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ALTERNATIVE PLANS FOR REDUCING THE INDIVIDUAL INCOME TAX BURDEN

PREPARED BY THE
STAFF OF THE JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION

DECEMBER 1955



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1956

LETTER OF SUBMITTAL

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON INTERNAL REVENUE TAXATION,
Washington, December 29, 1955.

HON. JERE COOPER,
Chairman, Joint Committee on Internal Revenue Taxation.

DEAR MR. COOPER: Numerous requests have been received by the staff as to the revenue effects of various plans for reducing individual income taxes. It is believed that it will be helpful to the committee if all such plans could be incorporated in one pamphlet with an estimate as to their revenue effects. Accordingly, this pamphlet is intended to accomplish such purpose. If any one of the plans is seriously considered by the committee, it will, of course, be necessary to complete the technical details which would be involved in the drafting of the bill carrying out the plan.

The arrangement of the plans in the pamphlet is for convenience only and is not intended to indicate any preference of one plan over another; nor does any plan contained in the pamphlet represent a staff proposal to the committee.

Respectfully yours,

COLIN F. STAM, *Chief of Staff.*

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ALTERNATIVE PLANS FOR REDUCING THE INDIVIDUAL INCOME-TAX BURDEN

PLAN 1

Plan I would increase the present \$600 per capita exemptions to \$700. This would relieve 5 million 600 thousand taxpayers from any income-tax liability. This plan was sponsored by Representative Jere Cooper and Senator Walter F. George in 1954.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	1, 247	50. 4
Over \$5,000-----	1, 227	49. 6
Total-----	2, 474	100. 0

BURDEN TABLE FOR PLAN 1

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$60	\$20	25. 0
\$2,000-----	280	260	20	7. 1
\$3,000-----	488	466	22	4. 5
\$4,000-----	708	686	22	3. 1
\$5,000-----	944	918	26	2. 8
\$8,000-----	1, 780	1, 750	30	1. 7
\$10,000-----	2, 436	2, 402	34	1. 4
\$15,000-----	4, 448	4, 401	47	1. 1
\$25,000-----	9, 796	9, 737	59	. 6
\$50,000-----	26, 388	26, 316	72	. 3
\$100,000-----	66, 798	66, 711	87	. 1
\$500,000-----	429, 274	429, 183	91	(²)
\$1,000,000-----	¹ 869, 478	¹ 869, 478	-----	-----

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$120	\$40	25. 0
\$3,000-----	360	320	40	11. 1
\$4,000-----	560	520	40	7. 1
\$5,000-----	760	720	40	5. 3
\$8,000-----	1, 416	1, 372	44	3. 1
\$10,000-----	1, 888	1, 836	52	2. 8
\$15,000-----	3, 260	3, 200	60	1. 8
\$25,000-----	6, 724	6, 648	76	1. 1
\$50,000-----	19, 592	19, 474	118	. 6
\$100,000-----	52, 776	52, 632	144	. 3
\$500,000-----	403, 548	403, 366	182	(²)
\$1,000,000-----	858, 548	858, 366	182	(²)

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$40	\$80	66. 7
\$4,000-----	320	240	80	25. 0
\$5,000-----	520	440	80	15. 4
\$8,000-----	1, 152	1, 064	88	7. 6
\$10,000-----	1, 592	1, 504	88	5. 5
\$15,000-----	2, 900	2, 780	120	4. 1
\$25,000-----	6, 268	6, 116	152	2. 4
\$50,000-----	18, 884	18, 648	236	1. 2
\$100,000-----	51, 912	51, 624	288	. 6
\$500,000-----	402, 456	402, 092	364	. 1
\$1,000,000-----	857, 456	857, 092	364	(²)

¹ Maximum effective rate limitation 87 percent of taxable income.² Less than 0.05 percent.

PLAN 2

Plan 2 would provide an increase in the present \$600 per capita exemptions of \$50 and in addition would reduce the tax payable by 5 percent. This would relieve 3 million taxpayers from all tax liability.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	1, 048	38. 0
Over \$5,000-----	1, 712	52. 0
Total-----	2, 760	100. 0

BURDEN TABLE FOR PLAN 2

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$67	\$14	16.9
\$2,000-----	280	257	24	8.6
\$3,000-----	488	453	35	7.2
\$4,000-----	708	662	46	6.5
\$5,000-----	944	884	60	6.4
\$8,000-----	1,780	1,677	103	5.8
\$10,000-----	2,436	2,298	138	5.7
\$15,000-----	4,448	4,203	245	5.5
\$25,000-----	9,796	9,278	518	5.3
\$50,000-----	26,388	25,034	1,354	5.1
\$100,000-----	66,798	63,417	3,381	5.1
\$500,000-----	429,274	407,767	21,507	5.0
\$1,000,000-----	¹ 869,478	840,017	29,461	3.4

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$133	\$27	16.9
\$3,000-----	360	323	37	10.3
\$4,000-----	560	513	47	8.4
\$5,000-----	760	703	57	7.5
\$8,000-----	1,416	1,324	92	6.5
\$10,000-----	1,888	1,769	119	6.3
\$15,000-----	3,260	3,069	191	5.9
\$25,000-----	6,724	6,352	372	5.5
\$50,000-----	19,592	18,556	1,036	5.3
\$100,000-----	52,776	50,069	2,707	5.1
\$500,000-----	403,548	383,284	20,264	5.0
\$1,000,000-----	858,548	815,534	43,014	5.0

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$76	\$44	36.7
\$4,000-----	320	266	54	16.9
\$5,000-----	520	456	64	12.3
\$8,000-----	1,152	1,053	99	8.6
\$10,000-----	1,592	1,471	121	7.6
\$15,000-----	2,900	2,698	202	7.0
\$25,000-----	6,268	5,882	386	6.2
\$50,000-----	18,884	17,828	1,056	5.6
\$100,000-----	51,912	49,180	2,732	5.3
\$500,000-----	402,456	382,160	20,296	5.0
\$1,000,000-----	857,456	814,410	43,046	5.0

¹ Maximum effective rate limitation 87 percent of taxable income.

PLAN 3

Plan 3 would provide a \$20 tax credit for each personal exemption and credit for dependents claimed by the taxpayer. This plan passed the House of Representatives in the Revenue Act of 1955. This will relieve 5 million 600 thousand taxpayers of all tax liability.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	1, 238	55. 6
Over \$5,000-----	989	44. 4
Total-----	2, 227	100. 0

BURDEN TABLE FOR PLAN 3

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$60	\$20	25. 0
\$2,000-----	280	260	20	7. 1
\$3,000-----	488	468	20	4. 1
\$4,000-----	708	688	20	2. 8
\$5,000-----	944	924	20	2. 1
\$8,000-----	1, 780	1, 760	20	1. 1
\$10,000-----	2, 436	2, 416	20	. 8
\$15,000-----	4, 448	4, 428	20	. 4
\$25,000-----	9, 796	9, 776	20	. 2
\$50,000-----	26, 388	26, 368	20	. 1
\$100,000-----	66, 798	66, 778	20	(²)
\$500,000-----	429, 274	429, 254	20	(²)
\$1,000,000-----	¹ 869, 478	¹ 869, 458	20	(²)

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$120	\$40	25. 0
\$3,000-----	360	320	40	11. 1
\$4,000-----	560	520	40	7. 1
\$5,000-----	760	720	40	5. 3
\$8,000-----	1, 416	1, 376	40	2. 8
\$10,000-----	1, 888	1, 848	40	2. 1
\$15,000-----	3, 260	3, 220	40	1. 2
\$25,000-----	6, 724	6, 684	40	. 6
\$50,000-----	19, 592	19, 552	40	. 2
\$100,000-----	52, 776	52, 736	40	. 1
\$500,000-----	403, 548	403, 508	40	(²)
\$1,000,000-----	858, 548	858, 508	40	(²)

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$40	\$80	66. 7
\$4,000-----	320	240	80	25. 0
\$5,000-----	520	440	80	15. 4
\$8,000-----	1, 152	1, 072	80	6. 9
\$10,000-----	1, 592	1, 512	80	5. 0
\$15,000-----	2, 900	2, 820	80	2. 8
\$25,000-----	6, 268	6, 188	80	1. 3
\$50,000-----	18, 884	18, 804	80	. 4
\$100,000-----	51, 912	51, 832	80	. 2
\$500,000-----	402, 456	402, 376	80	(²)
\$1,000,000-----	857, 456	857, 376	80	(²)

¹ Maximum effective rate limitation 87 percent of taxable income.² Less than 0.05 percent.

PLAN 4

Plan 4 would provide a tax credit of \$20 in the case of a single person and a \$10 credit for each dependent. In the case of a married couple the credit of both husband and wife would be limited to \$20. This credit would be in lieu of split income, head of household and surviving spouse benefits. There will be 2 million 400 thousand taxpayers relieved of all tax liability.

This plan was sponsored by Senator Lyndon B. Johnson in 1955.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	830	78. 2
Over \$5,000-----	232	21. 8
Total -----	1, 062	100. 0

BURDEN TABLE FOR PLAN 4

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$60	\$20	25. 0
\$2,000-----	280	260	20	7. 1
\$3,000-----	488	468	20	4. 1
\$4,000-----	708	688	20	2. 8
\$5,000-----	944	924	20	2. 1
\$8,000-----	1, 780	1, 760	20	1. 1
\$10,000-----	2, 436	2, 416	20	. 8
\$15,000-----	4, 448	4, 428	20	. 5
\$25,000-----	9, 796	9, 776	20	. 2
\$50,000-----	26, 388	26, 368	20	. 1
\$100,000-----	66, 798	66, 778	20	(²)
\$500,000-----	429, 274	429, 254	20	(²)
\$1,000,000-----	¹ 869, 478	¹ 869, 458	20	(²)

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$140	\$20	12. 5
\$3,000-----	360	340	20	5. 6
\$4,000-----	560	556	4	. 7
\$5,000-----	760	760	-----	-----
\$8,000-----	1, 416	1, 416	-----	-----
\$10,000-----	1, 888	1, 888	-----	-----
\$15,000-----	3, 260	3, 260	-----	-----
\$25,000-----	6, 724	6, 724	-----	-----
\$50,000-----	19, 592	19, 592	-----	-----
\$100,000-----	52, 776	52, 776	-----	-----
\$500,000-----	403, 548	403, 548	-----	-----
\$1,000,000-----	858, 548	858, 548	-----	-----

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$80	\$40	33. 3
\$4,000-----	320	280	40	12. 5
\$5,000-----	520	492	28	5. 4
\$8,000-----	1, 152	1, 152	-----	-----
\$10,000-----	1, 592	1, 592	-----	-----
\$15,000-----	2, 900	2, 900	-----	-----
\$25,000-----	6, 268	6, 268	-----	-----
\$50,000-----	18, 884	18, 884	-----	-----
\$100,000-----	51, 912	51, 912	-----	-----
\$500,000-----	402, 456	402, 456	-----	-----
\$1,000,000-----	857, 456	857, 456	-----	-----

¹ Maximum effective rate limitation 87 percent of taxable income.² Less than 0.05 percent.

PLAN 5

Plan 5 would provide a tax credit of \$20 per taxpayer as an alternative to the benefit of split income or head of household. A taxpayer who could receive more benefit from split income or head of household than \$20 would not elect the \$20 tax credit. This plan unlike plan 3 would allow the credit only for the taxpayer and would not provide an additional credit dependents of the taxpayer as in plan 3. This would relieve 3 million 100 thousand taxpayers from all tax liability.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	\$934	83. 9
Over \$5,000-----	179	16. 1
Total-----	1, 113	100. 0

BURDEN TABLE FOR PLAN 5

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$60	\$20	25. 0
\$2,000-----	280	260	20	7. 1
\$3,000-----	488	468	20	4. 1
\$4,000-----	708	688	20	2. 8
\$5,000-----	944	924	20	2. 1
\$8,000-----	1, 780	1, 760	20	1. 1
\$10,000-----	2, 436	2, 416	20	. 8
\$15,000-----	4, 448	4, 428	20	. 5
\$25,000-----	9, 796	9, 776	20	. 2
\$50,000-----	26, 388	26, 368	20	. 1
\$100,000-----	66, 798	66, 778	20	(²)
\$500,000-----	429, 274	429, 254	20	(²)
\$1,000,000-----	¹ 869, 478	¹ 869, 458	20	(²)

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$120	\$40	25. 0
\$3,000-----	360	320	40	11. 1
\$4,000-----	560	536	24	4. 3
\$5,000-----	760	756	4	. 5
\$8,000-----	1, 416	1, 416	-----	-----
\$10,000-----	1, 888	1, 888	-----	-----
\$15,000-----	3, 260	3, 260	-----	-----
\$25,000-----	6, 724	6, 724	-----	-----
\$50,000-----	19, 592	19, 592	-----	-----
\$100,000-----	52, 776	52, 776	-----	-----
\$500,000-----	403, 548	403, 548	-----	-----
\$1,000,000-----	858, 548	858, 548	-----	-----

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$80	\$40	33. 3
\$4,000-----	320	280	40	12. 5
\$5,000-----	520	492	28	5. 4
\$8,000-----	1, 152	1, 152	-----	-----
\$10,000-----	1, 592	1, 592	-----	-----
\$15,000-----	2, 900	2, 900	-----	-----
\$25,000-----	6, 268	6, 268	-----	-----
\$50,000-----	18, 884	18, 884	-----	-----
\$100,000-----	51, 912	51, 912	-----	-----
\$500,000-----	402, 456	402, 456	-----	-----
\$1,000,000-----	857, 456	857, 456	-----	-----

¹ Maximum effective rate limitation 87 percent of taxable income.² Less than 0.05 percent.

PLAN 6

Plan 6 would provide a tax credit of \$140 for each exemption claimed by the taxpayer in lieu of the present deduction of \$600 for each exemption. For taxpayers in the first income-tax bracket under present law and under the plan the \$140 tax credit would result in a tax saving of \$20 more per exemption claimed than they would receive from the \$600 per exemption. In addition there would be a reduction of 1 percentage point on the tax rate on the first \$2,000 of taxable income and 3 percentage points in the tax rates on all other taxable income. This 3-percentage-point reduction above the first income-tax bracket is suggested to compensate for and give relief to those taxpayers whose benefit by way of the conversion of the exemption into a tax credit has been taken away. In addition the percentage point reduction will have the effect of increasing the first surtax bracket of \$2,000 to \$4,000. The effect of this, so far as administrative simplicity is concerned will be to eliminate additional assessments on the low income taxpayers because withholding will more closely approximate the actual liability. For example, a single person with a \$4,000 salary is under present law underwithheld on by \$20. Broadening the bracket to \$4,000 will eliminate this underwithholding.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000.....	2, 058	46. 1
Over \$5,000.....	2, 406	53. 9
Total.....	4, 464	100. 0

BURDEN TABLE FOR PLAN 6

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$50	\$30	38
\$2,000-----	280	240	40	14
\$3,000-----	488	430	58	12
\$4,000-----	708	620	88	12
\$5,000-----	944	850	94	10
\$8,000-----	1,780	1,620	160	9
\$10,000-----	2,436	2,240	196	8
\$15,000-----	4,448	4,180	268	6
\$25,000-----	9,796	9,300	496	5
\$50,000-----	26,388	25,220	1,168	4
\$100,000-----	66,798	64,220	2,578	4
\$500,000-----	429,274	414,720	14,554	3
\$1,000,000-----	¹ 869,478	854,720	14,758	2

MARRIED COUPLE—NO DEPENDENTS

\$1,500-----	\$60	\$5	\$55	92
\$2,000-----	160	100	60	38
\$3,000-----	360	290	70	19
\$4,000-----	560	480	80	14
\$5,000-----	760	670	90	12
\$8,000-----	1,416	1,240	176	12
\$10,000-----	1,888	1,700	188	10
\$15,000-----	3,260	2,970	290	9
\$25,000-----	6,724	6,280	444	7
\$50,000-----	19,592	18,600	992	5
\$100,000-----	52,776	50,160	2,616	5
\$300,000-----	222,572	214,440	8,132	4
\$500,000-----	403,548	389,440	14,108	3
\$1,000,000-----	858,548	829,440	29,108	3

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$10	\$110	92
\$4,000-----	320	200	120	38
\$5,000-----	520	390	130	25
\$8,000-----	1,152	960	192	17
\$10,000-----	1,592	1,420	172	11
\$15,000-----	2,900	2,690	210	7
\$25,000-----	6,268	6,000	268	4
\$50,000-----	18,884	18,320	564	3
\$100,000-----	51,912	50,160	1,752	3
\$300,000-----	221,504	214,160	7,344	3
\$500,000-----	402,456	389,160	13,296	3
\$1,000,000-----	857,456	829,160	28,296	3

¹ Maximum effective rate limitation 87 percent of taxable income.

PLAN 7

Plan 7 would reduce the present law rates in all brackets by 2 percentage points.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	844	33. 2
Over \$5,000-----	1, 702	66. 8
Total-----	2, 546	100. 0

BURDEN TABLE FOR PLAN 7

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$72	\$8	10. 0
\$2,000-----	280	252	28	10. 0
\$3,000-----	488	440	48	9. 8
\$4,000-----	708	640	68	9. 6
\$5,000-----	944	856	88	9. 3
\$8,000-----	1, 780	1, 632	148	8. 3
\$10,000-----	2, 436	2, 248	188	7. 7
\$15,000-----	4, 448	4, 160	288	6. 5
\$25,000-----	9, 796	9, 308	488	5. 0
\$50,000-----	26, 388	25, 400	988	3. 7
\$100,000-----	66, 798	64, 810	1, 988	3. 0
\$500,000-----	429, 274	419, 286	9, 988	2. 3
\$1,000,000-----	¹ 869, 478	864, 286	5, 192	. 6

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$144	\$16	10. 0
\$3,000-----	360	324	36	10. 0
\$4,000-----	560	504	56	10. 0
\$5,000-----	760	684	76	10. 0
\$8,000-----	1, 416	1, 280	136	9. 6
\$10,000-----	1, 888	1, 712	176	9. 3
\$15,000-----	3, 260	2, 984	276	8. 5
\$25,000-----	6, 724	6, 248	476	7. 1
\$50,000-----	19, 592	18, 616	976	5. 0
\$100,000-----	52, 776	50, 800	1, 976	3. 7
\$500,000-----	403, 548	393, 572	9, 976	2. 5
\$1,000,000-----	858, 548	838, 572	19, 976	2. 3

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$108	\$12	10. 0
\$4,000-----	320	288	32	10. 0
\$5,000-----	520	468	52	10. 0
\$8,000-----	1, 152	1, 040	112	9. 7
\$10,000-----	1, 592	1, 440	152	9. 5
\$15,000-----	2, 900	2, 648	252	8. 7
\$25,000-----	6, 268	5, 816	452	7. 2
\$50,000-----	18, 884	17, 932	952	5. 0
\$100,000-----	51, 912	49, 960	1, 952	3. 8
\$500,000-----	402, 456	392, 504	9, 952	2. 5
\$1,000,000-----	857, 456	837, 504	19, 952	2. 3

¹ Maximum effective rate limitation 87 percent of taxable income.

PLAN 8

Plan 8 adopts the rates that were in effect prior to the Korean war. These rates were in effect in 1948 and 1949.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	1, 418	31. 6
Over \$5,000-----	3, 070	68. 4
Total-----	4, 488	100. 0

BURDEN TABLE FOR PLAN 8

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$66	\$14	17. 0
\$2,000-----	280	232	48	17. 0
\$3,000-----	488	409	79	16. 2
\$4,000-----	708	603	105	14. 8
\$5,000-----	944	811	133	14. 1
\$8,000-----	1, 780	1, 546	234	13. 1
\$10,000-----	2, 436	2, 124	312	12. 8
\$15,000-----	4, 448	3, 894	554	12. 5
\$25,000-----	9, 796	8, 600	1, 196	12. 2
\$50,000-----	26, 388	23, 201	3, 187	12. 1
\$100,000-----	66, 798	58, 762	8, 036	12. 0
\$500,000-----	429, 274	² 384, 538	44, 736	10. 4
\$1,000,000-----	¹ 869, 478	² 769, 538	99, 940	11. 5

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$133	\$27	17. 0
\$3,000-----	360	299	61	17. 0
\$4,000-----	560	465	95	17. 0
\$5,000-----	760	631	129	17. 0
\$8,000-----	1, 416	1, 206	210	14. 8
\$10,000-----	1, 888	1, 621	267	14. 1
\$15,000-----	3, 260	2, 829	431	13. 2
\$25,000-----	6, 724	5, 877	847	12. 6
\$50,000-----	19, 592	17, 201	2, 391	12. 2
\$100,000-----	52, 776	46, 403	6, 373	12. 1
\$500,000-----	403, 548	359, 662	43, 886	10. 9
\$1,000,000-----	858, 548	² 769, 076	89, 472	10. 4

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$100	\$20	17. 0
\$4,000-----	320	266	54	17. 0
\$5,000-----	520	432	88	17. 0
\$8,000-----	1, 152	974	178	15. 5
\$10,000-----	1, 592	1, 361	231	14. 5
\$15,000-----	2, 900	2, 512	388	13. 4
\$25,000-----	6, 268	5, 476	792	12. 6
\$50,000-----	18, 884	16, 578	2, 306	12. 2
\$100,000-----	51, 912	45, 643	6, 269	12. 1
\$500,000-----	402, 456	358, 677	43, 779	10. 9
\$1,000,000-----	857, 456	² 768, 152	89, 304	10. 4

¹ Maximum effective rate limitation 87 percent of taxable income.² Maximum effective rate limitation 77 percent of taxable income.

PLAN 9

Plan 9 applies the Canadian income-tax rates to the Federal tax system in this country. The present Federal provisions, including split income, exemptions, and deductions, provided under our law are maintained under the plan.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000.....	2, 777	33. 4
Over \$5,000.....	5, 526	66. 6
Total.....	8, 303	100. 0

PLANS FOR REDUCING THE INDIVIDUAL INCOME TAX BURDEN 19

BURDEN TABLE FOR PLAN 9

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$52	\$28	35. 0
\$2,000-----	280	190	90	32. 1
\$3,000-----	488	348	140	28. 7
\$4,000-----	708	518	190	26. 8
\$5,000-----	944	700	244	25. 8
\$8,000-----	1, 780	1, 356	424	23. 8
\$10,000-----	2, 436	1, 892	544	22. 3
\$15,000-----	4, 448	3, 632	816	18. 3
\$25,000-----	9, 796	7, 902	1, 894	19. 3
\$50,000-----	26, 388	20, 342	6, 046	22. 9
\$100,000-----	66, 798	49, 282	17, 516	26. 2
\$500,000-----	429, 274	338, 692	90, 582	21. 1
\$1,000,000-----	¹ 869, 478	728, 692	140, 786	16. 2

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$104	\$56	35. 0
\$3,000-----	360	234	126	35. 0
\$4,000-----	560	380	180	32. 1
\$5,000-----	760	530	230	30. 3
\$8,000-----	1, 416	1, 036	380	26. 8
\$10,000-----	1, 888	1, 400	488	25. 8
\$15,000-----	3, 260	2, 472	788	24. 2
\$25,000-----	6, 724	5, 374	1, 350	20. 1
\$50,000-----	19, 592	15, 804	3, 788	19. 3
\$100,000-----	52, 776	40, 684	12, 092	22. 9
\$500,000-----	403, 548	302, 444	101, 104	25. 1
\$1,000,000-----	858, 548	677, 384	181, 164	21. 1

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$78	\$42	35. 0
\$4,000-----	320	208	112	35. 0
\$5,000-----	520	350	170	32. 7
\$8,000-----	1, 152	832	320	27. 8
\$10,000-----	1, 592	1, 172	420	26. 4
\$15,000-----	2, 900	2, 184	716	24. 7
\$25,000-----	6, 268	4, 978	1, 290	20. 6
\$50,000-----	18, 884	15, 288	3, 596	19. 0
\$100,000-----	51, 912	40, 048	11, 864	22. 9
\$500,000-----	402, 456	301, 568	100, 888	25. 1
\$1,000,000-----	857, 456	676, 448	181, 008	21. 1

¹ Maximum effective rate limitation 87 percent of taxable income.

PLAN 10

Plan 10 would lower the present law 87 percent maximum effective rate limitation of tax on taxable income to 80 percent. Under present law the 87 percent limitation affects single taxpayers with taxable incomes in excess of \$629,500 and married couples filing joint returns with taxable incomes in excess of \$1,259,000. The 80 percent limitation would affect all single taxpayers with taxable incomes in excess of \$228,909 and all married couples filing joint returns with taxable incomes in excess of \$457,818.

This plan will reduce revenues by \$18 million.

PLAN 11

Plan 11 would split the first \$2,000 taxable income class into two classes of \$1,000 each and provide a rate on the first \$1,000 of 10 percent and leave the present 20 percent rate on the next \$1,000. Except for married couples filing joint returns, the tax for those with taxable incomes over \$1,000 would be reduced by \$100. In the case of married couples filing joint returns the reduction because of split income would amount to \$200 where their taxable income exceeds \$2,000. For married couples with taxable incomes between \$1,000 and \$2,000, the reduction would graduate from 50 percent of the tax to \$200. The plan would have the effect of reducing all taxpayers' tax by 50 percent if their taxable income was \$1,000 or less.

This plan will reduce revenues by 6 billion 260 million dollars.

PLAN 12

Plan 12 would provide a 10 percent reduction in the tax. This reduction could be worked into the tax table so as not to make necessary a separate computation by the taxpayer.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	848	28. 4
Over \$5,000-----	2, 139	71. 6
Total-----	2, 987	100. 0

PLAN 13

Plan 13 provides a flat 10 percent reduction on the tax on the first \$2,000 of taxable income and 5 percent on the tax on the taxable income over \$2,000. These percentages could be worked into the tax rate schedule to eliminate the necessity of the taxpayer making extra computations.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	823	35. 0
Over \$5,000-----	1, 526	65. 0
Total-----	2, 349	100. 0

BURDEN TABLE FOR PLAN 13

Income before deduction for personal exemptions	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$72	\$8	10. 0
\$2,000-----	280	252	28	10. 0
\$3,000-----	488	444	44	9. 0
\$4,000-----	708	654	54	7. 6
\$5,000-----	944	880	64	6. 8
\$8,000-----	1, 780	1, 686	94	5. 3
\$10,000-----	2, 436	2, 308	128	5. 3
\$15,000-----	4, 448	4, 220	228	5. 1
\$25,000-----	9, 796	9, 304	492	5. 0
\$50,000-----	26, 388	25, 092	1, 296	4. 9
\$100,000-----	66, 798	63, 502	3, 296	4. 9
\$500,000-----	429, 274	409, 978	19, 296	4. 5
\$1,000,000-----	¹ 869, 478	844, 978	24, 500	2. 8

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$144	\$16	10. 0
\$3,000-----	360	324	36	10. 0
\$4,000-----	560	504	56	10. 0
\$5,000-----	760	684	76	10. 0
\$8,000-----	1, 416	1, 308	108	7. 6
\$10,000-----	1, 888	1, 760	128	6. 8
\$15,000-----	3, 260	3, 082	178	5. 5
\$25,000-----	6, 724	6, 368	356	5. 3
\$50,000-----	19, 592	18, 608	984	5. 0
\$100,000-----	52, 776	50, 184	2, 592	4. 9
\$500,000-----	403, 548	384, 956	18, 592	4. 6
\$1,000,000-----	858, 548	819, 956	38, 592	4. 5

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$108	\$12	10. 0
\$4,000-----	320	288	32	10. 0
\$5,000-----	520	468	52	10. 0
\$8,000-----	1, 152	1, 056	96	8. 3
\$10,000-----	1, 592	1, 476	116	7. 3
\$15,000-----	2, 900	2, 734	166	5. 7
\$25,000-----	6, 268	5, 936	332	5. 3
\$50,000-----	18, 884	17, 936	948	5. 0
\$100,000-----	51, 912	49, 368	2, 544	4. 9
\$500,000-----	402, 456	383, 913	18, 543	4. 6
\$1,000,000-----	857, 456	818, 912	38, 544	4. 5

¹ Maximum effective rate limitation 87 percent of taxable income.

PLAN 14

Plan 14 would provide an earned income deduction for all taxpayers equal to 4 percent of their earned income and in addition would increase the present \$600 per capita exemptions to \$650. The first \$5,000 of income would be assumed to be earned whether or not earned. Apart from this limitation earned income would be defined as now provided for in section 911 of the Internal Revenue Code of 1954. This plan could be modified by placing a limit on the amount of the earned income to which the 4 percent would apply. This would relieve 3 million 800 thousand taxpayers of all tax liability.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	1, 390	41. 5
Over \$5,000-----	1, 960	58. 5
Total-----	3, 350	100. 0

BURDEN TABLE FOR PLAN 14

Income before deduction for personal exemptions ¹	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$61	\$19	23. 6
\$2,000-----	280	252	28	9. 9
\$3,000-----	488	448	40	8. 2
\$4,000-----	708	655	53	7. 5
\$5,000-----	944	873	71	7. 5
\$8,000-----	1, 780	1, 658	122	6. 9
\$10,000-----	2, 436	2, 269	167	6. 9
\$15,000-----	4, 448	4, 135	313	7. 0
\$25,000-----	9, 796	9, 153	643	6. 6
\$50,000-----	26, 388	24, 883	1, 505	5. 7
\$100,000-----	66, 798	63, 240	3, 558	5. 3
\$500,000-----	429, 274	410, 992	18, 282	4. 3
\$1,000,000-----	² 869, 478	² 834, 600	34, 878	4. 0
MARRIED COUPLE—NO DEPENDENTS				
\$2,000-----	\$160	\$122	\$38	23. 6
\$3,000-----	360	313	47	13. 0
\$4,000-----	560	502	58	10. 4
\$5,000-----	760	696	64	8. 5
\$8,000-----	1, 416	1, 316	100	7. 1
\$10,000-----	1, 888	1, 748	140	7. 4
\$15,000-----	3, 260	3, 038	222	6. 8
\$25,000-----	6, 724	6, 291	433	6. 4
\$50,000-----	19, 592	18, 329	1, 263	6. 4
\$100,000-----	52, 776	49, 795	2, 981	5. 6
\$500,000-----	403, 548	385, 221	18, 327	4. 5
\$1,000,000-----	858, 548	822, 021	36, 527	4. 3
MARRIED COUPLE—2 DEPENDENTS				
\$3,000-----	\$120	\$53	\$67	55. 6
\$4,000-----	320	242	78	24. 4
\$5,000-----	520	436	84	16. 2
\$8,000-----	1, 152	1, 030	122	10. 6
\$10,000-----	1, 592	1, 451	141	8. 9
\$15,000-----	2, 900	2, 658	242	8. 3
\$25,000-----	6, 268	5, 797	471	7. 5
\$50,000-----	18, 884	17, 562	1, 322	7. 0
\$100,000-----	51, 912	48, 859	3, 053	5. 9
\$500,000-----	402, 456	384, 038	18, 418	4. 6
\$1,000,000-----	857, 456	820, 838	36, 618	4. 3

¹ Assumes all income is earned income and that the standard deduction is taken by all taxpayers.

² Maximum effective rate limitation 87 percent of taxable income.

PLAN 15

Plan 15 would provide all taxpayers with earned income relief in the form of a tax credit. The credit would be computed by applying the first income tax bracket rate of 20 percent to 10 percent of the earned income. In effect this would be a tax credit of 2 percent of the taxpayer's earned income. This credit would apply to only the first \$30,000 of earned income. The plan would also assume that the first \$5,000 of the taxpayer's income was earned regardless of its source. Apart from these limitations earned income would be defined as now provided for in section 911 of the Internal Revenue Code of 1954. This would relieve about 3 million 600 thousand taxpayers from all tax liability.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000.....	1, 837	45. 3
Over \$5,000.....	2, 215	54. 7
Total.....	4, 052	100. 0

BURDEN TABLE FOR PLAN 15

Income before deduction for personal exemptions ¹	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$58	\$22	27. 8
\$2,000-----	280	236	44	15. 9
\$3,000-----	488	421	67	13. 7
\$4,000-----	708	619	89	12. 6
\$5,000-----	944	833	111	11. 8
\$8,000-----	1, 780	1, 602	178	10. 0
\$10,000-----	2, 436	2, 216	220	9. 0
\$15,000-----	4, 448	4, 128	320	7. 2
\$25,000-----	9, 796	9, 276	520	5. 3
\$50,000-----	26, 388	25, 788	600	2. 3
\$100,000-----	66, 798	66, 198	600	. 9
\$500,000-----	429, 274	428, 674	600	. 1
\$1,000,000-----	² 869, 478	² 868, 878	600	. 1

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$116	\$44	27.8
\$3,000-----	360	293	67	18.5
\$4,000-----	560	471	89	15.9
\$5,000-----	760	649	111	14.6
\$8,000-----	1,416	1,238	178	12.6
\$10,000-----	1,888	1,668	220	11.7
\$15,000-----	3,260	2,940	320	9.8
\$25,000-----	6,724	6,204	520	7.7
\$50,000-----	19,592	18,992	600	3.1
\$100,000-----	52,776	52,176	600	1.1
\$500,000-----	403,548	402,948	600	.1
\$1,000,000-----	858,548	857,948	600	.1

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$53	\$67	55.6
\$4,000-----	320	231	89	27.8
\$5,000-----	520	409	111	21.4
\$8,000-----	1,152	974	178	15.4
\$10,000-----	1,592	1,372	220	13.8
\$15,000-----	2,900	2,580	320	11.0
\$25,000-----	6,268	5,748	520	8.3
\$50,000-----	18,884	18,284	600	3.2
\$100,000-----	51,912	51,312	600	1.2
\$500,000-----	402,456	401,856	600	1.5
\$1,000,000-----	857,456	856,856	600	.1

¹ Assumed all income earned and is income after the standard deduction is taken.² Maximum effective rate limitation 87 percent of taxable income.

PLAN 16

Plan 16 would increase the present 10 percent optional standard deduction to 15 percent and increase the maximum standard deduction of \$1,000 to \$1,500. This would relieve 3 million taxpayers from all tax liability.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	740	48. 1
Over \$5,000-----	800	51. 9
Total-----	1, 540	100. 0

BURDEN TABLE FOR PLAN 16

Income before deduction for personal exemptions ¹	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$69	\$10	12. 6
\$2,000-----	280	258	22	7. 9
\$3,000-----	488	451	37	7. 6
\$4,000-----	708	659	49	6. 9
\$5,000-----	944	872	72	7. 6
\$8,000-----	1, 780	1, 647	133	7. 5
\$10,000-----	2, 436	2, 266	170	7. 0
\$15,000-----	4, 448	4, 217	231	5. 2
\$25,000-----	9, 796	9, 501	295	3. 0
\$50,000-----	26, 388	26, 028	360	1. 4
\$100,000-----	66, 798	66, 363	435	. 7
\$500,000-----	429, 274	428, 819	455	. 1
\$1,000,000-----	² 869, 478	² 869, 043	435	. 1

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$138	\$22	13. 9
\$3,000-----	360	327	33	9. 3
\$4,000-----	560	516	44	7. 9
\$5,000-----	760	704	56	7. 3
\$8,000-----	1, 416	1, 318	98	6. 9
\$10,000-----	1, 888	1, 758	130	6. 9
\$15,000-----	3, 260	3, 110	150	4. 6
\$25,000-----	6, 724	6, 534	190	2. 8
\$50,000-----	19, 592	19, 297	295	1. 5
\$100,000-----	52, 776	52, 416	360	. 7
\$500,000-----	403, 548	403, 093	455	. 1
\$1,000,000-----	858, 548	858, 093	455	. 1

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$87	\$33	27. 8
\$4,000-----	320	276	44	13. 9
\$5,000-----	520	464	56	10. 7
\$8,000-----	1, 152	1, 054	98	8. 5
\$10,000-----	1, 592	1, 482	110	6. 9
\$15,000-----	2, 900	2, 750	150	5. 2
\$25,000-----	6, 268	6, 078	190	3. 0
\$50,000-----	18, 884	18, 589	295	1. 6
\$100,000-----	51, 912	51, 552	360	. 7
\$500,000-----	402, 456	402, 001	455	. 1
\$1,000,000-----	857, 456	857, 001	455	. 1

¹ Assumes that the standard deduction is taken by all taxpayers.² Maximum effective rate limitation 87 percent of taxable income.

PLAN 17

Plan 17 would provide a minimum standard deduction of \$500. Under present law a taxpayer may elect the optional standard deduction of approximately 10 percent of his adjusted gross income. This is in lieu of itemizing his personal deductions, such as medical expenses, charitable contributions, and interest on personal indebtedness. For a taxpayer with \$3,000 of wages and salaries the present standard deduction is \$300. Under the plan the standard deduction would be increased to \$500. A taxpayer with a \$2,000 salary receives under present law a \$200 standard deduction and under the plan he would receive \$500. A taxpayer with a salary of \$5,000 receives a standard deduction of \$500 under present law and this would remain the same under the plan. For incomes above \$5,000 this plan would provide no relief. There would be 5,800,000 taxpayers relieved of all tax liability and the plan would result in a revenue loss of 1 billion 080 million dollars with the entire amount of this reduction going to taxpayers under \$5,000.

PLAN 18

Plan 18 would provide a minimum standard deduction of \$500 and in addition give all taxpayers a 5-percent reduction in tax. Under present law a taxpayer may elect the optional standard deduction of approximately 10 percent of his adjusted gross income in lieu of itemizing his personal deductions such as medical expenses, charitable contributions, and interest on personal indebtedness. For a taxpayer with \$3,000 of wages and salaries the present standard deduction would be \$300. Under the plan his standard deduction would be \$500. The \$2,000 salary receives a standard deduction of \$200 and under the plan it would be \$500. At a salary of \$5,000 and above no benefit would be received from the minimum standard deduction but these taxpayers would receive the 5-percent reduction in tax. There would be 5,800,000 taxpayers relieved of all tax liability under this plan.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000.....	1, 451	57. 6
Over \$5,000.....	1, 069	42. 4
Total.....	2, 520	100. 0

PLANS FOR REDUCING THE INDIVIDUAL INCOME TAX BURDEN 29

BURDEN TABLE FOR PLAN 18

Income before deduction for personal exemptions ¹	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$2	\$78	97. 2
\$2,000-----	280	213	67	23. 9
\$3,000-----	488	429	59	12. 1
\$4,000-----	708	661	47	6. 6
\$5,000-----	944	897	47	5. 0
\$8,000-----	1, 780	1, 691	89	5. 0
\$10,000-----	2, 436	2, 314	122	5. 0
\$15,000-----	4, 448	4, 226	222	5. 0
\$25,000-----	9, 796	9, 306	490	5. 0
\$50,000-----	26, 388	25, 069	1, 319	5. 0
\$100,000-----	66, 798	63, 458	3, 340	5. 0
\$500,000-----	429, 274	407, 810	21, 464	5. 0
\$1,000,000-----	² 869, 478	840, 060	29, 418	3. 4

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$99	\$61	38. 0
\$3,000-----	360	310	50	13. 8
\$4,000-----	560	521	39	6. 9
\$5,000-----	760	722	38	5. 0
\$8,000-----	1, 416	1, 345	71	5. 0
\$10,000-----	1, 888	1, 794	94	5. 0
\$15,000-----	3, 260	3, 097	163	5. 0
\$25,000-----	6, 724	6, 388	336	5. 0
\$50,000-----	19, 592	18, 612	980	5. 0
\$100,000-----	52, 776	50, 137	2, 639	5. 0
\$500,000-----	403, 548	383, 371	20, 177	5. 0
\$1,000,000-----	858, 548	815, 621	42, 927	5. 0

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$82	\$38	31. 4
\$4,000-----	320	293	27	8. 3
\$5,000-----	520	494	26	5. 0
\$8,000-----	1, 152	1, 094	58	5. 0
\$10,000-----	1, 592	1, 512	80	5. 0
\$15,000-----	2, 900	2, 755	145	5. 0
\$25,000-----	6, 268	5, 955	313	5. 0
\$50,000-----	18, 884	17, 940	944	5. 0
\$100,000-----	51, 912	49, 316	2, 596	5. 0
\$500,000-----	402, 456	382, 333	20, 123	5. 0
\$1,000,000-----	857, 456	814, 583	42, 873	5. 0

¹ Assumes that the standard deduction is taken by all taxpayers.

² Maximum effective rate limitation 87 percent of taxable income.

PLAN 19

Plan 19 would increase the 10 percent optional standard deduction to 15 percent and raise the maximum standard deduction from \$1,000 to \$1,500. In addition there would be a 5-percent reduction in the tax payable. This would relieve 3 million taxpayers from all tax liability.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000-----	1, 130	38. 1
Over \$5,000-----	1, 833	51. 9
Total-----	2, 963	100. 0

BURDEN TABLE FOR PLAN 19

Income before deduction for personal exemptions ¹	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$65	\$15	18. 2
\$2,000-----	280	245	35	12. 5
\$3,000-----	488	429	59	12. 1
\$4,000-----	708	626	82	11. 6
\$5,000-----	944	828	116	12. 3
\$8,000-----	1, 780	1, 564	216	12. 1
\$10,000-----	2, 436	2, 153	283	11. 6
\$15,000-----	4, 448	4, 006	442	9. 9
\$25,000-----	9, 796	9, 026	770	7. 9
\$50,000-----	26, 388	24, 727	1, 661	6. 3
\$100,000-----	66, 798	63, 045	3, 753	5. 6
\$500,000-----	429, 274	407, 378	21, 896	5. 1
\$1,000,000-----	² 869, 478	839, 628	29, 850	3. 4

MARRIED COUPLE—NO DEPENDENTS

\$2,000-----	\$160	\$131	\$29	18. 2
\$3,000-----	360	310	50	13. 8
\$4,000-----	560	490	70	12. 5
\$5,000-----	760	669	91	11. 9
\$8,000-----	1, 416	1, 252	164	11. 6
\$10,000-----	1, 888	1, 670	218	11. 5
\$15,000-----	3, 260	2, 955	305	9. 4
\$25,000-----	6, 724	6, 207	517	7. 7
\$50,000-----	19, 592	18, 332	1, 260	6. 4
\$100,000-----	52, 776	49, 795	2, 981	5. 6
\$500,000-----	403, 548	382, 938	20, 610	5. 1
\$1,000,000-----	858, 548	815, 188	43, 360	5. 1

MARRIED COUPLE—2 DEPENDENTS

\$3,000-----	\$120	\$82	\$38	31. 4
\$4,000-----	320	262	58	18. 2
\$5,000-----	520	441	79	15. 3
\$8,000-----	1, 152	1, 001	151	13. 1
\$10,000-----	1, 592	1, 408	184	11. 6
\$15,000-----	2, 900	2, 613	287	9. 9
\$25,000-----	6, 268	5, 774	494	7. 9
\$50,000-----	18, 884	17, 660	1, 224	6. 5
\$100,000-----	51, 912	48, 974	2, 938	5. 7
\$500,000-----	402, 456	381, 901	20, 555	5. 1
\$1,000,000-----	857, 456	814, 151	43, 305	5. 1

¹ Assumes that the standard deduction is taken by all taxpayers.² Maximum effective rate limitation 87 percent of taxable income.

PLAN 20

Plan 20 would increase the present 10 percent optional standard deduction to 15 percent and raise the maximum limitation from \$1,000 to \$1,500 with the proviso that each taxpayer would receive at least a minimum standard deduction of \$500. In addition there would be a 5 percent reduction in the tax payable. This would relieve 6 million 300 thousand taxpayers of all tax liability.

Estimated distribution of the tax reduction under this plan

	Millions of dollars	Percentage distribution of decrease
Under \$5,000.....	1, 690	47. 9
Over \$5,000.....	1, 833	52. 1
Total.....	3, 523	100. 0

BURDEN TABLE FOR PLAN 20

Income before deduction for personal exemptions ¹	Present law tax	Plan tax	Reduction	
			Amount	Percent
SINGLE PERSON—NO DEPENDENTS				
\$1,000-----	\$80	\$2	\$78	97. 4
\$2,000-----	280	213	67	23. 9
\$3,000-----	488	429	59	12. 1
\$4,000-----	708	626	82	11. 6
\$5,000-----	944	828	116	12. 3
\$8,000-----	1, 780	1, 564	216	12. 1
\$10,000-----	2, 436	2, 153	283	11. 6
\$15,000-----	4, 448	4, 006	442	9. 9
\$25,000-----	9, 796	9, 026	770	7. 9
\$50,000-----	26, 388	24, 727	1, 661	6. 3
\$100,000-----	66, 798	63, 045	3, 753	5. 6
\$500,000-----	429, 274	407, 378	21, 896	5. 1
\$1,000,000-----	² 869, 478	839, 628	29, 850	3. 4

MARRIED COUPLE—NO DEPENDENTS

\$2,000.....	\$160	\$99	\$61	38. 0
\$3,000.....	360	310	50	13. 8
\$4,000.....	560	490	70	12. 5
\$5,000.....	760	669	91	11. 9
\$8,000.....	1, 416	1, 252	164	11. 6
\$10,000.....	1, 888	1, 670	218	11. 5
\$15,000.....	3, 260	2, 955	305	9. 4
\$25,000.....	6, 724	6, 207	517	7. 7
\$50,000.....	19, 592	18, 332	1, 260	6. 4
\$100,000.....	52, 776	49, 795	2, 981	5. 6
\$500,000.....	403, 548	382, 938	20, 610	5. 1
\$1,000,000.....	858, 548	815, 188	43, 360	5. 1

MARRIED COUPLE—2 DEPENDENTS

\$3,000.....	\$120	\$82	\$38	31. 4
\$4,000.....	320	262	58	18. 2
\$5,000.....	520	441	79	15. 3
\$8,000.....	1, 152	1, 001	151	13. 1
\$10,000.....	1, 592	1, 408	184	11. 6
\$15,000.....	2, 900	2, 613	287	9. 9
\$25,000.....	6, 268	5, 774	494	7. 9
\$50,000.....	18, 884	17, 660	1, 224	6. 5
\$100,000.....	51, 912	48, 974	2, 938	5. 7
\$500,000.....	402, 456	381, 901	20, 555	5. 1
\$1,000,000.....	857, 456	814, 151	43, 305	5. 1

¹ Assumes that the standard deduction is taken by all taxpayers.² Maximum effective rate limitation 87 percent of taxable income.

PLAN 21

Plan 21 would provide tax relief during the current taxable year for taxpayers suffering casualty losses from, for example, floods. The statute could provide that the Secretary of the Treasury could authorize employers to allow an employee suffering a casualty loss a tax credit against withholding of 20 percent of the amount of the employee's estimated casualty loss. This credit could apply to each pay period until the amount excluded from withholding because of such credit equals the estimated value of the deduction that will be claimed by the employee on his final return. The employee could obtain from the Internal Revenue Service a form (to be prepared by the Service) on which he could enter such facts as the Service deemed necessary in establishing the casualty loss. The form could also show the amount of his tax credit. A copy of this form could be submitted by the employee to his employer and this could be the authority for the employer to allow the credit against withholding. A duplicate copy of the form could be filed with the district director of internal revenue and an additional copy could be attached to the taxpayer's final return for the taxable year.

PLAN 22

Plan 22 would provide farmers with a special standard deduction in lieu of the actual deductions attributable to farming. The special standard deduction would be limited to farmers whose gross income from farming for the taxable year did not exceed \$10,000. A farmer would be defined, as under section 6073 (b) of the Internal Revenue Code of 1954, as an individual whose gross income from farming for the taxable year is at least two-thirds of his total gross income from all sources.



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