

Committee action on Revenue Bill of 1942

June 26, 1942

TABLE OF CONTENTS

Estimated revenue effect of the tax changes tentatively adopted by the Ways  
and Means Committee as of June 24, 1942

Present law, Treasury proposal, and Committee action on Revenue Bill of 1942

	<u>Page No.</u>
A. Corporation taxes .....	1
1. Normal tax .....	1
2. Surtax .....	1
3. Relief for corporations with decreased earnings .....	2
4. Excess profits tax .....	2
a. Excess profits credit .....	2
b. Specific exemption .....	2
c. Excess profits tax rates .....	2
d. General relief .....	3
5. Post-war credit .....	3
6. Consolidated returns .....	5
7. Nonresident foreign corporations .....	5
8. Personal holding companies .....	6
9. Capital stock tax and declared value excess profits tax .....	6
B. Individual income tax .....	6
1. Rates .....	6
a. Normal tax .....	6
b. Surtax .....	6
c. Non-resident alien individuals not engaged in trade or business within the United States and not having a place of business therein .....	6
2. Exemptions .....	7
a. Single person, Married person, Dependent .....	7
b. Children 18-21 attending school .....	7
3. Earned income credit .....	7
4. Collection at source .....	7
5. Joint returns .....	8
5a. Working Wife Allowance .....	8
6. Medical expenses .....	9

C. Estate and gift taxes .....	9
1. Rates .....	9
2. Exemptions .....	9
a. Estate tax .....	9
b. Gift tax .....	9
D. Excise taxes .....	9
1. Recommended increases .....	9
a. Liquor .....	9
b. Tobacco .....	10
c. Gasoline .....	11
d. Lubricating oil .....	11
e. Photographic apparatus .....	11
f. Carbonated soft drinks .....	12
g. Candy and chewing gum .....	12
h. Communications service .....	12
i. Transportation of persons .....	13
j. Transportation of oil by pipe line .....	13
2. Recommended for repeal .....	13
a. Commercial washing machines .....	13
b. Optical equipment .....	13
c. Electric signs and advertising devices .....	13
d. Rubber articles .....	13
3. Submitted by request but not included in Treasury recommendations .....	13
a. Freight and express .....	13
b. Pari-mutuel wagers .....	14
c. Coin-operated amusement and gaming devices .....	14
d. Barber and beauty shop services .....	14
e. Electrical energy .....	14
f. Manufactured and natural gas .....	14
g. Sugar .....	14
h. Coffee .....	14
i. Tea .....	15
j. Cocoa .....	15
k. Radio broadcasting .....	15
E. State and local tax-exempt securities .....	16
F. Percentage depletion and intangible development expenses ..	16
1. Percentage depletion .....	16
a. Oil and gas wells .....	16
b. Sulphur mines and deposits .....	16
c. Metal mines .....	16
d. Coal mines .....	16
e. Fluorspar .....	16

F.	Percentage depletion and intangible development expenses (continued).....	16
	2. Intangible development expense .....	16
G.	Capital gains and losses .....	17
	1. Individuals .....	17
	a. Classes of gains and losses .....	17
	b. Percentage of gain or loss taken into account ..	17
	c. Maximum rate on statutory net long-term gains ..	17
	d. Treatment of losses .....	17
	e. Loss carry-over .....	18
	2. Corporations .....	18
	a. Classes of gains and losses .....	18
	b. Maximum rate on net long-term gains .....	18
	c. Offsetting of losses .....	19
	d. Carry-over of losses .....	19
H.	Insurance companies .....	19
	1. Life insurance tax base .....	19
	a. Life insurance business .....	19
	b. Cancellable accident and health business .....	20
	2. Mutual insurance companies other than life .....	21
	a. Exemptions .....	21
	b. Tax base .....	21
	3. Foreign insurance .....	22
	a. Policies not signed or countersigned in United States by an officer or agent of the insurer ..	22
	b. Policies signed or countersigned (companies doing business in the United States) .....	22
I.	Inventory reserves .....	23
J.	Check list of technical and administrative amendments tentatively acted upon by the Committee on Ways and Means .....	24

Estimated revenue effect of tax changes adopted by the Ways and  
Means Committee as of June 24, 1942  
(in millions of dollars)

	Increase (+), decrease (-) over yield of present law
<b>Income and excess profits taxes:</b>	
<b>Corporation:</b>	
Income	+ 60.6
Excess profits	+ 2,288.9
Declared value excess profits tax	- 58.5
Total corporation income and excess profits taxes	+ 2,291.0
Individual income tax	+ 2,730.0
Total income and excess profits taxes	+ 5,021.0
<b>Miscellaneous internal revenue:</b>	
Capital stock tax	- 51.5
Estate tax	- 14.8
Gift tax	+ 7.7
Total	- 58.6
Liquor taxes:	
Distilled spirits <u>1/</u>	+ 266.1
Fermented malt liquors <u>1/</u>	+ 61.8
Wines <u>1/</u>	+ 11.6
Total liquor taxes	+ 339.5
Tobacco taxes:	
Cigarettes (small) <u>1/</u>	+ 51.4
Tobacco, smoking	+ 11.8
Cigars (large)	+ 15.8
Cigarette papers and tubes	+ 7.8
Total tobacco taxes	+ 86.8
Manufacturers' excise taxes:	
Lubricating oil	+ 13.8
Photographic apparatus	+ 10.6
Rubber articles	- 8.9
Electric signs	- .1
Washing machines	- .1
Optical equipment	- .3
Total manufacturers' excise taxes	+ 15.0
Miscellaneous taxes:	
Telephone, telegraph, radio and cable facilities, leased wires, etc.	+ 26.8
Telephone bill	+ 36.8
Transportation of persons	+ 33.9
Coin-operated amusement and gaming devices	+ 4.4
Freight and express	+ 292.0
Pari-mutual wagers	+ 23.6
Total miscellaneous taxes	+ 417.5
Total miscellaneous internal revenue	+ 800.2
<b>Total internal revenue</b>	<b>+ 5,821.2</b>
<b>Miscellaneous revenues and receipts (postal surplus)</b>	<b>+ 102.8</b>
Gross revenue effect	+ 5,924.0
Less: Portion of corporation excess profits tax refunded in non-interest bearing bonds	- 876.7
Net revenue effect	+ 5,047.3

Treasury Department, Division of Research and Statistics.

June 24, 1942.

1/ Excluding the revenue effect of floor stocks taxes which, if enacted, are estimated to yield in the first year only: Distilled spirits, \$90.0 millions; Fermented malt liquors, \$2.0 millions; Wines, \$2.3 millions; Cigarettes (small), \$5.8 millions.

ote: All estimates show full year effect assuming all proposed changes were fully reflected in revenue for an entire year. Estimates of income and excess profits taxes and the gift tax are at levels of income estimated for calendar year 1942. All other estimates are at levels of income estimated for fiscal year 1943.

Present law, Treasury proposal, and Committee  
action on Revenue Bill of 1942

	Present law	Treasury proposal	Committee action
<b>A. <u>Corporation taxes</u></b>			
<b>1. <u>Normal tax</u></b>			
Corporations with net income of not more than \$25,000:			
Not in excess of \$5,000	15%	15%	15%
Next \$15,000	17	17	17
Next \$5,000	19	19	19
 Corporations with a net income over \$25,000:	 24	 24	 24
 Notch provision: Alternative tax	 \$4,250 plus 37% of excess over \$25,000	 \$4,250 plus 31% of excess over \$25,000	 \$4,250 plus 31% of excess over \$25,000
 Top income to which applicable	 \$38,461.54	 \$50,000	 \$50,000
<b>2. <u>Surtax</u></b>			
Corporations with net income of not more than \$25,000	6	16	10
Corporations with net income over \$25,000:			
First \$25,000	6	31	16
Over \$25,000	7	31	16
 Notch provision: Alternative tax	 None (bracket rates)	 \$4,000 plus 46% of excess over \$25,000	 \$2,500 plus 22% of excess over \$25,000
 Top income to which applicable	 -	 \$50,000	 \$50,000

Note: Under the Committee action the normal and surtax rates do not apply to the balance of adjusted excess profits net income remaining after excess profits tax.

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
3. <u>Relief for corporations with decreased earnings</u>	None	*	None

\* Corporations with current year surtax net income less than the average surtax net income for the base period years 1936-1939 should be allowed a tax credit of 10 percent of the difference but not to exceed the smaller of (a) 20 percent of surtax net income or (b) the excess of the surtax computed without benefit of this provision over \$4,000. This provision should apply only to corporations with net income over \$25,000 that do not use the alternative rate under the notch provision. In the light of the Committee's action in adopting a combined normal and surtax rate of 40 percent, the Treasury withdrew its recommendation.

4. Excess profits tax

a. Excess profits credit

(1) Invested capital method:

First \$5 million of invested capital	8%	8%	8%
Next \$5 million	7	7	7
Next \$190 million	7	7	6
Balance	7	7	5

(2) Income method:

Portion of average earnings in base period 1936-1939	95	95	95
--	----	----	----

b. <u>Specific exemption</u>	\$5,000	\$5,000	\$10,000
------------------------------	---------	---------	----------

Note: The Treasury agreed in advance to the modifications in the excess profits credit and specific exemption indicated above under Committee action.

c. Excess profits tax rates

Adjusted excess profits net income			
First \$20,000	35%	50%	94%
\$ 20,000 to \$ 50,000	40	55	94
50,000 to 100,000	45	60	94
100,000 to 250,000	50	65	94
250,000 to 500,000	55	70	94
Over 500,000	60	75	94

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
c. <u>Excess profits tax rates</u> continued			

Note: (1) Under the Committee action the normal and surtax rates do not apply to the balance of adjusted excess profits net income remaining after excess profits tax.

(2) Under the procedure in the present law corporations with taxable years beginning after December 31, 1941, would be subject to the new and higher income and excess profits tax rates. This would permit corporations with fiscal years to escape the full import of the new rates on part of the incomes attributable to the calendar year 1942. The Committee voted to follow the 1932 Act or some similar procedure to obviate this result, thus making the new rates applicable to all corporate incomes after January 1, 1942.

d. General relief: (A separate statement is available outlining the Treasury's proposals tentatively accepted by the Committee.)

5. Post-war credit

\* (a) Statement of Secretary, March 3, 1942: "However, it is recognized that very high top, or so-called 'marginal rates,' may leave little incentive for the maintenance of efficiency in business operation. Furthermore, after the war there may well be need for a large volume of expenditure in readjusting industry and maintaining employment. For these reasons it is believed desirable that in the case of any dollar of corporate profits the receipt of which results in an increase in tax beyond perhaps eighty cents, the additional tax on such dollar shall be held by the Government to the account of the corporation and be returnable within a limited period after the war, in those cases where it is spent for new and additional capital equipment or otherwise is spent in the additional employment of labor."

(b) Proposal made jointly by Mr. Paul, Tax Adviser to the Secretary of the Treasury, and Mr. Stam, of the staff of the Joint Committee on Internal Revenue Taxation, on June 18, 1942:

"1. The amount to be returned shall be 14 percent of the taxpayer's adjusted excess-profits net income.

"2. The amounts returned shall not be included in corporate rate income subject to tax.

"3. The amounts shall be set aside in a special fund to be held by the Treasury to the credit of the taxpayer who shall be given a non-negotiable, non-interest-bearing certificate as evidence of his claim.

5. Post-war credit continued

"4. The amounts returned to the taxpayers are intended for use in the conversion of their businesses to peacetime activity or in the maintenance of employment in business activity. To this end the amounts returned shall not be available for the following purposes:

- (1) The payment of cash or stock dividends.
- (2) Bonuses or salary increases to executives.
- (3) The increase of cash reserves unless employed in the business.
- (4) The purchase of securities.

"5. The amounts returned to the taxpayer shall be returned in the following manner: First-year collections shall be paid within the third year after the cessation of hostilities; second-year collections within the fourth year; third-year collections within the fifth year; balance within the sixth year after the cessation of hostilities."

This specific proposal was rejected by the Committee.

\*\* The Committee adopted the following formula:

1. The amount returned be 14 percent of the adjusted excess-profits net income--the base upon which the excess-profits tax is computed. (Giving effect to the proposed refund, therefore, the net excess-profits tax rate will be 80 percent.)

2. The refund be effected by the redemption of bonds issued to the taxpayer.

3. The bonds be issued within 3 months after the payment of the related tax, or the final quarterly installment thereof, for any taxable year.

4. The bonds mature, subject to prior call, as follows: One-third at the end of the second calendar year following the cessation of hostilities; one-third at the end of the third such year; and one-third at the end of the fourth such year.

5. The bonds shall be callable, upon 3 months' notice, at any time prior to maturity date.

6. The maturity date of all the bonds be advertised within 30 days after the cessation of hostilities, and in such a way that the maturity date of any bond shall be readily ascertainable.

<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
------------------------	------------------------------	-----------------------------

5. Post-war credit continued

7. The bonds be issued under the provisions of the Second Liberty Bond Act, thus payable without the necessity of a special appropriation.

8. The bonds be nonnegotiable and non-interest-bearing.

9. The bonds be assignable after the end of the war.

10. The amount of bonds issuable to any taxpayer in consideration of the tax paid for any taxable year be adjusted for any overage or shortage in the aggregate amount issued to such taxpayer for the prior year or years, any overage finally remaining to be adjusted by cancellation or, at the election of the taxpayer, by purchase at face value.

11. No amount be included in gross income for any year by reason of the receipt of bonds or of amounts paid for their redemption.

12. No amount be available, by reason of the issue of bonds or their redemption, for any of the following purposes:

- (1) The payment of dividends in cash or stock.
- (2) The payment of bonuses or salary increases to executives.
- (3) The increase of cash reserves unless employed in the business.
- (4) The purchase of securities.

13. The amounts refunded to be subject to a "capital gains" tax of 15 percent.

6. Consolidated returns

Not allowed for normal tax and surtax (except for railroads, etc., and certain corporations in foreign trade.)

Allow for both income and excess profits tax

Allow for both income and excess profits tax imposing, however, a differential tax of 2% of surtax net income for the privilege

Allowed for excess profits tax.

7. Nonresident foreign corporations

Tax rate  
Withholding of tax at source (Sec. 144)

27½%  
27½%

Not specified to be aligned  
Not specified to be aligned

36%  
36%

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
<b>8. <u>Personal holding companies</u></b>			
Not in excess of \$2,000	71½%	Not specified	75%
In excess of \$2,000	81½%	Not specified	85%

Note: The Committee action on points 7 and 8 was taken at the suggestion of the Treasury.

**9. Capital stock tax and declared value excess profits tax**

Capital stock tax	\$1.25 for each \$1,000 of adjusted declared value	Repeal	Taxes retained but provision was made for the annual redeclaration of capital stock value
-------------------	--	--------	---

Declared value excess profits tax net income:

In excess of 10% and not in excess of 15% of adjusted declared value	6.6%	Repeal	6.6%
In excess of 15% of adjusted declared value	13.2%	Repeal	13.2%

**B. Individual income tax**

**1. Rates**

a. <u>Normal tax</u>	4%	4%	6%
b. <u>Surtax</u>	(See attached Table 1)		

Note: The Treasury recommended that the first \$2,000 bracket be subdivided into four \$500 brackets. Under the Committee action the first \$2,000 bracket is retained.

**c. Non-resident alien individuals not engaged in trade or business within the United States and not having a place of business therein**

Tax rate	27½%	Not specified - to be aligned	36%
----------	------	----------------------------------	-----

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
c. <u>Non-resident alien individuals, etc. Continued</u>			

Note: The 27 $\frac{1}{2}$ % rate under present law does not apply to receipts of more than \$23,000; the 36% rate under Committee action does not apply to non-resident alien individuals with aggregate receipts of more than \$22,800.

Withholding of tax at source (Section 143)	27 $\frac{1}{2}$ %	Not specified - to be aligned	36%
---	--------------------	----------------------------------	-----

2. Exemptions

a. Single person	\$ 750	\$ 600	\$ 500
Married person	1,500	1,200	1,200
Dependent	400	300	400

Note: The original Treasury proposal of March 3, 1942, recommended exemptions of \$750, \$1,500 and \$400. In a letter to the Chairman May 6, 1942, the Secretary recommended the lowering of exemptions to \$600, \$1,200 and \$300.

b. Children 18-21 attending school	Not included as dependents	Include as dependents	Not included as dependents
---------------------------------------	-------------------------------	--------------------------	-------------------------------

3. Earned income credit

For normal tax only	10% of earned net income but not in excess of the entire net income	Repeal	Retain without change
---------------------	---	--------	-----------------------------

4. <u>Collection at source</u>	None	Rate 10%*	The plan as revised by the Treasury was adopted
--------------------------------	------	-----------	--

\* Collect the income tax at source with respect to salaries and wages, dividends and bond interest. For salaries and wages, allow personal exemptions, credit for dependents, and deductions equal to 10 percent of exemptions and credit for dependents.

(Continued on following page)

Originally the Treasury recommended that the Secretary have discretion to collect at source at a rate up to 10 percent, since it was not known how soon and to what extent it might be necessary to speed up tax collections to check inflation. Subsequently, the Treasury asked outright for a 10 percent rate. On June 19, 1942, the Treasury submitted a plan to ease the transition to collection at source by spreading the impact of the 10 percent tax over two transition years 1943 and 1944. Under this plan one-half the amount collected at source during 1943 would be credited against the instalment payments on 1942 liabilities and the balance would be credited against the quarterly payment on 1943 liabilities due in March, 1944. It was suggested further that for the purpose of equalizing the impact of collection at source on persons with sources of income subject to withholding and persons not subject to withholding, all taxpayers be required to pay 5 percent of net income plus one-fourth the balance of the liabilities for 1943 in March, 1944.

In the course of the discussion in the Committee, it was suggested by a member of the Committee that a simpler method of transition would be to withhold at a rate of only 5 percent in 1943 and have all of the withheld tax apply as part payment of 1943 tax liabilities. The 10 percent rate would be imposed first in 1944, applicable as part payment of 1944 tax liabilities. It was informally the sense of the Committee that the Treasury and Joint Committee staffs should study this suggestion and report back to the Committee for its consideration before the bill is reported.

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
5. <u>Joint returns</u>	Optional	Mandatory	Optional*
* The Committee had tentatively adopted mandatory joint returns, but subsequently reversed its action.			
5a. <u>Working wife allowance</u>	None	**	None

\*\* On March 30, 1942, the Treasury more specifically recommended an allowance as follows: "Where the wife works outside the home, additional household expenses usually are incurred which are not present where the wife is able to devote her full time to the maintenance of the home. For this reason, it is suggested that an additional credit be provided as follows:

"There should be allowed as a credit against the tax upon the family an amount equal to 10 percent of the wife's earnings. Such credit, however, should not exceed \$100 .

"A similar credit should be allowed where a person occupying the status of head of the family, such as a widow, works."

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
6. <u>Medical expenses</u>	No allowance	*	No action

\* Allow a deduction for extraordinary medical expenses in excess of a specified percentage of the family's net income. The amount allowed should, however, be limited to some specified maximum amount. (March 30, 1942.)

C. Estate and gift taxes

1. <u>Rates</u>	See attached Table 2		No increase
-----------------	----------------------	--	-------------

2. Exemptions

a. Estate tax

Specific exemption	\$40,000	Substitute one \$60,000 specific exemption for the present specific exemption and insurance exclusion	One \$60,000 specific exemption for the present specific exemption and insurance exclusion
Insurance exclusion	\$40,000		

b. Gift tax

Specific exemption	\$40,000	\$30,000	\$30,000
Annual exclusion	\$4,000 for each donee	Allow each donor \$5,000 for all donees	\$3,000 for each donee

D. Excise taxes

1. Recommended increases

a. Liquor

Distilled spirits, per gallon	\$4	\$6	\$6
Beer (fermented malt liquors), per barrel	\$6	\$8	\$7
Still wines, per wine gallon			
Not over 14%	8¢	15¢	10¢
Over 14 not over 21%	30¢	50¢	40¢
Over 21 not over 24%	65¢	\$1	\$1

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
<b>D. <u>Excise taxes</u> Continued</b>			
<b>1. <u>Recommended increases</u> Continued</b>			
Other wines, per 1/2 pint			
Sparkling	7¢	10¢	10¢
Artificially carbonated	3½¢	5¢	5¢
Liqueurs, cordials, etc.	3½¢	5¢	5¢
Imported bitters, per gallon	No excise tax	*	\$6
* Treasury made no recommendation but concurred in Committee action.			
<b>b. <u>Tobacco</u></b>			
Cigarettes, per thousand			
Small			
10¢ brands	\$ 3.25	\$ 3.50	\$ 3.50
15¢ brands	3.25	4.00	3.50
Large			
Not over 6½" long	7.80	9.60	8.40
Over 6½" long	3.25	4.00	3.50
Smoking tobacco, per pound	18¢	36¢	24¢
Cigars, per thousand,			
retailing at:			
A - Not over 2.5 cents	\$ 2.00	\$ 2.50	\$ 2.50
B - 2.6 to 4.0 "	2.00	3.50	3.50
C -(4.1 " 5.0 " )	2.00 )	5.00	5.00
(5.1 " 6.0 " )	3.00 )		
D - 6.1 " 8.0 "	3.00	7.00	7.00
E - 8.1 " 11.0 "	5.00	10.00	10.00
F -11.1 " 15.0 "	5.00	13.50	13.50
G -15.1 " 20.0 "	10.50	18.00	18.00
H -20.1 " 30.0 "	13.50	25.00	25.00
I -30.1 and over	13.50	35.00	35.00

Note: Originally, on March 3, 1942, the Treasury proposed rates as follows:

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
<b>D. <u>Excise taxes</u> Continued</b>			
<b>1. <u>Recommended increases</u> Continued</b>			
<b>b. <u>Tobacco</u> Continued</b>			
Not over 2.5 cents, \$2.50; 2.6 to 5 cents, \$5.00; 5.1 to 8 cents, \$7.50; 8.1 to 10 cents, \$10.00; 10.1 to 15 cents, \$15.00; 15.1 to 20 cents, \$20.00; 20.1 to 30 cents, \$25.00; 30.1 and over, \$40.00. This schedule was revised upon representations made by manufacturers and workers in the industry.			
Cigarette paper and tubes	<u>Papers:</u> (per pkg.) Not over 25 sheets - empty, 26-50 sheets - 1/2¢ each additional 50 sheets or fraction thereof - 1/2¢ <u>Tubes:</u> 1¢ per pkg. of 50 or fraction thereof	1/2¢ per 25 papers or tubes or fraction thereof	1/2¢ per 25 papers or tubes or fraction thereof
c. <u>Gasoline, per gallon</u>	1 1/2¢	3¢	1 1/2¢
d. <u>Lubricating oil, per gallon</u>	4 1/2¢	10¢	6¢
<b>e. <u>Photographic apparatus</u></b>			
Unexposed film and sensitized paper and photographic plates	10% of manufacturers' sales price	25%	15%
Other photographic apparatus	10% of manufacturers' sales price	25%	25%, exempting cameras weighing more than 4 lbs.

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
<b>f. <u>Carbonated soft drinks</u></b>			
Bottle not over 33 fluid ounces retailing at			
Not over 10¢	No tax	1¢ per bottle	No tax
Over 10¢ not over 20¢	" "	2¢ " "	" "
Over 20¢	" "	3¢ " "	" "
Bottle over 33 fluid ounces	" "	36% of bottlers' selling price	" "
Carbonic acid gas used in unbottled soft drinks	" "	80¢ per pound	" "
<b>g. <u>Candy and chewing gum</u></b>	" "	15% of manufacturers' sales price	" "
<b>h. <u>Communications Service</u> <sup>1/</sup></b>			
Telephone and radio-telephone toll service charge of more than 24¢	5¢ tax on charge of 25 to 50¢; additional 5¢ tax on each 50¢	20% of total charge*	20% of total charge

\* Originally the Treasury proposed a 5¢ tax on charges of 25 to 39 cents; 10-cent tax on charges of 40-64 cents; 15¢ tax on charges of 65 to 99 cents; additional 5¢ tax on each 25 cents or fraction thereof. This proposal was revised at the suggestion of the industry to simplify the computation of the tax.

Telegraph, cable and radio dispatch or message	10% of charge	15% of charge	15% of charge
Leased wire services	10% of charge	15% of charge	15% of charge
Local telephone service	6% of bill	10% of charge	10% of charge
Public station coin-operated telephone service charges under 25¢	Exempt	Exempt*	Exempt

<sup>1/</sup> Revised Treasury proposal.

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
h. <u>Communications Service</u> Continued			

\* Originally the Treasury recommended a tax of 10 percent of service charge. This recommendation was changed on representations of the industry to the effect that the tax could not be shifted to consumers.

i. Transportation of persons

Transportation charges	5% of amount paid	15%	10%
Seats and berths	5% of amount paid	20%	10%

j. <u>Transportation of oil by pipe line</u>	4½% of amount paid	10%*	4½%
--	--------------------	------	-----

\* The Treasury withdrew its proposed increase before the action of the Committee.

2. Recommended for repeal

a. <u>Commercial washing machines</u>	10% of mfrs.' sales price	Repeal	Repealed
b. <u>Optical equipment</u>	10% of mfrs.' sales price	Repeal	Repealed
c. <u>Electric signs and advertising devices</u>	10% of mfrs.' sales price	Repeal	Repealed
d. <u>Rubber articles</u>	10% of mfrs.' sales price	Repeal	Repealed

3. Submitted by request but not included in Treasury recommendations

a. <u>Freight and express</u>	No tax		5% of amount paid by either contract or common carriers, exempting school buses
-------------------------------	--------	--	---

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
b. <u>Pari-mutuel wagers</u>	No tax		5% of pool
c. <u>Coin-operated amusement and gaming devices</u>			
1¢ gaming devices paying prizes of not more than 5¢	\$50		\$10
Other gaming devices	\$50		\$50
Amusement devices:			
Pinball machines	\$10		\$10
Other amusement devices	Exempt		\$10
d. <u>Barber and beauty shop services</u>	No tax		Suggested tax of 10% of charge was rejected
e. <u>Electrical energy</u>			
Rate	3-1/3%		Suggested in- crease to 5% was rejected
Sales by publicly owned plants	Exempt		Suggested elimination of exemption rejected
f. <u>Manufactured and natural gas</u>	No tax		Suggested tax of 5% of amount paid rejected
g. <u>Sugar</u>	1/2 cent per pound		Suggested increase to 1 cent re- jected
h. <u>Coffee</u>	No tax		Suggested tax of 5 cents per pound rejected

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
i. <u>Tea</u>	No tax		Suggested tax of 10 cents per pound rejected
j. <u>Cocoa</u>	No tax		Suggested tax of 5 cents per pound rejected
k. <u>Radio broadcasting</u>	No tax		Suggested tax based on (a) transmission power or (b) net time sales rejected*

\* Suggestion was that tax be higher of (a) or (b):

(a) Transmission power tax at following rates: 100 watts, \$100; 250 watts, \$250; 500 watts, \$250; 1,000 watts, \$350; 5,000 watts, \$500; 7,500 watts, \$750; 10,000 watts, \$800; 25,000 watts, \$900; 50,000 watts, \$1,000.

(b) Net time sales tax at following rates: First \$50,000 net time sales in excess of \$100,000 exemption, 6 percent; next \$350,000, 8 percent; balance, 10 percent.

l. <u>Bank checks</u>	No tax		Suggested tax of 2 cents per check rejected
m. <u>Withdrawals from bank accounts</u>	No tax		Suggested tax of 1/100 of 1% rejected

Note: (1) The Committee exempted from the tax on business machines cash registers used in over-the-counter sales of merchandise.

(2) The Committee voted that the rates on second and third class mail be increased to eliminate deficits.

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
E. <u>State and local tax-exempt securities</u>	Interest exempt from both normal tax and surtax	Repeal present exemption for both future and outstanding securities	Present exemption retained
F. <u>Percentage depletion and intangible development expenses</u>			
1. <u>Percentage depletion</u>			
a. Oil and gas wells	27½ percent of gross income	Eliminate	27½ percent of gross income
b. Sulphur mines and deposits	23 percent of gross income	Eliminate	23 percent of gross income
c. Metal mines	15 percent of gross income	Eliminate	15 percent of gross income
d. Coal mines	5 percent of gross income	Eliminate	5 percent of gross income
e. Fluorspar	No percentage depletion		5 percent of gross income
<p>Note: Under present law and Committee action percentage depletion is limited to an amount not in excess of 50 percent of net income computed without allowance for depletion.</p>			
2. <u>Intangible development expense</u>	Option to charge to expense or capitalize*	Capitalize	Option to charge to expense or capitalize*

\*The Regulations now give taxpayers the option of expensing intangible development costs of oil and gas properties. They also permit the expensing of the development costs of mines except the excess of costs over receipts for mines that have not yet reached the state of production. This excess must be charged to capital account to be recovered through depletion.

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
<b>G. <u>Capital gains and losses</u></b>			
<b>1. <u>Individuals</u></b>			
<b>a. <u>Classes of gains and losses</u></b>			
(1) Short-term	Assets held 18 months or less	Assets held 18 months or less	Assets held 15 months or less
(2) Long-term	Two classes: Over 18, not over 24 mos.; over 24 mos.	One class: Over 18 months	One class: Over 15 months
<b>b. <u>Percentage of gain or loss taken into account</u></b>			
(1) Short-term	100%	100%	100%
(2) Long-term			
Not over 24 months	66-2/3	50	50
Over 24 months	50	50	50
<b>c. <u>Maximum rate on statutory net long-term gains</u></b>			
	30	60	50
<b>d. <u>Treatment of losses</u></b>			
(1) Short-term losses	Allowed solely against short gains of the succeeding year	To be allowed against short or long gains and, together with long losses, also against a maximum of \$1,000 of other income	To be allowed against short or long gains and, together with long losses, also against a maximum of \$1,000 of other income

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
d. <u>Treatment of losses</u> Continued			
(2) Long-term losses	Allowed against ordinary income in full	To be allowed against short and long capital gains and, together with short losses, also against a maximum of \$1,000 of other income	To be allowed against short and long capital gains and, together with short losses, also against a maximum of \$1,000 of other income
e. <u>Loss carry-over</u>			
(1) Short-term	One year against short-term capital gains	Permit 5-year carry-over	Permit 5-year carry-over
(2) Long-term	No carry-over required because allowed against other income	Permit 5-year carry-over	Permit 5-year carry-over
2. <u>Corporations</u>			
a. <u>Classes of gains and losses</u>			
(1) Short-term	Assets held 18 months or less	No distinction to be made	Assets held 15 months or less
(2) Long-term	Assets held over 18 months	No distinction to be made	Assets held over 15 months
b. <u>Maximum rate on net long-term gains</u>	Corporate rate	Corporate rate	25% in lieu of corporate rate

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
<b>c. <u>Offsetting of losses</u></b>			
(1) Short-term	Allowed solely against short-term gains	Allow against short or long-term gains	Allow against short or long-term gains
(2) Long-term	Allowed against other income in full	Allow solely against short or long-term gains	Allow solely against short or long-term gains
<b>d. <u>Carry-over of losses</u></b>			
(1) Short-term	Carried forward for one year against short-term gains	Permit 5-year loss carry-over	Permit 5-year loss carry-over
(2) Long-term	No carry-forward required since offset against other income	Permit 5-year loss carry-over	Permit 5-year loss carry-over

Note: The modifications in the Treasury recommendations were agreed to by the Treasury in advance.

**H. Insurance companies**

**1. Life insurance tax base (Only major changes are indicated)**

**a. Life insurance business**

Deductions from taxable investment income (underwriting income excluded)

Expenses	Investment expenses, limited to 1/4 of 1% of assets, if any expenses allocated	Investment expenses limited to 1/4 of 1% of assets plus 1/4 of excess of rate of interest actually earned over 3-3/4%, if any expenses are allocated	Investment expenses limited to 1/4 of 1% of assets plus 1/4 of excess of rate of interest actually earned over 3-3/4%, if any expenses are allocated

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
H. <u>Insurance companies</u> Continued			
Reserve earnings deduction	3-3/4 percent of mean of legal reserves, or actual assumption rate, if higher, but not to exceed 4 percent; no adjustment for reserve earnings derived from tax-exempt income	Percent of mean of legal reserves equal to weighted average of 3-1/4 percent and actual assumption rate, 3-1/4 percent to be weighted 65 percent and actual assumption rate, 35 percent; adjustment to eliminate double-deduction of reserve earnings derived from tax-exempt interest	Flat percentage of investment income after investment expenses and tax exempt interest, percentage to be determined by Secretary of the Treasury so as to yield same aggregate deduction for industry as under Treasury formula*

\*This proposal was made by the industry and the Treasury made no objections to its acceptance.

b. Cancellable accident and health business	Same as life business	Add 3-1/4 percent of reserves on cancellable accident and health business; un-earned premium reserve to be not less than 25 percent of annual premiums written	Not yet acted on
---	-----------------------	--	------------------

Note: (1) Treasury originally proposed that cancellable health and accident business be segregated and treated like insurance other than life. Modified proposal was suggested by industry and accepted by Treasury.

<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
------------------------	------------------------------	-----------------------------

H. Insurance companies Continued

(2) Treasury recommended that non-cancellable health and accident reserves be included with life reserves in determining whether a company was a life insurance company.

(3) Treasury recommended that reserves of life insurance companies be treated as borrowed capital for excess profits tax purposes, and that the reserve earnings deduction be treated like interest paid on the borrowed capital.

2. Mutual insurance companies  
other than life

a. Exemptions

Section 101 (11) has the effect of exempting practically all mutual insurance companies other than life	Exempt companies with less than \$100,000 admitted assets or less than \$50,000 net income	Exempt companies with less than \$100,000 admitted assets or less than \$50,000 net income
---	--	--

b. Tax base

The deduction under section 207(c)(3) has the effect of eliminating all premiums from the tax base	Eliminate deduction under 207(c)(3); permit deduction for dividends paid to policyholders in excess of investment income available for the payment of dividends and for amounts added to surplus apportioned to policyholders	Eliminate deduction under 207(c)(3); permit deduction for dividends paid to policyholders in excess of investment income available for the payment of dividends and for amounts added to surplus apportioned to policyholders
--	---	---

Note: Treasury recommended that unearned premium reserves of both mutual and stock insurance companies other than life be included as borrowed capital for excess profits tax purposes. No adjustment is to be made on income because there is no corresponding explicit interest payment.

	<u>Present law</u>	<u>Treasury proposal</u>	<u>Committee action</u>
<b>3. <u>Foreign insurance</u></b>			
<b>a. Policies not signed or countersigned in United States by an officer or agent of the insurer</b>			
(1) Life insurance	No tax	Stamp tax at rate of 1 percent	Stamp tax at rate of 1 percent
(2) Surety and fidelity bonds, and certain other types of casualty income	No tax	Stamp tax at rate of 4 percent	Stamp tax at rate of 4 percent
(3) Reinsurance	No tax	Stamp tax at rate of 1 percent	Stamp tax at rate of 1 percent
(4) Other insurance	Stamp tax at rate of 4 percent	Stamp tax at rate of 4 percent	Stamp tax at rate of 4 percent
<b>b. Policies signed or countersigned (companies doing business in the United States)</b>			
(1) Life insurance	Taxed on share of net income from all sources which reserves on United States policies bear to total reserve	Tax on basis of United States business	Tax on basis of United States business
(2) Insurance other than life	Taxed on United States business	Tax on United States business	Tax on United States business

I. Inventory reserves

The Treasury proposed that taxpayers be permitted to set up reserves against future inventory losses through price declines, these reserves to be deductible in computing income and excess profits tax. The Committee accepted the inventory reserve proposal in principle, the provision to be included in the draft if the technical drafting details can be worked out within the time available. (A separate mimeograph outlining the proposal is available.)

J. Check list of technical and administrative amendments tentatively acted upon by the Committee on Ways and Means

Not approved

Income tax amendments

Treatment of pre-March 1, 1913, earnings and profits.  
Basis of assets acquired from a decedent for capital gain and loss purposes.

Estate and gift tax amendments

Limitation on deductibility of charitable bequests.

Deferred until later legislation

Income tax amendments

Charitable organization engaged in trade or business

Tentatively approved

Income tax amendments

Taxation of mutual investment companies.  
Pension trusts and other retirement plans.  
Deductibility of investment expenses (Higgins case).  
Treatment of income accruing at date of decedent's death (Enright case).  
Alimony.  
Annuity trusts.  
Amortization of bond premium.  
Treatment of nonbusiness bad debts.  
Elimination of charge-off requirements for bad-debt deduction.  
Longer statute of limitations for bad debts and worthless stock losses.  
Treatment of recoveries of bad debts and previously paid taxes.  
Elimination of interim report requirement under last-in first-out inventory section.  
Treatment of improvements by lessee.  
Treatment of interest on money borrowed to carry paid-up life insurance.  
Extension of 5-year amortization provision to individuals and partnerships, and to facilities constructed after January 1, 1940, and before June 10, 1940.  
Personal holding company tax relief to deficit corporations, and allied problems.  
Undistributed profits tax relief to deficit corporations.  
Eliminating loan and investment companies from taxation under the personal holding company tax.  
Supplement R

Tentatively approved - Continued

Income tax amendments - Continued

Treatment of involuntary conversion problems.  
Revisions in method of taxing income from sources without the United States.  
Revision of section 107 dealing with compensation for services rendered over several years -- 36 months and 80 percent.  
General procedural relief provision for taxpayers in combat zone or in enemy territories.  
Modifications in the statute of limitations on refunds.  
Reciprocal exemption to employees of the Philippine Government residing in the United States.  
Treatment of income placed upon an annual basis.  
Modification in treatment of nonresident aliens as respects requirement of office or place of business and definition of commodities.  
Treatment of suits against Collectors of Internal Revenue.

Estate and gift tax matters

Treatment of renounced legacies.  
Clarification of credit for property previously taxed.  
Deduction for charitable pledges.  
Disallowance of claims in excess of the gross estate.  
Life insurance for the purposes of the estate tax.  
Powers of appointment.  
Community property for Federal estate tax purposes.  
Reversal of gift tax and State death tax credits.

Excess-profits tax

Revision of Supplement A.  
Revision of section 751.  
Revision of treatment of liquidations under invested capital credit.  
Revision of treatment of earnings and profits on certain reorganizations.  
Clarification of computation of basis of property paid in for stock.  
Clarification of method of computing deficit under average earnings credit.

Note: In addition to the above amendments, suggested by the Treasury, the Committee voted to extend the applicability of section 22 (a) (9), relating to discharge of indebtedness, for 3 years, to 1945, and to change the name of the "Board of Tax Appeals" to the "Court of Tax Appeals."

Table 1

Comparison of individual surtax rate schedule  
under present law, Treasury proposal, and  
Ways and Means Committee decision

Surtax net income (000)	Bracket rate			Total surtax cumulative		
	Present law	Treasury proposal	Ways and Means	Present law	Treasury proposal	Ways and Means
\$ - .5	6%	12%	12%	\$ 30	\$ 60	\$ 60
.5 - 1	6	15	12	60	135	120
1 - 1.5	6	18	12	90	225	180
1.5 - 2	6	20	12	120	325	240
2 - 3	9	22	15	210	545	390
3 - 4	9	24	15	300	785	540
4 - 6	13	27	19	560	1,325	920
6 - 8	17	30	23	900	1,925	1,380
8 - 10	21	34	27	1,320	2,605	1,920
10 - 12	25	38	31	1,820	3,365	2,540
12 - 14	29	42	35	2,400	4,205	3,240
14 - 16	32	45	39	3,040	5,105	4,020
16 - 18	35	48	42	3,740	6,065	4,860
18 - 20	38	51	45	4,500	7,085	5,760
20 - 22	41	54	48	5,320	8,165	6,720
22 - 26	44	57	51	7,080	10,445	8,760
26 - 32	47	60	54	9,900	14,045	12,000
32 - 38	50	64	57	12,900	17,885	15,420
38 - 44	53	68	60	16,080	21,965	19,020
44 - 50	55	72	62	19,380	26,285	22,740
50 - 60	57	76	65	25,080	33,885	29,240
60 - 70	59	78	68	30,980	41,685	36,040
70 - 80	61	80	71	37,080	49,685	43,140
80 - 90	63	82	74	43,380	57,885	50,540
90 - 100	64	84	76	49,780	66,285	58,140
100 - 150	65	86	78	82,280	109,285	97,140
150 - 200	66	86	80	115,280	152,285	137,140
200 - 250	67	86	81	148,780	195,285	177,640
250 - 300	69	86	81	183,280	238,285	218,140
300 - 400	71	86	81	254,280	324,285	299,140
400 - 500	72	86	81	326,280	410,285	380,140
500 - 750	73	86	81	508,780	625,285	582,640
750 - 1,000	74	86	81	693,780	840,285	785,140
1,000 - 2,000	75	86	81	1,443,780	1,700,285	1,595,140
2,000 - 5,000	76	86	81	3,723,780	4,280,285	4,025,140
5,000 and over	77	86	81	-	-	-

Treasury Department, Division of Tax Research

June 20, 1942

Table 1a. Amount of individual income tax and effective rates under present law, Treasury proposal, and Committee action

Single person - No dependents

Personal exemption: Present law - \$750  
 Treasury proposal - 600  
 Committee action - 500

Net income before personal exemption <u>1/</u>	Amount of tax			Effective rates		
	Present law	Treasury proposal	Committee action	Present law	Treasury proposal	Committee action
				<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
\$ 500	-	-	-	-	-	-
600	-	-	\$ 14	-	-	2.3
700	-	\$ 16	\$ 32	-	2.3	4.6
800	\$ 3	32	49	.4	4.0	6.1
900	11	48	67	1.2	5.3	7.4
1,000	21	64	84	2.1	6.4	8.4
1,200	40	99	119	3.3	8.3	9.9
1,500	69	156	171	4.6	10.4	11.4
2,000	117	263	258	5.9	13.2	12.9
2,500	165	381	345	6.6	15.2	13.8
3,000	221	509	447	7.4	17.0	14.9
4,000	347	777	651	8.7	19.4	16.3
5,000	483	1,069	875	9.7	21.4	17.5
6,000	649	1,379	1,119	10.8	23.0	18.7
8,000	1,031	2,041	1,667	12.9	25.5	20.8
10,000	1,493	2,777	2,295	14.9	27.8	23.0
15,000	2,994	4,961	4,221	20.0	33.1	28.1
20,000	4,929	7,555	6,621	24.6	37.8	33.1
25,000	7,224	10,509	9,381	28.9	42.0	37.5
50,000	20,882	27,829	25,316	41.8	55.7	50.6
100,000	53,214	69,757	63,646	53.2	69.8	63.6
500,000	345,654	429,745	409,621	69.1	85.9	81.9
1,000,000	733,139	879,745	844,621	73.3	88.0	84.5
5,000,000	3,923,124	4,479,745	4,324,621	78.5	89.6	86.5

Normal tax rate (percent) 4 4 6 4 4 6

1/ Maximum earned income assumed for purposes of the earned income credit under the present law and the Committee action.

Table 1b

Amount of individual income tax and effective rates under present law, Treasury proposal, and Committee action

Married person - No dependents

Personal exemption: Present law - \$1,500  
 Treasury proposal - 1,200  
 Committee action - 1,200

Net income before personal exemption 1/	Amount of tax			Effective rate		
	Present law	Treasury proposal	Committee action	Present law	Treasury proposal	Committee action
				Percent	Percent	Percent
\$ 1,200	-	-	-	-	-	-
1,300	- \$	16 \$	12	-	1.2	0.9
1,400	-	32	28	-	2.3	2.0
1,500	-	48	45	-	3.2	3.0
1,600	\$ 6	64	62	0.4	4.0	3.9
1,800	23	99	97	1.3	5.5	5.4
2,000	42	137	132	2.1	6.9	6.6
2,500	90	241	219	3.6	9.6	8.8
3,000	138	357	306	4.6	11.9	10.2
4,000	249	613	504	6.2	15.3	12.6
5,000	375	889	708	7.5	17.8	14.2
6,000	521	1,193	944	8.7	19.9	15.7
8,000	873	1,837	1,464	10.9	23.0	18.3
10,000	1,305	2,549	2,064	13.1	25.5	20.6
15,000	2,739	4,673	3,914	18.3	31.2	26.1
20,000	4,614	7,225	6,264	23.1	36.1	31.3
25,000	6,864	10,143	8,982	27.5	40.6	35.9
50,000	20,439	27,373	24,840	40.9	54.7	49.7
100,000	52,704	69,229	63,072	52.7	69.2	63.1
500,000	345,084	429,205	409,012	69.0	85.8	81.8
1,000,000	732,554	879,205	844,012	73.3	87.9	84.4
5,000,000	3,922,524	4,479,205	4,324,012	78.5	89.6	86.5

Normal tax rate (percent) 4 4 6 4 4 6

1/ Maximum earned income assumed for purposes of the earned income credit under the present law and the Committee action.

Table 10. Amount of individual income tax and effective rates under present law, Treasury proposal, and Committee action

Married person - two dependents

Personal exemption:	Present law	- \$1,500
	Treasury proposal	- 1,200
	Committee action	- 1,200
Dependent credit:	Present law	- \$ 400
	Treasury proposal	- 300
	Committee action	- 400

Net income before personal exemption <u>1/</u>	Amount of tax			Effective rate		
	Present law	Treasury proposal	Committee action	Present law	Treasury proposal	Committee action
				Percent	Percent	Percent
\$ 1,800	-	-	-	-	-	-
1,900	-	\$ 16	-	-	0.8	-
2,000	-	32	-	-	1.6	-
2,100	-	48	\$ 12	-	2.3	0.6
2,200	-	64	24	-	2.9	1.1
2,300	-	80	40	-	3.5	1.7
2,400	\$ 6	99	58	0.3	4.1	2.4
2,500	12	118	75	0.5	4.7	3.0
3,000	58	219	162	1.9	7.3	5.4
4,000	154	457	336	3.9	11.4	8.4
5,000	271	721	540	5.4	14.4	10.8
6,000	397	1,007	744	6.6	16.8	12.4
8,000	717	1,633	1,232	9.0	20.4	15.4
10,000	1,117	2,321	1,800	11.2	23.2	18.0
15,000	2,475	4,397	3,586	16.5	29.3	23.9
20,000	4,287	6,895	5,856	21.4	34.5	29.3
25,000	6,480	9,777	8,526	25.9	39.1	34.1
50,000	19,967	26,917	24,296	39.9	53.8	48.6
100,000	52,160	68,701	62,416	52.2	68.7	62.4
500,000	344,476	428,665	408,316	68.9	85.7	81.7
1,000,000	731,930	878,665	843,316	73.2	87.9	84.3
5,000,000	3,921,884	4,478,665	4,323,316	78.4	89.6	86.5

Normal tax rate (percent)      4                      4                      6                      4                      4                      6

1/ Maximum earned income assumed for purposes of the earned income credit under the present law and Committee action.

Table 2

Comparison of estate tax rate schedule  
under present law and proposal

Net estate after: specific exemp- tion <u>1/</u> (\$000)	Bracket rate		Total estate tax cumulative	
	Present : law <u>2/</u>	Proposal	Present law	Proposal
Under \$5	3%	8%	\$ 150	\$ 400
5 - 10	7	12	500	1,000
10 - 15	11	15	1,050	1,750
15 - 20	11	18	1,600	2,650
20 - 30	14	22	3,000	4,850
30 - 40	18	26	4,800	7,450
40 - 50	22	30	7,000	10,450
50 - 60	25	33	9,500	13,750
60 - 70	28	36	12,300	17,350
70 - 100	28	40	20,700	29,350
100 - 150	30	44	35,700	51,350
150 - 200	30	46	50,700	74,350
200 - 250	30	48	65,700	98,350
250 - 300	32	50	81,700	123,350
300 - 350	32	52	97,700	149,350
350 - 400	32	54	113,700	176,350
400 - 450	32	56	129,700	204,350
450 - 500	32	58	145,700	233,350
500 - 600	35	60	180,700	293,350
600 - 700	35	62	215,700	355,350
700 - 800	35-37	64	251,700	419,350
800 - 900	37	66	288,700	485,350
900 - 1,000	37	68	325,700	553,350
1,000 - 1,500	39-42	70	528,200	903,350
1,500 - 2,000	45	72	753,200	1,263,350
2,000 - 2,500	49	75	998,200	1,638,350
2,500 - 3,000	53	76	1,263,200	2,018,350
3,000 - 4,000	56-59	78	1,838,200	2,798,350
4,000 - 5,000	63	79	2,468,200	3,588,350
5,000 - 6,000	67	80	3,138,200	4,388,350
6,000 - 7,000	70	80	3,838,200	5,188,350
7,000 - 8,000	73	80	4,568,200	5,988,350
8,000 - 9,000	76	80	5,328,200	6,788,350
9,000 - 10,000	76	80	6,088,200	7,588,350
10,000 and over	77	80	-	-

1/ A specific exemption of \$40,000 and a life insurance exclusion of \$40,000 are allowed by the present law. The proposal would allow a single specific exemption of \$60,000 but no life insurance exclusion.

2/ Present rates not increased by Ways and Means Committee.