[COMMITTEE PRINT]

SUMMARY OF THE PRESIDENT'S LEGISLATIVE TAX PROPOSALS INCLUDED IN HIS STATE OF THE UNION MESSAGE ON JANUARY 15, 1975

PREPARED FOR THE USE OF THE

COMMITTEE ON WAYS AND MEANS

BY THE STAFF OF THE

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

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SUMMARY OF THE PRESIDENT'S LEGISLATIVE TAX PROPOSALS INCLUDED IN HIS STATE OF THE UNION MESSAGE ON JANUARY 15, 1975

In his State of the Union Message, the President announced new economic, tax, and energy programs designed to deal with the problems of recession, inflation, and energy dependence. The tax proposals include a temporary tax cut, based on 1974 tax liabilities, and also permanent tax reductions and payments to nontaxpayers which are to be financed by energy conservation taxes. In addition, the President resubmitted several of his tax proposals made on October 8, 1974, and earlier. In general, the tax proposals presented by the President may be outlined as follows:

I. Temporary tax cut of $16 billion.

A. A tax reduction for individuals of $12 billion provided by a cash refund equal to 12 percent of a taxpayer's 1974 tax liabilities up to a maximum tax reduction of $1,000.

B. A temporary increase in the investment tax credit (from 7 percent to 12 percent generally, and from 4 percent to 12 percent for utilities) for business and farmers of $4 billion effective for property placed in service in 1975 (with an additional 2-year period for certain utility property) and covering binding contracts in effect at the end of 1975 if the property is placed in service before the end of 1976.

II. Permanent tax reductions and payments to nontaxpayers financed by energy conservation taxes and fees.

A. Energy conservation taxes and fees (to raise about $30 billion).

1. An excise tax on all domestic crude oil of $2 per barrel and a fee on imported crude oil and product imports of $2 per barrel.[1]

2. An excise tax on natural gas of 37 cents per thousand cubic feet (the equivalent on a Btu basis to the $2 per barrel petroleum excise tax and import fee).

3. A windfall profits tax on the profits realized by producers of domestic oil at rates graduated from 15 percent to 90 percent on that portion of the price per barrel that exceeds the producer's adjusted base price, which represents the windfall profit, retroactive to January 1, 1975.

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[1] The administration plans to impose a fee of $3 per barrel on imported crude oil by April 1975 ($1 per month beginning in February) and a fee of $1.20 on imports of refined petroleum products. When the excise tax on domestic crude oil is imposed, the administration plans to set an import fee of $2 per barrel on all imported petroleum, both crude oil and refined products.

B. Permanent tax reductions for individuals and payments to nontaxpayers.

1. An increase in the low income allowance from the present $1,300 level to $2,600 for joint returns ($2,000 for single returns).

2. A cut in the schedule of tax rates.

3. A 15-percent tax credit on the first $1,000 of expenditures for thermal efficiency improvements in residences, effective January 1, 1975.

4. An $80 per adult payment to nontaxpayers and a lesser amount for certain low income taxpayers who receive less than $80 in tax reductions so their refund and tax reduction together equal $80.

C. Permanent tax reductions for corporations.—A reduction in the corporate rate of 6 percentage points (from 48 percent to 42 percent) effective for 1975.

III. Resubmission of tax proposals of October 8, 1974, and earlier.

A. Elimination of the withholding tax on portfolio investments in the United States of nonresident aliens and foreign corporations.

B. Deduction of dividends paid on qualified preferred stock for corporate income tax purposes.

C. A new tax incentive for financial institutions for investment in residential mortgages.

A brief description of these proposals is set forth below.

The administration estimates that its program will reduce receipts by $5.0 billion and increase expenditures by $0.5 billion in fiscal 1975. In fiscal 1976, the reduction in receipts will be $6.4 billion and the increase in expenditures will be $7.0 billion. Its preliminary budget estimates, including the effects of these and other programs, indicate revenues of $280 billion and expenditures of $314 billion in fiscal 1975, causing a deficit of $34 billion. For fiscal 1976, it estimates revenues of $303 billion, expenditures of $349 billion, and a deficit of $46 billion.

I. TEMPORARY TAX REDUCTIONS

A. Individual Income Tax Reduction

Present law

Individual taxpayers who report their income on the basis of the calendar year (which is the case for almost all individuals) are required to file their 1974 tax returns by April 15, 1975. Individual income tax liabilities for calendar year 1974 currently are estimated at approximately $118 billion.

Administration proposal

The administration has recommended that individual taxpayers receive a cash refund of 12 percent of their tax liabilities reported on their 1974 tax returns, up to a maximum refund of $1,000. Married couples filing separate returns would receive a maximum refund of

$500 each. The refund would be paid in two equal installments—the first payment being made in May and the second payment being made in September. Under the proposal taxpayers are to compute and pay their 1974 tax liability when they file their tax returns without regard to any refund that is to be available to them. This proposal would not directly affect income tax liabilities for 1975 and later years.

Revenue effect

This proposal would reduce Federal Government receipts by $12.2 billion, with $4.9 billion of the reduction occurring in fiscal year 1975 and $7.3 billion occurring in fiscal year 1976. No estimate has been provided of increases in receipts in fiscal year 1976 that may result from taxpayers spending the cash tax refund.

B. Temporary Increase In Investment Tax Credit

Present law

Present law provides a 7-percent investment tax credit (4 percent with respect to certain public utility property). The investment tax credit is available with respect to: (1) tangible personal property; (2) other tangible property (not including a building and structural components) which is an integral part of manufacturing, production, etc., or which constituted a research or storage facility; and (3) elevators and escalators.

The definition of public utility property to which a 4-percent investment tax credit applies is property used predominantly in the trade or business of furnishing or selling (1) electrical energy, water, or sewage disposal services, (2) gas through a local distribution system, or (3) telephone service, telegraph service through domestic telegraph operations, or other communications services (other than international telegraph services). In general, the reduced credit applies only if the rates for these services or items are established or approved by certain types of governmental regulating bodies.

The property must be depreciable property with a useful life of at least 3 years. Property with a useful life of 3 and 4 years qualifies for the credit to the extent of one-third of its cost; property with a useful life of 5 and 6 years qualifies with respect to two-thirds of its cost; and property with a useful life of 7 years or more qualifies for the full 7-percent credit. Property becomes eligible for the credit when it is placed in service.

The amount of the credit that a taxpayer may take in any one year cannot exceed the first $25,000 of tax liability (as otherwise computed) plus 50 percent of the tax liability in excess of $25,000. Investment credits which because of this limitation cannot be used in the current year may be carried back 3 taxable years and then carried forward 7 taxable years and used in those years to the extent permissible within the limitations applicable in those years.

Administration proposal

The administration has proposed that the investment tax credit be increased for one year to 12 percent for all taxpayers, including public utilities. The temporary higher credit is to apply to property placed in service in 1975 and to property ordered during 1975, if placed in service before the end of 1976. In addition, the credit would also be available to the extent of construction, reconstruction or erection of eligible property by or for a taxpayer during 1975, without regard to the date when the completed property is placed in service.

In the case of utilities the 12 percent credit would continue to apply for two additional years after 1975 with respect to qualified investment in electrical power plants other than oil- or gas-fired facilities.

Also, with respect to utilities, the 50 percent limitation on the amount of credit which may be claimed in a year above the first $25,000 of a taxpayer's income tax liability would be temporarily increased. Utilities would be permitted to use the credit against up to 75 percent of their tax liability above the first $25,000 of liability for 1975. Thereafter, the limitation would decrease by five percentage points for each year after 1975 (that is, 70 percent in 1976, 65 percent in 1977, 60 percent in 1978, 55 percent in 1979) until the limitation is decreased to the 50 percent limitation, generally applicable to other taxpayers, in 1980 and later years.

The temporary increase in the credit would be effective retroactively to January 1, 1975.

Revenue effect

The administration estimates that tax liabilities will be reduced by $4 billion annually as a result of the the increases in the investment tax credit. This is an estimate of the direct effect and does not include an estimate of secondary effects that could result from the initial impact.

II. PERMANENT TAX PROGRAM

The administration's energy program involves tax and free increases on oil and gas that are to raise approximately $30 billion. These increases are to be offset by individual and corporate tax reductions totaling $25 billion. The difference between this amount and the $30 billion raised by the energy taxes represents amounts retained by the Federal government ($3 billion) or distributed to State and local governments under revenue sharing ($2 billion) to offset higher fuel costs.

A. Energy Taxes and Fees

PRESENT LAW

There are currently no general Federal excise taxes on crude oil or natural gas. There are, however, Federal excise taxes on gasoline, diesel fuel used on highways, lubricating oil, and aviation fuel, the revenues from which are paid into the highway and airport and airway trust funds. The gasoline tax is now 4 cents per gallon ($1.68 per barrel). Also, the administration imposed oil import license fees in 1973 that are scheduled to rise to 21 cents per barrel on crude oil and 63 cents on refined products by November 1975. Certain refiners are permitted to import oil without paying the fee, but these "fee-free allocations" are scheduled to phase out by 1980.

ADMINISTRATION PROPOSALS

1. License fee increases

The President announced that he intends to increase the import license fees on crude oil and petroleum products by $3 per barrel, under authority of the national security provisions of the Trade Expansion Act of 1962, as amended. The increase will occur in three one-dollar increments on February 1, March 1, and April 1. The fee on product imports will be rebated so that the actual increase will be $1.20 per barrel by April. The difference between the fee increases on crude oil and refined products ($1.80) is equal to the benefit received under the Federal Energy Administration's "Old Oil Entitlements" program, which will be discontinued for product imports as of February 1975. This program is designed to equalize the cost of crude oil to refiners who have different mixes of price-controlled and price-uncontrolled crude oil.[2]

Revenue effect.—The import fee program at the fee level of $3 per barrel of crude oil is expected to raise 4.8 billion annually.

2. Petroleum excise tax and import fee

The administration proposes that Congress enact within 90 days an excise tax of $2 per barrel on all crude oil produced in the United States and an import license fee on crude oil and petroleum products of $2 per barrel. The effect would be to lower the fee on crude oil from $3 to $2 per barrel and to raise the fee on refined product imports to to that level.

Revenue effect.—These combined actions will raise an estimated $9.5 billion in revenue annually, approximately $3.2 billion from import fees and $6.4 billion from the domestic oil excise tax.

3. Natural gas excise tax

The administration proposes an excise tax of 37 cents per thousand cubic feet (mcf) of natural gas. This is equivalent on a BTU basis to the $2 tax on crude oil.

Revenue effect.—This tax is expected to raise an estimated $8.5 billion annually.

4. Windfall profits tax

In connection with its proposal to decontrol the price of oil, the administration proposes a windfall profits tax (similar to the one reported by the Ways and Means Committee in 1974). This is an excise tax on crude oil produced in the United States based on the estimated "windfall profits" on each barrel of oil. Windfall profits on a barrel of oil are defined as the excess of the price of that barrel over its adjusted base price. The initial adjusted base price will equal the producer's ceiling price on December 1, 1973, under the price control pro-

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[2] In 1974, the Ways and Means Committee reported a bill (H.R. 14462—The Oil and Gas Energy Tax Act of 1974) that would have made the President's authority to impose restrictions on imports under the national security provision subject to specific criteria. One of these was that the price of imported oil had to be less than or equal to the price of U.S. oil, which is not the case now. A second criterion was that the import fees had to be aimed at increasing U.S. independence of foreign crude oil and of foreign refining capacity. The House did not act upon this bill.

gram, plus 95 cents (compared to a 50-cent initial adjustment in the Ways and Means bill). Each month the base price will be adjusted upwards so that the tax will phase out within five years. Windfall profits on any property will be limited to 75 percent of the net income from that property.

The windfall profits tax rate will range from 15 percent on the first 20 cents of windfall profits to 90 percent of windfall profits in excess of $3.00. (In the Ways and Means bill, the rates ranged from 10 percent to 85 percent.) Percentage depletion will not be allowed on the gross income represented by a producer's windfall profits tax liability. The administration specifically recommends against a plowback provision (such as was included in the Ways and Means bill) which would allow a credit against windfall profits tax liability for investments in energy-related areas above a threshhold level.

Revenue effect.—This tax is estimated to raise $12 billion in 1975 and decreasing amounts thereafter until it is phased out.

B. Permanent Tax Reductions and Payments to Nontaxpayers

1. Individual Tax Reductions

(a) Changes in the minimum standard deduction

Present law.—Under present law, an individual who chooses not to itemize his deductions can elect a standard deduction equal to 15 percent of adjusted gross income (up to a maximum of $2,000) or a $1,300 minimum standard deduction (also known as the low-income allowance). In conjunction with the $750 personal exemption, it provides a tax-free income level of $2,050 for a single person, $2,800 for a married couple, and $4,300 for a married couple with two children.

Administration proposal.—The administration proposes to raise the low-income allowance to $2,000 for single returns and $2,600 for joint returns. This will, in effect, eliminate the percentage standard deduction, since the new minimum standard deduction would exceed the current maximum percentage standard deduction. The higher low-income allowance will increase the tax-free income level for a single person to $2,750, for a married couple to $4,100, and for a family of four to $5,600, which is slightly greater than the estimated poverty level for 1975.

Revenue effect.—The increase in the minimum standard deduction is estimated to reduce taxes by $5.2 billion at 1975 income levels.

(b) Rate reductions

Administration proposal.—The administration also proposes rate reductions in the lower income brackets. These are to be offset by small rate increases in the middle income brackets which will have the effect of almost phasing out the rate reductions for higher income taxpayers. Under this plan, no one will experience an actual tax increase, but only low and middle income families will have a significant reduction.

The administration proposes to lower the initial tax bracket from 14 percent to 7 percent. Rates are reduced for tax brackets up to $6,000 for married couples who file joint returns and up to $8,000 for single individuals. Rates are increased in the brackets between $16,000 and $24,000 for married individuals who file joint returns and in the brackets between $20,000 and $26,000 for single taxpayers. The tax is reduced somewhat in all brackets although it is largely offset by the increased rates in the middle brackets. The proposed tax tables (compared with the tables under present law) are set forth in Appendix A.

Revenue effect.—This rate reduction and the increase in the low-income allowance together involve an estimated revenue loss of $16.5 billion. Of this, $5.2 billion results from the increase in the low-income allowance and $11.3 billion from the rate reductions.

(c) Payments to nontaxpayers

Administration proposal.—The administration proposes to distribute an $80 annual payment to adults who currently pay no tax. Adults who receive less than $80 in tax reductions under the changes in the minimum standard deduction and the rate reductions described above will receive a payment equal to the excess of $80 over their tax reduction.

Revenue effect.—These payments will result in a cost of $2 billion annually.

(d) Tax credit for home insulation

Present law.—Under present law there are no deductions or credits available for nonbusiness expenditures by taxpayers to improve thermal efficiency in their residences.

Administration proposal.—The administration proposes a 15-percent tax credit for expenditures to improve thermal efficiency in residences. The credit would be limited to $1,000 of such expenditures and would last for three years.

Revenue effect.—The revenue cost of this proposal is estimated at $500 million annually.

2. Corporate Tax Reductions

The administration proposes to reduce the corporate tax rate from 48 percent to 42 percent effective for 1975 and thereafter.

Revenue effect.—This rate reduction represents an annual revenue loss of $6 billion.

III. RESUBMISSION OF TAX PROPOSALS OF OCTOBER 8, 1974, AND EARLIER

A. Withholding tax on portfolio investments in the United States of nonresident aliens and foreign corporations

Present law

Present law provides, in general, that interest, dividends, and other similar types of income of a nonresident alien or a foreign corporation are generally subject to a 30-percent tax on the gross amount paid if such income is not effectively connected with the conduct of a trade or business within the United States. However, a number of exceptions have been provided from this 30-percent tax on gross income. Interest from bank deposits are exempt. Any interest or dividends paid by a domestic corporation which earns less than 20 percent of its gross income from sources within the United States is also not subject to the 30-percent tax. Moreover, there is no estate tax liability with respect to a debt obligation or a bank deposit when the interest on such obligation or deposit would not be subject to the 30-percent withholding tax if it were received by the decedent at the time of his death. In addition to these exceptions provided in the Internal Revenue Code, various income tax treaties of the United States provide for either an exemption or a reduced rate of tax for interest and dividends paid to foreign persons if the income is not effectively connected with the conduct of a trade or business within the United States.

Administration proposal

The President proposes eliminating the U.S. withholding tax on all portfolio investments in the United States of nonresident aliens and foreign corporations. This means that interest and dividends on portfolio investments in the United States paid by a U.S. person are to be exempt from U.S. tax if received by a nonresident alien individual or a foreign corporation.

Revenue effect

It is estimated that the elimination of the U.S. withholding tax on foreign portfolio investments will result in a revenue reduction of $150 million.

B. Deduction for corporate income tax purposes of dividends paid on qualified preferred stock

Present law

Present law generally provides that dividends paid by a corporation to its shareholders on either its common stock or its preferred stock are not deductible for corporate income tax purposes. Interest paid by a corporation on any of its indebtedness (bonds, notes, etc.) is generally deductible for corporate income tax purposes.

Administration proposal

The President proposes to allow a deduction for cash dividends paid on preferred stock issued after December 31, 1974, for pre-existing bona fide debt of the issuing corporation. For these purposes, preferred stock would be required to be nonvoting, limited and preferred as to dividends, and entitled to a liquidating preference. This is intended to reduce the cost of capital and stimulate equity rather than debt financing.

Revenue effect

It is estimated that a deduction for dividends paid on the qualifying preferred stock will result in a revenue reduction of $100 million.

C. A new tax incentive for financial institutions for investment in residential mortgages

Present law

Present law provides tax benefits through special bad debt reserve deductions for thrift institutions, which includes mutual savings banks, savings and loan associations, and cooperative banks, which are primarily engaged in the business of home mortgage financing. These thrift institutions are allowed to compute the addition to their bad debt reserves for qualifying real property loans on the basis of a percentage of taxable income. The 1969 Tax Reform Act reduced the applicable percentage over a 10-year period from 60 percent of taxable income to 40 percent (it is 45 percent for 1975). In addition, certain modifications are required to be made in the determination of the additions to the reserve under this method. For example, if a taxpayer does not invest certain portions of its assets in qualifying assets, the percentage of the deduction is reduced. Moreover, there is an overall limitation upon deductions, i.e. the balance of the reserve for losses on qualifying real property loans cannot exceed 6 percent of the outstanding loans.

Commercial banks compute the additions to their bad debt reserves on the basis of a percentage of outstanding eligible loans or on the basis of the actual loss experience of the individual bank (which is the method required for most businesses).[3] The 1969 Tax Reform Act eliminated the percentage of outstanding eligible loan method subject to an 18 year transition period. Under the transition rules, additions to the reserve may not increase the reserve balance to an amount in excess of 1.8 percent of eligible loans outstanding in taxable years beginning before 1976, 1.2 percent for taxable years between 1976 and 1982, and 0.6 percent for taxable years beginning after 1981 and before 1988, after which time all commercial banks will be required to compute reserve additions on the basis of actual loss experience.

Administration proposal

The administration (under President Nixon) proposed a comprehensive series of recommendations dealing with financial institutions. Among the proposals was a restructuring of the thrift institutions, expanding their powers to reduce the degree of functional specialization among financial institutions. As a result of this proposal, the administration proposed a uniform tax treatment of financial institutions. The percentage of taxable income method available to thrift institutions to compute the additions to their bad debt reserves on qualifying real property loans would be eliminated. In general, thrift institutions would compute reserve additions under the percentage of eligible loan method or under the experience method (as provided for commercial banks).

The administration proposed, in lieu of special bad debt deduction a new tax credit (to be available to all taxpayers) equal to a percentage of the gross interest income from residential mortages in order to provide an incentive for the continued flow of capital into the residential mortgage market. The credit would be 3.5 percent (1.5 percent in the case of individuals) of the residential mortgage interest income earned during the taxable year. The 3.5 percent level (but not the 1.5 percent for individuals) decreases if a taxpayer's assets invested in residential mortgages are less than 70 percent of its total assets (determined as of the close of the taxable year). The credit percentage would be reduced by one-third of 1 percentage point for each point below 70 percent.

Revenue effect

The effect of the proposed tax changes for financial institutions is expected to result in a revenue loss of approximately $200 million a year.

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[3] Under the actual experience method, additions to a reserve for bad debts are computed on the basis of actual loss experience for the current taxable year and the preceding five taxable years.

APPENDIX A: PRESENT AND PROPOSED RATE SCHEDULES

1. Present Law and Proposed Rate Table for Married Individuals Filing Joint Returns and Certain Surviving Spouses [1]

Taxable income		Present law		Proposal	
Over	Not over	Pay	+ Tax rate (%)	Pay	+ Tax rate (%)
—	$1, 000	—	14	—	7
$1, 000	2, 000	$140	15	$70	10
2, 000	3, 000	290	16	170	13
3, 000	4, 000	450	17	300	15
4, 000	8, 000	620	19	—	—
(4, 000)	[2] (6, 000)	—	----	450	17
(6, 000)	[2] (8, 000)	—	----	790	19
8, 000	12, 000	1, 380	22	1, 170	22
12, 000	16, 000	2, 260	25	2, 050	25
16, 000	20, 000	3, 260	28	3, 050	29
20, 000	24, 000	4, 380	32	4, 210	33
24, 000	28, 000	5, 660	36	5, 530	36
28, 000	32, 000	7, 100	39	6, 970	39
32, 000	36, 000	8, 660	42	8, 530	42
36, 000	40, 000	10, 340	45	10, 210	45
40, 000	44, 000	12, 140	48	12, 010	48
44, 000	52, 000	14, 060	50	13, 930	50
52, 000	64, 000	18, 060	53	17, 930	53
64, 000	76, 000	24, 420	55	24, 290	55
76, 000	88, 000	31, 020	58	30, 890	58
88, 000	100, 000	37, 980	60	37, 850	60
100, 000	120, 000	45, 180	62	45, 050	62
120, 000	140, 000	57, 580	64	57, 450	64
140, 000	160, 000	70, 380	66	70, 250	66
160, 000	180, 000	83, 580	68	83, 450	68
180, 000	200, 000	97, 180	69	97, 050	69
200, 000	300, 000	110, 980	70	110, 850	70

[1] Applies for a qualified surviving widow or widower in the first two years after the year in which the spouse died.

[2] Proposed new brackets; split of present law $4,000 to $8,000 bracket.

2. Present Law and Proposed Rate Table for Unmarried Individuals (other than Certain Surviving Spouses and Heads of Households)

Taxable income		Present law		Proposal	
Over	Not over	Pay	+ Tax rate (%)	Pay	+ Tax rate (%)
—	$500	—	14	—	7
$500	1, 000	$70	15	$35	9
1, 000	1, 500	145	16	80	11
1, 500	2, 000	225	17	135	13
2, 000	4, 000	310	19	—	—
(2, 000)	[1] (3, 000)	—	—	200	16
(3, 000)	[1] (4, 000)	—	—	360	18
4, 000	6, 000	690	21	540	20
6, 000	8, 000	1, 110	24	940	23
8, 000	10, 000	1, 590	25	1, 400	25
10, 000	12, 000	2, 090	27	1, 900	27
12, 000	14, 000	2, 630	29	2, 440	29
14, 000	16, 000	3, 210	31	3, 020	31
16, 000	18, 000	3, 830	34	3, 640	34
18, 000	20, 000	4, 510	36	4, 320	36
20, 000	22, 000	5, 230	38	5, 040	39
22, 000	26, 000	5, 990	40	5, 820	41
26, 000	32, 000	7, 590	45	7, 460	45
32, 000	38, 000	10, 290	50	10, 160	50
38, 000	44, 000	13, 290	55	13, 160	55
44, 000	50, 000	16, 590	60	16, 460	60
50, 000	60, 000	20, 190	62	20, 060	62
60, 000	70, 000	26, 390	64	26, 260	64
70, 000	80, 000	32, 790	66	32, 660	66
80, 000	90, 000	39, 390	68	39, 260	68
90, 000	100, 000	46, 190	69	46, 060	69
100, 000	------------	53, 090	70	52, 960	70

[1] Proposed new brackets, split of present law $2,000 to $4,000 bracket.

TABLE 2.—*Effect of Administration Proposal to Refund 12 Percent of the 1974 Individual Income Tax With a $1,000 Limit on the Amount of Refund, 1974 Levels*

Adjusted gross income class (thousands)	Amount of tax decrease (millions)	Percentage tax decrease [1]	Percentage distribution of tax decrease
0–$3	$30	12. 0	0. 2
$3–$5	213	12. 0	1. 7
$5–$7	491	12. 0	4. 0
$7–$10	1, 110	12. 0	9. 1
$10–$15	2, 549	12. 0	20. 9
$15–$20	2, 509	12. 0	20. 6
$20–$50	4, 489	11. 7	36. 8
$50–$100	646	5. 4	5. 3
$100 and over	157	1. 5	1. 3
Total	12, 195	10. 3	100. 0

[1] Percentage of 1974 tax.

NOTE.—Details do not necessarily add to totals because of rounding.

TABLE 3.—*Effect of Administration Proposal to Increase the Minimum Standard Deduction to $2,000 for Single Person Returns and to $2,600 for Joint Returns and Reduce Tax Rates, 1975 Levels*

Adjusted gross income class (thousands)	Amount of tax decrease (billions)	Percentage tax decrease [1]	Percentage distribution of tax decrease
0–$3	$0. 25	83. 3	1. 5
$3–$5	1. 20	66. 7	7. 3
$5–$7	1. 96	49. 0	11. 9
$7–$10	3. 38	38. 0	20. 5
$10–$15	4. 72	21. 6	28. 6
$15–$20	2. 70	11. 8	16. 4
$20–$50	2. 15	4. 8	13. 0
$50–$100	. 11	. 8	. 7
$100 and over	. 03	. 2	. 2
Total	[2] 16. 50	—12. 6	100. 0

[1] Percentage of 1975 tax.
[2] Does not include payments to nontaxpayers.

NOTE.—Details do not necessarily add to totals because of rounding.

TABLE 4.—*Separate Effect of Administration Proposal to Increase the Minimum Standard Deduction to $2,000 for Single Person Returns and $2,600 for Joint Returns, 1975 Levels*

Adjusted gross income class (thousands)	Amount of tax decrease (billions)	Percentage tax decrease [1]	Percentage distribution of tax decrease
0–$3	$0. 24	80. 0	4. 6
$3–$5	. 79	43. 9	15. 0
$5–$7	1. 03	25. 8	19. 6
$7–$10	1. 41	15. 8	26. 9
$10–$15	1. 15	5. 3	21. 9
$15–$20	. 40	1. 8	7. 6
$20–$50	. 22	. 5	4. 2
$50–$100	. 01	. 1	. 2
$100 and over	(2)	(2)	(2)
Total	5. 24	4. 0	100. 0

[1] Percentage of 1975 tax.
[2] Less than $5 million or 0.05 percent.

NOTE.—Details do not necessarily add to totals because of rounding.

TABLE 5.—*Separate Effect of Administration Proposal to Reduce Individual Income Tax Rates, 1975 Levels*

Adjusted gross income class (thousands)	Amount of tax decrease (billions)	Percentage tax decrease [1]	Percentage distribution of tax decrease
0–$3	$0. 01	3. 3	0. 1
$3–$5	. 41	22. 7	3. 6
$5–$7	. 93	23. 3	8. 3
$7–$10	1. 97	22. 1	17. 5
$10–$15	3. 57	16. 3	31. 7
$15–$20	2. 30	10. 1	20. 4
$20–$50	1. 93	4. 3	17. 2
$50–$100	. 10	. 7	. 9
$100 and over	. 03	. 2	. 3
Total	11. 25	8. 6	100. 0

[1] Percentage of 1975 tax.

APPENDIX B: STATISTICAL DATA

TABLE 1.—*Summary of tax increases and decreases proposed by the administration*

[In billions of dollars]

	Full-year effect
Tax increases:	
Oil excise tax and import fee	+9.5
Natural gas excise tax	+8.5
Windfall profits tax [1]	+12.0
Total increases [2]	+30.0
Tax decreases:	
Temporary [3]	−16.0
Refunds of 1974 individual income tax	−12.0
Investment credit	−4.0
Permanent	[4] −25.0
Individuals:	
Increased minimum standard deduction and reduced tax rates	−16.5
Residential conservation tax credit	−.5
Payments to nontaxpayers	−2.0
Corporate rate reduction	−6.0
Total decreases	−41.0

[1] Phases out over 5 years.

[2] Does not include items with small revenue effect such as the deduction for preferred stock dividends, etc.

[3] 1974 only for individual refunds and 1975 and 1976 only for investment credit.

[4] The difference between the permanent tax increase of $30 billion and the permanent reduction of $25 billion is to be retained by the Federal Government ($3 billion) and distributed to State and local governments ($2 billion) to offset higher fuel costs.