is limited to gross incomes under \$3,000. For incomes of \$3,000 and over the tax was computed by the same method employed in constructing the supplement T tables provided by the Revenue Act of 1943.

² Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract \$15 from the tax shown.

SIMPLIFIED INCOME-TAX RETURN

27

TABLE III.—Tax under supplement T of the Revenue Act of 1943 compared with that under supplement T of the House bill, H. R. 4646

MARRIED PERSON WITH 1 DEPENDENT

Adjusted gross income	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4646 ²	Revenue Act of 1943	H. R. 4646	
\$550.....	\$0	\$0	0	0	\$0
\$575.....	0	1	0	.2	1
\$600.....	0	2	0	.3	2
\$625.....	0	2	0	.3	2
\$650.....	1	3	.2	.5	2
\$700.....	3	4	.4	.6	1
\$800.....	6	7	.8	.9	1
\$900.....	9	10	1.0	1.1	1
\$1,000.....	12	12	1.2	1.2	0
\$1,100.....	15	15	1.4	1.4	0
\$1,200.....	18	18	1.5	1.5	0
\$1,300.....	21	20	1.6	1.5	-1
\$1,400.....	24	23	1.7	1.6	-1
\$1,500.....	27	26	1.8	1.7	-1
\$1,600.....	30	29	1.9	1.8	-1
\$1,700.....	44	39	2.6	2.3	-5
\$1,800.....	65	60	3.6	3.3	-5
\$1,900.....	86	81	4.5	4.3	-5
\$2,000.....	107	102	5.4	5.1	-5
\$2,100.....	127	122	6.0	5.8	-5
\$2,200.....	148	143	6.7	6.5	-5
\$2,300.....	169	164	7.3	7.1	-5
\$2,400.....	190	184	7.9	7.7	-6
\$2,500.....	211	205	8.4	8.2	-6
\$2,600.....	232	226	8.9	8.7	-6
\$2,700.....	253	246	9.4	9.1	-7
\$2,800.....	273	267	9.8	9.5	-6
\$2,900.....	294	288	10.1	9.9	-6
\$3,000.....	318	311	10.6	10.4	-7
\$3,200.....	360	353	11.3	11.0	-7
\$3,400.....	401	394	11.8	11.6	-7
\$3,600.....	443	435	12.3	12.1	-8
\$3,800.....	486	477	12.8	12.6	-9
\$4,000.....	533	521	13.3	13.0	-12
\$4,200.....	581	566	13.8	13.5	-15
\$4,400.....	628	611	14.3	13.9	-17
\$4,600.....	675	656	14.7	14.3	-19
\$4,800.....	723	701	15.1	14.6	-22
\$4,900.....	747	723	15.2	14.8	-24

¹ Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract \$10 from the tax shown. Under the Revenue Act of 1943 supplement T is limited to gross incomes under \$3,000. For incomes of \$3,000 and over the tax was computed by the same method employed in constructing the Supplement T tables prescribed by the Revenue Act of 1943.

² Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract \$15 from the tax shown.

SIMPLIFIED INCOME-TAX RETURN

TABLE IV.—Tax under supplement T of the Revenue Act of 1948 compared with that under supplement T of the bill, H. R. 4848

MARRIED PERSON WITH 2 DEPENDENTS

Adjusted gross income	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4848 ²	Revenue Act of 1943	H. R. 4848	
\$550.....	\$0	\$0	0	0	\$0
\$575.....	0	1	0	.2	1
\$600.....	0	2	0	.3	2
\$625.....	0	2	0	.3	2
\$650.....	1	3	.2	.5	2
\$700.....	3	4	.4	.6	1
\$800.....	6	7	.8	.9	1
\$900.....	9	10	1.0	1.1	1
\$1,000.....	12	12	1.2	1.2	0
\$1,100.....	15	15	1.4	1.4	0
\$1,200.....	18	18	1.5	1.5	0
\$1,300.....	21	20	1.6	1.5	-1
\$1,400.....	24	23	1.7	1.6	-1
\$1,500.....	27	26	1.8	1.7	-1
\$1,600.....	30	29	1.9	1.8	-1
\$1,700.....	33	31	1.9	1.8	-2
\$1,800.....	36	34	2.0	1.9	-2
\$1,900.....	39	37	2.1	1.9	-2
\$2,000.....	42	39	2.1	2.0	-3
\$2,100.....	61	42	2.9	2.0	-19
\$2,200.....	82	45	3.7	2.0	-37
\$2,300.....	103	64	4.5	2.8	-39
\$2,400.....	124	84	5.2	3.5	-40
\$2,500.....	144	105	5.8	4.2	-39
\$2,600.....	165	126	6.3	4.8	-39
\$2,700.....	186	146	6.9	5.4	-40
\$2,800.....	207	167	7.4	6.0	-40
\$2,900.....	228	188	7.9	6.5	-40
\$3,000.....	251	211	8.4	7.0	-40
\$3,200.....	293	253	9.2	7.9	-40
\$3,400.....	335	294	9.9	8.6	-41
\$3,600.....	376	335	10.4	9.3	-41
\$3,800.....	418	377	11.0	9.9	-41
\$4,000.....	460	418	11.5	10.5	-42
\$4,200.....	504	460	12.0	11.0	-44
\$4,400.....	551	501	12.5	11.4	-50
\$4,600.....	598	540	13.0	11.9	-52
\$4,800.....	646	591	13.5	12.3	-55
\$4,900.....	670	613	13.7	12.5	-57

¹ Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract \$19 from the tax shown. Under the Revenue Act of 1943 supplement T is limited to gross incomes under \$3,000. For incomes of \$3,000 and over the tax was computed by the same method employed in constructing the supplement T tables prescribed by the Revenue Act of 1943.

² Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract \$15 from the tax shown.

TABLE V.—Tax under supplement T of the Revenue Act of 1943 compared with that under supplement T of the House bill, H. R. 4846

MARRIED PERSON WITH 5 DEPENDENTS

Adjusted gross income	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4846 ²	Revenue Act of 1943	H. R. 4846	
\$550.....	\$0	\$0	0	0	\$0
\$575.....	0	1	0	.2	1
\$600.....	0	2	0	.3	2
\$625.....	0	2	0	.3	2
\$650.....	1	3	.2	.5	2
\$700.....	3	4	.4	.6	1
\$800.....	6	7	.8	.9	1
\$900.....	9	10	1.0	1.1	1
\$1,000.....	12	12	1.2	1.2	0
\$1,100.....	15	15	1.4	1.4	0
\$1,200.....	18	18	1.5	1.5	0
\$1,300.....	21	20	1.6	1.5	-1
\$1,400.....	24	23	1.7	1.6	-1
\$1,500.....	27	26	1.8	1.7	-1
\$1,600.....	30	29	1.9	1.8	-1
\$1,700.....	33	31	1.9	1.8	-2
\$1,800.....	36	34	2.0	1.9	-2
\$1,900.....	39	37	2.1	1.9	-2
\$2,000.....	42	39	2.1	2.0	-3
\$2,100.....	45	42	2.1	2.0	-3
\$2,200.....	48	45	2.2	2.0	-3
\$2,300.....	51	47	2.2	2.0	-4
\$2,400.....	54	50	2.3	2.1	-4
\$2,500.....	57	53	2.3	2.1	-4
\$2,600.....	60	56	2.3	2.2	-4
\$2,700.....	63	58	2.4	2.2	-5
\$2,800.....	66	61	2.4	2.2	-5
\$2,900.....	69	64	2.4	2.2	-5
\$3,000.....	72	67	2.4	2.2	-5
\$3,200.....	94	72	2.9	2.3	-22
\$3,400.....	135	77	4.0	2.3	-58
\$3,600.....	177	83	4.9	2.3	-94
\$3,800.....	219	88	5.8	2.3	-131
\$4,000.....	260	118	6.5	3.0	-142
\$4,200.....	302	160	7.2	3.8	-143
\$4,400.....	344	201	7.8	4.6	-143
\$4,600.....	386	242	8.4	5.3	-144
\$4,800.....	427	284	8.9	5.9	-143
\$4,900.....	448	304	9.1	6.2	-144

¹ Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes, subtract \$19 from the tax shown. Under the Revenue Act of 1943, supplement T is limited to gross incomes under \$3,000. For incomes of \$3,000 and over the tax was computed by the same method employed in constructing the supplement T tables prescribed by the Revenue Act of 1943.

² Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes, subtract \$15 from tax shown.

Mr. BURGESS. Let us turn first to table I, which shows the tax burden under the Revenue Act of 1943, and under the House bill, for a single person having no dependents.

Now, this table shows, in the left-hand column, the adjusted gross income. That is a new concept. It was designed primarily for use in the short-form tax table. We show adjusted gross income in these tables, rather than net income, to reflect the standard deduction allowance. If we showed net income, which is after deductions, the burden tables would not reflect the fact that the standard deduction is increased from 6 percent on the present law short form to 10 percent under the House bill.

Now, let us take an adjusted gross income of \$600. A single person with no dependents, at \$600. Under the Revenue Act of 1943 the tax would be \$14. Under the House bill, \$12. In the right-hand column you will note that this is a reduction of \$2.

At \$1,200 the tax under the Revenue Act of 1943 would be \$139. Under the House bill, \$136, a reduction of \$3.

Senator VANDENBERG. Everybody on this page gets a reduction?

Mr. BURGESS. The reduction runs all the way down the page. At \$2,500 the reduction is \$5. The table only runs to \$4,900 because the short form can be used only by those having an income under \$5,000. At \$4,900 the reduction is \$40.

Senator CONNALLY. A while ago you used the expression "adjusted gross income."

Mr. BURGESS. Yes.

Senator CONNALLY. What does that mean?

Mr. BURGESS. That, in general, is gross income less business deductions.

Senator CONNALLY. Yes.

Mr. BURGESS. And for the average wage earner it simply is total wages.

Senator CONNALLY. Yes.

Mr. BURGESS. Now, let us turn to table II, which shows the burden for married persons with no dependents. This is the classification wherein the increase is greatest under the House bill because the exemption is reduced from \$1,200 to \$1,000.

At \$600 no tax was paid under the Revenue Act of 1943. Under the House bill there is a tax of \$2.

At \$1,200 the tax under the Revenue Act of 1943 was \$18. Under the House bill it is \$36. That is an increase of \$18.

At \$2,400 the tax under the Revenue Act of 1943 was \$257. Under the House bill, \$284. That is an increase of \$27.

At \$4,400 the tax under present law is \$705. Under the House bill, \$721, an increase of \$16.

In the last bracket shown there is an increase of \$9. You will note that in this table the maximum increase is \$30. That happens to occur at \$1,300.

The next table, table III, shows the tax burden for a married person with one dependent. I won't go over these in detail but you will notice that up to an income of \$1,200 there is either no change or an increase of \$1 or \$2. This will be seen by looking at the last column in the table.

From \$1,200 upward there is a decrease which ranges from \$1 up to \$24.

So that, generally speaking, the married person with one dependent, using the short-form tax table, receives a decrease in tax.

As shown in table IV, the married person with two dependents is in somewhat the same situation, but the decreases above \$1,200 are substantially larger. The decrease varies from \$1, at \$1,300, to \$57 at \$4,900.

The next table, table V, shows the tax burden for a married person with five dependents, and you will note that as the number of dependents increases, the decrease in tax under the House bill becomes greater. For a married person with five dependents the decrease runs from \$1 at \$1,300 to \$144 at \$4,900.

Now, that completes the burden tables computed on the basis of the short form, the form which will contain the supplement T tax table.

For the higher brackets, where those individuals fall who have over \$5,000 gross income and therefore cannot use the short form, we show the burden on a net income basis. The following are the burden tables on a net income basis for those who cannot use the short form because they have gross income in excess of \$5,000, or who do not wish to use the short form because they have higher deductions than 10 percent:

BURDEN TABLES (NET INCOME LEVELS)

TABLE VI.—Income and Victory tax under Revenue Act of 1943 compared with total tax under the House bill, H. R. 4646

SINGLE PERSON WITH NO DEPENDENTS

Net income before exemption	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4646	Revenue Act of 1943	H. R. 4646	
\$500.....	\$0	\$0	0	0	\$0
\$625.....	5	6	1.0	1.1	1
\$550.....	10	12	1.8	2.2	2
\$575.....	15	17	2.0	3.0	2
\$600.....	20	23	3.3	3.8	3
\$750.....	54	58	7.2	7.7	4
\$800.....	65	69	8.1	8.6	4
\$1,000.....	110	115	11.0	11.5	5
\$1,200.....	154	161	12.8	13.4	7
\$1,500.....	221	230	14.7	15.3	9
\$1,800.....	288	299	16.0	16.6	11
\$2,000.....	333	345	16.7	17.3	12
\$2,500.....	446	460	17.8	18.4	15
\$3,000.....	571	585	19.0	19.5	14
\$4,000.....	825	835	20.6	20.9	10
\$5,000.....	1,099	1,105	22.0	22.1	7
\$5,500.....	1,391	1,395	25.2	25.3	4
\$7,000.....	1,705	1,705	24.4	24.4	0
\$8,000.....	2,039	2,036	25.5	25.4	-3
\$9,000.....	2,391	2,385	26.6	26.5	-6
\$10,000.....	2,765	2,755	27.7	27.6	-10
\$15,000.....	4,931	4,930	32.9	32.9	-1
\$20,000.....	7,548	7,580	37.7	37.0	32
\$25,000.....	10,525	10,590	42.1	42.4	65
\$30,000.....	13,696	13,795	45.7	46.0	99
\$40,000.....	20,400	20,580	51.0	51.5	180
\$50,000.....	27,543	27,945	55.1	55.9	402
\$60,000.....	35,061	35,730	58.4	59.6	669
\$70,000.....	42,880	43,815	61.3	62.6	935
\$80,000.....	50,998	52,200	63.7	65.3	1,202
\$90,000.....	59,416	60,885	66.0	67.7	1,469
\$100,000.....	68,040	69,870	68.0	69.9	1,830
\$150,000.....	112,196	115,660	74.8	77.2	3,464
\$200,000.....	157,353	162,355	78.7	81.2	5,002
\$250,000.....	203,015	209,350	81.2	83.7	6,335
\$500,000.....	431,348	444,350	86.3	88.9	13,002
\$750,000.....	659,681	675,000	88.0	90.0	15,319
\$1,000,000.....	888,015	900,000	88.8	90.0	11,985
\$2,000,000.....	1,800,000	1,800,000	90.0	90.0	0
\$5,000,000.....	4,500,000	4,500,000	90.0	90.0	0

¹ Victory tax computed on a gross income equal to 194 of net income.

TABLE VII.—Income and Victory tax under Revenue Act of 1943 compared with total tax under the House bill, H. R. 4846

MARRIED PERSON WITH NO DEPENDENTS

Net income before exemption	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4846 ²	Revenue Act of 1943	H. R. 4846	
\$500.....	\$0	\$0	0	0	\$0
\$525.....	0	1	0	0.2	1
\$650.....	0	2	0	.4	2
\$575.....	0	3	0	.3	2
\$600.....	1	3	0.2	.5	2
\$750.....	6	8	.8	1.1	1
\$800.....	8	9	1.0	1.1	1
\$1,000.....	15	15	1.5	1.5	0
\$1,200.....	21	61	1.8	5.1	40
\$1,500.....	89	130	5.9	8.7	42
\$1,800.....	155	199	8.6	11.1	44
\$2,000.....	200	245	10.0	12.3	45
\$2,500.....	312	360	12.5	14.4	49
\$3,000.....	423	475	14.1	15.8	52
\$4,000.....	671	723	16.8	18.1	54
\$5,000.....	924	975	18.5	19.5	51
\$6,000.....	1,209	1,265	20.2	21.1	56
\$7,000.....	1,503	1,555	21.5	22.2	52
\$8,000.....	1,828	1,885	22.9	23.6	57
\$9,000.....	2,161	2,215	24.0	24.6	54
\$10,000.....	2,527	2,585	25.3	25.9	58
\$15,000.....	4,617	4,695	30.8	31.3	78
\$20,000.....	7,184	7,315	35.9	36.6	131
\$25,000.....	10,110	10,295	40.5	41.2	176
\$30,000.....	13,269	13,485	44.2	45.0	216
\$40,000.....	19,931	20,235	49.8	50.6	304
\$50,000.....	27,060	27,585	54.1	55.2	525
\$60,000.....	34,557	35,355	57.6	58.9	798
\$70,000.....	42,355	43,425	60.5	62.0	1,070
\$80,000.....	50,452	51,795	63.1	64.7	1,343
\$90,000.....	58,849	60,465	65.4	67.2	1,616
\$100,000.....	67,469	69,435	67.5	69.4	1,976
\$150,000.....	111,001	115,416	74.4	76.9	3,814
\$200,000.....	156,744	161,905	78.4	81.0	5,161
\$250,000.....	202,390	208,895	81.0	83.6	6,496
\$300,000.....	430,732	448,895	86.1	88.8	13,163
\$750,000.....	659,065	676,000	87.9	90.0	15,935
\$1,000,000.....	887,390	900,000	88.7	90.0	12,601
\$2,000,000.....	1,800,000	1,800,000	90.0	90.0	0
\$5,000,000.....	4,500,000	4,500,000	90.0	90.0	0

¹ Victory tax computed on a gross income equal to 1% of net income. Assumes only 1 spouse has income. To derive minimum amount of tax where both husband and wife have incomes, subtract \$19 from the tax shown.

² Assumes only 1 spouse has income. To derive minimum amount of tax on a joint return where both husband and wife have incomes over \$500 subtract \$15 from the tax shown.

TABLE VIII.—Income and Victory tax under the Revenue Act of 1943 compared with total tax under House bill, H. R. 4048

MARRIED PERSON WITH 1 DEPENDENT

Net income before exemption	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4048	Revenue Act of 1943	H. R. 4048	
\$500	\$0	\$0	0	0	\$0
\$525	0	1	0	.1	1
\$550	0	2	0	.3	2
\$575	0	2	0	.4	2
\$600	1	3	2	.5	2
\$750	6	8	8	1.0	2
\$900	8	9	1.0	1.1	1
\$1,000	14	15	1.5	1.5	0
\$1,200	21	21	1.8	1.8	0
\$1,500	31	30	2.1	2.0	-1
\$1,800	89	99	4.0	5.5	10
\$2,000	133	145	6.7	7.3	12
\$2,500	245	260	9.8	10.4	15
\$3,000	357	375	11.9	12.5	18
\$4,000	594	615	14.9	15.4	21
\$5,000	847	895	16.9	17.3	18
\$6,000	1,118	1,135	18.6	18.9	17
\$7,000	1,412	1,425	20.2	20.4	13
\$8,000	1,723	1,735	21.5	21.7	12
\$9,000	2,056	2,065	22.8	22.9	9
\$10,000	2,408	2,415	24.1	24.2	7
\$15,000	4,470	4,480	29.8	29.9	10
\$20,000	7,092	7,050	35.0	35.3	48
\$25,000	9,916	10,000	39.7	40.0	84
\$30,000	13,056	13,175	43.5	43.9	119
\$40,000	19,696	19,890	49.2	49.7	194
\$50,000	26,818	27,225	53.6	54.5	407
\$60,000	34,305	34,980	57.2	58.3	675
\$70,000	42,092	43,035	60.1	61.5	943
\$80,000	50,179	51,390	62.7	64.2	1,211
\$90,000	58,566	60,045	65.1	66.7	1,479
\$100,000	67,168	69,000	67.2	69.0	1,832
\$150,000	111,304	114,970	74.2	76.7	3,666
\$200,000	156,439	161,455	78.2	80.7	5,016
\$250,000	202,091	208,440	80.8	83.4	6,349
\$500,000	430,424	443,440	86.1	88.7	13,016
\$750,000	658,757	675,000	87.8	90.0	16,243
\$1,000,000	887,091	900,000	88.7	90.0	12,909
\$2,000,000	1,800,000	1,800,000	90.0	90.0	0
\$5,000,000	4,500,000	4,500,000	90.0	90.0	0

¹ Victory tax computed on a gross income equal to 10/9 of net income. Assumes only 1 spouse has income. To derive minimum amount of tax where both husband and wife have incomes subtract \$19 from tax shown.
² Assumes only 1 spouse has income. To derive minimum amount of tax on a joint return where both husband and wife have incomes over \$600 subtract \$15 from the tax shown

SIMPLIFIED INCOME-TAX RETURN

TABLE IX.—Income and Victory tax under Revenue Act of 1943 compared with total tax under the House bill, H. R. 4646

MARRIED PERSONS WITH 2 DEPENDENTS

Net income before exemption	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943 ¹	H. R. 4646 ²	Revenue Act of 1943	H. R. 4646	
\$500.....	\$0	\$0	0	0	\$0
\$525.....	0	1	0	.2	1
\$550.....	0	2	0	.4	2
\$575.....	0	2	0	.3	2
\$600.....	1	3	.2	.5	2
\$750.....	6	8	.8	1.1	2
\$800.....	8	9	1.0	1.1	1
\$1,000.....	15	15	1.5	1.5	0
\$1,200.....	21	21	1.8	1.8	0
\$1,500.....	31	30	2.1	2.0	-1
\$1,800.....	41	39	2.3	2.2	-2
\$2,000.....	67	46	3.4	2.3	-22
\$2,500.....	179	160	7.2	6.4	-19
\$3,000.....	290	276	9.7	9.2	-15
\$4,000.....	517	505	12.9	12.0	-12
\$5,000.....	770	755	15.4	15.1	-15
\$6,000.....	1,027	1,005	17.1	16.8	-22
\$7,000.....	1,321	1,295	18.9	18.5	-26
\$8,000.....	1,618	1,585	20.2	19.8	-33
\$9,000.....	1,951	1,915	21.7	21.3	-36
\$10,000.....	2,289	2,245	22.9	22.5	-44
\$15,000.....	4,323	4,205	28.8	28.4	-58
\$20,000.....	6,820	6,735	34.1	33.0	-35
\$25,000.....	9,713	9,705	38.0	38.8	-8
\$30,000.....	12,842	12,865	42.8	42.9	23
\$40,000.....	19,452	19,545	48.7	48.9	83
\$50,000.....	26,577	26,865	53.2	53.7	288
\$60,000.....	34,053	34,605	56.8	57.7	552
\$70,000.....	41,830	42,645	59.8	60.9	815
\$80,000.....	49,906	50,985	62.4	63.7	1,079
\$90,000.....	58,282	59,625	64.8	66.3	1,343
\$100,000.....	66,878	68,565	66.9	68.6	1,687
\$150,000.....	111,000	114,525	74.0	76.4	3,519
\$200,000.....	156,135	161,005	78.1	80.5	4,870
\$250,000.....	201,783	207,985	80.7	83.2	6,202
\$300,000.....	430,116	442,985	86.0	88.6	12,869
\$500,000.....	658,449	675,000	87.8	90.0	16,551
\$750,000.....	886,783	900,000	88.7	90.0	13,217
\$1,000,000.....	1,800,000	1,800,000	90.0	90.0	0
\$2,000,000.....	4,500,000	4,500,000	90.0	90.0	0
\$5,000,000.....					

¹ Victory tax computed on a gross income equal to 1% of net income. Assumes only 1 spouse has income— to derive minimum amount of tax where both husband and wife have incomes subtract \$19 from the tax shown.

² Assumes only 1 spouse has income. To derive minimum amount of tax on a joint return where both husband and wife have incomes over \$500 subtract \$15 from the tax shown.

TABLE X.—Income and Victory tax under the Revenue Act of 1943 compared with total tax under the House bill, H. R. 4648

MARRIED PERSONS WITH 5 DEPENDENTS

Net Income before exemption	Tax		Effective rate (percent)		Increase or decrease (-) over Revenue Act of 1943
	Revenue Act of 1943	H. R. 4648 ¹	Revenue Act of 1943	H. R. 4648	
\$500	\$0	\$0	0	0	\$0
\$525	0	1	0	.1	1
\$550	0	2	0	.3	2
\$575	0	2	0	.4	2
\$600	1	3	.2	.5	2
\$750	6	8	.8	1.0	2
\$800	8	9	1.0	1.1	1
\$1,000	15	15	1.5	1.5	0
\$1,200	21	21	1.8	1.8	0
\$1,500	31	30	2.1	2.0	-1
\$1,800	41	39	2.3	2.2	-2
\$2,000	48	45	2.4	2.3	-3
\$2,500	65	60	2.6	2.4	-6
\$3,000	91	75	3.0	2.5	-16
\$4,000	314	205	7.9	5.1	-109
\$5,000	539	435	10.8	8.7	-104
\$6,000	792	675	13.2	11.3	-117
\$7,000	1,048	925	15.0	13.2	-123
\$8,000	1,341	1,195	16.8	14.9	-146
\$9,000	1,636	1,485	18.2	16.5	-161
\$10,000	1,970	1,795	19.7	18.0	-175
\$15,000	3,882	3,045	25.9	24.3	-237
\$20,000	6,302	6,035	31.5	30.2	-267
\$25,000	9,104	8,835	36.4	35.3	-269
\$30,000	12,202	11,935	40.7	39.8	-267
\$40,000	18,787	18,570	47.0	46.4	-217
\$50,000	26,852	25,785	51.7	51.6	-67
\$60,000	33,297	33,480	55.5	55.8	183
\$70,000	41,042	41,475	58.6	59.3	433
\$80,000	49,087	49,770	61.4	62.2	683
\$90,000	57,432	58,365	63.8	64.9	933
\$100,000	66,006	67,260	66.0	67.3	1,254
\$150,000	110,114	113,190	73.4	75.5	3,076
\$200,000	165,221	159,655	77.6	79.8	4,434
\$250,000	200,859	206,620	80.3	82.7	5,761
\$500,000	429,192	441,620	85.8	88.3	12,428
\$750,000	657,625	675,000	87.7	90.0	17,475
\$1,000,000	885,859	900,000	88.6	90.0	14,141
\$2,000,000	1,799,192	1,800,000	90.0	90.0	808
\$5,000,000	4,500,060	4,500,060	90.0	90.0	0

¹ Victory tax computed on a gross income equal to 10/9 of net income. Assumes only 1 spouse has income. To derive minimum amount of tax where both husband and wife have incomes subtract \$10 from the tax shown.

² Assumes only 1 spouse has income. To derive minimum amount of tax on a joint return where both husband and wife have incomes over \$500 subtract \$15 from the tax shown.

Now we will concentrate our attention above \$5,000 in these burden tables because those persons below \$5,000 will use the supplement T tax table.

It will be noted in table VI that at \$6,000 the tax for a single person with no dependents under the present law would be \$1,391. Under the House bill, \$1,395; an increase of just \$4.

At \$10,000 the tax under present law would be \$2,765. Under the House bill, \$2,755, a reduction of \$10.

At \$25,000 the tax under present law is \$10,525. Under the House bill, \$10,590. That is an increase of \$65.

At \$100,000 the increase is \$1,830.

At \$500,000 the increase is \$13,002.

The maximum increase comes at \$750,000, an increase of \$15,310.

Senator MILLIKIN. Mr. Chairman—

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. I notice that you do not follow the concept of gross income in this table.

Mr. BURGESS. That is because an individual having under \$5,000 may use the short-form supplement T tax table. He doesn't have to compute his tax but determines it from that short-form table.

Senator MILLIKIN. Will you explain why the necessity for simplification brings with it the necessity for increasing these taxes in this table?

Mr. BURGESS. I suppose you speak of the increases in the higher brackets?

Senator MILLIKIN. I am speaking of the table you have just been talking about.

Mr. BURGESS. I think for that purpose it would be helpful to look at the surtax schedule itself. We have copies of the surtax schedule, comparing the present law and the House bill, which I will distribute. With that in front of you, I think I can explain the increases better. The schedules compare as follows:

TABLE XI.—Surtax rate schedules—Comparison of individual surtax rate schedule (with normal tax included) under Revenue Act of 1943 with the surtax schedule under H. R. 4646 as passed by the House of Representatives on May 5, 1944

Surtax net income (in thousands)	Bracket rate		Total surtax cumulative	
	Revenue Act of 1943 with normal tax added ¹	H. R. 4646 ²	Revenue Act of 1943 with normal tax added	H. R. 4646
	Percent	Percent		
\$0 to \$2.....	19	20	\$380	\$400
\$2 to \$4.....	22	22	820	840
\$4 to \$6.....	26	26	1,340	1,380
\$6 to \$8.....	30	30	1,940	1,980
\$8 to \$10.....	34	34	2,620	2,640
\$10 to \$12.....	38	38	3,380	3,400
\$12 to \$14.....	42	43	4,220	4,260
\$14 to \$16.....	46	47	5,140	5,200
\$16 to \$18.....	49	50	6,120	6,200
\$18 to \$20.....	52	53	7,160	7,260
\$20 to \$22.....	55	56	8,260	8,380
\$22 to \$26.....	58	59	10,580	10,740
\$26 to \$32.....	61	62	14,240	14,460
\$32 to \$38.....	64	65	18,080	18,360

¹ Surtax rates same as under Revenue Act of 1942; Victory tax not included.

² Does not include 3 percent normal tax.

TABLE XI.—Surtax rate schedules—Comparison of individual surtax rate schedule (with normal tax included) under Revenue Act of 1943 with the surtax schedule under H. R. 4646 as passed by the House of Representatives on May 5, 1944—Con.

Surtax net income (in thousands)	Bracket rate		Total surtax cumulative	
	Revenue Act of 1943 with normal tax added ¹	H. R. 4646 ²	Revenue Act of 1943 with normal tax added	H. R. 4646
	Percent	Percent		
\$38 to \$44.....	67	69	\$22, 100	\$22, 500
\$44 to \$50.....	69	72	26, 240	26, 820
\$50 to \$60.....	72	75	33, 440	34, 320
\$60 to \$70.....	75	78	40, 940	42, 120
\$70 to \$80.....	78	81	48, 740	50, 220
\$80 to \$90.....	81	84	56, 840	58, 620
\$90 to \$100.....	83	87	65, 140	67, 320
\$100 to \$150.....	85	89	107, 640	111, 820
\$150 to \$200.....	87	90	151, 140	156, 820
Over \$200.....	88	91		

Senator RADCLIFFE. Why should the increase for \$750,000 be more than for a million?

Mr. BURGESS. At an income of \$1,000,000 you will notice that you have reached the 90 percent limit under the House bill, in the case of a single person having no dependents.

Senator RADCLIFFE. Yes.

Mr. BURGESS. So that you in effect limit the increase which is possible at that point. It is limited to a lesser extent by the 90 percent limitation at a net income of \$750,000.

Senator VANDENBERG. According to your tables, the goats under this bill are married people with no dependents, and then those with incomes above \$25,000 generally.

Mr. BURGESS. Generally speaking, that is correct.

You understand there is one thing that these tables cannot reflect and that is the fact that a taxpayer classified as a married person with no dependents under present law may have a son in college above 18 years of age and be able to claim him as a dependent under the House bill. So that some who are married and have no dependents under present law definitions become married with one or two or three dependents under the House bill.

Senator CONNALLY. I thought you said he couldn't claim a dependent over 18 years old unless physically disabled.

Mr. BURGESS. That is the present law. That definition is changed in the House bill to provide that a dependent is one closely related to the taxpayer, for whom the taxpayer provided the chief support, and who himself does not have an income in excess of \$500. That will be the new definition of a dependent.

Senator RADCLIFFE. There is no limitation as to age whatever?

Mr. BURGESS. None at all.

Senator CONNALLY. There is no limitation of age?

Mr. BURGESS. No limitation.

Senator CONNALLY. And a big loafer 27 or 28 years old becomes a dependent?

Mr. BURGESS. The taxpayer must provide the chief support.

Senator CONNALLY. I know a lot of these loafing boys who are supported by the old man.

Mr. STAM. And they cannot have over \$500 in their own right.

Mr. BURGESS. Now, you have in front of you a comparison of the surtax schedules under the Revenue Act of 1943, including the normal tax—because we have in fact integrated the normal tax in the new surtax schedule—and the surtax rates under the House bill. And you will note that, in the first bracket, from zero to \$2,000, the rate is increased by one point.

Now, I would like to remind you of the fact that the first surtax bracket rate applies to everyone. The first \$2,000 of everyone's income, no matter how great the total income is, is taxed at the first bracket rate. So that the one point increase in the first bracket [from 19 percent to 20 percent] applies to all. That rate increase was necessary to offset certain decreases in revenue which would otherwise have occurred.

Mr. MILLIKIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. The increase was to save revenue but not to simplify?

Mr. BURGESS. That is correct, to save revenue.

Senator MILLIKIN. Is that generally true as to the rest of this?

Mr. BURGESS. Not entirely true as to the rest of it. I will come to that, Senator.

Then there are no increases over the combined rate of normal tax and surtax in the brackets 2 to 4, 4 to 6, 6 to 8, 8 to 10, and 10 to 12, although you understand that the one-point increase in the first bracket affects these persons who have higher surtax net incomes.

Then there is a one-point increase in each bracket running up through \$38,000. From there it increases to 2 points in the 38 to 44 bracket. In the next bracket, 44 to 50, the increase is 3 points. Then it runs along at 3 until you reach the 90 to 100 bracket, where the increase is 4 points. It is 4 points in the next bracket, 100 to 150. Then 3 points, and in the last bracket, 3 points.

Now, I want to explain to you why those rate increases are somewhat greater in the upper brackets. In part it is revenue, but only in part, because most of the revenue comes from the lower brackets. You will recall that in the Revenue Act of 1943 the Victory tax was made a flat 3 percent for all individuals. Prior to that it had been 5 percent gross tax less a certain credit, which depended upon the family status. That credit was limited to a certain dollar amount: \$500 for single persons and \$1,000 for married persons. The effect of that dollar limitation was to raise the rate of the net Victory tax in the upper brackets, so that persons in the upper brackets paid 4, and nearly 5 percent net Victory tax in some cases.

Now, this committee, and eventually the Congress, reduced the rate to 3 percent. It thereby reduced the rate of net Victory tax paid by persons in the upper brackets. When the revenue bill of 1943 was under consideration in this committee, it was pointed out that the effect of the bill would be to reduce the tax liabilities in the upper brackets unless an adjustment were made in the surtax rates. The committee decided not to make the adjustment at that time, with the result that substantial decreases in tax liability occurred above about \$50,000 of income. In the Revenue Act of 1943 the first step was taken toward integrating the Victory tax. We are

now taking the second and final step and are making those adjustments which perhaps should have been made in the Revenue Act of 1943.

Senator MILLIKIN: Your explanation goes to tax policy rather than simplification, does it not?

Mr. BURGESS. I should think it would, Senator.

Senator WALSH. Is it fair to say that the losses in revenue are among those taxpayers who use the \$5,000 form, and the increases in revenues in this schedule are from the taxpayers using forms above the \$5,000?

Mr. BURGESS. No, I don't think so, Senator. One of the most important factors affecting the burden is the per capita exemption. The per capita exemption is indispensable to this simplification scheme. It does affect the burden, but it affects it properly, in that the tax burden for persons with large families is reduced. The tax burden for married persons with no dependents or one dependent is in general increased.

With respect to the shift in tax burden, I don't think you can distinguish between the users of one type of form and the other. The family status is the important factor.

Senator WALSH. There seemed to be more minus signs on the tables you showed before we got to this table. Is that because of the allowance of a standard deduction of 10 percent?

Mr. BURGESS. That is important too, and does, in many cases, result in a decrease of tax for those using the short form, but you understand that those who use the long form also have a standard deduction available to them, of \$500.

Mr. STAM. I think this much is true, Senator, in connection with the shifting over of the Victory tax to a net basis, that some of the people in the higher brackets would have deductions which they could not get under the existing law, because it would be limited to gross less personal deductions. For instance, taxes on homes and the interest on personal loans. Those are the sort of things you can't show in a table based on average deductions. So that I think there will be some benefit to the people in the upper brackets when we shift over from a gross basis to a net basis.

Senator WALSH. In other words, this bill does not make any material change in the final aggregate tax paid by those with an income under \$5,000 and those over. It is practically the same. There are individual cases where it shifts, but on the whole you cannot say that one group has suffered more than the other?

Mr. BURGESS. I think that is true.

Senator VANDENBERG. Mr. Burgess, for the record, will you tell me what is wrong with this statement?

By reducing the personal exemption of approximately 20,000,000 taxpayers by \$200 each there will be created additional taxable income of \$4,000,000,000. Taxed at the minimum rate of 20 percent surtax and 3 percent normal tax, this increased taxable income will produce \$920,000,000 instead of \$300,000,000 as figured by the Treasury staff.

Mr. BURGESS. May I read you an excerpt from the reply of Congressman Doughton, made last night to Congressman McLean's statement, from which you have quoted?

Senator VANDENBERG. If it answers that question.

Mr. BURGESS. It answers that question. This is an excerpt from the statement of Congressman Doughton. The staffs of the Treasury

and the joint committee aided in preparing the statement. On that one point the statement reads:

Mr. McLean has confused the figures upon which his estimates are based. The change in the definition of dependents would alone result in a loss of \$200,000,000, but he neglects to figure the loss which would result from increasing the dependent credit from \$350 to \$500. This is an increase of \$150 for each dependent, and there are 20,000,000 dependents. His calculation that the tax base will be increased by \$4,000,000,000 neglects this important increase in the amount of dependent allowances.

Senator VANDENBERG. Is that the answer?

Mr. BURGESS. I think it is.

Senator VANDENBERG. And that is the only answer?

Mr. BURGESS. That is the only answer on that one point.

Mr. STAM. His estimate did not take into account that increase from \$350 to \$500.

Senator WALSH. If he had, what would the figure be instead of \$4,000,000,000?

Mr. BURGESS. Instead of \$4,000,000,000, it would be closer to \$1,000,000,000.

Senator GERRY. What is the Treasury estimate on the 1943 bill, on the increase?

Mr. BURGESS. The bill was estimated by the Treasury to yield additional revenue of \$2,194,000,000.

Senator GERRY. Have they changed that estimate at all?

Mr. BURGESS. I would prefer that you ask the Treasury representatives about that, Senator.

Mr. O'DONNELL. Senator Gerry, after a revenue bill has been passed we do not then dissociate the revenue yield of that law from what the previous law would have yielded if it had not been changed. In other words, when we make a budget estimate we take the law as it then exists.

Senator GERRY. But you did make estimates as to what this bill would produce?

Mr. O'DONNELL. While the changes in the law were under consideration we did make estimates at the then existing forecast levels of incomes. We always do that for the committee.

Senator GERRY. You don't do any further estimating?

Mr. O'DONNELL. We don't do any further estimating on the law which preceded the law which is now in effect.

Senator GERRY. In other words, if you make a mistake you don't follow it up?

Mr. O'DONNELL. I wouldn't think that was quite a fair statement; would you?

Senator GERRY. All right.

Senator BARKLEY. Prior to the conclusion of the tax bill in 1943 the Treasury estimated it would raise an additional \$2,194,000.

Senator GERRY. I wanted to find out how accurate the Treasury figures are.

Senator BARKLEY. I don't imagine the Treasury keeps a day-to-day estimate.

Senator GERRY. No; but at the end of the year the Treasury might well have estimates.

Senator VANDENBERG. I would think that on the basis of one quarter's collections you ought to be able to indicate whether the collections are going to run ahead or behind your prophecy.

Senator RADCLIFFE. That shows the collections but it doesn't show how much is due to the changes.

Mr. O'DONNELL. That is correct.

Senator VANDENBERG. But you have a grand total.

Senator RADCLIFFE. It shows the grand total but it doesn't show how much of it is due to changes in the law.

Senator VANDENBERG. Does the grand total of collections exceed the grand total that was estimated?

Mr. O'DONNELL. The individual income tax liability for calendar year 1943 incomes as evidenced by collections in March and April were so close to the actual estimates that I am a little scared of being accused of bragging. I think we not only did a splendid technical job estimating but also that we were lucky.

Our estimate of the liability in respect of calendar year 1943 individual incomes was 18,348.3 million dollars. This amount of course includes additions to the 1943 liability in the amount of 3,038.2 million dollars caused by the transition to the pay-as-you-go basis. The amounts involved in the transition changes include estimates of 835.0 million dollars caused by the addition to the 1943 liability of the 1942 liabilities where the latter were larger than the 1943 liabilities and 2,203.2 million dollars which under the law was added to the calendar year 1943 liabilities and which represented the unremitted portion of the liabilities for the lower of the calendar year 1942 or 1943 liabilities. Payments of this unremitted tax could be spread over two payments, one due in March of 1944 and one in March of 1945.

To check whether or not the estimated liability in respect of calendar year 1943 incomes in the amount of 18,348.3 million dollars is correct, we have to add together (a) the total amounts collected through withholdings of the salaries and wages during calendar year 1943, 6,121.5 million dollars; (b) the total amounts paid in connection with 1943 declarations of estimated tax, 4,486.1 million dollars; (c) the payments in respect of calendar year 1942 incomes which served to liquidate in part the calendar year 1943 liabilities because of the transition to the pay-as-you-go basis, 4,930.4 million dollars; and (d) the final payments made in connection with the returns due in March 1944, 2,510.2 million dollars—including an estimated 260 million dollars during the month of April from taxpayers who received a 30-day extension in the time of filing of their returns—and from these amounts must be subtracted the 479.0 million dollars estimate of the amounts which the Federal Government will have to refund because of overpayments of excess withholdings on salaries and wages during the calendar year 1943 or overpayments made in connection with amounts paid in connection with calendar year 1942 returns or calendar year 1943 declarations. This brings the receipts to date in respect of the estimated liability in respect of calendar year 1943 incomes to 17,569.2 million dollars, leaving 779.1 million dollars to come.

Thus to date we have collected 322.5 million dollars more than our estimate of one-half of the estimated liability in respect of the unremitted taxes of the lower of calendar year 1942 or 1943 liabilities. This represents the maximum deviation of the actual liability as proven by collections from the estimate which the Treasury has made. This maximum deviation of receipts from estimated liabilities is only 1.8 percent of the estimated liabilities, and it is probable that the final results are much closer to our estimate because of the fact that many

persons liquidated more than half of their unremitted tax during March and April of 1944. If we have correctly estimated the liability in respect of the unremitted taxes and if these taxpayers who paid more than half of their taxes paid 322.5 million dollars more than the amount absolutely due, or if refunds were underestimated by this amount or if the two items total 322.5 million dollars, our estimate is right on the nose.

The material is summarized as follows:

Comparison of receipts in respect of calendar year 1943 liabilities with estimated calendar year 1943 liabilities

(Million dollars)

Estimated calendar year 1943 liabilities:	
Additions to the 1943 liability caused by transition to the pay-as-you-go basis:	
1942 liabilities where larger than 1943 liabilities.....	835. 0
Unremitted portion of the liabilities for the lower of the calendar year 1942 or 1943 liabilities.....	2, 203. 2
Total additions.....	3, 038. 2
1943 liabilities.....	15, 310. 1
Total estimated 1943 liabilities.....	18, 348. 3
Less:	
Amounts collected through withholdings on salaries and wages during the calendar year 1943.....	6, 121. 5
Total amounts paid in connection with 1943 declarations of estimated tax.....	4, 486. 1
Payments in respect of calendar year 1942 incomes.....	4, 930. 4
Final payments made in connection with returns due in March 1944 (including payments made in April by persons receiving a 30-day extension in the time of filing returns).....	2, 510. 2
Total receipts through April 1944 in respect of calendar year 1943 liabilities.....	18, 048. 2
Amount by which total estimated calendar year 1943 liabilities exceed receipts through April 1944 in respect of calendar year 1943 liabilities.....	300. 1

Estimated refunds of 479.0 million dollars resulting from excess withholdings on salaries and wages in calendar year 1943 or from overpayments made in connection with calendar year 1942 returns or calendar year 1943 declarations must be subtracted from the actual receipts through April 1944 to obtain the receipts which actually liquidate calendar year 1943 liabilities. This leaves 779.1 million dollars to be received by March 1945. Assuming our estimates of the unremitted tax to be correct, one-half or 1,101.6 million dollars of the unremitted tax could be postponed until March 1945. Therefore the maximum deviation of the receipts from the estimates is 322.5 million dollars. However, some taxpayers paid more than one-half of their unremitted tax in March 1944. It is also possible that refunds are higher than estimated. If any combination of these two factors, the amount by which taxpayers paid more than one-half of their unremitted tax plus any underestimate of refunds, is equal to 322.5 million dollars, the estimate is precisely correct.

Senator VANDENBERG. That is a very devastating answer.

How do you think the election is coming out? [Laughter.]

Mr. BLOUGH. I would like to add a few words to what Mr. O'Donnell has said.

The Treasury has been, in recent years—I wouldn't say "charged"——

Senator VANDENBERG. Accused.

Mr. BLOUGH. "Congratulated," perhaps, should have been used—of having estimated conservatively.

Now, I think that many people have failed to separate the two factors which have been mentioned here in the last few minutes, namely, that when you are estimating the revenue from the changes in a tax bill, you have to base your estimates on some assumed level of business and level of incomes, and so on.

Now, in the past few years incomes have been going up very rapidly, and they went up somewhat more rapidly in some cases than the estimates assumed. But such a failure to estimate accurately the rise in national income has nothing to do with failure to estimate correctly the effects which changes in the law would produce. But in public discussions at times there has been a failure to distinguish those two things.

Senator VANDENBERG. I think that is a fair statement.

Mr. BURGESS. Since attention has been directed to the increased tax burden in the upper income brackets I think it might be helpful if we went into that further.

There has been distributed to you this pamphlet labeled "Burden Tables," which contains the tax burdens under the Revenue Act of 1942 as well as that under the Revenue Act of 1943 and the House bill.

(The tables referred to are as follows:)

BURDEN TABLES (NET INCOME LEVELS)

TABLE XII.—Income and Victory tax under Revenue Acts of 1942 and 1943, compared with total tax under House bill, H. R. 4646

SINGLE PERSON WITH NO DEPENDENTS

Net income before exemption	Tax			Effective rate (percent)			Increase or decrease (—)	
	Revenue Act of 1942 ¹	Revenue Act of 1943 ¹	H. R. 4646	Revenue Act of 1942	Revenue Act of 1943	H. R. 4646	Over, Revenue Act of 1942	Over Revenue Act of 1943
\$500.....	\$0	\$0	\$0	0	0	0	\$0	\$0
\$525.....	3	5	6	0.6	1.0	1.1	3	1
\$550.....	7	10	12	1.3	1.8	2.2	5	2
\$575.....	11	15	17	1.9	2.6	3.0	6	3
\$600.....	17	20	23	2.8	3.3	3.8	6	3
\$750.....	51	54	58	6.8	7.2	7.7	7	4
\$800.....	62	65	69	7.8	8.1	8.6	7	4
\$1,000.....	107	110	115	10.7	11.0	11.5	8	5
\$1,200.....	152	154	161	12.7	12.8	13.4	9	7
\$1,500.....	220	221	230	14.7	14.7	15.3	10	0
\$1,800.....	288	288	299	16.0	16.0	16.6	11	11
\$2,000.....	333	333	345	16.7	16.7	17.3	12	12
\$2,500.....	448	445	460	17.8	17.8	18.4	14	15
\$3,000.....	574	571	585	19.1	19.0	19.5	11	14
\$4,000.....	829	825	835	20.7	20.6	20.9	6	10
\$5,000.....	1,105	1,098	1,105	22.1	22.0	22.1	0	7
\$6,000.....	1,401	1,391	1,395	23.4	23.2	23.3	-6	4
\$7,000.....	1,716	1,705	1,705	24.5	24.4	24.4	-11	0
\$8,000.....	2,052	2,038	2,035	25.7	25.5	25.4	-17	-3
\$9,000.....	2,408	2,391	2,385	26.8	26.0	26.5	-23	-6
\$10,000.....	2,783	2,705	2,755	27.8	27.7	27.6	-28	-10
\$15,000.....	4,068	4,031	4,030	33.1	32.9	32.9	-38	-1
\$20,000.....	7,626	7,548	7,580	38.1	37.7	37.9	-46	32
\$25,000.....	10,644	10,525	10,590	42.6	42.1	42.4	-54	65
\$30,000.....	13,858	13,696	13,795	46.2	45.7	46.0	-63	99

¹ Victory tax computed on a gross income equal to 10/9 of net income.

SIMPLIFIED INCOME-TAX RETURN

TABLE XII.—Income and Victory tax under Revenue Acts of 1942 and 1943, compared with total tax under House bill, H. R. 4646—Continued

Net income before exemption	Tax			Effective rate (percent)			Increase or decrease (-)	
	Revenue Act of 1942	Revenue Act of 1943	H. R. 4646	Revenue Act of 1942	Revenue Act of 1943	H. R. 4646	Over Revenue Act of 1942	Over Revenue Act of 1943
\$40,000	\$20,692	\$20,400	\$20,580	51.7	51.0	51.5	-\$112	\$180
\$50,000	28,058	27,543	27,915	56.1	55.1	55.9	-113	402
\$60,000	35,798	35,091	35,730	59.7	58.4	59.6	-68	609
\$70,000	43,639	42,880	43,816	62.6	61.3	62.6	-24	935
\$80,000	52,179	50,998	52,200	65.2	63.7	65.3	21	1,202
\$90,000	60,820	59,416	60,885	67.3	66.0	67.7	45	1,469
\$100,000	69,605	68,040	69,870	69.7	68.0	69.9	205	1,830
\$150,000	114,093	112,106	115,800	76.6	74.8	77.2	927	3,664
\$200,000	161,201	157,353	162,355	80.0	78.7	81.2	1,154	5,002
\$250,000	207,074	203,015	209,350	83.2	81.2	83.7	1,376	6,335
\$500,000	441,863	431,348	444,350	88.4	86.3	88.9	2,487	13,002
\$750,000	674,500	659,681	675,000	89.9	88.0	90.0	500	15,310
\$1,000,000	899,500	888,016	900,000	90.0	88.8	90.0	500	11,985
\$2,000,000	1,799,500	1,800,000	1,800,000	90.0	90.0	90.0	500	0
\$5,000,000	4,499,500	4,500,000	4,500,000	90.0	90.0	90.0	500	0

TABLE XIII.—Income and Victory tax under Revenue Acts of 1942 and 1943, compared with total tax under House bill, H. R. 4646

MARRIED PERSON WITH NO DEPENDENTS

Net income before exemption	Tax			Effective rate (percent)			Increase or decrease (-)	
	Revenue Act of 1942 ¹	Revenue Act of 1943 ¹	H. R. 4646 ²	Revenue Act of 1942	Revenue Act of 1943	H. R. 4646	Over Revenue Act of 1942	Over Revenue Act of 1943
\$500	\$0	\$0	\$0	0	0	0	\$0	\$0
\$525	0	0	0	0	0	.2	1	2
\$550	0	0	2	0	0	.4	2	1
\$575	0	0	2	0	0	.3	2	2
\$600	1	1	3	.2	.2	.5	2	2
\$750	6	6	8	.8	.8	1.1	2	2
\$800	8	8	9	1.0	1.0	1.1	1	1
\$1,000	15	15	16	1.5	1.5	1.5	0	0
\$1,200	21	21	61	1.8	1.8	5.1	40	40
\$1,500	79	88	130	5.3	5.9	8.7	51	42
\$1,800	144	155	199	8.0	8.6	11.1	65	44
\$2,000	183	200	245	9.4	10.0	12.3	57	45
\$2,500	297	312	360	11.9	12.5	14.4	93	48
\$3,000	405	423	475	13.5	14.1	15.8	70	52
\$4,000	647	671	725	16.2	16.8	18.1	78	54
\$5,000	894	924	975	17.9	18.5	19.5	81	51
\$6,000	1,173	1,209	1,265	19.6	20.2	21.1	92	56
\$7,000	1,461	1,503	1,555	20.9	21.5	22.2	94	52
\$8,000	1,780	1,828	1,885	22.3	22.9	23.6	105	57
\$9,000	2,107	2,161	2,215	23.4	24.0	24.6	108	54
\$10,000	2,467	2,527	2,585	24.7	25.3	25.9	118	58
\$15,000	4,533	4,617	4,695	30.2	30.8	31.3	162	78
\$20,000	7,100	7,184	7,315	35.5	35.9	36.6	215	131
\$25,000	10,035	10,110	10,295	40.1	40.5	41.2	260	176
\$30,000	13,185	13,269	13,485	44.0	44.2	45.0	300	216
\$40,000	19,847	19,931	20,235	49.6	49.8	50.6	388	304
\$50,000	27,075	27,060	27,585	54.2	54.1	55.2	510	525
\$60,000	34,794	34,657	35,355	58.0	57.6	58.9	561	798
\$70,000	42,814	42,355	43,425	61.2	60.5	62.0	611	1,070
\$80,000	51,133	50,452	51,795	63.9	63.1	64.7	662	1,348
\$90,000	59,753	58,849	60,465	66.4	65.4	67.2	712	1,616
\$100,000	68,584	67,459	69,435	68.6	67.5	69.4	851	1,976
\$150,000	113,838	111,601	115,415	75.9	74.4	76.9	1,577	3,814
\$200,000	160,992	156,744	161,905	80.0	78.4	81.0	1,813	5,161
\$250,000	206,888	202,399	208,895	82.7	81.0	83.6	2,037	6,496
\$500,000	440,747	430,732	443,895	88.1	86.1	88.8	3,148	13,163
\$750,000	674,000	659,685	675,000	89.9	87.9	90.0	1,000	15,935
\$1,000,000	899,500	887,399	900,000	89.9	88.7	90.0	1,000	12,601
\$2,000,000	1,799,500	1,800,000	1,800,000	90.0	90.0	90.0	1,000	0
\$5,000,000	4,499,500	4,500,000	4,500,000	90.0	90.0	90.0	1,000	0

¹ Victory tax computed on a gross income equal to 10/9 of net income. Assumes only 1 spouse has income—to derive minimum amount of tax where both husband and wife have incomes, subtract \$19 from the tax shown.

² Assumes only 1 spouse has income—to derive minimum amount of tax where both husband and wife have incomes, subtract \$15 from the tax shown.

TABLE XIV.—Income and Victory tax under Revenue Acts of 1942 and 1943, compared with total tax under House bill, H. R. 4646

MARRIED PERSONS WITH TWO DEPENDENTS

Net income before exemption	Tax			Effective rate (percent)			Increase or decrease (-)	
	Revenue Act of 1942 ¹	Revenue Act of 1943 ¹	H. R. 4646 ²	Revenue Act of 1942	Revenue Act of 1943	H. R. 4646	Over Revenue Act of 1942	Over Revenue Act of 1943
\$500	\$0	\$0	\$0	0	0	0	\$0	\$0
\$525	0	0	1	0	0	0	0	0
\$550	0	0	2	0	0	0	0	0
\$575	0	0	2	0	0	0	0	0
\$600	1	1	3	2	.2	.5	2	2
\$650	6	6	8	8	.8	1.1	2	2
\$750	7	8	9	9	1.0	1.1	2	1
\$800	14	15	15	14	1.5	1.5	1	0
\$1,000	20	21	21	1.7	1.8	1.8	1	0
\$1,200	29	31	30	1.9	2.1	2.0	1	-1
\$1,500	39	41	39	2.1	2.3	2.2	0	-2
\$1,800	58	67	46	2.9	3.3	2.3	-13	-22
\$2,000	159	179	160	6.4	7.1	6.4	1	-19
\$2,500	267	290	275	8.9	9.7	9.2	8	-15
\$3,000	485	517	505	12.1	12.9	12.6	20	-12
\$4,000	730	770	755	14.6	15.4	15.1	25	-15
\$6,000	979	1,027	1,005	16.3	17.1	16.8	26	-22
\$7,000	1,264	1,321	1,295	18.1	18.0	18.5	31	-26
\$8,000	1,553	1,618	1,585	19.4	20.2	19.8	32	-33
\$9,000	1,879	1,951	1,915	20.9	21.7	21.3	36	-36
\$10,000	2,208	2,289	2,245	22.1	22.9	22.5	37	-44
\$15,000	4,207	4,323	4,265	28.0	28.8	28.4	58	-58
\$20,000	6,693	6,820	6,785	33.5	34.1	33.9	92	-35
\$25,000	9,574	9,713	9,705	38.3	38.9	38.8	131	-8
\$30,000	12,603	12,842	12,865	42.3	42.8	42.9	172	23
\$40,000	19,290	19,462	19,545	48.2	48.7	48.9	255	83
\$50,000	26,392	26,577	26,865	52.8	53.2	53.7	473	288
\$60,000	34,090	34,053	34,605	56.8	56.8	57.7	516	552
\$70,000	42,089	41,830	42,645	60.1	59.8	60.9	656	815
\$80,000	50,387	49,906	50,985	63.0	62.4	63.7	598	1,079
\$90,000	58,986	58,282	59,625	65.5	64.8	66.3	639	1,343
\$100,000	67,803	66,878	68,505	67.8	66.9	68.0	762	1,687
\$150,000	113,043	111,006	114,525	75.4	74.0	76.4	1,482	3,819
\$200,000	159,283	155,135	161,005	79.9	78.1	80.5	1,722	4,870
\$250,000	206,042	201,783	207,985	82.4	80.7	83.2	1,943	6,202
\$500,000	439,931	430,116	442,885	88.0	86.0	88.6	3,054	12,869
\$750,000	673,800	658,449	675,000	89.8	87.8	90.0	1,200	16,551
\$1,000,000	898,800	880,783	900,000	89.9	88.7	90.0	1,200	13,217
\$2,000,000	1,798,800	1,800,000	1,800,000	89.9	90.0	90.0	1,200	0
\$5,000,000	4,498,800	4,500,000	4,500,000	90.0	90.0	90.0	1,200	0

¹ Victory tax computed on a gross income equal to 1% of net income. Assumes only 1 spouse has income—to derive minimum amount of tax where both husband and wife have incomes subtract \$19 from the tax shown.

² Assumes only 1 spouse has income. To derive minimum amount of tax where both husband and wife have incomes subtract \$15 from the tax shown.

SIMPLIFIED INCOME-TAX RETURN

BURDEN TABLES (GROSS INCOME LEVELS)

TABLE XV.—Tax under supplement T of the Revenue Acts of 1942 and 1943, compared with that under House bill, H. R. 4646

SINGLE PERSONS WITH NO DEPENDENTS

Gross income	Tax			Effective rate (percent)			Increase or decrease (-)	
	Revenue Act of 1942 ¹	Revenue Act of 1943 ¹	H. R. 4646	Revenue Act of 1942	Revenue Act of 1943	H. R. 4646	Over Revenue Act of 1942	Over Revenue Act of 1943
\$500.....	\$0	\$0.	\$0	0	0	0	\$0	\$0
\$525.....	1	1	0	.2	.2	0	-1	-1
\$550.....	4	5	1	.7	.9	0	-3	-4
\$575.....	7	10	7	1.2	1.7	1.2	-0	-3
\$600.....	11	14	12	1.8	2.3	2.0	1	-2
\$700.....	31	35	32	4.4	5.0	4.6	1	-3
\$800.....	53	56	53	6.6	7.0	6.6	0	-3
\$900.....	73	77	74	8.1	8.6	8.2	1	-3
\$1,000.....	94	97	95	9.4	9.7	9.5	1	-2
\$1,100.....	115	118	115	10.5	10.7	10.5	0	-3
\$1,200.....	137	139	130	11.4	11.6	11.3	-1	-3
\$1,300.....	157	160	157	12.1	12.3	12.1	0	-3
\$1,400.....	178	181	177	12.7	12.9	12.6	-1	-4
\$1,500.....	200	202	198	13.3	13.5	13.2	-2	-4
\$1,600.....	221	223	219	13.8	13.9	13.7	-2	-5
\$1,700.....	241	244	239	14.2	14.4	14.1	-2	-5
\$1,800.....	262	264	260	14.6	14.7	14.4	-2	-4
\$1,900.....	284	285	281	15.0	15.0	14.8	-3	-4
\$2,000.....	305	306	302	15.3	15.3	15.1	-3	-4
\$2,100.....	325	327	322	15.6	15.6	15.3	-3	-5
\$2,200.....	347	348	343	15.8	15.8	15.6	-4	-5
\$2,300.....	368	369	364	16.0	16.0	15.8	-4	-6
\$2,400.....	389	390	384	16.2	16.3	16.0	-5	-6
\$2,500.....	410	410	405	16.4	16.4	16.2	-5	-5
\$2,600.....	431	431	426	16.6	16.6	16.4	-5	-5
\$2,700.....	454	454	446	16.8	16.8	16.5	-8	-8
\$2,800.....	478	477	468	17.1	17.0	16.7	-10	-9
\$2,900.....	501	501	490	17.3	17.3	16.9	-11	-11
\$3,000.....			516			17.2		
\$3,200.....			561			17.5		
\$3,400.....			606			17.8		
\$3,600.....			651			18.1		
\$3,800.....			696			18.3		
\$4,000.....			741			18.5		
\$4,200.....			786			18.7		
\$4,400.....			831			18.9		
\$4,600.....			876			19.0		
\$4,800.....			921			19.2		
\$4,900.....			943			19.2		

¹ Under both the Revenue Act of 1942 and the Revenue Act of 1943, supplement T is limited to gross incomes under \$3,000.

SIMPLIFIED INCOME-TAX RETURN

TABLE XVI.—Tax under supplement T of the Revenue Acts of 1942 and 1943, compared with that under House bill, H. R. 4646

MARRIED PERSONS WITH NO DEPENDENTS

Gross income	Tax			Effective rate (percent)			Increase or decrease (—)	
	Revenue Act of 1942 ¹	Revenue Act of 1943 ¹	H. R. 4646 ²	Revenue Act of 1942	Revenue Act of 1943	H. R. 4646	Over Revenue Act of 1942	Over Revenue Act of 1943
\$550	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$575	0	0	1	0	0	.2	1	1
\$600	0	0	2	0	0	.3	2	2
\$625	0	0	2	0	0	.3	2	2
\$650	1	1	3	.2	.2	.5	2	2
\$675	2	2	4	.3	.3	.6	2	2
\$700	2	3	4	.3	.4	.6	2	1
\$800	5	6	7	.6	.8	.9	2	1
\$900	8	9	10	.9	1.0	1.1	2	1
\$1,000	11	12	12	1.1	1.2	1.2	1	0
\$1,100	14	15	15	1.3	1.4	1.4	1	0
\$1,200	17	18	36	1.4	1.5	3.0	19	18
\$1,300	24	27	57	1.9	2.1	4.4	33	30
\$1,400	40	48	77	2.9	3.4	5.5	37	29
\$1,500	60	69	98	4.0	4.6	6.5	38	29
\$1,600	80	90	119	5.0	5.6	7.4	39	23
\$1,700	100	111	139	5.9	6.5	8.2	39	29
\$1,800	120	131	160	6.7	7.3	8.9	40	29
\$1,900	141	152	181	7.4	8.0	9.5	40	29
\$2,000	161	173	202	8.1	8.7	10.1	41	29
\$2,100	181	194	222	8.6	9.2	10.6	41	28
\$2,200	202	215	243	9.2	9.8	11.0	41	28
\$2,300	222	236	264	9.7	10.3	11.5	42	27
\$2,400	242	257	284	10.1	10.7	11.8	42	27
\$2,500	263	277	305	10.5	11.1	12.2	42	28
\$2,600	283	298	326	10.9	11.5	12.5	43	28
\$2,700	303	319	346	11.2	11.8	12.8	43	27
\$2,800	323	340	367	11.5	12.1	13.1	44	27
\$2,900	344	361	388	11.9	12.4	13.4	44	27
\$3,000			411			13.7		
\$3,200			453			14.2		
\$3,400			496			14.6		
\$3,600			541			15.0		
\$3,800			586			15.4		
\$4,000			631			15.3		
\$4,200			676			16.1		
\$4,400			721			16.4		
\$4,600			766			16.7		
\$4,800			811			16.9		
\$4,900			833			17.0		

¹ Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract \$19 from the tax shown. Under both the Revenue Act of 1942 and the Revenue Act of 1943 supplement T is limited to gross incomes under \$3,000.

² Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes subtract \$15 from the tax shown.

SIMPLIFIED INCOME-TAX RETURN

TABLE XVII.—Tax under supplement T of the Revenue Acts of 1942 and 1943, compared with that under House bill, H. R. 4646

MARRIED PERSONS WITH 2 DEPENDENTS

Gross Income	Tax			Effective rate (percent)			Increase or decrease (-)	
	Revenue Act of 1942 ¹	Revenue Act of 1943 ¹	H. R. 4646 ²	Revenue Act of 1942	Revenue Act of 1943	H. R. 4646	Over Revenue Act of 1942	Over Revenue Act of 1943
\$550	\$0	\$0	\$0	0	0	0	\$0	\$0
\$575	0	0	1	0	0	.2	1	1
\$600	0	0	2	0	0	.3	2	2
\$625	0	0	2	0	0	.3	2	2
\$650	1	1	3	.2	.2	.5	2	2
\$700	2	3	4	.3	.4	.6	2	1
\$800	5	6	7	.6	.8	.9	2	1
\$900	8	9	10	.9	1.0	1.1	2	1
\$1,000	11	12	12	1.1	1.2	1.2	1	0
\$1,100	13	15	15	1.2	1.4	1.4	2	0
\$1,200	16	18	18	1.3	1.5	1.5	2	0
\$1,300	19	21	20	1.5	1.6	1.5	1	-1
\$1,400	22	24	23	1.6	1.7	1.6	1	-1
\$1,500	25	27	26	1.7	1.8	1.7	1	-1
\$1,600	27	30	29	1.7	1.9	1.8	2	-1
\$1,700	30	33	31	1.8	1.9	1.8	1	-2
\$1,800	33	36	34	1.8	2.0	1.9	1	-2
\$1,900	36	39	37	1.9	2.1	1.9	1	-2
\$2,000	39	42	39	2.0	2.1	2.0	0	-3
\$2,100	48	61	42	2.3	2.9	2.0	-6	-19
\$2,200	65	82	45	3.0	3.7	2.0	-20	-37
\$2,300	85	103	64	3.7	4.5	2.8	-21	-39
\$2,400	105	124	84	4.4	5.2	3.5	-21	-40
\$2,500	126	144	105	5.0	5.8	4.2	-21	-39
\$2,600	145	165	120	5.6	6.3	4.8	-19	-39
\$2,700	165	186	146	6.1	6.9	5.4	-19	-40
\$2,800	185	207	167	6.6	7.4	6.0	-18	-40
\$2,900	206	228	188	7.1	7.9	6.5	-18	-40
\$3,000			211			7.0		
\$3,200			253			7.9		
\$3,400			294			8.6		
\$3,600			335			9.3		
\$3,800			377			9.9		
\$4,000			418			10.5		
\$4,200			460			11.0		
\$4,400			501			11.4		
\$4,600			546			11.9		
\$4,800			591			12.3		
\$4,900			613			12.5		

¹ Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes, subtract \$19 from the tax shown. Under both the Revenue Act of 1942 and the Revenue Act of 1943, supplement T is limited to gross incomes under \$3,000.

² Assumes only 1 spouse has income. To derive the minimum amount of tax where both husband and wife have incomes, subtract \$15 from the tax shown.

You can see from these tables the reduction in tax in those upper brackets that was made by the Revenue Act of 1943. The tax burden prior to the Revenue Act of 1943 is in effect, restored by the House bill in these upper income brackets. Of course, it was impossible to restore the exact amount but we have approximated it.

And I think it should be pointed out too that the Revenue Act of 1943 was first effective with respect to 1944 incomes. The House bill is first effective with respect to 1944 incomes. Therefore the income tax rates of the Revenue Act of 1943 will never be effective and the rates in this bill take the place of those in the Revenue Act of 1943.

Senator VANDENBERG. That raises the fundamental question which I approached yesterday. In the name of simplification you are changing the tax rate for this present year for every taxpayer in the United States. Is that simplification? Now, if you have to do it in order to save your ultimate position, O. K., but I do not understand why you apply these new rates to the current year.

Mr. STAM. The answer to that is that everybody seems to be of the impression that we ought to get this simplified plan into effect as soon as possible.

Senator VANDENBERG. Well, the simplification doesn't go into effect until January 1, 1945.

Mr. STAM. No; simplification does go into effect with respect to the tax on 1944 incomes. The only thing that we don't put into effect is the withholding tables, which go into effect January 1, 1945. But so far as the taxpayers are concerned they have to file their final returns, and taking advantage of these short forms, and so forth, why, they will get the full advantage of that when they make their final returns for 1944 on March 15, 1945. The farmer, for example, who under present law would have to make an estimate on December 15 of 1944, under this new bill will not be required to make an estimate until January 15, 1945, or they won't have to make any estimate at all if they make their final income tax return by January 15.

Now, unless these provisions were made effective with respect to 1944 incomes we wouldn't get this system into effect until persons filed their returns in 1946 for 1945, and everybody seems to be clamoring for simplification immediately, and so it was thought best to put the system into effect as soon as possible.

Now, there are a lot of offsetting factors between different groups and between individuals as to the burden. Some people when they are through will find that their tax is about the same, because of their deductions, for example, which never did exceed more than 6 or 7 percent of their income, and under this new plan they are allowed a flat 10 percent.

So I don't think the increased burden is going to be very heavy. And, of course, in a lot of cases there will be a reduction in tax. It is going to help the person with a lot of dependents.

The only thought that the group had in mind in making it retroactive for 1944 was to give the advantage or benefit of this simplified method for the 1944 final returns.

Senator VANDENBERG. If that is necessary, O. K. You know whether it is necessary or not. But so far as the psychology of the thing is concerned, it seems upside down to me. You are rushing this simplification through in order to alleviate the headaches when

the taxpayers have just finished trying to figure out their 1944 income tax returns. Now you say they can tear that up and start over again.

Mr. STAM. They will still have their headaches when they have to file their final return in 1945, and that is what we are trying to eliminate.

Senator MILLIKEN. May I ask a question?

If you retained all the decreases in the earlier schedules and eliminated the increases in the higher bracket-schedules, how much loss of revenue would there be?

Mr. BURGESS. Let me give you an example of the possible revenue loss. As you know, we were instructed to devise a simplification scheme that would maintain existing burdens and existing taxpayers so far as possible, and we did our best to do exactly that. Any variation from the rates and exemptions of the House bill would lose or gain taxpayers or lose or gain revenue.

Now, some objection was made by a few members of the Ways and Means Committee to the increases in tax in the upper brackets, and they asked us to develop an alternative surtax schedule which would eliminate most of those increases. We did develop such a schedule and brought it in. We did not recommend it but we said, "Here is a schedule which will do that." It lost approximately \$75,000,000 of revenue in addition to the \$60,000,000 lost under the bill. The total loss would therefore have been in the neighborhood of \$135,000,000. Moreover, it was not a smooth schedule. The increases in rates were very irregular from bracket to bracket; the changes in tax, though not large, went from a decrease in one bracket to an increase in the next, and back again to a decrease. Hence, the alternative schedule was unsatisfactory.

It was just impossible to devise an alternative schedule which would eliminate the increases in the upper income brackets and still maintain the revenue while avoiding substantial increases for the lower incomes. This was the best we could develop.

Senator MILLIKIN. Did that discussion contemplate maintaining the decreases and eliminating only the increases?

Mr. BURGESS. Yes, sir; it did.

Senator MILLIKIN. And it resulted in about \$75,000,000 further loss?

Mr. BURGESS. Yes, sir.

Senator MILLIKIN. The principal objection seemed to be that it made an unsmooth table?

Mr. BURGESS. Yes, Senator Millikin; and further, that it resulted in a substantial loss of revenue.

Senator MILLIKIN. Were there any injustices in the unsmoothness of the table?

Mr. BURGESS. Indeed there were. For example, a single person with a \$20,000 income would have an increase of \$17 in tax, while a single person with a \$30,000 income would have a decrease of \$16 in tax under the alternative schedule we developed. There were injustices of that sort.

I think you might be interested in looking at table XII in the group that has just been distributed. Look for example at the \$100,000 income. You will find that under the Revenue Act of 1942 the tax was \$69,665. Under the Revenue Act of 1943 the tax was reduced to

\$68,040. That was a decrease of \$1,625. The House bill levies a tax of \$69,870. In the next to the last column you will find the increase or decrease of the House bill tax over the burden of the Revenue Act of 1942. The increase there is only \$205; while the increase over the Revenue Act of 1943 is \$1,830 as shown in the last column.

Let us run down to the \$750,000 income, where a comparison with the Revenue Act of 1943 shows the substantial increase of \$15,319. On the other hand, a comparison with the burden of the Revenue Act of 1942 shows an increase of only \$500. That is an increase of one-tenth of 1 percent in the effective rate of tax.

Senator VANDENBERG. How much gross income would a man have to have to have a net income of \$25,000?

Mr. BURGESS. It would depend first upon his deductions.

Senator VANDENBERG. Let us say a married man with one dependent. How much income would he have to have in order to net himself \$25,000?

Mr. BURGESS. Because we don't know his deductions, let us take the net income rather than the gross income.

Senator VANDENBERG. All right.

Mr. BURGESS. At \$60,000 of net income he would have left \$25,020 after taxes under the House bill, Senator Vandenberg. That would be the situation for a married person with no dependents. You realize that the taxpayer might have large deductions which would have the effect of lowering his tax.

Senator VANDENBERG. Yes. You still haven't quite hit the target.

Mr. STAM. Of course, this bill does have a ceiling. This bill does retain the 90-percent ceiling.

Senator VANDENBERG. Yes.

Mr. BURGESS. I think that completes the burden tables, unless you would like to have me take up some other family status.

The CHAIRMAN. In this bill there is an increase in the capital gains, short term, of 3 percent; isn't that right?

Mr. STAM. On the short term there is.

The CHAIRMAN. That results from the fact that the Victory tax is not applied to the capital gains.

Mr. STAM. To the capital gains.

The CHAIRMAN. Yes.

Mr. STAM. And the reason why the Victory tax didn't apply was due to, somewhat, the administrative difficulties of offsetting losses against the gains, and the Victory tax, being a separate tax all by itself, it was thought we wouldn't bring in that complication of capital gains; but short-term capital gains have always been regarded as a part of the income subject to the normal and surtax rates, and therefore, when we increased the surtax naturally that increased the tax on all income, including short-term capital gains.

Senator BYRD. What is the long-term, 18 months?

Mr. STAM. Assets held over 6 months. Of course, the ceiling, under the present law, on long-term, is 25 percent, and that is not increased by this bill.

Senator BYRD. That is taxed separately?

Mr. STAM. The total tax on the capital gain cannot exceed 25 percent.

Now, I think the Treasury may want to make a statement. You know, we all worked together on this simplification bill. And then

I think the Bureau of Internal Revenue could explain somewhat these forms that are going to be used, showing just what the form looks like.

The CHAIRMAN. We will have to take that up in strict executive session because I understand these forms are not final yet.

Mr. STAM. That is right.

The CHAIRMAN. But we will hear any statement the Treasury wishes to make.

Mr. SURREY. I don't think it is necessary to delay the committee with any general statement.

The House Ways and Means Committee set down the policy which they wanted followed in preparing the simplification bill. They stated that they wanted simplification, but that under the simplification they wanted to retain the same number of taxpayers as existed under the present law, they wanted to retain the same revenue, and also wanted to retain about the same burden in each individual case.

Those were the policy standards set down by the House Ways and Means. Working under those policy standards the Treasury, Bureau of Internal Revenue, and joint staff prepared a simplification plan. The plan does meet, we feel, the standards set down by the House Ways and Means Committee. Under those standards you are bound to come out with the small plus and minus factors that Mr. Burgess stated, because the simplification ranges over a tremendously wide area. It covers exemptions, dependents, charitable contributions, medical expenses, and so on. You are bound to come out with some changes in the individual picture, but those changes were held at a minimum in accordance with the policies set forth by the Ways and Means Committee.

Now, with respect to your question, Senator Vandenberg, the Ways and Means Committee desired—and the Treasury and the Bureau are in agreement—that this simplification be in effect with respect to the returns to be filed next March 15. In other words, we didn't want only the long range benefit. We didn't want all the difficulties that we experienced this March 15.

The essence of the simplification lies in a few fundamental changes, principally in a very simple tax table for people under \$5,000. With this simple tax table it is possible for the collectors to compute the tax for the great bulk of the wage earners in the country, and it is also possible for those who are not wage earners to avoid any computation of the tax. That simple table, however, depends upon the adoption of a per capita system of exemptions, the integration of the Victory tax into the normal and surtax, and the allowance of a 10 percent standard deduction. Under that standard allowance you are able at one stroke to eliminate most of the questions that arise with respect to deductions.

Now, you cannot have the simplification which this bill achieves without making those changes. Consequently, if you want the simplification in effect next March 15, if you want to avoid all the difficulties experienced with respect to the returns filed this March 15, the substantive provisions to permit that simplification have to go into effect for this year's tax liability. We in the Treasury believe that the simplification is necessary and should go into effect as soon as possible.

With regard to people making estimates of their taxes, naturally they are the only ones affected immediately, in the sense that they made their first estimate under the old law, but the variations are not enough to inconvenience them, and there isn't any penalty involved. They are protected whether they estimate on the basis of the 1943 act or whether they estimate on the basis of the changes produced by this simplification law. I don't think there will be much inconvenience with respect to those people. Their estimate is an estimate anyway, within the margin allowed, and they have to prepare their final return next March.

The CHAIRMAN. When is the change in the withholding going to take effect?

Mr. SURREY. The change in the withholding does not go into effect until next year, January 1.

The two principal changes in withholding are, in effect, to graduate the withholding to cover the second surtax bracket as well as the first and make the withholding complete up to at least \$5,000. It was thought desirable to postpone that change until next year so as not to inconvenience employers at this time.

The other change in withholding is a more refined set of tables that make the withholding deductions come out much closer to the final tax liability, because in effect the withholding tables are the final tax table broken down for pay-roll periods.

It was thought desirable to postpone those changes until January 1 to avoid a great deal of confusion on the part of employers.

Senator VANDENBERG. Without regard to the criteria laid down by the Ways and Means Committee, is the Treasury prepared to say whether it recommends this bill or not?

Mr. SURREY. Without regard to the criteria?

Senator VANDENBERG. Yes.

Mr. SURREY. The Treasury recommends this bill under those criteria. The only part of the criteria that is at all pertinent, I think, to the question of simplification, is the maintenance of exactly the same number of taxpayers.

You recall that last year the Treasury would have been prepared, in the interest of simplification, to drop the 9 or 10 million taxpayers at the bottom of the rolls. People differ on those things. But the

difference is certainly not sufficient to influence the whole matter. The Treasury, therefore, went right along with the policy of the Ways and Means Committee and prepared this bill in accordance with their policy.

Senator VANDENBERG. Well, that does not quite answer the question. I would like to know whether the Treasury would vote "yes" on this bill if it were the Ways and Means Committee.

Mr. SURREY. The Treasury, if it were the Ways and Means Committee, might have dropped those 10,000,000 taxpayers.

Senator VANDENBERG. If the Treasury Department were to confront the same question we confront, would it vote "yes" or "no" on this bill?

Mr. SURREY. I think the Treasury would vote "yes" on the bill.

Senator RADCLIFFE. The statement was made that the comparison would be with 1942 rather than with 1943. I notice in this table on incomes between \$6,000 and \$80,000 there would be some reduction in this bill as compared with 1942. Did you have that consciously in mind at the time, to try to get back, somewhat, to 1942? In other words, this bill reduces the taxes, in the higher brackets, between \$6,000 and \$80,000, over 1942. Were you trying to eliminate the changes you had in mind in 1943 and get back somewhat to the 1942 standard?

Mr. BURGESS. That does happen in the case of a single person. It does not happen in the case of a married person with one dependent and with more than one dependent. One cannot devise a schedule of rates which will result in equal decreases or increases in tax for people of different family status. We have changed the exemptions and adopted this per capita exemption system, which does treat persons of different family status in a different manner with respect to their tax burdens. That is incidental, I would say; it was not purposeful at all. It just happened that way and could not be avoided under the per capita exemption system.

Senator RADCLIFFE. In other words, getting back closer to the 1942 standard over 1943 was not purposeful but was in accordance with your idea of simplification?

Mr. BURGESS. In that area up to about \$50,000 of net income it was not purposeful.

Senator RADCLIFFE. But it does work that way substantially.

Mr. BURGESS. It does work that way in some instances.

Senator MILLIKIN. Mr. Chairman, I would like to pursue a little further my question of a while ago as to why it would be wrong or unjust or not good tax policy to adopt a simple formula that no one's taxes shall be greater under this proposed simplification than under existing law.

I have pondered that thought quite a lot. I still don't see why that would be wrong tax policy. I would like to get further enlightenment on that.

Senator RADCLIFFE. Would you go further and say you don't think anyone's taxes should be reduced?

Senator MILLIKIN. No. I have no complaint with the reduction. My point goes solely to increase. I am merely seeking enlightenment. What is wrong with that policy?

Mr. BURGESS. For one thing, it is just impossible to devise a surtax rate schedule which will do that.

Senator MILLIKIN. But the formula of alternative, whichever shall be the greater or whichever shall be the lesser, is a well-known technique in tax law. Why can't we have that formula here?

Mr. BURGESS. It would add great complication to the tax computation.

Senator MILLIKIN. It always adds complication and always makes for injustices as between different people who are subject to the operation of an alternative formula of that kind.

Mr. BURGESS. That would mean, of course, that the taxpayer would have to compute his tax under the House bill and again under the Revenue Act of 1942, and then take the lesser.

Senator MILLIKIN. He computes his tax under the existing bill but pays no more than under the old bill.

Mr. BURGESS. But that means he would have to compute it both ways.

Senator MILLIKIN. I don't think the follows hit in these higher brackets would object to that.

Mr. BLOUGH. We found it impossible to retain exactly the same distribution of burden. It just cannot be done. You cannot get the simplification which this bill gives unless it is done this way. As to whether the committee wants to cut revenue several hundred million dollars and thereby avoid increasing anybody's taxes, that is a matter very largely for the committee.

Senator MILLIKIN. The estimate was 75 million.

Mr. BLOUGH. It is more than that because that applies only to the higher brackets.

Senator MILLIKIN. In the formula as proposed, someone said 75 million.

Mr. BURGESS. That was just for the alternative schedule, which cut down the increases only in the upper brackets.

Senator VANDENBERG. I would like to know the total figure of increases under the bill and the total figure of decreases, out of which you get your final \$60,000,000 net loss.

Mr. BLOUGH. You mean all the people that have increases, and adding those increases together?

Senator VANDENBERG. You must have done that in order to arrive at your \$60,000,000 net loss.

Mr. O'DONNELL. It wasn't done that way. I shall insert in the record at this point in my remarks two detailed tables which will give you detailed estimates under present law and under H. R. 4646 for the civilian income recipients.

SIMPLIFIED INCOME-TAX RETURN

Estimated number of civilian income recipients incurring regular net income tax, their net income, surtax net income, and regular net income tax under the Revenue Act of 1948, at levels of income estimated for the calendar year 1944

(Money amounts in thousands of dollars)

Net income class (\$000)	Families where only 1 spouse has gross income,				Persons qualifying as heads of families under the law			
	Number of taxable income recipients	Net income	Surtax net income	Total regular tax	Number of taxable income recipients	Net income	Surtax net income	Total regular tax
Under 1.....								
1-2.....	4, 269, 261	7, 279, 420	1, 695, 476	320, 958	179, 016	310, 610	58, 224	11, 073
2-3.....	7, 446, 004	18, 128, 817	6, 619, 876	1, 257, 779	371, 137	903, 712	318, 690	60, 410
3-4.....	2, 972, 865	10, 282, 474	5, 577, 316	1, 003, 714	142, 320	493, 354	257, 271	49, 044
4-5.....	1, 651, 370	7, 438, 372	4, 784, 711	952, 762	93, 694	422, 567	267, 331	53, 153
Under 5.....	16, 320, 490	43, 120, 083	18, 677, 379	3, 565, 243	786, 167	2, 130, 243	901, 435	173, 680
5-10.....	709, 513	4, 757, 248	3, 587, 318	785, 163	79, 812	539, 234	420, 639	92, 791
10-25.....	216, 260	3, 190, 595	2, 635, 941	860, 511	27, 953	418, 286	370, 443	115, 527
25-50.....	30, 279	1, 025, 137	970, 113	438, 824	4, 843	100, 603	158, 523	72, 024
50-100.....	6, 442	426, 066	412, 331	237, 598	1, 327	88, 494	85, 823	49, 614
100-250.....	1, 355	181, 880	178, 329	125, 494	416	56, 080	55, 034	38, 774
250-500.....	136	42, 006	41, 112	33, 124	68	21, 753	21, 295	17, 229
500-1,000.....	25	15, 527	15, 042	12, 833	18	11, 307	10, 974	9, 364
1,000 and over.....	5	6, 801	6, 231	5, 640	2	2, 017	1, 777	1, 648
Over 5.....	964, 016	9, 654, 260	8, 046, 447	2, 497, 187	114, 439	1, 303, 704	1, 130, 508	396, 971
Grand total.....	17, 293, 505	52, 783, 343	20, 723, 826	6, 092, 430	900, 606	3, 433, 947	2, 031, 943	570, 651
	Families where both spouses have gross income				Ordinary single persons and estates			
Under 1.....								
1-2.....	2, 810, 617	2, 186, 005	495, 268	91, 019	3, 264, 422	2, 578, 229	922, 321	176, 215
1-2.....	5, 299, 499	7, 006, 367	3, 263, 096	619, 715	7, 769, 641	10, 677, 145	6, 324, 425	1, 203, 815
2-3.....	861, 017	2, 091, 703	1, 457, 775	277, 447	1, 029, 543	2, 416, 063	1, 839, 272	350, 622
3-4.....	266, 794	914, 073	700, 668	138, 199	278, 033	954, 733	800, 145	169, 267
4-5.....	121, 270	545, 931	443, 702	90, 330	169, 284	720, 650	633, 136	130, 400
Under 5.....	9, 365, 197	12, 744, 079	6, 360, 629	1, 219, 710	12, 500, 923	17, 246, 820	10, 519, 299	2, 020, 279
5-10.....	257, 220	1, 788, 560	1, 574, 194	360, 133	122, 907	838, 666	771, 421	177, 361
10-25.....	149, 972	2, 335, 537	2, 200, 235	700, 608	62, 200	706, 034	766, 478	243, 637
25-50.....	44, 025	1, 633, 218	1, 491, 123	686, 592	11, 840	409, 558	401, 325	184, 845
50-100.....	15, 580	1, 053, 272	1, 030, 764	600, 217	3, 908	264, 647	260, 408	151, 999
100-250.....	5, 510	758, 206	747, 645	529, 697	1, 420	195, 734	193, 454	137, 169
250-500.....	776	243, 240	238, 657	192, 636	235	73, 708	72, 386	58, 447
500-1,000.....	224	136, 750	132, 596	113, 087	83	50, 594	49, 081	41, 859
1,000 and over.....	52	81, 177	66, 985	64, 722	20	31, 627	25, 242	24, 851
Over 5.....	473, 359	7, 934, 960	7, 482, 109	3, 247, 692	192, 703	2, 650, 368	2, 539, 795	1, 020, 188
Grand total.....	9, 838, 556	20, 679, 039	13, 842, 828	4, 467, 402	12, 693, 626	19, 907, 188	13, 059, 091	3, 040, 467
	Total, all family classes							
Under 1.....					6, 081, 039	4, 764, 234	1, 417, 659	270, 234
1-2.....					17, 507, 407	25, 173, 842	11, 341, 221	2, 155, 691
2-3.....					9, 707, 701	23, 540, 295	10, 235, 532	1, 946, 158
3-4.....					3, 660, 012	12, 644, 634	7, 335, 430	1, 410, 224
4-5.....					2, 025, 618	9, 127, 520	6, 128, 970	1, 220, 705
Under 5.....					38, 981, 777	75, 250, 225	36, 458, 742	7, 008, 912
5-10.....					1, 160, 452	7, 923, 708	6, 353, 602	1, 415, 468
10-25.....					446, 475	6, 749, 452	6, 179, 097	1, 920, 283
25-50.....					90, 087	3, 139, 416	3, 021, 084	1, 380, 285
50-100.....					27, 237	1, 532, 379	1, 789, 326	1, 039, 428
100-250.....					6, 701	1, 191, 900	1, 174, 462	831, 134
250-500.....					1, 215	380, 707	375, 450	301, 456
500-1,000.....					350	214, 178	207, 693	177, 143
1,000 and over.....					79	121, 552	100, 235	96, 861
Over 5.....					1, 744, 516	21, 853, 292	19, 168, 910	7, 162, 038
Grand total.....					40, 726, 293	96, 803, 517	55, 657, 091	14, 170, 950

SIMPLIFIED INCOME-TAX RETURN

57

Estimated number of civilian income recipients incurring Victory tax, their Victory tax net income, and Victory tax under the Revenue Act of 1943, at levels of income estimated for the calendar year 1944

[Money amounts in thousands of dollars]

Net income class (\$000)	Families where only 1 spouse has gross income			Persons qualifying as heads of families under the law		
	Number of taxable income recipients	Victory tax net income	Victory tax	Number of taxable income recipients	Victory tax net income	Victory tax
Under 1.....	2,423,785	2,329,713	24,419	101,368	99,088	1,024
1-2.....	9,242,345	16,606,086	325,593	385,450	672,933	13,010
2-3.....	8,629,740	23,715,371	519,075	386,036	1,018,790	24,150
3-4.....	2,983,120	11,764,476	296,895	142,320	555,412	14,001
4-5.....	1,651,370	8,491,008	224,119	93,604	477,017	12,566
Under 5.....	24,930,360	62,899,654	1,420,106	1,112,468	2,853,270	64,751
5-10.....	709,513	5,363,858	147,631	79,812	607,980	10,743
10-25.....	216,260	3,650,115	103,358	27,955	467,976	13,517
25-50.....	30,279	1,141,369	33,674	4,843	185,392	5,473
50-100.....	6,442	476,355	14,142	1,327	98,720	2,937
100-250.....	1,355	206,617	6,173	416	63,713	1,904
250-500.....	136	48,205	1,443	68	24,932	747
500-1,000.....	25	17,744	531	18	12,930	898
1,000 and over.....	5	7,514	225	2	2,170	65
Over 5.....	964,016	10,840,777	307,177	114,439	1,463,818	41,774
Grand total.....	28,894,375	73,740,431	1,727,283	1,226,907	4,317,088	106,626
	Families where both spouses have gross income			Ordinary single persons and estates		
	Number of taxable income recipients	Victory tax net income	Victory tax	Number of taxable income recipients	Victory tax net income	Victory tax
Under 1.....	3,868,513	3,693,152	38,368	3,329,252	3,197,060	33,154
1-2.....	8,299,499	7,621,609	129,059	7,895,813	11,485,183	190,377
2-3.....	861,017	2,276,287	62,179	1,029,811	2,627,607	59,572
3-4.....	266,794	986,625	24,907	278,033	1,010,929	20,056
4-5.....	121,270	596,215	16,590	159,284	787,779	20,628
Under 5.....	10,417,093	15,183,698	290,112	12,682,193	19,147,558	335,787
5-10.....	257,220	1,963,016	54,095	122,907	920,342	25,313
10-25.....	149,972	2,561,974	74,067	62,290	873,260	25,226
25-50.....	44,025	1,688,185	46,877	11,840	449,464	13,294
50-100.....	15,880	1,160,636	34,824	3,908	291,483	8,672
100-250.....	5,810	852,459	26,471	1,420	220,041	6,575
250-500.....	770	276,948	8,273	235	83,662	2,605
500-1,000.....	224	155,495	4,638	83	57,244	1,716
1,000 and over.....	62	80,474	2,412	20	30,376	910
Over 5.....	473,359	8,738,117	253,297	192,703	2,925,841	4,1818
Grand total.....	10,890,452	23,921,815	513,409	12,874,896	22,073,790	419,968
Total, all family classes						
Under 1.....				9,725,918	9,310,013	96,965
1-2.....				22,813,107	36,395,711	664,044
2-3.....				10,907,201	29,607,465	684,976
3-4.....				3,670,297	14,347,342	361,859
4-5.....				2,025,616	10,355,019	279,912
Under 5.....				49,142,114	100,064,660	2,000,000
5-10.....				1,169,452	8,855,226	243,772
10-25.....				416,475	7,483,344	210,168
25-50.....				90,967	3,464,410	102,238
50-100.....				27,257	2,020,094	60,275
100-250.....				8,701	1,342,830	40,123
250-500.....				1,215	432,747	12,968
500-1,000.....				350	243,413	7,273
1,000 and over.....				79	120,489	3,412
Over 5.....				1,744,516	23,968,653	656,429
Grand total.....				50,886,630	124,063,133	2,767,185

Source: Treasury Department, Division of Research and Statistics, Mar. 3, 1944.

NOTE.—Figures are rounded and will not necessarily add to totals.

Estimated number of civilian income recipients incurring surtax or alternative tax, their net income, surtax income and combined surtax and alternative tax under H. R. 4646, as passed by the House of Representatives May 5, 1944, at levels of income estimated for the calendar year 1944

[Money amounts in thousands of dollars]

Net income class ¹ (\$000)	Families where only 1 spouse has gross income				Persons qualifying as heads of families under law			
	Number of taxable income recipients	Net income	Surtax net income	Total surtax and alternative tax	Number of taxable income recipients	Net income	Surtax net income	Total surtax and alternative tax
Under 1.....								
1-2.....	4,768,772	7,017,526	2,200,034	454,470	104,445	323,916	68,543	13,806
2-3.....	6,848,622	16,918,400	6,515,157	1,300,295	362,842	871,621	298,738	59,780
3-4.....	2,949,597	10,062,653	5,338,511	1,007,754	141,238	482,124	238,187	47,597
4-5.....	1,649,210	7,329,303	4,602,095	946,647	93,694	416,010	252,940	61,906
Under 5.....	16,214,201	42,227,882	18,721,797	3,769,160	701,719	2,063,610	858,408	173,095
5-10.....	709,513	4,727,631	3,501,080	768,403	70,812	535,856	419,019	92,681
10-25.....	216,200	3,184,076	2,800,157	821,460	27,953	416,255	375,027	112,195
25-50.....	30,279	1,021,613	903,467	436,403	4,843	165,932	157,973	72,401
50-100.....	6,442	425,383	411,088	241,740	1,327	88,352	85,604	50,570
100-250.....	1,355	181,877	177,686	129,397	416	55,925	54,897	40,009
250-500.....	136	41,942	41,031	31,244	68	21,720	21,264	17,819
500-1,000.....	25	15,400	14,967	13,207	18	11,259	10,926	9,044
1,000 and over.....	6	6,776	6,204	5,801	2	2,037	1,767	1,692
Over 5.....	604,015	9,604,157	7,010,556	2,463,655	114,439	1,297,346	1,126,537	397,211
Grand total.....	17,178,216	51,832,039	26,638,363	6,222,821	906,158	3,390,956	1,084,945	570,306

Net income class ¹ (\$000)	Families where both spouses have gross income				Ordinary single persons and estates			
	Number of taxable income recipients	Net income	Surtax net income	Total surtax and alternative tax	Number of taxable income recipients	Net income	Surtax net income	Total surtax and alternative tax
Under 1.....								
1-2.....	2,816,617	2,171,468	763,159	152,097	3,203,073	2,506,141	904,605	179,872
2-3.....	5,299,499	6,868,075	3,307,610	662,437	7,713,891	10,181,650	5,815,510	1,172,511
3-4.....	861,017	2,050,320	1,429,646	285,858	1,028,039	2,362,772	1,755,325	350,561
4-5.....	266,794	890,988	671,452	137,132	278,033	930,175	765,837	157,307
5-10.....	121,270	532,557	424,361	88,527	159,284	702,879	610,694	127,905
Under 5.....	9,365,197	12,514,308	6,696,168	1,320,051	12,382,320	16,683,017	9,881,871	1,987,716
5-10.....	257,220	1,772,570	1,546,059	350,848	122,907	831,140	760,324	174,036
10-25.....	149,972	2,320,796	2,173,489	674,620	52,290	791,013	759,708	226,063
25-50.....	44,025	1,534,361	1,490,164	687,234	11,840	407,889	399,209	185,220
50-100.....	16,689	1,051,379	1,026,947	610,355	3,908	264,071	259,751	154,780
100-250.....	5,510	750,089	744,396	546,177	1,420	195,198	192,792	141,490
250-500.....	776	242,833	238,100	190,138	235	73,594	72,262	60,435
500-1,000.....	224	136,151	131,078	110,432	83	60,372	48,852	43,097
1,000 and over.....	52	80,906	66,707	68,463	20	31,423	25,134	25,503
Over 5.....	473,359	7,895,121	7,409,028	3,251,273	192,703	2,644,690	2,518,032	1,020,624
Grand total.....	9,838,556	20,409,429	14,005,186	4,577,324	12,575,023	19,328,307	12,399,903	3,008,340

Net income class ¹ (\$000)	Total all family classes							
	Number of taxable income recipients	Net income	Surtax net income	Total surtax and alternative tax	Number of taxable income recipients	Net income	Surtax net income	Total surtax and alternative tax
Under 1.....								
1-2.....	6,019,690	4,677,606	1,667,764	331,469	17,974,607	25,292,067	11,487,627	2,303,224
2-3.....	9,100,020	22,203,013	9,998,866	1,996,500	3,635,662	12,365,940	7,013,987	1,409,850
3-4.....	2,023,458	8,980,788	6,889,900	1,214,085				
4-5.....								
Under.....	38,753,437	73,510,417	36,058,234	7,256,028				
5-10.....	1,169,452	7,867,113	6,228,018	1,386,268				
10-25.....	446,476	6,712,140	6,108,381	1,847,344				
25-50.....	90,687	3,120,705	3,000,813	1,381,158				
50-100.....	27,257	1,820,185	1,783,430	1,057,445				
100-250.....	8,701	1,158,679	1,170,241	857,073				
250-500.....	1,215	380,110	372,747	311,636				
500-1,000.....	350	213,242	205,725	182,380				
1,000 and over.....	79	121,141	99,812	99,459				
Over 5.....	1,744,516	21,441,314	18,970,163	7,122,763				
Grand total.....	40,497,953	94,960,731	55,028,397	14,378,791				

Estimated number of civilian income recipients incurring normal tax, their normal tax net income, and normal tax under H. R. 4646, as passed by the House of Representatives May 6, 1944, at levels of income estimated for the calendar year 1944

(Money amounts in thousands of dollars)

Net income class ¹ (\$000)	Families where only 1 spouse has gross income			Persons qualifying as heads of families under law		
	Number of taxable income recipients	Normal tax net income ²	Normal tax	Number of taxable income recipients	Normal tax net income ²	Normal tax
Under 1.....	2,463,785	1,861,048	18,965	105,368	80,096	822
1-2.....	9,212,345	14,451,887	294,921	385,450	598,519	12,174
2-3.....	8,629,740	20,039,148	480,728	386,636	927,029	22,011
3-4.....	2,983,120	10,170,208	260,359	142,320	485,374	12,426
4-5.....	1,651,370	7,335,307	195,289	93,691	415,851	11,070
Under 5.....	24,970,360	54,460,698	1,250,262	1,113,408	2,500,869	58,503
5-10.....	709,513	4,721,875	131,005	70,812	635,189	14,858
10-25.....	216,260	3,176,287	92,044	27,053	116,216	12,037
25-50.....	30,279	1,015,517	30,011	4,843	164,628	4,875
50-100.....	6,442	421,853	12,583	1,327	87,874	2,007
100-250.....	1,355	179,798	5,374	416	55,457	1,657
250-500.....	136	41,234	1,235	68	21,335	639
500-1,000.....	25	15,019	450	18	10,944	328
1,000 and over.....	5	6,211	186	2	1,707	53
Over 5.....	964,015	9,577,264	272,858	114,430	1,292,390	37,054
Grand total.....	25,934,375	64,037,892	1,532,120	1,227,007	3,790,259	95,557
	Families where both spouses have gross income			Ordinary single persons and estates		
Under 1.....	3,927,513	3,016,410	31,580	3,569,282	2,663,006	28,178
1-2.....	5,299,499	6,866,219	126,494	7,885,813	10,380,645	193,312
2-3.....	861,017	2,949,502	48,670	1,029,811	2,365,963	55,832
3-4.....	266,794	890,628	22,717	278,033	929,844	23,725
4-5.....	121,270	532,341	14,151	169,284	702,620	18,600
Under 5.....	10,476,093	13,356,103	243,512	12,662,193	17,078,987	319,437
5-10.....	257,220	1,770,293	49,250	122,907	830,080	23,059
10-25.....	149,972	2,314,503	67,186	62,290	788,952	22,884
25-50.....	44,025	1,622,679	45,017	11,840	405,499	11,985
50-100.....	15,580	1,042,009	31,027	3,908	261,717	7,793
100-250.....	5,510	749,437	22,400	1,420	193,471	5,783
250-500.....	776	238,753	7,151	216	72,320	2,166
500-1,000.....	224	132,146	3,661	83	48,886	1,465
1,000 and over.....	62	66,741	2,001	20	25,143	764
Over 5.....	473,359	7,836,401	227,963	192,703	2,625,984	75,889
Grand total.....	10,940,452	21,191,564	471,505	13,054,896	19,704,971	395,320
	Total all family classes ³					
Under 1.....	10,005,918		7,654,460		79,545	
1-2.....	22,813,107		32,303,270		626,901	
2-3.....	10,907,294		25,981,612		615,811	
3-4.....	3,670,287		12,476,054		819,227	
4-5.....	2,025,618		8,983,131		239,200	
Under 5.....	49,422,114		67,401,557		1,880,714	
5-10.....	1,169,482		7,857,137		218,172	
10-25.....	446,475		6,604,928		194,161	
25-50.....	90,987		3,108,433		91,888	
50-100.....	27,257		1,812,953		63,980	
100-250.....	8,701		1,178,143		35,214	
250-500.....	1,215		373,648		11,191	
500-1,000.....	350		206,995		6,294	
1,000 and over.....	79		99,802		2,994	
Over 5.....	1,744,510		21,332,069		613,794	
Grand total.....	51,166,630		108,733,666		2,494,608	

NOTE.—Figures are rounded and will not necessarily add to totals.

¹ The classification by net income brackets of the number of income recipients is in accordance with the size of their net income as determined by the Revenue Act of 1943, although the number and all other data in the table with respect to taxable income recipients are estimated in accordance with H. R. 4646.

² Net income minus partially tax-exempt interest and long-term capital gains subject to the alternative tax rate of 50 percent.

Source: Treasury Department, Division of Research and Statistics, May 6, 1944.

I will insert also a summary table to give you by net income classes the end results.

Break-down of the \$60,000,000 revenue loss under H. R. 4646, as reported by the Committee on Ways and Means on Apr. 24, 1944, by net income classes

[In billions of dollars]

Net income class	Increase or decrease (-), H. R. 4646, over present law	Net income class	Increase or decrease (-), H. R. 4646, over present law
\$0 to \$1,000.....	0.04	\$50,000 to \$100,000.....	0.01
\$1,000 to \$2,000.....	.11	\$100,000 to \$250,000.....	.02
\$2,000 to \$3,000.....	-.02	\$250,000 to \$500,000.....	.01
\$3,000 to \$4,000.....	-.04	\$500,000 to \$1,000,000.....	(1)
\$4,000 to \$5,000.....	-.05	\$1,000,000 and over.....	(1)
\$5,000 to \$10,000.....	-.05		
\$10,000 to \$25,000.....	-.09	Total.....	-.06
\$25,000 to \$50,000.....	-.01		

¹ Less than \$0.005.

Treasury Department, Division of Research and Statistics, May 5, 1944.

NOTE.—Figures are rounded and will not necessarily add to totals.

I can also give you the information by over-all family classes. For instance, I can tell you that families where only one spouse had gross income that have had their taxes reduced by so much, that single heads of families have had their taxes reduced by so much. In fact, every family classification except families where both spouses have gross income is estimated to have a tax decrease, and, of course, within those particular family classifications there are all shades and variations of increases and decreases in taxes depending upon the number of dependents and the impact of other changes in the law on their tax liabilities.

The thing that I think is confusing in looking at the burden tables as we have been doing for the last half hour is that you have changed the definition of a dependent. You look at a table which shows the tax liability of a married man with one dependent, under the Revenue Act of 1943 and compare that with the tax liability of a married man with one dependent under the bill. You are not necessarily comparing the same taxpayer because of the changed definition of a dependent. He may be supporting three aunts and a mother-in-law, and none of them were eligible as dependents under the old law. You look at the table and it looks as though the tax result was an increase upon that married man with one dependent under the new law, but for that same taxpayer what you should have compared was the tax on a married man with one child under the revenue law of 1943, with the tax on a married man with five dependents under the new law.

Senator VANDENBERG. I was trying to get away from all the details and to have one final pot.

Mr. O'DONNELL. All right. At this point in my remarks I shall insert a table showing this information.

Comparisons of revenue effect of H. R. 4846 with present law, by family classes and by type of tax

(Money amounts in millions of dollars)

	Surtax and alternative tax	Normal tax	Total tax
H. R. 4646:			
Families where only 1 spouse has gross income.....	6,222.8	1,532.1	7,754.9
Single heads.....	570.3	95.6	665.9
Families where both spouses have gross income.....	4,577.3	471.6	5,048.8
Single nonheads.....	3,008.3	395.3	3,403.7
Total.....	14,378.8	2,494.6	16,873.3
Armed forces.....	87.2	14.0	101.2
Grand total.....	14,466.0	2,508.6	16,974.5
	Regular tax	Victory tax	Total tax
Present law:			
Families where only 1 spouse has gross income.....	6,092.4	1,727.3	7,819.7
Single heads.....	570.7	106.5	677.2
Families where both spouses have gross income.....	4,407.4	513.4	4,920.8
Single nonheads.....	3,040.5	420.0	3,460.4
Total.....	14,171.0	2,767.2	16,938.1
Armed forces.....	79.7	21.6	101.3
Grand total.....	14,250.7	2,788.8	17,039.5
Increase (+) or decrease (-), H. R. 4646 over present law:			
Families where only 1 spouse has gross income.....	+130.4	-195.2	-64.8
Single heads.....	-4	-10.9	-11.3
Families where both spouses have gross income.....	+109.9	-41.9	+68.0
Single nonheads.....	-32.2	-24.7	-66.7
Total.....	+207.8	-272.7	-64.8
Armed forces.....	+7.5	-7.6	-.1
Grand total.....	+215.3	280.3	-64.9

Treasury Department, Division of Research and Statistics, May 8, 1944.

We estimate the total tax of the families where only one spouse has gross income will be reduced by 64.8 million. These figures are for civilian taxpayers. The estimate of loss in revenue from members of the armed forces we do not break down by family classifications. That is a separate estimate. For people who qualify under the law as heads of families—we estimate that their taxes will be reduced 11.3 million. Now, for families where both spouses have gross income including joint returns and separate returns—we estimate their taxes will be increased 68 million. And for single persons who are non heads of families, we estimate that there is a tax decrease of 56.7 million.

Senator MILLIKIN. How much?

Mr. O'DONNELL. 56.7 million.

We estimate that the members of the armed forces will have their taxes reduced by about one-tenth of a million dollars.

And the end result is that under the proposed law taxpayers will pay 64.9 million dollars less than under existing law.

Senator VANDENBERG. So your chief source of gain is from separate returns?

Mr. O'DONNELL. It is from families where both spouses have income and where many file separate returns; yes, sir. They have fewer dependents per return, ordinarily.

Senator VANDENBERG. All right. That answers it.
Senator MILLIKIN. I should like to ask one more question, Mr. Chairman.

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. What do the increases amount to under the proposed bill?

Mr. O'DONNELL. Well, these, as I tried to explain, Senator Millikin, are the composite end results. Within any one of these categories there are innumerable cells of cases where the taxes have been increased or decreased. As has been brought out in burden tables, there are particular married people who have their taxes decreased. They are people, essentially, as has been explained, who have a large number of dependents and who under the liberalized definition of the new law have that number increased in many cases. We have increased the allowance for dependents from \$350 to \$500. Married people or single heads of families who do not have any dependents under either bill have their personal exemption reduced, in effect, from \$1,200 to \$1,000, because you go to a \$500 per capita basis. Therefore they would have, other things being equal, their taxes increased.

Senator MILLIKIN. In your judgment what would be the estimated loss of revenue under the formula that I mentioned a little while ago?

Mr. O'DONNELL. I haven't the least idea, Senator. That is a colossal job if you attempt to eliminate increases other than on the alternative of computing the tax under each law and paying the lesser tax which plan would not achieve the tax simplification which we seek. I wouldn't even presume to make a guess.

Senator BREWSTER. The \$68,000,000 you indicated as increase for the separate returns would be largely lost, would it not?

Mr. O'DONNELL. Certainly. But over and beyond that you have within each of these categories of family classification many taxpayers whose taxes are decreased even though the average of the class shows an increase.

Senator BREWSTER. Yes.

Mr. O'DONNELL. And you are going to wipe out not only all the gain from the various taxpayers under the provisions of law now proposed but also you will have to change some of the basic provisions as now proposed so as not to inflict an increase in tax on the most extreme case of impact of the provisions of the new law. Such changes would cost the Government an enormous amount of money.

Senator BREWSTER. Then would you offhand figure it might run toward \$100,000,000?

Mr. O'DONNELL. Oh, my, that is a very, very small fraction of what it probably would be, but I wouldn't want to presume to guess what it would be.

Senator BREWSTER. Under this bill you are increasing the taxes of a lot of people in very substantial amounts as they add up. As you say now, it is colossal.

Mr. O'DONNELL. I should think it would be colossal if you did achieve simplification without making taxpayers compute their taxes under both the old and the new law.

Senator BREWSTER. That was not the objective of the bill. The objective of the bill was to simplify. Apparently the result now is, as you say, to very greatly increase the tax on a lot of people.

Mr. O'DONNELL. I have no interest in the policy. As I understood Mr. Surrey, he said not only to simplify but to maintain the revenue.

Mr. SURREY. I don't think that Senator Millikin's suggestion about always paying the lower tax would work. I think it would mean throwing the bill away. What you would be doing would be to hand the people two revenue acts and say: "Go to it"—which is completely in the opposite direction to that in which we are working. You can't do it under that formula system.

Now, if you want to do it under a system which says so adjust the rate schedule to produce no increases, then I think you would get into what Mr. O'Donnell well says would be a terrific loss in revenue, because if you adjusted the rate schedule on a married person with no dependents so as to get no increase from that person, you at the same time, since you would have to lower the surtax rates to produce that result, would have to lower the taxes still further for single persons with no dependents and married persons with four or five dependents. So to keep the slight increases from going into effect on married persons with no dependents by lowering the surtax rate, you have immediately produced a further reduction in the tax of single people and married people with two or three or four dependents.

That is what Mr. O'Donnell had in mind. If you try to produce the result which Senator Millikin wants by lowering the rates on married people with no dependents, you have lowered the rates on everybody.

Put it this way. You start with minuses now in the single person column. If you have to reduce the surtax rate so as to never show a plus for a married person with no dependents, that same reduction in surtax rates will have to apply to single persons, which means that the minuses become larger in the single person column, and they become larger in the married person with four or five dependents column. Consequently the loss in revenue would likely be very great.

Senator BREWSTER. The thing that surprises me is that there are so many and such substantial increases as are indicated.

Mr. SURREY. I think you misunderstand what I am saying.

Senator BREWSTER. I understand your point, but assuming the perfectly fair application of the policy which was laid down, it is disconcerting to find that there is such a differentiation in groups. Perhaps it is unavoidable.

Mr. SURREY. It is unavoidable. There will be some groups with slight increases and some with slight decreases.

Senator BREWSTER. I am looking at the separate incomes. Those are the ones that are apparently most heavily hit.

Mr. SURREY. Those are largely married persons with no dependents. They are the group which is more heavily hit than anybody else.

Senator BREWSTER. The formula as applied to them results in a desimplification rather than simplification.

Well, just take the table that Mr. Burgess read from and you will see the tax is increased \$20, \$30, as you go along, up to \$5,000. In some cases those increases run very great in relation to the total tax the people are paying.

Mr. BROUGH. These people that have the \$68,000,000 increase pay under present law \$4,980,000,000. So the increase is a little more

than 1 percent of the amount they are paying. And while \$68,000,000 looks like quite a little bit of money, the fact that it has been kept to a little bit more than 1 percent I think indicates that a great deal of work has been put on this.

The CHAIRMAN. Isn't it true that you have a greater dependency credit in the extreme upper brackets than you have under existing law? I mean, in practical application, isn't that likely to happen?

Mr. SURREY. There are a number of factors that may appear in the upper brackets.

Senator LA FOLLETTE. In comparing the burden tables of the one law with the other, inevitably you have to compare the definition of dependency under the old law with a more liberal definition of dependency under the new law, and the way it works out is that the change in definition and the liberalization of the dependency definition may work to produce different results in the upper brackets than the actual burden table comparisons tend to show.

Mr. SURREY. That is right.

Senator LA FOLLETTE. And it would seem logical that the people in the upper brackets would be more benefited by the change in the dependency definition, because they are people who probably have followed the practice of taking care of people who are related to them, but under the tax laws they have not been able to claim an exemption.

Mr. STAM. The people in the upper income brackets would also be benefited by the shift from the gross to the net basis.

Senator LA FOLLETTE. Yes, that is another thing.

Senator RADCLIFFE. In every classification from about \$20,000 up to \$750,000, the act of 1943 reduced the taxes of those in the higher brackets; although I understand it was not intentional, this act brings back the taxes in the higher brackets to a figure approximately what it was in 1942.

Mr. BURGESS. In the higher brackets, when you speak of \$50,000 and up, that was purposeful, that was not accidental.

Senator RADCLIFFE. In the classifications between \$20,000 and \$750,000 there was a reduction in 1943 over 1942.

Mr. BURGESS. That is right.

Senator RADCLIFFE. And this gets back, more or less, to what it was in 1942, or very substantially.

Mr. BURGESS. That is correct. We tried to do that.

Mr. STAM. That is the only tax that has been paid, the tax under the 1942 act. The 1943 rates haven't gone into effect.

Senator VANDENBERG. I have this final question. In the categories given by Mr. O'Donnell, the only category where you have got a final increase is \$68,000,000 on account of families where each spouse has a separate source of income and where many file separate returns.

Mr. O'DONNELL. Yes, sir. People who are wealthy enough to have a tax advantage in filing separate returns are those whose combined surtax net income is more than \$2,000. These people find it to their advantage to file separate returns in order to avoid the impact of the progressive surtax rates, and they are people who pay a substantial portion of the tax in this category of families where both spouses have income. In the other cases in this category where there is no advantage in filing separate returns the members of the group have, on the average, fewer dependents than is the case in families where only one spouse has gross income. This, together with the

reduction of personal exemption of the married couple from \$1,200 to \$1,000 is not offset by the increased credit for dependents and the allowance of new dependents, resulting in an average for the category of increased tax.

Senator VANDENBERG. What does this proposed law do to them, does it force them to make joint returns?

Mr. O'DONNELL. No.

Senator VANDENBERG. How do you get your money?

Mr. O'DONNELL. You get your money through the changes that have been made in the law. The whole combination of circumstances that surround those particular people.

Senator BREWSTER. It is a very small percentage.

Mr. O'DONNELL. It is a very small percentage. Out of a total tax base of about \$17,000,000,000, that group pays about \$5,000,000,000.

Senator BREWSTER. Almost 25 percent.

Mr. O'DONNELL. Yes.

Senator BREWSTER. And so it is a slight increase, although it looks like a lot of money when you say \$68,000,000.

Mr. O'DONNELL. Yes.

Senator GERRY. Why did you stop at a family of five?

Mr. BURGESS. It was just simply a question of taking up the committee's time in going over innumerable burden tables.

Senator GERRY. The percentages drop off very much after that, don't they? The only thing I had in mind was the exemptions on some of those poorer families in the manufacturing centers. They have larger families than five in many instances. They would get a bigger exemption.

Mr. BURGESS. Yes, Senator Gerry. You understand there are relatively few persons having more than five dependents.

Senator GERRY. But you didn't have any special reason for stopping there?

Mr. BURGESS. None at all.

The CHAIRMAN. At this point I will have to ask for strict executive session. We want to look at some forms, gentlemen, that are not final, and for that reason, of course, we will have to ask the reporters to step out.

(As instructed, further proceedings were not reported.)

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