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INDIVIDUAL INCOME TAX BILL OF 1944

MAY 16, 1944.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 4646]

The Committee on Finance, to whom was referred the bill (H. R. 4646) to provide for simplification of the individual income tax, having had the same under consideration, report favorably thereon, with certain amendments, and as amended recommend that the bill do pass.

The bill is confined to the simplification of the individual income tax, and accomplishes the following objectives:

1. Relieves the great majority of taxpayers from the necessity of computing their income tax.
2. Reduces the number of tax computations.
3. Simplifies the return form.
4. Decreases the number of persons required to file declarations of estimated tax and eliminates difficulties and uncertainties in making such estimates.

The bill accomplishes these objectives without substantially changing the number of taxpayers or the revenue yield under existing law.

SUMMARY OF CHANGES IN EXISTING LAW

In accomplishing these objectives, the bill makes several important changes in existing law.

First, for the surtax, there is a uniform exemption of $500 per person. Thus the taxpayer is allowed $500, the taxpayer's spouse is allowed $500, and there is a $500 allowance for each dependent.

The bill removes the present requirements that a "dependent" must be under 18 or incapable of self-support. Instead the taxpayer may claim as a dependent anyone for whom he furnishes more than half the support, provided the person claimed as a dependent is closely related to the taxpayer and is not required to file a return. Anyone having over $500 of gross income must file a return.

Second, the Victory tax is repealed. The present normal and surtax are combined into a single surtax. A new normal tax of 3 percent is imposed on each person whose net income exceeds $500. In the case of the new normal tax no credit is allowed for dependents.

Third, a new simplified tax table, designated supplement T, is provided in the bill. This table may be used by taxpayers with adjusted gross incomes of less than $5,000, regardless of the source of their income. In general, adjusted gross income is gross income less business deductions. The table is so constructed as to allow the taxpayer a standard deduction of approximately 10 percent of his gross income. The use of this table is optional with the taxpayer.

Fourth, taxpayers with adjusted gross incomes of $5,000 or more are permitted at their option to claim, in lieu of their actual deductions, a standard deduction of $500.

Fifth, the present withholding system is modified, effective with respect to wages paid on or after January 1, 1945, so as to withhold, in the case of a taxpayer whose income is derived solely from wages, approximately the full tax liability on wages up to at least $5,000.

Sixth, in this bill taxpayers filing declarations are given an opportunity to amend their declarations on or before January 15 next following the close of the taxable year, for those on a calendar-year basis. Taxpayers may file, on or before January 15, their final return in lieu of the final declaration of estimated tax. Under present law, the final amended declaration must be filed on or before December 15.

Seventh, the bill makes two important changes with reference to farmers. A farmer is defined under the bill as an individual who derives more than two-thirds of his gross income from farming. Under existing law, an individual is not classified as a farmer unless he derives 80 percent or more of his gross income from farming. The other important change is that, under the bill, a farmer may make a final return on or before January 15 next following the close of the calendar year in lieu of making any declaration of estimated tax. If he is unable to make a complete return by January 15 he can make a declaration of an estimated tax on or before January 15, and file a final return on or before March 15. Under present law, a farmer is required to file a declaration of estimated tax on or before December 15 of the current year.

Eighth, the number of individuals required to file declarations of estimated tax will be decreased by 4,000,000 under the bill. The taxpayers affected are those taxpayers whose income not subject to withholding is $100 or less. Such taxpayers will be relieved from filing these declarations if single and their income is between $2,700 (existing law) and $5,000, plus $500 for each dependent (H. R. 4646), and if married and their income is between $3,500 and $5,500, plus $500 for each dependent. For example, under existing law, such a single person with one dependent is required to file a declaration of estimated tax if his income is in excess of $2,700. Under the bill such a person is not required to file a declaration unless his income exceeds $5,500. In the case of such a married person with two dependents, a declaration is required under existing law if the income is in excess of $3,500. Under the bill such a person is not required to file a declaration unless his income exceeds $6,500.

Ninth, the existing law has been amended with respect to deductions for charitable contributions so as to allow up to 15 percent of the adjusted gross income (generally, gross income less business deductions) in lieu of the present limit of 15 percent of net income.

This will enable the taxpayer to compute his charitable deduction without first having to determine his net income, and has the effect of increasing the maximum allowance for charitable contributions. For example, under present law a taxpayer having $2,000 of adjusted gross income, and $100 of nonbusiness deductions, other than charitable contributions, is limited to a maximum allowance of $285 for charitable contributions. Under the bill the maximum allowance is raised to $300. A taxpayer having an adjusted gross income of $80,000 and nonbusiness deductions, other than charitable contributions, amounting to $20,000, is limited under present law to a maximum allowance of $9,000, whereas under the bill his maximum allowance is raised to $12,000.

Tenth, under the bill medical expenses are deductible only to the extent that they exceed 5 percent of adjusted gross income in lieu of the present law provision of 5 percent of net income computed without regard to this deduction. This will result in a slight reduction in the medical expense allowance but is believed justified in the interest of simplification.

Eleventh, the bill introduces a new concept, adjusted gross income. It is defined to mean gross income less business deductions, deductions attributable to rents and royalties, and losses treated as losses from the exchange or sale of property. In the case of an employee, adjusted gross income consists of gross wages or salary less expenses of travel or lodging in connection with employment while away from home, and any reimbursed expenses in connection with his employment. It will be seen, therefore, that in general adjusted gross income means gross income less business deductions.

Operation of Plan

For purposes of discussion, taxpayers are divided into two groups, namely:

(1) Those who qualify and elect to have the collector of internal revenue determine their tax, and

(2) Those who determine their own tax.

Each group is discussed separately.

(1) Taxpayers for whom the collector determines the tax.

Individuals whose gross income is less than $5,000 and whose income not subject to withholding does not exceed $100, may choose to have their tax determined by the collector if their income is entirely compensation for personal services, dividends, or interest. It is contemplated that the form for this purpose, in lieu of the regular tax return, will be the withholding tax receipt furnished by their employer.

The wage earner need only answer a few questions on the reverse side, list his dependents, and attach all the other receipts he may have been furnished. The questions will cover the number of receipts attached, the total amount of wages and tax withheld, shown on the receipts, and the amount of other income, if any. The taxpayer will sign a statement on the receipt verifying this information, and declaring that his entire income was reported.

The collector will determine the tax from a tax table which automatically allows a standard deduction of approximately 10 percent. If any additional tax is due, a bill will be sent by the collector, payable in 30 days. If the taxpayer has overpaid, a refund will be allowed. After the first year the system will relieve approximately 30,000,000 taxpayers of the necessity of computing their tax.

(2) *Taxpayers who determine their own tax.*

All other taxpayers including those with gross incomes of more than $100 from sources not subject to withholding and those whose gross income is $5,000 or more, are required to determine their own tax.

These taxpayers are of three general types—

(*a*) Taxpayers whose adjusted gross income (generally, gross income less business deductions) is under $5,000 and whose other deductions do not exceed 10 percent of such adjusted gross income.

Such a taxpayer if he uses the short-cut method of ascertaining his tax, by reading the tax from the simple one-page tax table on the basis of his adjusted-gross income, will be automatically allowed a standard deduction of approximately 10 percent of his adjusted gross income. The standard deduction is in lieu of the nonbusiness deductions and certain credits against net income and against tax. The tax table and some examples illustrating its use will be found in table A in the appendix.

(*b*) Taxpayers with adjusted gross income of $5,000 or more whose nonbusiness deductions do not exceed $500.

In the case of such a taxpayer, the standard deduction is $500. Thus he is not required to itemize and substantiate his nonbusiness deductions. As in the case of a taxpayer whose adjusted gross income is less than $5,000, the standard deduction is in lieu of nonbusiness deductions and certain credits against net income and against tax.

(*c*) Taxpayers with adjusted gross income of less than $5,000 whose nonbusiness deductions are in excess of 10 percent of their adjusted gross income, and taxpayers with adjusted gross income of $5,000 and over, whose actual nonbusiness deductions are in excess of $500.

These taxpayers, in order to secure the full benefit of their nonbusiness deductions and of their various credits against net income and tax, are required to list them as at present and compute the tax; but the computation of the tax will be considerably simpler than under present law.

It is estimated that not more than one-fifth of all taxpayers will fall within groups (*b*) or (*c*) and thus find it necessary or desirable to compute their tax.

SIMPLIFICATION OF TAX DETERMINATION

In addition to the substantial simplification of methods of filing tax returns, your committee bill includes a number of changes in existing law which will eliminate several problems of definition that now confuse taxpayers and will make the actual computation of the tax, where it is desirable or necessary, much easier.

(*a*) *Filing requirements.*

Under your committee bill, those persons who must report their income for tax purposes can be simply and adequately described as every person having a gross income of $500 or more for the taxable year.

This single criterion, which is easily understood, would supplant the complicated requirements found in the present law to the effect that a return must be filed by every individual if—

(1) Single for the entire year and gross income equals or exceeds	$500
(2) Married but not living with husband or wife for any part of the year and gross income equals or exceeds	500
(3) Married and living with husband or wife for any part of the year or for the entire year, and—	
Gross income exceeds	624
or	
Combined gross income of husband and wife equals or exceeds	1,200

(*b*) The bill allows for normal tax purposes an exemption of $500. In the case of a joint return of husband and wife, if one spouse has less than $500 of adjusted gross income, the aggregate exemption allowed will be $500 plus the adjusted gross income of such spouse instead of $1,000.

While the Victory tax is eliminated, the committee found it necessary to retain both a normal tax and a surtax in order to continue 11,000,000 taxpayers now on the tax rolls.

(*c*) *Per capita personal exemption and credit for dependents for surtax purposes.*

Under the committee bill, there is provided a per capita system of exemptions for surtax purposes. Each person has a surtax exemption of $500 for himself, $500 for his spouse, and $500 with respect to each dependent. In the case of individuals who are married, however, the taxpayer may not claim an exemption for his spouse unless a joint return is made or unless the spouse has no gross income and does not constitute an exemption for another taxpayer by reason of being a dependent of another taxpayer.

This per capita system of exemptions completely eliminates not only the definition of "head of family" under the present law, but also the confusion which has existed in many taxpayers' minds with respect to whether they qualify as heads of families for tax purposes. The additional complication of having tax computations on the return determined with reference to a taxpayer's status as a "head of family" also is avoided.

The per capita system of exemptions (under which the credit for dependents is increased from $350 to $500 and the aggregate exemption of husband and wife decreased from $1,200 to $1,000) necessarily results in shifts in tax burden. In general, these shifts have the effect of imposing a lesser burden on the taxpayer with a large family and a greater burden on the taxpayer with a smaller family.

In the opinion of your committee, these shifts in burden are for the most part relatively small, and are necessitated by the fact that the per capita system of exemption is essential to any substantial tax simplification. It should be observed that the bill does not result in an over-all increase in revenue.

(*d*) *Definition of dependent.*

The bill simplifies the definition of a dependent and the treatment of dependent's income. The present requirements that a dependent be under 18, or mentally or physically unable to support himself, are eliminated. Instead, there will be substituted the concept that a dependent is anyone for whom the taxpayer furnishes over half the support, provided that the person is closely related to the taxpayer and is not himself required to file a return. The degrees of relationship which are so eligible is set out in section 10 of the detailed discussion of the bill in this report. An individual is not required to file a return if he has gross income of less than $500. This will permit a credit for dependents over 18 who are in fact supported by the taxpayer. The present law requirement that a "dependent" over 18 must be incapable of self-support is unnecessarily limited and confusing.

With regard to the income of minors, the present law requires that the earnings of an unemancipated child be reported with the income of the parent. The law as to emancipation varies according to the States. It is extremely difficult to determine whether earnings are those of an emancipated or an unemancipated minor. The bill provides that the earnings of a minor are to be included in his gross income and excluded from the gross income of the parent. If the minor receives over $500 gross income, he cannot be claimed as a dependent of another, and must file a return of his own regardless of age.

WITHHOLDING

The withholding method of your committee bill will not differ greatly from the method of existing law and it is believed that employers will encounter little if any difficulty in changing over to the new provisions when they become effective next January.

As under present law, an employer may use either a table or a computation formula in determining the amount of tax to be withheld from salaries and wages. Both methods employ a 10-percent standard deduction, and per capita exemptions. They also employ tax rates designed to withhold as near the final tax liability as is possible from all taxpayers whose income is derived solely from salaries and wages subject to withholding if such income is not in excess of $5,000 plus $500 for the spouse, and plus $500 for each dependent. This makes it possible to decrease substantially the number of taxpayers who must file declarations of estimated tax.

The withholding tables are constructed on the basis of much narrower wage brackets than those in the present law in order to achieve more accuracy and to minimize the differential in the tax to be withheld between adjacent wage brackets. In addition to the table method of withholding, the bill also provides a percentage method for those employers who wish to use it.

It will be noted that the bill graduates withholding through the second surtax bracket. Your committee did not deem it advisable at this time to extend graduated withholding to any higher bracket. The first surtax bracket embraces surtax net incomes from zero to $2,000, and the second surtax bracket embraces surtax net incomes from $2,000 to $4,000. Surtax net income is net income less exemptions.

The withholding tables appear in the appendix.

EFFECTIVE DATES OF BILL

The provisions of the bill are effective for 1944 and subsequent years, with the following exceptions:

(*a*) The withholding provisions of the new bill do not become effective until January 1, 1945; but in order to put such provisions into effect by that date, the new withholding exemption certificates are required to be furnished on or before December 1, 1944.

(*b*) The provisions of the bill give the employer an opportunity to give effect to changes in status of employees occurring after July 1, 1944, with respect to wages paid during the calendar year 1944. Under the existing law, such changes in status could only be given effect as of January 1, 1945.

(*c*) Under existing law, if an individual's income from sources not subject to withholding is less than $100, a declaration of estimated tax is not required unless his income is $2,700 in the case of a single man, and $3,500 in the case of a married man. These requirements as to declarations are continued during 1944. For 1945, and subsequent years, an individual whose income from sources not subject to withholding is less than $100 is not required to make a declaration of estimated tax unless his income exceeds $5,000 if single, $5,500 if married, plus $500 for each dependent.

(*d*) The definition of deficiency is effective for 1943 and subsequent years.

REVENUE YIELD AND TAX BURDENS

The bill maintains the existing revenue without substantial change. Under existing law the individual income tax for a full year of operation at levels of income estimated for the calendar year 1944 will yield approximately $17,000,000,000. Your committee bill will reduce this yield by $60,000,000 or approximately one-third of 1 percent. Your committee feels that the loss of revenue is justified in the interest of simplification.

The following compares the rates of tax under present law and under the committee bill:

Present law: Victory tax of 3 percent of gross income in excess of $624.

Committee bill: Normal tax of 3 percent of net income in excess of $500.

Individual surtax rate schedule (with 6-percent normal tax included) under Revenue Act of 1943 and the surtax schedule under the committee bill

Surtax net income (in thousands)	Bracket rate		Total surtax cumulative	
	Revenue Act of 1943 with 6 percent normal tax added [1]	Committee bill [2]	Revenue Act of 1943 with 6-percent normal tax added	Committee bill [2]
	Percent	*Percent*		
$0 to $2	19	20	$380	$400
$2 to $4	22	22	820	840
$4 to $6	26	26	1,340	1,360
$6 to $8	30	30	1,940	1,960
$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
$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		

[1] Surtax rates same as under Revenue Act of 1942; Victory tax not included.
[2] Does not include 3-percent normal tax.

Under your committee bill only such individual increases or decreases are made as are deemed necessary to accomplish simplification. A comparison of the tax burden under present law and under the committee bill for persons of various family status follows.

Tables 1 to 5 show the tax burden under present law and under the committee bill for persons of various family status having incomes of not more than $5,000. Adjusted gross income rather than net income is shown in these tables in order to reflect the effect of increasing the standard deduction allowed users of supplement T tax table from 6 percent to 10 percent. In general, adjusted gross income is gross income less business deductions and for most wage earners represents gross income.

Tables 6 to 10 show the tax burden under present law, and under the committee bill, on a net income basis. In general, net income is gross income less all deductions, both business and nonbusiness. These tables do not reflect the increase in the standard deduction allowance for users of supplement T nor the allowance of $500 as a standard deduction for persons having adjusted gross incomes of more than $5,000.

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 committee bill*

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]	Committee bill	Revenue Act of 1943	Committee bill	
$500	$0	$0	0	0	$0
$525	1	0	.2	0	−1
$550	5	1	.9	0	−4
$575	10	7	1.7	1.2	−3
$600	14	12	2.3	2.0	−2
$700	35	32	5.0	4.6	−3
$800	56	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	157	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	18.5	−23
$4,200	812	786	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.

TABLE II.—*Tax under supplement T of the Revenue Act of 1943 compared with that under supplement T of the committee bill*

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]	Committee bill [2]	Revenue Act of 1943	Committee bill	
$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. 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.

TABLE III.—*Tax under supplement T of the Revenue Act of 1943 compared with that under supplement T of the committee bill*

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]	Committee bill [2]	Revenue Act of 1943	Committee bill	
$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. 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.

Table IV.—*Tax under supplement T of the Revenue Act of 1943 compared with that under supplement T of the committee bill*

MARRIED PERSONS WITH 2 DEPENDENTS

Adjusted gross income	Tax		Effective rate (percent)		Increase or decrease (—) over Revenue Act of 1943
	Revenue Act of 1943 [1]	Committee bill [2]	Revenue Act of 1943	Committee bill	
$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	546	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. 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.

TABLE V.—*Tax under supplement T of the Revenue Act of 1943 compared with that under supplement T of the committee bill*

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]	Committee bill [2]	Revenue Act of 1943	Committee bill	
$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	2.3	2.1	−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	−142
$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. 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.

Burden Tables (Net Income Levels)

Table VI.—*Income and Victory tax under Revenue Act of 1943 compared with total tax under the committee bill*

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]	Committee bill	Revenue Act of 1943	Committee bill	
$500	$0	$0	0	0	$0
$525	5	6	1.0	1.1	1
$550	10	12	1.8	2.2	2
$575	15	17	2.6	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	445	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	1,098	1,105	22.0	22.1	7
$6,000	1,391	1,395	23.2	23.3	4
$7,000	1,705	1,705	24.4	24.4	0
$8,000	2,038	2,035	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	37.9	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	115,860	74.8	77.2	3,664
$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 10/9 of net income.

TABLE VII.—*Income and Victory tax under Revenue Act of 1943 compared with total tax under the committee bill*

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]	Committee bill [2]	Revenue Act of 1943	Committee bill	
$500	$0	$0	0	0	$0
$525	0	1	0	0.2	1
$550	0	2	0	.4	2
$575	0	2	0	.3	2
$600	1	3	0.2	.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	61	1.8	5.1	40
$1,500	88	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	48
$3,000	423	475	14.1	15.8	52
$4,000	671	725	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	10,119	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	67,459	69,435	67.5	69.4	1,976
$150,000	111,601	115,415	74.4	76.9	3,814
$200,000	156,744	161,905	78.4	81.0	5,161
$250,000	202,399	208,895	81.0	83.6	6,496
$500,000	430,732	443,895	86.1	88.8	13,163
$750,000	659,065	675,000	87.9	90.0	15,935
$1,000,000	887,399	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 110% of net income. Assumes only 1 spouse has income.
[2] Assumes only 1 spouse has income.

TABLE VIII.—*Income and Victory tax under the Revenue Act of 1943 compared with total tax under committee bill*

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]	Committee bill [2]	Revenue Act of 1943	Committee bill	
$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	89	99	4.9	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	865	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	7,002	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.
[2] Assumes only 1 spouse has income.

TABLE IX.—*Income and Victory tax under Revenue Act of 1943 compared with total tax under the committee bill*

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]	Committee bill [2]	Revenue Act of 1943	Committee bill	
$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	45	3.4	2.3	—22
$2,500	179	160	7.2	6.4	—19
$3,000	290	275	9.7	9.2	—15
$4,000	517	505	12.9	12.6	—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	4,265	28.8	28.4	—58
$20,000	6,820	6,785	34.1	33.9	—35
$25,000	9,713	9,705	38.9	38.8	—8
$30,000	12,842	12,865	42.8	42.9	23
$40,000	19,462	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	111,006	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
$500,000	430,116	442,985	86.0	88.6	12,869
$750,000	658,449	675,000	87.8	90.0	16,551
$1,000,000	886,783	900,000	88.7	90.0	13,217
$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.
[2] Assumes only 1 spouse has income.

TABLE X.—*Income and Victory tax under the Revenue Act of 1943 compared with total tax under the committee bill*

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 [1]	Committee bill [2]	Revenue Act of 1943	Committee bill	
$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	—5
$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	—151
$10,000	1,970	1,795	19.7	18.0	—175
$15,000	3,882	3,645	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	25,852	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	155,221	159,655	77.6	79.8	4,434
$250,000	200,859	206,620	80.3	82.7	5,761
$500,000	420,192	441,620	85.8	88.3	12,428
$750,000	657,525	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	4,500,000	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.
[2] Assumes only 1 spouse has income.

TABLE XI.—*Comparison of tax of married person with no dependents under existing law who because of change in definition of dependency becomes a married person with 1 dependent under the committee bill*

Net income before exemption	Married, no dependents, 1943 act	Married, 1 dependent, committee bill	Increase (+) or reduction (—)	Net income before exemption	Married, no dependents, 1943 act	Married, 1 dependent, committee bill	Increase (+) or reduction (—)
$5,000	$924	$865	—$59	$70,000	$42,355	$43,035	+$680
$6,000	1,209	1,135	—74	$80,000	50,452	51,390	+938
$7,000	1,503	1,425	—78	$90,000	58,849	60,045	+1,196
$8,000	1,828	1,735	—93	$100,000	67,459	69,000	+1,541
$9,000	2,161	2,065	—96	$150,000	111,601	114,970	+3,369
$10,000	2,527	2,415	—112	$200,000	156,744	161,455	+4,711
$15,000	4,617	4,480	—137	$250,000	202,399	208,440	+6,041
$20,000	7,184	7,050	—134	$500,000	430,732	443,440	+12,708
$25,000	10,119	10,000	—119	$750,000	659,065	675,000	+15,935
$30,000	13,269	13,175	—94	$1,000,000	887,399	900,000	+12,601
$40,000	19,931	19,890	—41	$2,000,000	1,800,000	1,800,000	----------
$50,000	27,060	27,225	+165	$5,000,000	4,500,000	4,500,000	----------
$60,000	34,557	34,980	+423				

DETAILED DISCUSSION OF TECHNICAL PROVISIONS OF THE BILL

PART I.—AMENDMENTS TO CHAPTER 1 OF THE INTERNAL REVENUE CODE

SECTION 2. TAXABLE YEARS TO WHICH APPLICABLE

This section, as in the House bill, provides that, except where otherwise expressly provided, the amendments made by part I shall be applicable with respect to taxable years beginning after December 31, 1943.

SECTION 3. NORMAL TAX ON INDIVIDUALS

This section is the same as section 3 of the House bill.

Section 11 of the Internal Revenue Code imposes upon individuals a normal tax of 6 percent of the net income in excess of the credits provided in section 25 of the code for interest on certain Government obligations, personal exemption, and dependents. Under existing law, there is also imposed a Victory tax of 3 percent of Victory tax net income. This Victory tax net income differs from the base upon which the normal tax and surtax are imposed in that, in general, only business expenses are permitted to be deducted. Under the plan of simplification, the Victory tax is repealed and the aggregate tax burden imposed by it and the existing normal tax and surtax are imposed by the proposed normal tax and surtax. As a phase of this integration, section 3 of the bill amends section 11 of the code to provide a normal tax rate of 3 percent. Owing to the changes made in section 10 of the bill, this 3 percent rate is levied on net income in excess of a normal tax exemption of $500 and the credits provided in section 25 (a) (1) and (2) for interest on certain Government obligations. This new normal tax exemption is similar to the Victory tax exemption in existing law in that it does not vary with family status. In the case of a joint return of husband and wife, if one spouse has less than $500 adjusted gross income, the exemption is $500 plus the adjusted gross income of such spouse.

A taxpayer who has elected to pay his tax under supplement T as amended in section 5 of the bill pays the tax therein provided in lieu of the normal tax and surtax, and appropriate cross-reference in this regard is made in this and the following section.

SECTION 4. SURTAX ON INDIVIDUALS

This section, which is identical with the House bill, amends section 12 (b) of the code relating to the rates of surtax on individuals. In general, the surtax rates under the bill are the same as the aggregate of the normal and surtax rates under existing law with small adjustments in some brackets to maintain approximately the same aggregate amount of revenue from individuals.

There is inserted a new subsection (g), designed to place a ceiling upon the aggregate normal and surtax of an individual taxpayer in a manner similar to that of section 456 which has the effect of limiting the aggregate normal tax, surtax, and Victory tax. Since section 456, being a part of the Victory tax, is repealed by section 6 of the bill, this new subsection is made a part of section 12 of the code in order to limit the aggregate tax imposed by such section and section 11 to 90 percent of the net income of the individual. For the purpose of this limitation, the tax is to be computed without regard to the credits provided in section 31, relating to taxes of foreign countries, section 32, relating to taxes withheld at source, and section 35, relating to taxes withheld on wages.

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

This section is identical with section 5 of the House bill.

Under existing law certain individual taxpayers, in lieu of computing the regular normal tax, surtax, and Victory tax, may elect to pay the tax imposed under the tax table found in supplement T of the code. This supplement, comprising sections 400 to 404, inclusive, contains, among the conditions upon its applicability, the requirement that the taxpayer electing it have gross income under $3,000, consisting of salaries, wages, compensation for personal services, dividends, interest, or annuities. Section 5 (a) of the bill recasts supplement T in keeping with the primary objective of simplification. In this connection, the scope of the supplement is broadened so that any individual (other than a nonresident alien, a United States citizen entitled to the benefits of section 251, an estate or trust, or an individual making a return for a period of less than 12 months on account of a change in the accounting period) may elect to pay the tax under supplement T if his adjusted gross income for the taxable year is less than $5,000. The concept of "adjusted gross income" is the device employed for putting taxpayers with different types of income from varying sources in a position of substantial parity so that the simple tax table type of computation will hereafter be available to all persons with adjusted gross incomes under $5,000. The term "adjusted gross income" is defined in section 8 of the bill and will be discussed later.

Supplement T is amended by subsection (a) of this section of the bill in the following respects:

(*a*) It is made applicable to adjusted gross incomes up to $5,000 instead of $3,000 of gross income.

(*b*) Through the use of the concept of adjusted gross income, it is made applicable to individuals without regard to the source from which the income is derived. Hence it would apply to individuals deriving income from the conduct of a business, from a partnership or trust, or from the sale or exchange of capital assets, as well as those under the scope of supplement T of existing law.

(*c*) Through the application of the provisions of section 10 of the bill, relating to credits against net income, the three tables found in supplement T of existing law are reduced to one table; and the references to marital status are eliminated, there being substituted therefor reference solely to the number of surtax exemptions.

(*d*) The single tax table, which is to be incorporated in section 400, is constructed on brackets of $25 with respect to adjusted gross incomes from $550 to $3,000 and on brackets of $50 with respect to adjusted gross incomes of $3,000 or more. In determining the tax payable in each bracket, a standard deduction of 10 percent of the adjusted gross income at the midpoint of the bracket is allowed, as compared with the deduction of 6 percent of gross income used in the table found in existing law.

(*e*) Under existing law supplement T is not applicable to an individual married and living with husband or wife whose spouse files a return and pays tax without regard to supplement T. Under the bill such restriction would not apply, provided that the spouse elected to take the standard deduction. However, if the net income of one spouse is determined without regard to the standard deduction, the other spouse is not allowed the standard deduction and must itemize all deductions claimed. The restriction does not apply where husband and wife are not living together.

The tax table under supplement T automatically provides for one normal tax exemption in the computation of the amounts of tax for each bracket of adjusted gross income. Under section 10 of the bill, however, there is provided a normal tax exemption of $500, and in the case of a joint return where one spouse has less than $500 of adjusted gross income, the exemption is $500 plus the adjusted gross income of such spouse. Therefore, where a joint return is filed and both spouses have adjusted gross income, it is necessary to reduce the tax shown in the table by $15 (3 percent of $500) or, where the adjusted gross income of one spouse is less than $500, by 3 percent of the amount of such adjusted gross income. Thus, if husband and wife file a joint return showing an aggregate adjusted gross income of $4,000 of which $400 represents the adjusted gross income of the wife, there will be deducted from the tax appropriate to such case, as shown on the table, 3 percent of $400, or $12.

Section 401 of the code is amended to contain a definition of the term "surtax exemptions" which is used in the caption of the tax table found in section 400. The term "number of surtax exemptions" is defined to mean the number of exemptions allowed under section 25 (b) as a credit against net income for the purpose of the surtax imposed by section 12. Section 10 of the bill, in amending section 25 of the code, changes the system of personal exemptions and credits for dependents found in existing law to a system of per capita exemptions. This system provides for exemptions which are equal in amount. On any return a taxpayer may claim one exemption for himself, one for his spouse under certain conditions, and one each for the dependents for which he is entitled to credit. This per capita exemption system applies only with respect to the surtax. Thus, the table found in supplement T bears reference only to the number of surtax exemptions to which the taxpayer may be entitled.

Section 402, relating to the manner of election to pay the tax under supplement T, is amended to provide that the election shall be exercised in the manner prescribed by the Commissioner with the approval of the Secretary.

Section 403 is a cross-reference to section 23 (aa) of the code, as added by section 9 of the bill, relating to the optional standard deduction.

Section 404 provides that supplement T has no application 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 12 months on account of a change in the accounting period. Such provision is in keeping with existing law. Such taxpayers are subject to special provisions of the statute not adaptable to the method of taxation employed in supplement T.

Subsection (b) makes a technical amendment to section 4 (l) of the code to conform such section to the amendments contained in subsection (a).

SECTION 6. REPEAL OF VICTORY TAX

This section, which is the same as in the House bill, repeals subchapter D of chapter 1 of the code, which contains the provisions of law relating to the Victory tax. In addition it contains 10 technical amendments necessitated by the repeal of the Victory tax. For the most part these amendments eliminate references in other sections of the code to the repealed tax.

SECTION 7. SERVICES OF CHILDREN

This section is substantially the same as section 7 of the House bill.

Under existing law the compensation paid for the services of a minor child is taxable either as the income of the parent or of the child according to the rights conferred on the parent by the local law with respect to the services of his minor child. In most of the States, the general rule derived from the common law prevails to the effect that the parent is entitled to the services of the child and hence is entitled to his earnings. This rule is subject to numerous exceptions depending on the circumstances and, in many cases, the intent of the parties. In Louisiana, where the legal system stems from the French civil law, the parent has no right to the services of his child. Thus, for Federal income tax purposes, opposite results may obtain under the same set of facts depending upon the applicable State law. In addition, such variations in the facts as make applicable the exceptions to the general rule in each jurisdiction tend to produce additional uncertainty with respect to the tax treatment of the earnings of minor children. Section 7 of the bill incorporates a policy which will make for uniformity among the various States in taxation of the compensation for services performed by a minor child.

This section states the rule with respect to inclusion in gross income of the amounts received for the child's services. It amends section 22 (relating to gross income) by adding a new subsection (m) to provide that such amounts shall be included in the gross income of the child. This is so even though the compensation is not received by the child. As a corollary it is provided that such amounts shall not be included in the gross income of the parent. Thus, even though the contract of employment is made directly by the parent and the parent receives the compensation for the services, for the purposes of the Federal income tax, the amounts would be considered to be taxable to the child because earned by him. This subsection likewise provides that expenditures, whether made by the parent or the child, which are attributable to the earnings of the child, shall be considered to have been paid or incurred by him. Thus, for the purposes of the Federal income tax, regardless of the provisions of the local law, the child is deemed to be a separate taxpayer subject to the filing requirements as is any other taxpayer, entitled to a separate exemption for normal and surtax, and entitled to take as deductions the amounts paid out by him or on his behalf where the amounts are attributable to his earnings and are otherwise deductible from gross income for tax purposes. Under this provision, a child would be entitled to take as deductions not only expenditures made on his behalf by his parent which would commonly be considered as business expenses, but also such personal deductions as were made out of his earnings and in his name. For example, a contribution made by a parent in the name of a juvenile actor and out of his earnings to a charitable organization for indigent members of the acting profession would be deductible on the return of the child.

Under these provisions, it is contemplated that the parent or guardian of the child will cause to be made and filed, and will execute, on behalf of the child, the required return where the child himself is unable to do so. The term "parent" is defined to mean, in this connection, an individual who under local law is entitled to the services of the child by reason of having parental rights and duties in respect of the child.

The policy of taxing compensation earned by a child to such child contemplates that the tax will be payable out of, or charged upon, such compensation. This result follows automatically to the extent the tax is withheld. With respect to any tax liability not satisfied through withholding, which is attributable to such compensation, the House bill in paragraph (4) of the amendment to section 22 (m) of the code provided that the parent is to be treated as having the rights and duties of a fiduciary, to the extent of his rights and privileges over such income.

It is recognized that the compensation of the child must be considered charged with the tax thereon, and that the rights and duties and privileges possessed by the parent with respect to such compensation and the support of the child entail a responsibility upon the parent for the timely return and payment of the tax attributable to such compensation. The parent is generally the guardian of the person of the child and usually also the guardian of the property of the child. With respect to the making and filing of the return of the child, it seems undesirable to impose upon the parent a duty additional to those already imposed upon him by sections 51 (c), 142, 161, 3796 (a) (6), and related provisions of the code. In view of the parent's dominion over such compensation, it also seems desirable that the parent's duty as to the payment of the tax attributable to the compensation should be more definite and direct than that provided in the House bill.

Accordingly, under the committee amendment there is substituted for the provisions of the House bill, relating to the liability of the parent as a fiduciary, a provision under which any assessment of the tax against the child which is unpaid by him is to have the force and effect of an assessment against the parent; accordingly all provisions of law respecting the collection and enforcement of an assessment become applicable to the same extent, and in the same manner, as an assessment against the parent. Although having the force and effect of an assessment against the parent, the assessment against the child retains also its full force and effect. The amount which may be enforced against and collected from the parent is the amount which is attributable to the increase in the liability of the child as a result of the application of paragraphs (1) and (2) of section 22 (m). Under the amendment, the provisions of paragraph (4) are applicable not only to the initial assessment against the child, but also to each subsequent assessment.

SECTION 8. ADJUSTED GROSS INCOME

This section is the same as section 8 of the House bill with the exception of additional amendments to section 117 of the code made in subsection (d).

Subsection (a) of this section amends section 22 of the code by adding subsection (n) thereto for the purpose of defining the new concept "adjusted gross income," which is used in determining the tax under supplement T. The tax table provided in section 400 is divided into brackets representing amounts of adjusted gross income. Adjusted gross income also constitutes the base which determines whether the optional standard deduction of $500, as provided in section 9 of the bill, is applicable. The proposed section 22 (n) of the code provides that the term "adjusted gross income" shall mean the gross income computed under section 22 less the sum of the following deductions: (1) Deductions allowed by section 23 of the code, which are attributable to a trade or business carried on by the taxpayer not consisting of services performed as an employee; (2) deductions allowed by section 23 which constitute expenses of travel, meals, and lodging paid or incurred by the taxpayer while away from home in connection with the performance by him of services as an employee; (3) deductions allowed by section 23 (other than expenses of travel, meals, and lodging while away from home) which consist of expenses paid or incurred in connection with the performance of services as an employee under a reimbursement or other expense-allowance arrangement with his employer; (4) deductions allowed by section 23 which are attributable to rents and royalties; (5) deductions not included in the deductions before mentioned, for depreciation and depletion allowed under section 23 (l) and (m) to a life tenant of property or to an income beneficiary of property held in trust; and (6) deductions (other than those which would be considered business losses) which are allowed by section 23 as losses from the sale or exchange of property.

Fundamentally, the deductions thus permitted to be made from gross income in arriving at adjusted gross income are those which are necessary to make as nearly equivalent as practicable the concept of adjusted gross income, when that concept is applied to different types of taxpayers deriving their income from varying sources. Such equivalence is necessary for equitable application of a mechanical tax table or a standard deduction which does not depend upon the source of income. For example, in the case of an individual merchant or store proprietor, gross income under the law is gross receipts less the cost of goods sold; it is necessary to reduce this amount by the amount of business expenses before it becomes comparable, for the purposes of such a tax table or the standard deduction, to the salary or wages of an employee in the usual case. Similarly, the gross income derived from rents and royalties is reduced by the deductions attributable thereto (as defined in clause (4)) in order that the resulting adjusted gross income will be on a parity with the income from interest and dividends in respect of which latter items no deductions are permitted in computing adjusted gross income.

The deductions described in clause (1) above are limited to those which fall within the category of expenses directly incurred in the carrying on of a trade or business. The connection contemplated by the statute is a direct one rather than a remote one. For example, property taxes paid or incurred on real property used in the trade or business will be deductible, whereas State income taxes, incurred on business profits, would clearly not be deductible for the purpose of computing adjusted gross income. Similarly, with respect to the deductions described in clause (4), the term "attributable" shall be taken in its restricted sense; only such deductions as are, in the accounting sense; deemed to be expenses directly incurred in the rental of property or in the production of royalties. Thus, for this purpose, charitable contributions would not be deemed to be expenses directly incurred in the operation of a trade or business, or in the rental of property or the production of royalties, so as to be within the provisions of either clause (1) or clause (4).

This section creates no new deductions; the only deductions permitted are such of those allowed in chapter 1 of the code as are specified in any of the clauses (1) to (6) above. The circumstance that a particular item is specified in one of the clauses and is also includible in another does not enable the item to be twice subtracted in determining adjusted gross income.

The only expenses in connection with his employment which are deductible by an employee electing the standard deduction, as distinguished from an individual entrepreneur, are those which he incurs for travel, meals, and lodging while away from home, or those for which he is reimbursed directly by a separate payment by his employer. Thus, for example, an employee who incurs expenses for his employer for which he is reimbursed or for which he receives a per diem remuneration, would include in his gross income the amount of the per diem or reimbursement but would be entitled to deduct the amounts paid out by him for expenses.

Subsection (b) of this section contains an amendment to section 23 (o) of the code relating to the deduction for charitable contributions. This section is amended to allow as a deduction from gross income charitable contributions of an individual to the extent that the amount of such contributions does not exceed 15 percent of the taxpayer's adjusted gross income rather than 15 percent of the taxpayer's net income computed without the benefit of the deduction. The effect of this amendment is generally to enlarge the amount of tax benefit which may be received by an individual who makes large gifts to charity.

Subsection (c) of this section has a similar amendment to section 23 (x) of the code, relating to the deduction for medical expenses. Here, the effect of substituting adjusted gross income for net income computed without the benefit of the deduction is to increase slightly the amount of the medical expenses which must be incurred before deduction therefor will be allowed. The medical expense deduction provision is also amended to correspond to the system of surtax exemptions which is introduced in section 10 of the bill. Under existing law, the limit to which medical expenses may be deducted is $1,250 in the case of a single person, or a married person filing a separate return, and $2,500 in the case of married persons filing a joint return, or in the case of a head of the family. Since, under section 10 of the bill, the concept of the head of the family is eliminated, the limits upon the deduction are cast in the terms of surtax exemption. Thus, $1,250 is the maximum deduction for the taxable year if only one surtax exemption is allowed to the taxpayer, and $2,500 if more than one surtax exemption is allowed.

The committee amendment adds a new subsection (d) to this section of the bill. This subsection amends section 117 of the code to provide (1) that where tax is computed under supplement T, the determination of net capital gain is related to the adjusted gross income rather than the net income as is at present the case in section 117 (a) (10) (B), and (2) that, similarly, in computing the extent to which capital loss will be allowed to a supplement T taxpayer under the provisions of section 117 (d) (2), the adjusted gross income will be used. Of course, the same percentages of gain or loss taken into account in computing net income under section 117 (b) are taken into account in determining gross income, and therefore, in computing adjusted gross income.

SECTION 9. OPTIONAL STANDARD DEDUCTION

This section, which is the same as section 9 of the House bill, amends section 23 of the code to add a new subsection (aa) which provides that certain individual taxpayers may elect to take a standard deduction in lieu of certain deductions and credits.

Paragraph (1) of subsection (aa) provides that the standard deduction is $500 in the case of a taxpayer whose adjusted gross income as defined in section 8 of the bill is $5,000 or more. In respect of a taxpayer who has an adjusted gross income of less than $5,000, the standard deduction will be available only through the use of the tax table provided in supplement T. The tax table is so constructed as to compute the tax on the adjusted gross income at the midpoint of the bracket. In arriving at the tax payable for each bracket, there is allowed a standard deduction of 10 percent of the adjusted gross income at the midpoint of the bracket.

The standard deduction, if elected by the taxpayer, is taken in lieu of all deductions other than those which are to be subtracted from gross income in computing adjusted gross income as defined in section 8 of the bill, and also in lieu of the credits for taxes of foreign countries and possessions of the United States, credit for taxes withheld at the source under section 143 (a) of the code and credits against net income in respect of interest on certain obligations of the United States and Government corporations described in section 25 (a) (1) and (2).

In the case of a taxpayer who has elected to amortize bond premiums in accordance with the provisions of section 125, the deduction for the amortizable bond premium under such section is deemed to be allowable for the purposes of section 113 (b) (1) (H), relating to the adjusted basis of the bonds, though the taxpayer elects the standard deduction in lieu of such deduction for the amortizable bond premium.

The taxpayer may avail himself of the standard deduction for the taxable year only if he so elects; and if he does elect to take the standard deduction for the taxable year, such election shall be irrevocable for such year. In the case of a taxpayer whose adjusted gross income, as shown on his return, is $5,000 or more, the standard deduction shall be allowed only if he signifies in his return his election to take such standard deduction in the manner to be prescribed by the Commissioner with the approval of the Secretary. If the taxpayer's adjusted gross income, as shown on his return, is less than $5,000, the standard deduction shall be allowed only if he elects to pay the tax imposed by the tax table in supplement T; his election to pay the tax under supplement T must be made in accordance with regulations prescribed by the Commissioner, with the approval of the Secretary, under such supplement. If the adjusted gross income shown on the return is $5,000 or more, but the correct amount is less than $5,000, then the election by the taxpayer to take the standard deduction shall be deemed to be his election to pay the tax imposed by supplement T. Similarly, a failure to elect to take the standard deduction will constitute an election not to pay the tax imposed by supplement T. On the other hand, if the adjusted gross income shown on the return is under $5,000, but the correct amount is $5,000 or more, then his election to pay the tax imposed by supplement T shall be considered his election to take the standard deduction; and in a like manner, if he fails to elect to pay the tax imposed by supplement T, he shall be deemed to have elected not to take the standard deduction.

In the case of a husband and wife living together, if the net income of one spouse is determined without regard to the standard deduction, the other spouse shall not be permitted to avail himself of the standard deduction. For example, if a husband, whose adjusted gross income is shown on his return to be $6,000, does not elect to take the standard deduction of $500, his wife with an adjusted gross income of $3,500 will be precluded from computing her tax in accordance with the tax table prescribed in supplement T. 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. If one spouse dies during the taxable year, such determination, however, will be made as of the date on which such death occurred.

The standard deduction is not permitted where a separate return is made for a period of less than 12 months under section 47 (a) of the code on account of a change in the accounting period of the taxpayer.

Subsections (b), (c), and (d) of this section amend sections 162, 169, 183, and 213 of the code so as to deny to estates, trusts, common trust funds, partnerships, and nonresident aliens and citizens of the United States entitled to the benefits of section 251 the privilege of taking the standard deduction.

SECTION 10. CREDITS AGAINST NET INCOME

This section is substantially the same as section 10 of the House bill.

Section 10 (a) amends section 25 (a) of the code by adding at the end thereof a new paragraph to provide a normal tax exemption of $500. In the case of a joint return by husband and wife under section 51, a normal tax exemption of $1,000 is provided except that where the adjusted gross income of one spouse is less than $500, the exemption will be $500 plus the adjusted gross income of such spouse. For the purposes of the normal tax, no credit or exemption is recognized with respect to dependents.

Section 10 (b) revises subsection (b) of section 25 of the code to eliminate references now found therein to husband and wife, and to head of a family, and to provide for surtax exemptions on a per capita system. As a feature of the per capita exemption system the amendment also changes existing law tests for credit for dependents. Under the new provisions a taxpayer may receive credits against net income for the purposes of the surtax, but not for the normal tax, in the amount of $500 for himself, $500 for his spouse if a joint return is filed or if a separate return is filed and the spouse has no gross income and is not a dependent of another person, and $500 for each dependent whose gross income is less than $500. Thus, where a husband and wife file a joint return they are entitled to an exemption of $1,000. In such case neither the husband nor the wife may be claimed as a dependent by any other person. This is true although the wife, for instance, has no gross income and has received more than half of her support for the taxable year from her parent. In the husband-and-wife situation where no joint return is filed but where one of the spouses files a separate return, such spouse would be entitled to claim an exemption of $1,000 provided that the other spouse had no gross income and was not a dependent of another person. The rule under existing law that the marital exemption may be divided between the spouses as they choose or all claimed by one spouse on a separate return, is changed so that where separate returns are filed, husband and wife are entitled only to their respective $500 exemptions. It is only in the case where one spouse has no gross income and is not a dependent of another person that the other spouse (having no dependents) may claim $1,000 on a separate return filed by him. Similarly, it is only in the situation where a separate return is filed by one spouse and the other spouse has no gross income that inquiry need be made into the question of whether the wife, for example, is supported and claimed as a dependent by her parent. However, if the wife, for instance, had no gross income and derived more than half of her support from an individual who would not be entitled to claim a credit for her as a dependent (for example, a first cousin), the husband would be entitled to the surtax exemption with respect to his wife.

In addition to the exemption of the taxpayer himself and the possible second exemption for his spouse under the conditions noted above, a taxpayer is entitled, under the new section, to a $500 exemption for each dependent. Under existing law a taxpayer may claim a credit for any person who is dependent on him and is under the age of 18 or physically or mentally incapable of self-support, and for whom he furnishes the chief support. In lieu of these tests the new system of exemptions grants a surtax exemption for every person closely related to the taxpayer in any of several specified degrees of relationship for whom the taxpayer provides over half the support. In addition, it is provided that the term "dependent" does not include a citizen or subject of a foreign country unless such individual is a resident of a country contiguous to the United States.

It is required that the dependent be related to the taxpayer within one of the following relationships: child, the descendants of such child; a stepchild; a brother, sister, or brother or sister by the half-blood, stepbrother or stepsister: parent, or grandparent; a stepfather or stepmother; a niece or nephew; an uncle or aunt; a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law. For the purpose of determining whether any of the foregoing relationships exist a legally adopted child is considered as a child by blood, as is an illegitimate child.

It is contemplated by the bill that not more than one taxpayer shall be entitled to a surtax exemption with respect to any individual. Consistent with this theory an additional restriction on the claiming of the surtax exemption for a dependent is found in the fact that such exemption may not be claimed for any individual who has, during the calendar year, a gross income of $500 or more. Such an individual, on the calendar year basis, is, under section 51 of the code, as amended by section 11 of the bill, required to file a return and would be entitled to the surtax exemption on his own behalf. This rule applies even though the individual in question derives more than one-half of his support from the taxpayer. Thus in the case of a minor child, on the calendar year basis, earning wages of $600 during the calendar year, a return must be filed by the child and no credit is allowed the parent on the calendar year basis even though the child receives more than one-half of his support for that year from the parent. Likewise, a father having gross income of $500 or more and thus required to file a return is not a dependent of his son, even though the son furnishes more than one-half of the support of his parent.

Section 10 (b) of the bill also changes the status determination date from that found in existing law. Under existing law the status of the taxpayer with respect to personal exemption and the credit for dependents is July 1 of the taxable year, unless the taxable year does not include July 1, in which case the status is determined as of the last day of the taxable year. For this rule there is substituted the rule that 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 the determination is made as of the date of the spouse's death.

Under the bill, a particular status date with respect to dependents is not required. It is intended that there will be only one exemption with respect to any individual. However, the exemption may be allowable even though the dependent was not in existence throughout the full taxable year. Thus if a child of the taxpayer supported by the taxpayer is born or dies during the taxable year an exemption will be allowable with respect to the child.

Subsection (c) of this section makes technical changes in section 47 (e) of the code (relating to reduction of credits against net income) required by changes made in section 25 by section 10 (a) and (b) of the bill. Similar technical changes in section 143 (a) (2) of the code (relating to credits against net income) are made by subsection (d) and in section 163 (a) (1) of the code (relating to credits of estates and trusts) by subsection (e).

Subsection (f) of this section revises section 214 of the code (relating to credits of nonresident aliens against net income) to provide that in the case of a nonresident alien not a resident of a contiguous country, the normal tax exemption shall be only $500 and the surtax exemptions allowed by section 25 (b) (1) (B) and (C) with respect to a spouse or a dependent shall not be allowed.

Subsection (g) of this section revises section 215 of the code (relating to allowance of deductions and credits) to eliminate references to the personal exemption and credit for dependents and to substitute therefor reference to the normal tax exemption and the surtax exemption in keeping with the changes made in section 25 of the code.

Subsection (h) of this section makes a technical amendment to section 251 (f) of the code (relating to credits against net income) required by the amendments to section 25 of the code. As thus amended, section 251 (f) provides that a citizen of the United States entitled to the benefits of section 251 is allowed a normal tax exemption of only $500 and shall not be allowed the surtax exemptions provided by section 25 (b) (1) (B) and (C) with respect to a spouse or a dependent.

Section 10 (i) of the bill makes a technical amendment to section 3797 (a) (17) of the code (defining husband and wife for certain purposes) required by amendments to section 25 and to supplement T of chapter 1 of the code.

The committee amendments to this section in subsection (b) establish a rule relating to the allowable surtax exemptions for the spouse and dependents where the taxable year of the taxpayer is different from that of the individual with respect to whom a surtax exemption is claimed. In such cases the determination of whether or not the spouse had gross income is made on the basis of the calendar year; similarly the determination of whether a person may be a dependent as having gross income of less than $500 and the determination as to whether over half the support of such a person was received from the taxpayer are made on the basis of a calendar year. Only one surtax exemption for such calendar year is available on account of any such spouse or dependent. A taxpayer on a fiscal year entitled to such an exemption receives it for his taxable year beginning in such calendar year. Thus, if during 1944 the taxpayer's wife had no gross income and was not the dependent of another taxpayer, and the taxpayer furnished over half the support of his son whose gross income was $200 in 1944, the taxpayer is entitled to surtax exemptions for himself, his wife, and his son for his taxable year beginning September 1, 1944, even though his wife received some gross income in January 1945 and even though his son received more than $500 gross income between January and August 1945. On the other hand, if the wife had received gross income during January 1944, no exemption for her may be taken under section 25 (b) (1) (B) (ii) for the taxpayer's fiscal year beginning September 1, 1944. The amendments provide the same rule with respect to short years arising through the death of a taxpayer. If a taxpayer dies January 15, 1945, and his wife has no gross income during 1945 prior to his death but does have income during that year subsequent to his death, the taxpayer is not allowed a surtax exemption for his wife for his short taxable year from January 1 to 15; and if prior to his death the taxpayer had fully supported two children who were supported during the balance of the calendar year by his wife, the taxpayer is not allowed surtax exemptions for the children, but his wife is entitled to exemptions for them.

The amendments to section 10 proposed by the committee also insert at the end of section 25 (b) (3) of the code the provisions of existing law that a payment to a wife which is includible in her gross income under section 22 (k) or section 171, which sections relate to alimony payments, shall not be considered a payment by her husband for the support of any dependent. Subsection (i) of the bill is changed so that the amendment of the definition in section 3797 (a) (17) of the code will appropriately reflect this change.

There is a clerical change in subsection (f) to retain the present heading of code section 214.

SECTION 11. RETURNS

This section, which is the same as in the House bill, amends sections 51 and 142 of the code relating to the requirements for filing returns by individuals and fiduciaries respectively. Subsection (a) amends section 51 (a) and (b) which contain existing law requirements with respect to filing and the election to make a joint return in the case of a husband and wife living together. Instead of the rules found in existing law with respect to single persons and married persons living with husband or wife, there is provided the general rule that every individual having gross income of $500 or more must make a return. Subsection (a) of section 51, as amended by this section, also provides that the Commissioner with the approval of the Secretary may prescribe regulations governing the kind of return to be filed by different categories of taxpayers, the nature of the information to be shown therein as to items of gross income and the deductions and credits, and other information bearing upon the tax liability of the taxpayer. Section 51 (a), as so amended, permits the Commissioner to carry out the plan of simplified reporting of tax by wage earners which is contemplated under this bill. This feature is more specifically outlined in the amendment to section 51 (f) of the code made by subsection (b) of this section.

Section 51 (b) of the code is revised by this section of the bill to provide that a single return made jointly by husband and wife shall constitute a joint return even though one of the spouses has neither gross income nor deductions for the taxable year for which such return is filed. Section 51 (b), as thus revised, also provides that the status of husband and wife shall be determined as of the last day of the taxable year thus eliminating the necessity for the provision found in section 51 (f) of existing law in which July 1 of the taxable year is designated as the status determination date.

Subsection (b) of this section strikes out section 51 (f) of existing law (relating to determination of status) and inserts in lieu thereof a new subsection (f) providing for simplified returns for certain wage earners. The new subsection provides that an individual entitled to elect to pay the tax imposed under supplement T who has gross income under $5,000 entirely from dividends, interest, or remuneration for services performed by him as an emp oyee, or any combination of these sources, and whose gross income from sources other than wages subject to withholding does not exceed $100 shall be entitled to elect the simplified procedure for reporting his income and paying his tax. The statute provides that those who make this election will be relieved from computing the tax and that the tax shall be computed by the collector. It further provides that where any balance of tax remains unpaid, the collector shall mail to the taxpayer a notice and demand for the amount of the balance due. Of course, in cases where the tax liability is less than the amount collected through withholding, refunds will be made under the authority of section 322 of the code.

This subsection also provides that the Commissioner shall prescribe regulations for carrying out the subsection. In addition, it goes on to mark out (1) areas in which the Commissioner, by regulations, may expand the scope of the subsection, and (2) other areas where details of administration not prescribed in the statute are to be covered in the Commissioner's regulations. It is contemplated that an adoption of the withholding-tax receipt received by the wage earner from his employer will be prescribed as the convenient optional return for this purpose under this simplified procedure.

The statute also provides that the Commissioner, by regulations, may expand the category of taxpayers to whom the simplified form of reporting is applicable, to cases where gross income includes items other than dividends, interest, or remuneration for services as an employee, cases where the gross income from sources other than wages subject to withholding is more than $100 but not more than $200, and, finally, to cases where the gross income is $5,000 or more but not more than $5,200.

Recognizing also that the procedure to be adopted in many of the situations which are bound to arise under this new simplified type of reporting and paying tax will be governed by administrative feasibility, the statute provides that the Commissioner shall, by regulations, prescribe rules for the application of the simplified procedure to husband and wife, including rules relating to circumstances under which a joint return may be permitted or required and what constitutes a joint return under the new procedure. He shall also prescribe whether the liability on such a return shall be joint and several and whether one spouse may make a return under the simplified method of reporting and the other spouse file a regular income-tax return. Regulations are also required to provide rules as to the extent, if any, to which the benefits of the subsection may be availed of for taxable years beginning in 1944 by persons required to make or making payments of estimated tax with respect to the taxable year.

Subsection (c) of section 11 of the bill makes the necessary technical changes in section 142 (a) of the code (relating to requiring returns in the case of a fiduciary) required by the amendments to section 25 of the code.

Subsection (d) of section 11 of the bill makes a change in section 22 (b) (4) of the code (relating to the furnishing by taxpayer upon his return of information relating to tax-free interest) so as to leave to regulations the extent to which taxpayers may be required to disclose, on their respective returns, information with respect to such interest.

SECTION 12. PAYMENT IF TAX NOT COMPUTED BY TAXPAYER

This section, as in the House bill, adds a new subsection (i) to section 56 of the code, relating to the payment of the tax. The amendment contemplates that, under section 51 (f), as amended in section 11 of the bill, optional returns will be filed upon which the taxpayer will not be required to compute his tax liability, the collector in such cases making the actual computation by reference to the tax table forming part of supplement T. Section 51 (f) provides that the collector will notify the taxpayer of the amount of the unpaid tax. The amendment made by this section provides that the tax payable on the basis of such a return shall be paid within 30 days after the mailing by the collector to the taxpayer of a notice stating the amount of the balance due.

SECTION 13. ESTIMATED TAX OF INDIVIDUALS

This section is the same as section 13 of the House bill.

The major changes with respect to the declaration and payment of estimated tax which are made by this section of the bill may be summarized as follows:

(1) Where wages are subject to withholding, the filing requirements are raised to $5,000 of anticipated income plus $500 in addition for every surtax exemption (except his own) to which the taxpayer is entitled.

(2) The date for filing of original declarations, where the filing requirements are first met after September 1 of any year, or for filing of the last amendments of any previously filed declarations, is postponed from December 15 of the taxable year to January 15 of the succeeding year, and the fourth installment of estimated tax heretofore due on December 15 is due at the later date.

(3) A final return filed on or before January 15 will operate in certain cases as a declaration or an amendment to a declaration.

(4) With respect to farmers, the definition has been changed so that the anticipated receipt of two-thirds of the income rather than 80 percent from agricultural sources will qualify a taxpayer as a farmer.

To incorporate the foregoing changes together with several other amendments of less importance subsection (a) of this section of the bill revises sections 58, 59, and 60 of the code relating to the declaration and payment of the estimated tax. Under section 22 of the bill withholding is extended so as to collect substantially the entire tax through the second surtax bracket of income in excess of the surtax exemptions. Accordingly, there will be no necessity for the making of declarations of estimated tax by individuals whose gross income from wages can be reasonably expected not to exceed the sum of $5,000 plus $500 with respect to each surtax exemption other than his own. Thus, section 58 (a) is amended to provide that every individual, other than an estate or trust and other than a nonresident alien whose wages are not subject to withholding under section 1622, shall make a declaration of his estimated tax for the taxable year, if his gross income from wages subject to withholding can reasonably be expected to exceed $5,000 plus $500 for each surtax exemption (except his own) or if his gross income from sources other than wages subject to withholding can reasonably be expected to exceed $100 for the taxable year and his gross income to be $500 or more. This new rule for the filing of declarations is simpler of application and easier of comprehension than the complex rule appearing in section 58 (a) of the present law. The test with respect to gross income for the taxable year preceding the year for which the declaration is filed is eliminated under the bill.

Section 58 (b), relating to the contents of the declaration of estimated tax, is retained in virtually the same form as in the present law except for a technical amendment, necessitated by the repeal of the Victory tax under section 6 of the bill.

Section 58 (c), relating to joint declarations, is rewritten in substantially the same form as it appears in the present law, except that the reference to husband and wife living together is removed in accordance with the amendment contained in section 11 of the bill. As so amended, this subsection permits joint declarations to be made by spouses regardless of whether they are living together.

Section 58 (d), relating to the time and place for the filing of the declaration, is entirely revised by this section of the bill. The amendment provides that the declaration shall be filed on or before March 15 of the taxable year, unless the provisions of section 58 (a) are first met after March 1. If, however, the provisions of section 58 (a) are first met after March 1 and before June 2 of the taxable year, the declaration shall be filed on or before June 15. If such provisions are first met after June 1 and before September 2 of the taxable year, the declaration shall be filed on or before September 15. If such provisions are only met after September 1 of the taxable year, the declaration shall be filed on or before January 15 of the succeeding taxable year.

An individual may make amendments of a declaration filed during the taxable year, in accordance with regulations to be prescribed by the Commissioner with the approval of the Secretary, and such amendments may be filed on or before the fifteenth day of the last month of any quarter of the taxable year subsequent to the quarter in which the declaration was filed and in which no prior amendment was filed. However, if an amendment is filed after September 15 of the taxable year, it may be filed on or before January 15 of the next year. This provision will give all taxpayers a chance to avoid possible penalties in those cases in which, during the closing days of the taxable year, unexpected factors occur which materially alter the tax status of the taxpayer such as the receipt at an earlier date than had been anticipated of commissions, bonuses, professional fees, and the like. All declarations and amendments thereof shall be filed with the collector as specified in the present law under section 53 (b) (1).

In addition, section 58 (d), as amended by this section of the bill, contains a provision to the effect that if the taxpayer files, on or before January 15 of the succeeding taxable year, a return for the taxable year for which he is required to file a declaration, and pays in full the amount computed on such return as payable, then if the declaration is not required to be filed during the taxable year but is required to be filed on or before such fifteenth day, the return shall be deemed to be such declaration. Also, in such case, if the tax shown on such return, after the credits under sections 32 and 35, exceeds the estimated tax shown in a declaration previously made (or in the last amendment thereof), then such return shall be deemed to be an amendment of the declaration. Authority is specifically granted to the Commissioner to prescribe regulations, as approved by the Secretary, for the purpose of carrying out these provisions.

The revision of section 58, as made by this section of the bill, retains the provisions of the present law which relate to extensions of time for filing declarations and paying the estimated tax, the filing of declarations on behalf of persons under a disability, the presumption that the signature on a declaration is correct, and the publicity of declarations. These provisions now appear as subsections (e), (f), (g), and (h) of section 58, and the bill does not change their position.

Subsection (a) of this section of the bill also rewrites section 59 of the code, relating to the payment of the estimated tax. As so amended, section 59 provides that the estimated tax shall be paid in four equal installments, if the declaration is filed on or before March 15 of the taxable year. The first installment is to be paid with the filing of the declaration; the second and third on June 15 and September 15, respectively, and the last installment is to be paid on January 15 of the succeeding year.

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 is to be paid in three equal installments, the first of which is to be paid with the filing of the declaration, the second on September 15, and the last installment on January 15 of the succeeding year. 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 to be paid with the filing of the declaration and the second on January 15 of the succeeding taxable year. However, if the declaration is not filed until 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 such filing.

In the case of a declaration which is not filed within the time prescribed, there shall be paid at the time the declaration actually is filed all the installments of estimated tax which would have been payable on or before such time had the declaration been filed within the prescribed time; and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been paid had the declaration been filed within the prescribed time. The same rule shall be applicable in those cases where, pursuant to section 58 (e), the Commissioner grants an extension of time within which to make a declaration of the estimated tax. Thus, if the Commissioner extends the time for filing a declaration from March 15 to June 15 and the declaration is filed on the latter date, two installments of the estimated tax must be paid on June 15 and the remaining two installments are payable, one on September 15 of the taxable year and the other on January 15 of the succeeding taxable year.

In case of an amendment to a declaration, the remaining installments of the estimated tax, if any, shall be increased or decreased proportionately to reflect the increase or decrease in the estimated tax shown in the amendment. If the amendment is made after September 15 of the taxable year, any increase in the estimated tax shown thereon shall be paid in full at the time of making such amendment.

The revision of section 59 contains a provision identical to that in the present law which permits, at the election of the taxpayer, any installment of the estimated tax to be paid prior to the date prescribed for its payment. This provision is designated as subsection (c) of section 59.

The provision of the present law to the effect that the payment of the estimated tax is considered payment on account of the tax for the taxable year is rephrased for clarification purposes and made a part of subsection (d) of section 59, as revised by the bill. Also subsection (d) incorporates the provision of the present law relating to the assessment of the estimated tax. As redrafted in section 59 (d), this provision states that the assessment in respect of the estimated tax shall be limited to the amount paid.

Section 13 of the bill also revises section 60 of the code which provides special rules for the application of sections 58 and 59. In keeping with the new provisions of section 58 (d), subsection (a) of section 60 prescribes that in respect of farmers, the time for filing declarations of estimated tax shall be on or before January 15 of the year following the taxable year, in lieu of December 15 of the taxable year as under the present law. The definition of farmers, as contained in the present law, is changed by the bill so that the estimated receipt of two-thirds of the income from farm sources rather than 80 percent will qualify a taxpayer as a farmer.

Subsection (b) of section 60 of the code is rewritten in the bill with only a technical change. This subsection under the present law provides that the application of sections 58, 59, and 294 (d), relating to declarations and payment of estimated tax and penalties thereunder, to short taxable years shall be prescribed by regulations issued by the Commissioner with the approval of the Secretary. As rewritten, reference is also made to section 60 (a) relating to the declarations of farmers in the case of short taxable years.

In the case of a fiscal year, a new subsection (c) is added to section 60 to provide that in lieu of the months specified in sections 58, 59, and 60 (a) there shall be substituted the months which correspond thereto. Thus for a fiscal year beginning July 1, the month which corresponds to March of a calendar year would be September of the fiscal year.

A technical amendment is made by subsection (b) of this section to section 294 (d) (1) (A), relating to the addition to the tax for failure to file a declaration of estimated tax. The amendment clarifies existing law by specifically providing that for the purposes of such addition to the tax the correct tax to be used in determining the installments of estimated tax shall be reduced by the credits for tax withheld at source.

Subsection (c) of this section of the bill provides that the amendments made by subsection (a), so far as such amendments relate to section 58 (a), containing the requirements for the filing of declarations, shall be applicable only with respect to taxable years beginning after December 31, 1944. The other amendments made in sections 58, 59, and 60 are generally applicable to taxable years beginning after December 31, 1943. Hence, the amendment to section 59 (a), under which the fourth installment of estimated tax is due on January 15 permits the payment of such installment of estimated tax for 1944 to be made on or before January 15 1945. Similarly, the provision extending to January 15 the date for filing an amendment of a previously filed declaration is applicable to 1944.

Subsection (d) of this section provides special rules with respect to the filing of declarations and the payment of the estimated tax for the calendar year 1944. If the requirements of section 58 (a) (relating to requirements for filing declarations), prior to its amendment by the bill, 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 prior to June 2, 1944, the declaration shall be filed on or before June 15, 1944.

If the declaration is filed on or before April 15, 1944, the estimated tax shall be paid in four equal installments, the first installment to be paid at the time of the filing of the declaration, the second and third installments to be paid on June 15 and September 15, 1944, respectively, and the fourth installment to be paid on January 15, 1945. This will be true even though the declaration was not required to be filed before June 15, 1944, either under the existing law or under the special rule described in the preceding paragraph. If the declaration is filed after April 15, 1944, but not after June 15, 1944, and if it was not required by the special rule of the preceding paragraph to be filed on or before April 15, 1944, the estimated tax shall be paid in three equal installments, the first installment to be paid at the time of the filing of the declaration, the second installment to be paid on September 15, 1944, and the third installment to be paid on January 15, 1945.

In any case in which the declaration is not timely filed in accordance with the special rule mentioned above, the general rule with respect to delinquent declarations as set forth in section 59 (a) (5) shall apply. Thus, if a taxpayer first met the filing requirements on May 15, 1944, he is required under the special rule to file his declaration and to pay one-third of his estimated tax on or before June 15, 1944; but if he does not file his declaration until September 15, 1944, then two-thirds of the estimated tax must be paid on such date and the remaining one-third on January 15, 1945.

Subsection (e) of this section provides that for the purposes of section 294 (d) (2), which prescribes the penalties for a substantial underestimate of the estimated tax, the term "80 per centum of the tax" shall mean, as applied to a taxpayer filing a declaration for a taxable year beginning in 1944, 80 percent of (*a*) the tax for such year computed without regard to the amendments made by the bill or (*b*) the tax computed under the law applicable to 1944 after giving effect to such amendments, whichever is the lesser. It is intended by this provision to avoid the imposition of any penalty in any case where there would be no penalty had the tax been computed without regard to the provisions of the bill.

SECTION 14. TECHNICAL AMENDMENT OF DEFINITION OF DEFICIENCY

This section, for which there is no corresponding provision in the House bill, would amend section 271 of the code, defining the term "deficiency." In general, the starting point in the determination of a deficiency is the amount shown as the tax by the taxpayer upon his return. Section 51 (f) of the code, inserted by section 11 of the bill, relieves certain taxpayers from showing on the return the tax imposed. It is necessary to make provision for the ascertainment of deficiencies in connection with such returns. In addition, existing section 271 of the code does not make proper provision for the operation of the definition of deficiency under the system of current tax collection, by means of estimated tax payments and withholding of tax at the source, under the Revenue Act of 1942, the Current Tax Payment Act of 1943, and the committee bill; and this section of the bill proposes changes to remedy the defect. The section would also amend section 292 (a) of the code, relating to interest on deficiencies, and section 322 (d) of the code, relating to overpayments found by The Tax Court, to conform with the changes made in section 271. Technical amendments are also made to section 3801, relating to mitigation of effect of limitations, and section 3806 of the code, relating to mitigation of effect of renegotiation of war contracts, which amendments in turn affect sections 124, 130, and 3807 by reason of cross-references to section 3801 contained in such sections.

Section 271 of existing law defines a deficiency as the excess of the tax imposed under chapter 1 over the tax shown on the return, but the amount of the tax so shown on the return shall be first increased by the amount of any deficiencies previously assessed or collected without assessment, and decreased by any amounts previously refunded, credited, abated, or otherwise repaid. If no amount is shown as the tax by the taxpayer upon his return, or if no return is made by the taxpayer, a deficiency is the amount by which the tax imposed under chapter 1 exceeds the amounts previously assessed or collected without assessment as a deficiency reduced by the amounts previously refunded, credited, abated, or otherwise repaid. Under this definition it was not contemplated that collection of the tax would be made before a determination of the tax liability, other than in certain exceptional cases, such as those arising in connection with jeopardy assessments. Under the system of tax collection which now obtains with respect to individuals, it is apparent that in certain cases the estimated tax payments and the tax withheld at source may exceed the tax shown by the taxpayer upon his return. Under the procedure instituted by the Commissioner for handling such cases it is contemplated that the excess of such payments (estimated tax and tax withheld at source) over the tax shown on the return shall be refunded to the taxpayer as expeditiously as possible. If, in such cases, it is subsequently determined that the tax imposed under chapter 1 is greater than the tax shown on the return, the existing definition of deficiency would produce an improper result if the amount so refunded is taken into account in ascertaining the amount of the deficiency. For example, if the taxpayer filed a return disclosing a tax of $600 and claiming a credit of $900 for tax withheld at source, $300 would be immediately refunded. If the Commissioner subsequently determines that the correct tax should be $800, the amount of the tax liability in controversy is $200 and, hence, the deficiency should be $200. However, the definition contained in existing law would indicate a deficiency of $500, that is, the excess of $800 over ($600 minus $300). The proposed amendment corrects this defect by providing that the amount of any such refund shall not be taken into account.

Subsection (a) of the amended section 271 contains the general definition of "deficiency," and subsection (b) thereof contains rules for the application of subsection (a). By the terms of section 271 as amended "deficiency" means the amount by which the tax imposed by chapter 1 exceeds the excess of the amount shown as the tax by the taxpayer upon his return, if a return is made showing a tax thereon, increased by the amounts previously assessed (or collected without assessment) as a deficiency over the amount of rebates made. If no return is made or if the return does not show the tax, for the purposes of the definition, "the amount shown as the tax by the taxpayer upon his return" shall be considered as zero. The term "rebates" means so much of an abatement, credit, refund, or other repayment as was made on the ground that the tax imposed by chapter 1 was less than the excess of the amount shown as the tax by the taxpayer upon his return increased by the amounts previously assessed (or collected without assessment) as a deficiency over the amount of rebates previously made. Thus, in the example set forth above, the refund of $300 was not made on the grounds that the tax imposed was less than the tax shown on the return and, hence, does not constitute a "rebate" under the definition. If, however, the Commissioner had determined that the tax imposed was only $500 and had refunded $400, the amount of $100 of such refund would constitute a "rebate" and would be taken into account in arriving at the amount of any deficiency subsequently determined.

Under the proposed amendments the tax imposed by chapter 1 and the tax shown on the return are both to be determined without regard to payments on account of estimated tax, without regard to the credit for tax withheld at source on wages, and without regard to so much of the credit for taxes withheld at source under sections 143 and 144 of the code as exceeds 2 percent of the interest on tax-free covenant bonds. Such credits, like other payments of tax by the taxpayer, will not enter into the determination of the tax or of a deficiency; but, when determined, will be applied against the tax shown on the return or against any deficiency which has been assessed. If such credits claimed exceed the allowable credits, the unpaid portion of the tax attributable to such difference will be collected not as a deficiency but as an underpayment of tax shown on the return. For the purposes of the new definition of deficiency, the computation by the collector pursuant to new section 51 (f), in the case of wage earners, of the tax imposed by chapter 1 is to be considered as having been made by the taxpayer, and the tax so computed is to be considered as the tax shown by the taxpayer upon his return.

The application of the definition of "deficiency" as amended may be illustrated by the following examples:

(1) The amount of tax shown by the taxpayer upon his return for the taxable year was $1,500. The taxpayer had no amounts previously assessed (or collected without assessment) as a deficiency. He claimed a credit in the amount of $2,000 for tax withheld at source on wages, and a refund of $500 was made to him as an overpayment of tax for the taxable year. It was later determined that the correct

tax for the taxable year was $1,750. A deficiency of $250 was determined as follows:

(1) (A) Amount of tax shown on return	$1, 500
(B) Amounts previously assessed	0
Sum of (A) and (B)	1, 500
Less: (2) Amount of rebates made	0
Excess of sum of (A) and (B) over (2)	1, 500
Tax imposed by chapter 1	1, 750
Less: Excess of (A) and (B) over (2)	1, 500
Deficiency	250

(2) The taxpayer made a return for the taxable year disclosing a total tax of $1,250. He claimed a credit in the amount of $800 for tax withheld at source on wages and $60 for tax paid at source on interest received on bonds containing a tax-free covenant. The taxpayer had no amounts previously assessed (or collected without assessment) as a deficiency. The Commissioner determined that the tax imposed by chapter 1 was $1,360 (total tax $1,400 less $40 tax paid at source on tax-free covenant bonds), and determined a deficiency in the amount of $170, computed as follows:

(1) (A) Amount of tax shown on return ($1,250—$60)	$1, 190
(B) Amounts previously assessed	0
Sum of (A) and (B)	1, 190
Less: (2) Amount of rebates made	0
Excess of sum of (A) and (B) over (2)	1, 190
Tax imposed by chapter 1 ($1,400—$60)	1, 360
Less: Excess of (A) and (B) over (2)	1, 190
Deficiency	170

Subsection (b) of section 14 amends section 3801, relating to mitigation of effect of limitations in income-tax cases, and section 3806, relating to mitigation of effect of renegotiation of war contracts. For the purpose of ascertaining the amount of the adjustment under these sections it is first necessary to ascertain the amount of "tax previously determined." The amount of "tax previously determined" is the same as the starting point for ascertaining the amount of a deficiency under the definition contained in section 271 and is defined in the terms employed in section 271 in defining a deficiency. The amendments provided in subsection (b) are designed to conform the definition of tax previously determined for the purpose of these sections with the changes made in the definition of deficiency under section 271. By appropriate cross-reference the tax previously determined for the purposes of section 124, relating to amortization deduction, section 130, relating to limitation on deductions allowed to individuals in certain cases, and section 3807, relating to period of limitation in case of related taxes under chapter 1 and chapter 2, is ascertained in accordance with the rule prescribed in section 3801 and, hence, the amendment made to the latter section is equally effective in the application of sections 124, 130, and 3807. Subsection (e) of section 14, relating to the effective dates of the amendments, makes clear that the amendments to sections 3801 and 3806 are made applicable to adjustments made under such sections and sections 124, 130, and 3807 in respect of taxable years beginning after December 31, 1942.

Subsection (c) of section 14 amends code section 292 (a), relating to interest on deficiencies, to expressly provide that if any portion of the deficiency assessed is not to be collected by reason of a prior satisfaction, in whole or in part, of the tax, proper adjustment shall be made with respect to the interest on such portion for the period subsequent to the proper payment thereof. This amendment is necessitated by the change in the system of tax collection as the result of which there may be an assessment of a deficiency even though the full amount of the tax has already been collected.

Section 322 (d) of the code, relating to overpayments found by The Tax Court, provides that if The Tax Court finds there is no deficiency and further finds that the taxpayer has made an overpayment of the tax for the taxable year in respect of which the Commissioner determined the deficiency The Tax Court shall have jurisdiction to determine the amount of such overpayment. Inasmuch as under the new system of tax collection it is possible that there may be a deficiency, within the meaning of the definition, for a taxable year in which there is also an overpayment, subsection (d) of section 14 amends section 322 (d) of the code to authorize The Tax Court to determine the amount of the overpayment in such cases.

Subsection (e) of section 14 provides that the amendments made by subsection (a), (c), and (d) of section 14 shall be applicable with respect to taxable years beginning after December 31, 1942. Thus, such amendments are made applicable only with respect to taxable years affected by the system of estimated tax payments and withholding of tax at the source. Subsection (e) expressly provides that in the application of these amendments to taxable years beginning in 1943, "section 35" shall be read as "section 35 and section 466 (e)" in order to make clear that the tax imposed by chapter 1 as well as the tax shown on the return for such taxable years is the tax so imposed or the tax so shown without regard to the credit for Victory tax withheld at the source. As previously explained, subsection (e) also provides the effective dates of the amendments made by subsection (b) of section 14 to sections 3801 and 3806 of the code.

Part II—Withholding of Tax at Source on Wages

SECTION 21. EFFECTIVE DATE

This section, as in the House bill, provides that the amendments made by part II of this act shall apply only with respect to wages paid on or after January 1, 1945. It is intended by this provision that the withholding under the new provisions will correspond with the wages reported on the employers' information return forms for the calendar year 1945.

SECTION 22. WITHHOLDING OF TAX AT SOURCE ON WAGES

With the exception of certain amendments to the provisions relating to the filing and taking effect of exemption certificates, this section is the same as in the House bill.

Subsection (a) of this section of the bill strikes out subsections (e) to (k) of section 1621, all of which relate to the status of the taxpayer with regard to the exemptions for withholding. In view of the revision made by section 10 of the bill to section 25 of the code, these subsections are unnecessary. In lieu thereof a new subsection (e) is inserted to define the term "number of withholding exemptions claimed" for the purpose of the new withholding tables provided by subsection (c) of this section of the bill. This term which appears in the headings of the tables is defined as the number of withholding exemptions claimed by the employee in the withholding-exemption certificate in effect at the time of the withholding. In case no such certificate is in effect, the number of withholding exemptions claimed shall be considered zero.

Subsection (b) of this section wholly revises section 1622 (a) and (b) (1), which relates to the precise or percentage method of withholding on wages. Under the present law, section 1622 (a) requires every employer to withhold either 20 percent of the wages in excess of the family status withholding exemption or 3 percent of the wages in excess of the Victory tax withholding exemption, whichever is larger. The amendment under this bill removes the 3 percent provision, designed to collect the Victory tax, and provides a graduated rate of withholding so prepared that in the case of a taxpayer all of whose income is derived from wages, substantially the entire tax liability on his wages up to at least $5,000 will be withheld at the source. Therefore. section 1622 (a) is amended to require employers to withhold at the source a tax equal to the sum of the following:

(1) 2.7 percent of the wages in excess of one withholding exemption;

(2) 18 percent of either the wages in excess of the withholding exemptions claimed or the maximum amount subject for the payroll period to the first bracket rate of surtax, whichever is the lesser; plus

(3) 19.8 percent of the wages in excess of the sum of the withholding exemptions claimed and the maximum amount subject for the pay-roll period to the first bracket rate of surtax.

The tax withheld under (1) above represents the normal tax liability with respect to wages imposed by section 11 as amended by section 3 of the bill. The part withheld under (2) represents the tax liability imposed by the first bracket of the surtax shown in the new schedule in section 12 as amended by section 4 of the bill. Clause (3) above provides the amount to be withheld in respect of the second bracket of the surtax as so shown in the new schedule. These rates give due allowance for the standard deduction of 10 percent.

Subsection (b) (1) of section 1622 of the present laws contains two sets of tables, which prescribe the appropriate exemptions for all payroll periods and for every family status under the Victory tax and under the regular income tax. As amended, subsection (b) (1) provides for only one short table which covers all the pay-roll periods. In view of the fact that, under the per capita exemption system inaugurated in section 10 of the bill, the normal and surtax exemptions are in multiples of $500, it is possible to set up the table on the basis of only one withholding exemption for each pay-roll period. The employer will multiply this basic amount by the number of exemptions claimed on the employee's withholding exemption certificate. The last column of the table, showing the maximum amount subject to the 18-percent rate, indicates for each pay-roll period the maximum amount of wages in excess of the withholding exemptions subject to the first surtax bracket rate, as shown in clause (2) of the preceding paragraph; this amount represents an approximation of the width of the first surtax bracket ($2,000) as prorated over the various pay-roll periods shown in the table.

Subsection (c) of this section amends section 1622 (c) (1) of the code, which contains the wage bracket withholding tables for the various pay-roll periods to be used at the election of the employer in lieu of the percentage method, described above. This amendment of the bill provides a new series of tables, which take into account the repeal of the Victory tax through section 6 of the bill and the revision of rates in the normal tax and surtax under sections 3 and 4 of the bill. These tables are also designed with reference to the new system of per capita exemptions as provided under section 10 of the bill; in lieu of the headings of the columns referring to the marital status and number of dependents, as under the present law, the columns in the revised tables merely refer to the number of withholding exemptions which an employee claims in his exemption certificate. Also, the new tables have very much narrower wage brackets than those in the present tables; for example, the present weekly table has $5 brackets up to $30 and $10 brackets from $30 to $200, whereas the new weekly table has $1 brackets up to $60, $2 brackets from $60 to $100, $5 brackets from $100 to $150, and $10 brackets from $150 to $200. This reduction in the width of the wage brackets will make the withholding correspond more closely with final tax liability.

Subsection (d) of this section of the bill completely revises the present provisions of section 1622 (h), relating to the withholding exemption certificates. Under the amendment as rephrased by the committee, subsection (h) (1) provides that an employee shall be entitled on any one day to one withholding exemption for himself, one for his spouse unless she has in effect a withholding exemption certificate in which she claims a withholding exemption for herself, and one for each individual with respect to whom there may reasonably be expected to be allowable a surtax exemption under section 25 (b) (3) for his taxable year in respect of which the tax withheld in the calendar year in which such day falls, is allowed as a credit. With respect to the latter withholding exemption, the reasonable expectation contemplated by the amendment is one arrived at upon the basis of facts existing at the beginning of such day. The individual in respect of whom an exemption is claimed must be in existence and bear the proper relationship to the taxpayer on the day in question; and, in general, a withholding exemption may be claimed only if the taxpayer would be entitled to a surtax exemption if such day were the last day of his taxable year.

Paragraph (2) (A) of section 1622 (h), as amended, provides that on or before the date of the commencement of employment, the employee shall furnish his employer with a signed withholding exemption certificate stating the number of withholding exemptions which he claims but which shall in no case exceed those to which he is entitled, as mentioned in the preceding paragraph. The certificate shall contain such information and shall be made in such form as may be prescribed by the Commissioner with the approval of the Secretary.

Section 1622 (h) (2) (B) provides specifically for the filing of new withholding exemption certificates when any change relating to the withholding status occurs. In the case of an employee who is on any day entitled to fewer withholding exemptions than those claimed on the withholding exemption certificate then in effect, a new certificate is required to be furnished by him to his employer within 10 days after such day. If, however, the employee is entitled to more withholding exemptions than shown on his certificate then in effect, he may, but is not required to, furnish a new certificate. Such new certificates shall indicate the number of withholding exemptions which the employee claims, not to exceed, however, the number to which he is then entitled.

The committee amendment adds a new subparagraph (C) to section 1622 (h) (2) with respect to the case where on any day during the calendar year the number of withholding exemptions to which the employee will be, or may reasonably be expected to be, entitled at the beginning of his next taxable year is different from the number to which the employee is entitled on such day. To the extent and at such times as the Commissioner may prescribe by regulations, such employee shall furnish a new withholding certificate containing the number of withholding exemptions which he claims, not exceeding the number to which he will be, or may reasonably be expected to be, entitled.

Under section 1622 (h) (3) (A), as provided by this section, the withholding exemption certificate first takes effect as of the beginning of the first pay-roll period ending on or after the date it is furnished, if no previous certificate is then in effect. With respect to wages paid without regard to a pay-roll period, such a certificate first takes effect as of the first payment of wages made on or after such date. However, in cases where a previous certificate is in effect, paragraph (3) (B) provides that a new withholding exemption certificate shall take effect with respect to the first payment of wages made on or after the first status determination date occurring at least 30 days from the date on which such certificate is furnished. The status determination date, as in the present law, means January 1 and July 1 of each year. At the election of the employer, the new certificate may be made effective with respect to any payment of wages made on or after the date of furnishing such certificate. The committee amendment inserts a new clause in this paragraph (3) (B) providing that a certificate furnished under the provisions of paragraph (2) (C), discussed above, shall in no event become effective with respect to any payment of wages in the calendar year in which the certificate is furnished.

Paragraph (4) of section 1622 (h), as revised by this section of the bill, provides that a withholding exemption certificate which becomes effective under section 1622 (h) shall continue in effect with respect to the employer until another certificate takes effect.

In view of the changes made by the bill, particularly those relating to the exemptions for the normal tax and the surtax, it was deemed necessary to require new withholding exemption certificates for use under the new law. Therefore, subsection (e) of this section of the bill provides that all withholding exemption certificates which are furnished under the present law shall be ineffective with respect to the new withholding provisions. Thus, all certificates which are now in effect or which may be put into effect with respect to wages paid before January 1, 1945, will become ineffective when the amendments to withholding become applicable, i. e., with the first payment of wages made on or after January 1, 1945. Subsection (e) also requires every employee to furnish his employer with a new withholding exemption certificate on or before December 1, 1944, or if he commences his employment between such date and January 1, 1945, on or before the date he commences such employment. Under the amendment as rephrased by the committee, the number of withholding exemptions which the employee may claim on such new certificate shall be the number which he would be entitled to claim if the day on which such certificate is furnished were January 1, 1945. If the certificate is furnished within the time prescribed, it will be given effect with the first payment of wages on or after January 1, 1945. However, if the new certificate is not furnished on or before December 1, 1944, but is furnished prior to January 1, 1945, it shall take effect in accordance with the provisions of section 1622 (h) (3) (B), as added by this section of the bill, unless it is furnished on or before the date of commencement of employment. Therefore, in such a case where the new certificate is furnished during the month of December 1944, but not on the first day of such month and not on or before the date of the commencement of employment, the new certificate shall take effect with respect to the first payment of wages made on or after the first status determination date occurring at least 30 days after the furnishing of such new certificate. However, at the election of the employer such certificate may be given effect with respect to any payment of wages made on or after the date on which it is furnished, except that it shall not be made effective with respect to any wages paid prior to January 1, 1945. The provisions of section 1622 (h) (3) (B) will also govern the situation where a new certificate is not furnished until on or after January 1, 1945, and is not furnished on or before the date of the commencement of employment, provided a certificate was in effect with the same employer on December 31, 1944, under the provisions of section 1622 (h) without regard to the amendments made by this bill.

Through the elimination by section 10 (b) of the bill of July 1 as the status determination date for the personal exemption and credit for dependents under section 25 of the code, it is no longer necessary that under section 1622 (h) (1) an employer be prevented from giving effect to changes in the status of his employees occurring after July 1. Therefore, section 22 (f) of the bill amends section 1622 (h) (1) so as to permit the employer, if he so elects, to give immediate effect to any withholding exemption certificate with respect to wages paid after the date of furnishing it to the employer. This amendment is effective only with respect to wages paid during the calendar year 1944.

Table A.—Income Tax Table

If the adjusted gross income is— At least	But less than	And the number of surtax exemptions is— 1	2	3	4	5 or more
		The tax shall be				
$0	$550	$0	$0	$0	$0	$0
550	575	1	0	0	0	0
575	600	7	1	1	1	1
600	625	12	2	2	2	2
625	650	17	2	2	2	2
650	675	22	3	3	3	3
675	700	27	4	4	4	4
700	725	32	4	4	4	4
725	750	38	5	5	5	5
750	775	43	6	6	6	6
775	800	48	6	6	6	6
800	825	53	7	7	7	7
825	850	58	8	8	8	8
850	875	64	8	8	8	8
875	900	69	9	9	9	9
900	925	74	10	10	10	10
925	950	79	10	10	10	10
950	975	84	11	11	11	11
975	1,000	89	12	12	12	12
1,000	1,025	95	12	12	12	12
1,025	1,050	100	13	13	13	13
1,050	1,075	105	14	14	14	14
1,075	1,100	110	14	14	14	14
1,100	1,125	115	15	15	15	15
1,125	1,150	120	20	16	16	16
1,150	1,175	126	26	16	16	16
1,175	1,200	131	31	17	17	17
1,200	1,225	136	36	18	18	18
1,225	1,250	141	41	18	18	18
1,250	1,275	146	46	19	19	19
1,275	1,300	152	52	20	20	20
1,300	1,325	157	57	20	20	20
1,325	1,350	162	62	21	21	21
1,350	1,375	167	67	22	22	22
1,375	1,400	172	72	22	22	22
1,400	1,425	177	77	23	23	23
1,425	1,450	183	83	24	24	24
1,450	1,475	188	88	24	24	24
1,475	1,500	193	93	25	25	25
1,500	1,525	198	98	26	26	26
1,525	1,550	203	103	27	27	27
1,550	1,575	208	108	27	27	27
1,575	1,600	214	114	28	28	28
1,600	1,625	219	119	29	29	29
1,625	1,650	224	124	29	29	29
1,650	1,675	229	129	30	30	30
1,675	1,700	234	134	34	31	31
1,700	1,725	239	139	39	31	31
1,725	1,750	245	145	45	32	32
1,750	1,775	250	150	50	33	33
1,775	1,880	255	155	55	33	33
1,800	1,825	260	160	60	34	34
1,825	1,850	265	165	65	35	35
1,850	1,875	271	171	71	35	35
1,875	1,900	276	176	76	36	36
1,000	1,925	281	181	81	37	37
1,925	1,950	286	186	86	37	37
1,950	1,975	201	191	91	38	38
1,975	2,000	206	196	96	39	39
2,000	2,025	302	202	102	39	39
2,025	2,050	307	207	107	40	40
2,050	2,075	312	212	112	41	41
2,075	2,100	317	217	117	41	41
2,100	2,125	322	222	122	42	42
2,125	2,150	327	227	127	43	43
2,150	2,175	333	233	133	43	43
2,175	2,200	338	238	138	44	44
2,200	2,225	343	243	143	45	45
2,225	2,250	348	248	148	48	45
2,250	2,275	353	253	153	53	46
2,275	2,300	359	259	159	59	47

If the adjusted gross income is— At least	But less than	And the number of surtax exemptions is— 1	2	3	4	5	6	7	8	9 or more
		The tax shall be								
$2,300	$2,325	$364	$264	$164	$64	$47	$47	$47	$47	$47
2,325	2,350	369	269	169	69	48	48	48	48	48
2,350	2,375	374	274	174	74	49	49	49	49	49
2,375	2,400	379	279	179	79	49	49	49	49	49
2,400	2,425	384	284	184	84	50	50	50	50	50
2,425	2,450	390	290	190	90	51	51	51	51	51
2,450	2,475	395	295	195	95	51	51	51	51	51
2,475	2,500	400	300	200	100	52	52	52	52	52
2,500	2,525	405	305	205	105	53	53	53	53	53
2,525	2,550	410	310	210	110	54	54	54	54	54
2,550	2,575	415	315	215	115	54	54	54	54	54
2,575	2,600	421	321	221	121	55	55	55	55	55
2,600	2,625	426	326	226	126	56	56	56	56	56
2,625	2,650	431	331	231	131	56	56	56	56	56
2,650	2,675	436	336	236	136	57	57	57	57	57
2,675	2,700	441	341	241	141	58	58	58	58	58
2,700	2,725	446	346	246	146	58	58	58	58	58
2,725	2,750	452	352	252	152	59	59	59	59	59
2,750	2,775	457	357	257	157	60	60	60	60	60
2,775	2,800	462	362	262	162	62	60	60	60	60
2,800	2,825	468	367	267	167	67	61	61	61	61
2,825	2,850	473	372	272	172	72	62	62	62	62
2,850	2,875	479	378	278	178	78	62	62	62	62
2,875	2,900	485	383	283	183	83	63	63	63	63
2,900	2,925	490	388	288	188	88	64	64	64	64
2,925	2,950	496	393	293	193	93	64	64	64	64
2,950	2,975	502	398	298	198	98	65	65	65	65
2,975	3,000	507	403	303	203	103	66	66	66	66
3,000	3,050	516	411	311	211	111	67	67	67	67
3,050	3,100	527	422	322	222	122	68	68	68	68
3,100	3,150	538	432	332	232	132	69	69	69	69
3,150	3,200	549	442	342	242	142	71	71	71	71
3,200	3,250	561	453	353	253	153	72	72	72	72
3,250	3,300	572	463	363	263	163	73	73	73	73
3,300	3,350	583	473	373	273	173	75	75	75	75
3,350	3,400	594	484	384	284	184	84	76	76	76
3,400	3,450	606	496	394	294	194	94	77	77	77
3,450	3,500	617	507	404	304	204	104	79	79	79
3,500	3,550	628	518	415	315	215	115	80	80	80
3,550	3,600	639	529	425	325	225	125	82	82	82
3,600	3,650	651	541	435	335	235	135	83	83	83
3,650	3,700	662	552	446	346	246	146	84	84	84
3,700	3,750	673	563	456	356	256	156	86	86	86
3,750	3,800	684	574	466	366	266	166	87	87	87
3,800	3,850	696	586	477	377	277	177	88	88	88
3,850	3,900	707	597	487	387	287	187	90	90	90
3,900	3,950	718	608	498	397	297	197	97	91	91
3,950	4,000	729	619	509	408	308	208	108	92	92
4,000	4,050	741	631	521	418	318	218	118	94	94
4,050	4,100	752	642	532	429	329	229	129	95	95
4,100	4,150	763	653	543	439	339	239	139	96	96
4,150	4,200	774	664	554	449	349	249	149	98	98
4,200	4,250	786	676	566	460	360	260	160	99	99
4,250	4,300	797	687	577	470	370	270	170	100	100
4,300	4,350	808	698	588	480	380	280	180	102	102
4,350	4,400	819	709	599	491	391	291	191	103	103
4,400	4,450	831	721	611	501	401	301	201	104	104
4,450	4,500	842	732	622	512	411	311	211	111	106
4,500	4,550	853	743	633	523	422	322	222	122	107
4,550	4,600	864	754	644	534	432	332	232	132	109
4,600	4,650	876	766	656	546	442	342	242	142	110
4,650	4,700	887	777	667	557	453	353	253	153	111
4,700	4,750	898	788	678	568	463	363	263	163	113
4,750	4,800	909	799	689	579	473	373	273	173	114
4,800	4,850	921	811	701	591	484	384	284	184	115
4,850	4,900	932	822	712	602	494	394	294	194	117
4,900	4,950	943	833	723	613	504	404	304	204	118
4,950	5,000	954	844	734	624	515	415	315	215	119

Normal tax exemption in case of husband and wife: If the return includes gross income of both husband and wife, the tax shall be that determined under the table, reduced by 3 percent of the smaller adjusted gross income, but not by more than $15.

Several examples will make clear how taxpayers will use this table.

(1) A taxpayer with two dependents has an income from dividends and interest of $3,025, and does not have income from any other source. Since there are no business deductions associated with dividends and interest, $3,025 is the adjusted gross income. He would follow down the income column until he found his adjusted gross income, which would be in the bracket $3,000 to $3,050. He would count the number of persons for whom he would have a surtax exemption—that would be himself, and his two dependents, so he would find his tax in the third column which has the figure $311.

(2) A merchant has a gross business income of $6,000. This is simply his total receipts less the cost of goods sold. He has further business deductions for depreciation, insurance, bad debts, and the like, of $1,020. The return will afford a place to itemize these business deductions. Subtracting these from his total income will yield the adjusted gross income of $4,980. The taxpayer is married with two dependents. On the table he will follow down the income column until he finds his adjusted gross income for a joint return, which would fall in the bracket $4,950 to $5,000. The persons eligible for surtax exemption are his wife, himself, and the two dependents. Hence, he will have to look in the fourth column where he will find his tax, $624.

WITHHOLDING TABLES

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—										
$0	$11	18% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$11	$12	$2.10	.20	0	0	0	0	0	0	0	0	0
$12	$13	2.30	.40	0	0	0	0	0	0	0	0	0
$13	$14	2.50	.60	.10	.10	.10	.10	.10	.10	.10	.10	.10
$14	$15	2.70	.80	.10	.10	.10	.10	.10	.10	.10	.10	.10
$15	$16	2.90	1.00	.10	.10	.10	.10	.10	.10	.10	.10	.10
$16	$17	3.10	1.20	.20	.20	.20	.20	.20	.20	.20	.20	.20
$17	$18	3.30	1.40	.20	.20	.20	.20	.20	.20	.20	.20	.20
$18	$19	3.50	1.60	.20	.20	.20	.20	.20	.20	.20	.20	.20
$19	$20	3.70	1.80	.20	.20	.20	.20	.20	.20	.20	.20	.20
$20	$21	4.00	2.00	.30	.30	.30	.30	.30	.30	.30	.30	.30
$21	$22	4.20	2.20	.30	.30	.30	.30	.30	.30	.30	.30	.30
$22	$23	4.40	2.40	.50	.30	.30	.30	.30	.30	.30	.30	.30
$23	$24	4.60	2.70	.70	.30	.30	.30	.30	.30	.30	.30	.30
$24	$25	4.80	2.90	.90	.40	.40	.40	.40	.40	.40	.40	.40
$25	$26	5.00	3.10	1.10	.40	.40	.40	.40	.40	.40	.40	.40
$26	$27	5.20	3.30	1.40	.40	.40	.40	.40	.40	.40	.40	.40
$27	$28	5.40	3.50	1.60	.50	.50	.50	.50	.50	.50	.50	.50
$28	$29	5.60	3.70	1.80	.50	.50	.50	.50	.50	.50	.50	.50
$29	$30	5.80	3.90	2.00	.50	.50	.50	.50	.50	.50	.50	.50
$30	$31	6.00	4.10	2.20	.50	.50	.50	.50	.50	.50	.50	.50
$31	$32	6.20	4.30	2.40	.60	.60	.60	.60	.60	.60	.60	.60
$32	$33	6.40	4.50	2.60	.70	.60	.60	.60	.60	.60	.60	.60
$33	$34	6.60	4.70	2.80	.90	.60	.60	.60	.60	.60	.60	.60
$34	$35	6.90	4.90	3.00	1.10	.60	.60	.60	.60	.60	.60	.60
$35	$36	7.10	5.10	3.20	1.30	.70	.70	.70	.70	.70	.70	.70
$36	$37	7.30	5.30	3.40	1.50	.70	.70	.70	.70	.70	.70	.70
$37	$38	7.50	5.50	3.60	1.70	.70	.70	.70	.70	.70	.70	.70
$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

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

And the wages are—		And the number of exemptions 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—										
$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	$62	12.70	10.60	8.50	6.60	4.60	2.70	1.40	1.40	1.40	1.40	1.40
$62	$64	13.10	11.00	8.90	7.00	5.10	3.10	1.40	1.40	1.40	1.40	1.40
$64	$66	13.60	11.50	9.30	7.40	5.50	3.60	1.60	1.50	1.50	1.50	1.50
$66	$68	14.00	11.90	9.80	7.80	5.90	4.00	2.00	1.50	1.50	1.50	1.50
$68	$70	14.50	12.40	10.20	8.20	6.30	4.40	2.50	1.60	1.60	1.60	1.60
$70	$72	14.90	12.80	10.70	8.60	6.70	4.80	2.90	1.60	1.60	1.60	1.60
$72	$74	15.40	13.30	11.10	9.10	7.10	5.20	3.30	1.70	1.70	1.70	1.70
$74	$76	15.80	13.70	11.60	9.50	7.50	5.60	3.70	1.80	1.70	1.70	1.70
$76	$78	16.30	14.20	12.00	9.90	8.00	6.00	4.10	2.20	1.80	1.80	1.80
$78	$80	16.70	14.60	12.50	10.40	8.40	6.40	4.50	2.60	1.80	1.80	1.80
$80	$82	17.20	15.10	12.90	10.80	8.80	6.90	4.90	3.00	1.90	1.90	1.90
$82	$84	17.60	15.50	13.40	11.30	9.20	7.30	5.40	3.40	2.00	2.00	2.00
$84	$86	18.10	16.00	13.80	11.70	9.60	7.70	5.80	3.80	2.00	2.00	2.00
$86	$88	18.50	16.40	14.30	12.20	10.10	8.10	6.20	4.30	2.30	2.10	2.10
$88	$90	19.00	16.90	14.70	12.60	10.50	8.50	6.60	4.70	2.80	2.10	2.10
$90	$92	19.40	17.30	15.20	13.10	11.00	8.90	7.00	5.10	3.20	2.20	2.20
$92	$94	19.90	17.80	15.60	13.50	11.40	9.30	7.40	5.50	3.60	2.20	2.20
$94	$96	20.30	18.20	16.10	14.00	11.90	9.80	7.80	5.90	4.00	2.30	2.30
$96	$98	20.80	18.70	16.50	14.40	12.30	10.20	8.30	6.30	4.40	2.50	2.30
$98	$100	21.20	19.10	17.00	14.90	12.80	10.60	8.70	6.70	4.80	2.90	2.40
$100	$105	22.00	19.90	17.80	15.70	13.50	11.40	9.40	7.50	5.50	3.60	2.50
$105	$110	23.10	21.00	18.90	16.80	14.70	12.60	10.40	8.50	6.60	4.70	2.70
$110	$115	24.30	22.10	20.00	17.90	15.80	13.70	11.60	9.50	7.60	5.70	3.80
$115	$120	25.40	23.30	21.10	19.00	16.90	14.80	12.70	10.60	8.60	6.70	4.80
$120	$125	26.50	24.40	22.30	20.20	18.00	15.90	13.80	11.70	9.70	7.80	5.80
$125	$130	27.60	25.50	23.40	21.30	19.20	17.10	14.90	12.80	10.70	8.80	6.90
$130	$135	28.80	26.60	24.50	22.40	20.30	18.20	16.10	13.90	11.80	9.80	7.90
$135	$140	29.90	27.80	25.60	23.50	21.40	19.30	17.20	15.10	13.00	10.90	8.90
$140	$145	31.00	28.90	26.80	24.70	22.50	20.40	18.30	16.20	14.10	12.00	10.00
$145	$150	32.10	30.00	27.90	25.80	23.70	21.60	19.40	17.30	15.20	13.10	11.00
$150	$160	33.80	31.70	29.60	27.50	25.40	23.20	21.10	19.00	16.90	14.80	12.70
$160	$170	36.10	34.00	31.80	29.70	27.60	25.50	23.40	21.30	19.10	17.00	14.90
$170	$180	38.30	36.20	34.10	32.00	29.90	27.70	25.60	23.50	21.40	19.30	17.20
$180	$190	40.60	38.50	36.30	34.20	32.10	30.00	27.90	25.80	23.60	21.50	19.40
$190	$200	42.80	40.70	38.60	36.50	34.40	32.20	30.10	28.00	25.90	23.80	21.70
$200 and over		22.5 percent of the excess over $200 plus										
		43.90	41.80	39.70	37.60	35.50	33.40	31.30	29.10	27.00	24.90	22.80

If the pay-roll period with respect to an employee is biweekly—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—										
$0	$20	18% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$20	$22	$3.80	0	0	0	0	0	0	0	0	0	0
$22	$24	4.20	.30	0	0	0	0	0	0	0	0	0
$24	$26	4.60	.80	.10	.10	.10	.10	.10	.10	.10	.10	.10
$26	$28	5.00	1.20	.20	.20	.20	.20	.20	.20	.20	.20	.20
$28	$30	5.40	1.60	.20	.20	.20	.20	.20	.20	.20	.20	.20
$30	$32	5.80	2.00	.30	.30	.30	.30	.30	.30	.30	.30	.30
$32	$34	6.30	2.40	.30	.30	.30	.30	.30	.30	.30	.30	.30
$34	$36	6.70	2.80	.40	.40	.40	.40	.40	.40	.40	.40	.40
$36	$38	7.10	3.20	.40	.40	.40	.40	.40	.40	.40	.40	.40
$38	$40	7.50	3.70	.50	.50	.50	.50	.50	.50	.50	.50	.50
$40	$42	7.90	4.10	.50	.50	.50	.50	.50	.50	.50	.50	.50
$42	$44	8.30	4.50	.60	.60	.60	.60	.60	.60	.60	.60	.60
$44	$46	8.70	4.90	1.00	.60	.60	.60	.60	.60	.60	.60	.60
$46	$48	9.20	5.30	1.50	.70	.70	.70	.70	.70	.70	.70	.70
$48	$50	9.60	5.70	1.90	.70	.70	.70	.70	.70	.70	.70	.70
$50	$52	10.00	6.10	2.30	.80	.80	.80	.80	.80	.80	.80	.80
$52	$54	10.40	6.50	2.70	.90	.90	.90	.90	.90	.90	.90	.90
$54	$56	10.80	7.00	3.10	.90	.90	.90	.90	.90	.90	.90	.90
$56	$58	11.20	7.40	3.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
$58	$60	11.60	7.80	3.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
$60	$62	12.10	8.20	4.40	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
$62	$64	12.50	8.60	4.80	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
$64	$66	12.90	9.00	5.20	1.30	1.20	1.20	1.20	1.20	1.20	1.20	1.20
$66	$68	13.30	9.40	5.60	1.80	1.20	1.20	1.20	1.20	1.20	1.20	1.20
$68	$70	13.70	9.90	6.00	2.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30
$70	$72	14.10	10.30	6.40	2.60	1.30	1.30	1.30	1.30	1.30	1.30	1.30
$72	$74	14.50	10.70	6.80	3.00	1.40	1.40	1.40	1.40	1.40	1.40	1.40
$74	$76	14.90	11.10	7.30	3.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
$76	$78	15.40	11.50	7.70	3.80	1.50	1.50	1.50	1.50	1.50	1.50	1.50
$78	$80	15.80	11.90	8.10	4.20	1.60	1.60	1.60	1.60	1.60	1.60	1.60
$80	$82	16.20	12.30	8.50	4.70	1.60	1.60	1.60	1.60	1.60	1.60	1.60
$82	$84	16.60	12.80	8.90	5.10	1.70	1.70	1.70	1.70	1.70	1.70	1.70
$84	$86	17.00	13.20	9.30	5.50	1.70	1.70	1.70	1.70	1.70	1.70	1.70
$86	$88	17.50	13.60	9.70	5.90	2.00	1.80	1.80	1.80	1.80	1.80	1.80
$88	$90	17.90	14.00	10.20	6.30	2.50	1.80	1.80	1.80	1.80	1.80	1.80
$90	$92	18.40	14.40	10.60	6.70	2.90	1.90	1.90	1.90	1.90	1.90	1.90
$92	$94	18.80	14.80	11.00	7.10	3.30	1.90	1.90	1.90	1.90	1.90	1.90
$94	$96	19.30	15.20	11.40	7.60	3.70	2.00	2.00	2.00	2.00	2.00	2.00
$96	$98	19.70	15.70	11.80	8.00	4.10	2.00	2.00	2.00	2.00	2.00	2.00
$98	$100	20.20	16.10	12.20	8.40	4.50	2.10	2.10	2.10	2.10	2.10	2.10
$100	$102	20.60	16.50	12.60	8.80	4.90	2.20	2.20	2.20	2.20	2.20	2.20
$102	$104	21.10	16.90	13.10	9.20	5.40	2.20	2.20	2.20	2.20	2.20	2.20
$104	$106	21.50	17.30	13.50	9.60	5.80	2.30	2.30	2.30	2.30	2.30	2.30
$106	$108	22.00	17.70	13.90	10.00	6.20	2.30	2.30	2.30	2.30	2.30	2.30
$108	$110	22.40	18.20	14.30	10.40	6.60	2.80	2.40	2.40	2.40	2.40	2.40
$110	$112	22.90	18.60	14.70	10.90	7.00	3.20	2.40	2.40	2.40	2.40	2.40
$112	$114	23.30	19.10	15.10	11.30	7.40	3.60	2.50	2.50	2.50	2.50	2.50
$114	$116	23.80	19.50	15.50	11.70	7.80	4.00	2.50	2.50	2.50	2.50	2.50
$116	$118	24.20	20.00	16.00	12.10	8.30	4.40	2.60	2.60	2.60	2.60	2.60
$118	$120	24.70	20.40	16.40	12.50	8.70	4.80	2.60	2.60	2.60	2.60	2.60
$120	$124	25.30	21.10	17.00	13.10	9.30	5.40	2.70	2.70	2.70	2.70	2.70
$124	$128	26.20	22.00	17.80	14.00	10.10	6.30	2.80	2.80	2.80	2.80	2.80
$128	$132	27.10	22.90	18.70	14.80	10.90	7.10	3.30	2.90	2.90	2.90	2.90
$132	$136	28.00	23.80	19.60	15.60	11.80	7.90	4.10	3.00	3.00	3.00	3.00
$136	$140	28.90	24.70	20.50	16.50	12.60	8.80	4.90	3.20	3.20	3.20	3.20
$140	$144	29.80	25.60	21.40	17.30	13.40	9.60	5.70	3.30	3.30	3.30	3.30
$144	$148	30.70	26.50	22.30	18.10	14.30	10.40	6.60	3.40	3.40	3.40	3.40
$148	$152	31.60	27.40	23.20	18.90	15.10	11.20	7.40	3.60	3.50	3.50	3.50
$152	$156	32.50	28.30	24.10	19.80	15.90	12.10	8.20	4.40	3.60	3.60	3.60
$156	$160	33.40	29.20	25.00	20.70	16.70	12.90	9.10	5.20	3.70	3.70	3.70
$160	$164	34.30	30.10	25.90	21.60	17.60	13.70	9.90	6.00	3.80	3.80	3.80

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

And the wages are—		And the number of exemptions 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—										
$164	$168	$35.20	$31.00	$26.80	$22.50	$18.40	$14.60	$10.70	$6.90	$3.90	$3.90	$3.90
$168	$172	36.10	31.90	27.70	23.40	19.20	15.40	11.50	7.70	4.00	4.00	4.00
$172	$176	37.00	32.80	28.60	24.30	20.10	16.20	12.40	8.50	4.70	4.10	4.10
$176	$180	37.90	33.70	29.50	25.20	21.00	17.00	13.20	9.30	5.50	4.20	4.20
$180	$184	38.80	34.60	30.40	26.10	21.90	17.90	14.00	10.20	6.30	4.30	4.30
$184	$188	39.70	35.50	31.30	27.00	22.80	18.70	14.80	11.00	7.20	4.40	4.40
$188	$192	40.60	36.40	32.20	27.90	23.70	19.50	15.70	11.80	8.00	4.60	4.60
$192	$196	41.50	37.30	33.10	28.80	24.60	20.40	16.50	12.70	8.80	5.00	4.70
$196	$200	42.40	38.20	34.00	29.70	25.50	21.30	17.30	13.50	9.60	5.80	4.80
$200	$210	44.00	39.80	35.50	31.30	27.10	22.90	18.80	14.90	11.10	7.20	5.00
$210	$220	46.30	42.00	37.80	33.60	29.30	25.10	20.90	17.00	13.20	9.30	5.50
$220	$230	48.50	44.30	40.00	35.80	31.60	27.40	23.10	19.10	15.20	11.40	7.50
$230	$240	50.80	46.50	42.30	38.10	33.80	29.60	25.40	21.10	17.30	13.50	9.60
$240	$250	53.00	48.80	44.50	40.30	36.10	31.90	27.60	23.40	19.40	15.50	11.70
$250	$260	55.30	51.00	46.80	42.60	38.30	34.10	29.90	25.60	21.40	17.60	13.70
$260	$270	57.50	53.30	49.00	44.80	40.60	36.40	32.10	27.90	23.70	19.70	15.80
$270	$280	59.80	55.50	51.30	47.10	42.80	38.60	34.40	30.10	25.90	21.70	17.90
$280	$290	62.00	57.80	53.50	49.30	45.10	40.90	36.60	32.40	28.20	23.90	20.00
$290	$300	64.30	60.00	55.80	51.60	47.30	43.10	38.90	34.60	30.40	26.20	22.00
$300	$320	67.60	63.40	59.20	54.90	50.70	46.50	42.30	38.00	33.80	29.60	25.30
$320	$340	72.10	67.90	63.70	59.40	55.20	51.00	46.80	42.50	38.30	34.10	29.80
$340	$360	76.60	72.40	68.20	63.90	59.70	55.50	51.30	47.00	42.80	38.60	34.30
$360	$380	81.10	76.90	72.70	68.40	64.20	60.00	55.80	51.50	47.30	43.10	38.80
$380	$400	85.60	81.40	77.20	72.90	68.70	64.50	60.30	56.00	51.80	47.60	43.30
$400 or over		22.5 percent of the excess over $400 plus										
		87.90	83.70	79.40	75.20	71.00	66.70	62.50	58.30	54.00	49.80	45.60

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—										
$0	$22	18% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$22	$24	4.10	0	0	0	0	0	0	0	0	0	0
$24	$26	4.60	.40	.10	.10	.10	.10	.10	.10	.10	.10	.10
$26	$28	5.00	.80	.10	.10	.10	.10	.10	.10	.10	.10	.10
$28	$30	5.40	1.20	.20	.20	.20	.20	.20	.20	.20	.20	.20
$30	$32	5.80	1.60	.20	.20	.20	.20	.20	.20	.20	.20	.20
$32	$34	6.20	2.00	.30	.30	.30	.30	.30	.30	.30	.30	.30
$34	$36	6.60	2.50	.30	.30	.30	.30	.30	.30	.30	.30	.30
$36	$38	7.00	2.90	.40	.40	.40	.40	.40	.40	.40	.40	.40
$38	$40	7.40	3.30	.40	.40	.40	.40	.40	.40	.40	.40	.40
$40	$42	7.90	3.70	.50	.50	.50	.50	.50	.50	.50	.50	.50
$42	$44	8.30	4.10	.50	.50	.50	.50	.50	.50	.50	.50	.50
$44	$46	8.70	4.50	.60	.60	.60	.60	.60	.60	.60	.60	.60
$46	$48	9.10	4.90	.80	.60	.60	.60	.60	.60	.60	.60	.60
$48	$50	9.50	5.40	1.20	.70	.70	.70	.70	.70	.70	.70	.70
$50	$52	9.90	5.80	1.60	.80	.80	.80	.80	.80	.80	.80	.80
$52	$54	10.30	6.20	2.00	.80	.80	.80	.80	.80	.80	.80	.80
$54	$56	10.80	6.60	2.40	.90	.90	.90	.90	.90	.90	.90	.90
$56	$58	11.20	7.00	2.80	.90	.90	.90	.90	.90	.90	.90	.90
$58	$60	11.60	7.40	3.30	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
$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	4.50	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

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

And the wages are—		And the number of exemptions 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—										
$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	1.50	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	4.50	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	9.50	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	6.50	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	2.80	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	$124	25.20	20.60	16.30	12.10	8.00	3.80	2.70	2.70	2.70	2.70	2.70
$124	$128	26.10	21.50	17.10	13.00	8.80	4.60	2.80	2.80	2.80	2.80	2.80
$128	$132	27.00	22.40	18.00	13.80	9.60	5.50	2.90	2.90	2.90	2.90	2.90
$132	$136	27.90	23.30	18.80	14.60	10.40	6.30	3.00	3.00	3.00	3.00	3.00
$136	$140	28.80	24.20	19.60	15.40	11.30	7.10	3.10	3.10	3.10	3.10	3.10
$140	$144	29.70	25.10	20.50	16.30	12.10	7.90	3.80	3.20	3.20	3.20	3.20
$144	$148	30.60	26.00	21.40	17.10	12.90	8.80	4.60	3.30	3.30	3.30	3.30
$148	$152	31.50	26.90	22.30	17.90	13.80	9.60	5.40	3.40	3.40	3.40	3.40
$152	$156	32.40	27.80	23.20	18.80	14.60	10.40	6.30	3.50	3.50	3.50	3.50
$156	$160	33.30	28.70	24.10	19.60	15.40	11.30	7.10	3.60	3.60	3.60	3.60
$160	$164	34.20	29.60	25.00	20.40	16.20	12.10	7.90	3.70	3.70	3.70	3.70
$164	$168	35.10	30.50	25.90	21.30	17.10	12.90	8.70	4.60	3.90	3.90	3.90
$168	$172	36.00	31.40	26.80	22.20	17.90	13.70	9.60	5.40	4.00	4.00	4.00
$172	$176	36.90	32.30	27.70	23.10	18.70	14.60	10.40	6.20	4.10	4.10	4.10
$176	$180	37.80	33.20	28.60	24.00	19.60	15.40	11.20	7.10	4.20	4.20	4.20
$180	$184	38.70	34.10	29.50	24.90	20.40	16.20	12.00	7.90	4.30	4.30	4.30
$184	$188	39.60	35.00	30.40	25.80	21.20	17.00	12.90	8.70	4.50	4.40	4.40
$188	$192	40.50	35.90	31.30	26.70	22.10	17.90	13.70	9.50	5.40	4.50	4.50
$192	$196	41.40	36.80	32.20	27.60	23.00	18.70	14.50	10.40	6.20	4.60	4.60
$196	$200	42.30	37.70	33.10	28.50	23.90	19.50	15.40	11.20	7.00	4.70	4.70
$200	$210	43.80	39.30	34.70	30.10	25.50	21.00	16.80	12.60	8.50	4.90	4.90
$210	$220	46.10	41.50	36.90	32.30	27.80	23.20	18.90	14.70	10.50	6.40	5.20
$220	$230	48.30	43.80	39.20	34.60	30.00	25.40	21.00	16.80	12.60	8.50	5.50
$230	$240	50.60	46.00	41.40	36.80	32.30	27.70	23.10	18.90	14.70	10.50	6.40
$240	$250	52.80	48.30	43.70	39.10	34.50	29.90	25.30	20.90	16.80	12.60	8.40
$250	$260	55.10	50.50	45.90	41.30	36.80	32.20	27.60	23.00	18.80	14.70	10.50
$260	$270	57.30	52.80	48.20	43.60	39.00	34.40	29.80	25.30	20.90	16.70	12.60
$270	$280	59.60	55.00	50.40	45.80	41.30	36.70	32.10	27.50	23.00	18.80	14.60
$280	$290	61.80	57.30	52.70	48.10	43.50	38.90	34.30	29.80	25.20	20.90	16.70
$290	$300	64.10	59.50	54.90	50.30	45.80	41.20	36.60	32.00	27.40	22.90	18.80
$300	$320	67.50	62.90	58.30	53.70	49.10	44.50	40.00	35.40	30.80	26.20	21.90
$320	$340	72.00	67.40	62.80	58.20	53.60	49.00	44.50	39.90	35.30	30.70	26.10
$340	$360	76.50	71.90	67.30	62.70	58.10	53.50	49.00	44.40	39.80	35.20	30.60
$360	$380	81.00	76.40	71.80	67.20	62.60	58.00	53.50	48.90	44.30	39.70	35.10
$380	$400	85.50	80.90	76.30	71.70	67.10	62.50	58.00	53.40	48.80	44.20	39.60
$400	$420	90.00	85.40	80.80	76.20	71.60	67.00	62.50	57.90	53.30	48.70	44.10
$420	$440	94.50	89.90	85.30	80.70	76.10	71.50	67.00	62.40	57.80	53.20	48.60
$440	$460	99.00	94.40	89.80	85.20	80.60	76.00	71.50	66.90	62.30	57.70	53.10
$460	$480	103.50	98.90	94.30	89.70	85.10	80.50	76.00	71.40	66.80	62.20	57.60
$480	$500	108.00	103.40	98.80	94.20	89.60	85.00	80.50	75.90	71.30	66.70	62.10
$500 and over		22.5 percent of the excess over $500 plus										
		110.20	105.60	101.00	96.50	91.90	87.30	82.70	78.10	73.50	69.00	64.40

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

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—										
$0	$44	18% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$44	$48	$8.30	0	0	0	0	0	0	0	0	0	0
$48	$52	9.10	.80	.10	.10	.10	.10	.10	.10	.10	.10	.10
$52	$56	9.90	1.60	.20	.20	.20	.20	.20	.20	.20	.20	.20
$56	$60	10.80	2.40	.30	.30	.30	.30	.30	.30	.30	.30	.30
$60	$64	11.60	3.30	.40	.40	.40	.40	.40	.40	.40	.40	.40
$64	$68	12.40	4.10	.50	.50	.50	.50	.50	.50	.50	.50	.50
$68	$72	13.20	4.90	.60	.60	.60	.60	.60	.60	.60	.60	.60
$72	$76	14.10	5.70	.70	.70	.70	.70	.70	.70	.70	.70	.70
$76	$80	14.90	6.60	.90	.90	.90	.90	.90	.90	.90	.90	.90
$80	$84	15.70	7.40	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
$84	$88	16.60	8.20	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
$88	$92	17.40	9.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
$92	$96	18.20	9.90	1.50	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
$96	$100	19.00	10.70	2.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
$100	$104	19.90	11.50	3.20	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
$104	$108	20.70	12.40	4.00	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
$108	$112	21.50	13.20	4.90	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
$112	$116	22.30	14.00	5.70	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
$116	$120	23.20	14.80	6.50	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90
$120	$124	24.00	15.70	7.30	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
$124	$128	24.80	16.50	8.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
$128	$132	25.70	17.30	9.00	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
$132	$136	26.50	18.20	9.80	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
$136	$140	27.30	19.00	10.60	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
$140	$144	28.10	19.80	11.50	3.10	2.60	2.60	2.60	2.60	2.60	2.60	2.60
$144	$148	29.00	20.60	12.30	4.00	2.70	2.70	2.70	2.70	2.70	2.70	2.70
$148	$152	29.80	21.50	13.10	4.80	2.80	2.80	2.80	2.80	2.80	2.80	2.80
$152	$156	30.60	22.30	14.00	5.60	2.90	2.90	2.90	2.90	2.90	2.90	2.90
$156	$160	31.50	23.10	14.80	6.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00
$160	$164	32.30	24.00	15.60	7.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
$164	$168	33.10	24.80	16.40	8.10	3.20	3.20	3.20	3.20	3.20	3.20	3.20
$168	$172	33.90	25.60	17.30	8.90	3.30	3.30	3.30	3.30	3.30	3.30	3.30
$172	$176	34.80	26.40	18.10	9.80	3.40	3.40	3.40	3.40	3.40	3.40	3.40
$176	$180	35.60	27.30	18.90	10.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
$180	$184	36.40	28.10	19.80	11.40	3.70	3.70	3.70	3.70	3.70	3.70	3.70
$184	$188	37.30	28.90	20.60	12.30	3.90	3.80	3.80	3.80	3.80	3.80	3.80
$188	$192	38.20	29.70	21.40	13.10	4.70	3.90	3.90	3.90	3.90	3.90	3.90
$192	$196	39.10	30.60	22.20	13.90	5.60	4.00	4.00	4.00	4.00	4.00	4.00
$196	$200	40.00	31.40	23.10	14.70	6.40	4.10	4.10	4.10	4.10	4.10	4.10
$200	$204	40.90	32.20	23.90	15.60	7.20	4.20	4.20	4.20	4.20	4.20	4.20
$204	$208	41.80	33.10	24.70	16.40	8.10	4.30	4.30	4.30	4.30	4.30	4.30
$208	$212	42.70	33.90	25.60	17.20	8.90	4.40	4.40	4.40	4.40	4.40	4.40
$212	$216	43.60	34.70	26.40	18.00	9.70	4.50	4.50	4.50	4.50	4.50	4.50
$216	$220	44.50	35.50	27.20	18.90	10.50	4.60	4.60	4.60	4.60	4.60	4.60
$220	$224	45.40	36.40	28.00	19.70	11.40	4.70	4.70	4.70	4.70	4.70	4.70
$224	$228	46.30	37.20	28.90	20.50	12.20	4.90	4.90	4.90	4.90	4.90	4.90
$228	$232	47.20	38.00	29.70	21.40	13.00	5.00	5.00	5.00	5.00	5.00	5.00
$232	$236	48.10	38.90	30.50	22.20	13.90	5.50	5.10	5.10	5.10	5.10	5.10
$236	$240	49.00	39.80	31.30	23.00	14.70	6.30	5.20	5.20	5.20	5.20	5.20
$240	$248	50.30	41.20	32.60	24.30	15.90	7.60	5.30	5.30	5.30	5.30	5.30
$248	$256	52.10	43.00	34.20	25.90	17.60	9.20	5.60	5.60	5.60	5.60	5.60
$256	$264	53.90	44.80	35.90	27.60	19.20	10.90	5.80	5.80	5.80	5.80	5.80
$264	$272	55.70	46.60	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	25.90	17.50	9.20	6.60	6.60	6.60	6.60
$296	$304	62.90	53.80	44.60	35.80	27.50	19.20	10.90	6.90	6.90	6.90	6.90
$304	$312	64.70	55.60	46.40	37.50	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	10.80	7.90	7.90	7.90
$344	$352	73.70	64.60	55.40	46.20	37.50	29.10	20.80	12.50	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	41.90	33.60	25.20	16.90	10.90
$460	$480	101.20	92.00	82.80	73.70	64.50	55.30	46.20	37.70	29.40	21.00	12.70
$480	$500	105.70	96.50	87.30	78.20	69.00	59.80	50.70	41.80	33.50	25.20	16.80

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

And the wages are—		And the number of exemptions is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least	But less than	The amount of tax to be withheld shall be—										
$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	79.90	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	124.90	115.80	106.60	97.40	88.30
$840	$880	188.90	179.80	170.60	161.40	152.30	143.10	133.90	124.80	115.60	106.40	97.30
$880	$920	197.90	188.80	179.60	170.40	161.30	152.10	142.90	133.80	124.60	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
At least	But less than	The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period										
$0	$1.50	18% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$1.50	$1.75	$0.30	0	0	0	0	0	0	0	0	0	0
$1.75	$2.00	.35	.05	0	0	0	0	0	0	0	0	0
$2.00	$2.25	.40	.10	0	0	0	0	0	0	0	0	0
$2.25	$2.50	.45	.20	0	0	0	0	0	0	0	0	0
$2.50	$2.75	.50	.25	.05	.05	.05	.05	.05	.05	.05	.05	.05
$2.75	$3.00	.55	.30	.05	.05	.05	.05	.05	.05	.05	.05	.05
$3.00	$3.25	.60	.35	.05	.05	.05	.05	.05	.05	.05	.05	.05
$3.25	$3.50	.65	.40	.10	.05	.05	.05	.05	.05	.05	.05	.05
$3.50	$3.75	.70	.45	.15	.05	.05	.05	.05	.05	.05	.05	.05
$3.75	$4.00	.75	.50	.20	.05	.05	.05	.05	.05	.05	.05	.05
$4.00	$4.25	.80	.55	.25	.05	.05	.05	.05	.05	.05	.05	.05
$4.25	$4.50	.85	.60	.30	.10	.10	.10	.10	.10	.10	.10	.10
$4.50	$4.75	.90	.65	.35	.10	.10	.10	.10	.10	.10	.10	.10
$4.75	$5.00	.95	.70	.40	.15	.10	.10	.10	.10	.10	.10	.10
$5.00	$5.25	1.00	.75	.45	.20	.10	.10	.10	.10	.10	.10	.10
$5.25	$5.50	1.05	.80	.50	.25	.10	.10	.10	.10	.10	.10	.10
$5.50	$5.75	1.10	.85	.60	.30	.10	.10	.10	.10	.10	.10	.10
$5.75	$6.00	1.20	.90	.65	.35	.10	.10	.10	.10	.10	.10	.10
$6.00	$6.25	1.25	.95	.70	.40	.15	.10	.10	.10	.10	.10	.10
$6.25	$6.50	1.30	1.00	.75	.45	.20	.15	.15	.15	.15	.15	.15
$6.50	$6.75	1.35	1.05	.80	.50	.25	.15	.15	.15	.15	.15	.15
$6.75	$7.00	1.40	1.10	.85	.55	.30	.15	.15	.15	.15	.15	.15
$7.00	$7.25	1.45	1.15	.90	.60	.35	.15	.15	.15	.15	.15	.15
$7.25	$7.50	1.50	1.20	.95	.65	.40	.15	.15	.15	.15	.15	.15
$7.50	$7.75	1.55	1.25	1.00	.70	.45	.15	.15	.15	.15	.15	.15
$7.75	$8.00	1.60	1.30	1.05	.75	.50	.20	.15	.15	.15	.15	.15
$8.00	$8.25	1.70	1.40	1.10	.80	.55	.25	.20	.20	.20	.20	.20
$8.25	$8.50	1.75	1.45	1.15	.85	.60	.30	.20	.20	.20	.20	.20
$8.50	$8.75	1.80	1.50	1.20	.90	.65	.35	.20	.20	.20	.20	.20
$8.75	$9.00	1.85	1.55	1.25	.95	.70	.45	.20	.20	.20	.20	.20
$9.00	$9.25	1.90	1.60	1.30	1.05	.75	.50	.20	.20	.20	.20	.20
$9.25	$9.50	1.95	1.65	1.35	1.10	.80	.55	.25	.20	.20	.20	.20
$9.50	$9.75	2.00	1.70	1.40	1.15	.85	.60	.30	.20	.20	.20	.20
$9.75	$10.00	2.05	1.75	1.45	1.20	.90	.65	.35	.25	.25	.25	.25
$10.00	$10.50	2.15	1.85	1.55	1.25	1.00	.70	.45	.25	.25	.25	.25
$10.50	$11.00	2.25	1.95	1.65	1.35	1.10	.80	.55	.25	.25	.25	.25

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

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
At least	But less than	The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period										
$11.00	$11.50	$2.40	$2.10	$1.80	$1.50	$1.20	$0.90	$0.65	$0.35	$0.25	$0.25	$0.25
$11.50	$12.00	2.50	2.20	1.90	1.60	1.30	1.00	.75	.45	.30	.30	.30
$12.00	$12.50	2.60	2.30	2.00	1.70	1.40	1.15	.85	.60	.30	.30	.30
$12.50	$13.00	2.70	2.40	2.10	1.80	1.50	1.25	.95	.70	.40	.30	.30
$13.00	$13.50	2.85	2.55	2.25	1.95	1.65	1.35	1.05	.80	.50	.30	.30
$13.50	$14.00	2.95	2.65	2.35	2.05	1.75	1.45	1.15	.90	.60	.35	.35
$14.00	$14.50	3.05	2.75	2.45	2.15	1.85	1.55	1.25	1.00	.70	.45	.35
$14.50	$15.00	3.15	2.85	2.55	2.25	1.95	1.65	1.35	1.10	.80	.55	.35
$15.00	$15.50	3.30	3.00	2.70	2.40	2.10	1.75	1.45	1.20	.90	.65	.40
$15.50	$16.00	3.40	3.10	2.80	2.50	2.20	1.90	1.60	1.30	1.05	.75	.50
$16.00	$16.50	3.50	3.20	2.90	2.60	2.30	2.00	1.70	1.40	1.15	.85	.60
$16.50	$17.00	3.60	3.30	3.00	2.70	2.40	2.10	1.80	1.50	1.25	.95	.70
$17.00	$17.50	3.75	3.45	3.15	2.85	2.55	2.20	1.90	1.60	1.35	1.05	.80
$17.50	$18.00	3.85	3.55	3.25	2.95	2.65	2.35	2.05	1.75	1.45	1.15	.90
$18.00	$18.50	3.95	3.65	3.35	3.05	2.75	2.45	2.15	1.85	1.55	1.25	1.00
$18.50	$19.00	4.05	3.75	3.45	3.15	2.85	2.55	2.25	1.95	1.65	1.35	1.10
$19.00	$19.50	4.20	3.90	3.60	3.30	3.00	2.65	2.35	2.05	1.75	1.50	1.20
$19.50	$20.00	4.30	4.00	3.70	3.40	3.10	2.80	2.50	2.20	1.90	1.60	1.30
$20.00	$21.00	4.45	4.15	3.85	3.55	3.25	2.95	2.65	2.35	2.05	1.75	1.45
$21.00	$22.00	4.70	4.40	4.10	3.80	3.50	3.20	2.90	2.60	2.30	1.95	1.65
$22.00	$23.00	4.90	4.60	4.30	4.00	3.70	3.40	3.10	2.80	2.50	2.20	1.90
$23.00	$24.00	5.15	4.85	4.55	4.25	3.95	3.65	3.35	3.05	2.75	2.40	2.10
$24.00	$25.00	5.35	5.05	4.75	4.45	4.15	3.85	3.55	3.25	2.95	2.65	2.35
$25.00	$26.00	5.60	5.30	5.00	4.70	4.40	4.10	3.80	3.50	3.20	2.85	2.55
$26.00	$27.00	5.80	5.50	5.20	4.90	4.60	4.30	4.00	3.70	3.40	3.10	2.80
$27.00	$28.00	6.05	5.75	5.45	5.15	4.85	4.55	4.25	3.95	3.65	3.30	3.00
$28.00	$29.00	6.25	5.95	5.65	5.35	5.05	4.75	4.45	4.15	3.85	3.55	3.25
$29.00	$30.00	6.50	6.20	5.90	5.60	5.30	5.00	4.70	4.40	4.10	3.75	3.45
$30.00 or 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