

TABLE 2B.—*State and local obligations, share of total financial portfolio and distribution by income classes*

	State and local obligations		
	Mean amount	Share of total financial portfolio	Share of total consumer holdings
All units.....	219	3.1	100.0
1962 income:			
Under \$15,000.....	18	.5	7.6
\$15,000 to \$24,999.....	262	1.2	4.2
\$25,000 to \$49,999.....	3,701	3.9	15.5
\$50,000 to \$99,999.....	34,722	12.8	43.5
\$100,000 and over.....	87,997	8.0	29.2

Source: Table 2A.

The survey results suggest that investments in State and local securities have generally not been attractive to families earning less than \$25,000 a year. Data on tax rates and interest returns confirm that such families tended to have only moderate incentive, or no incentive at all, in terms of after-tax yield comparisons to purchase State and local obligations. Individual taxpayers reporting adjusted gross income between \$20,000 and \$25,000 in 1962,¹ most commonly were subject to a marginal Federal income tax rate of 34 percent (see table 3). More specifically, 80 percent of such taxpayers were subject to either a 34 percent or a 30 percent marginal income tax rate. During 1962, the yield on State and local AAA bonds was 3.03 percent and the yield on AAA corporate bonds averaged 4.33 percent. For a person with a marginal tax rate of 30 percent, this State and local yield would be equivalent to a yield of 4.33 percent in taxable income, while for a marginal tax rate of 34 percent, the comparable taxable yield amounted to 4.59 percent. Individuals in these tax brackets thus received either a moderately higher or the same tax adjusted yield from an investment in State and local obligations as from a corporate bond investment.

¹ Adjusted gross income differs in a number of respects from income before taxes as tabulated in the Survey of Financial Characteristics of Consumers. Realized income from capital gains is not included in the survey income data here, but it is partially included in adjusted gross income with long-term capital gains measured at 50 percent of their dollar amount. Various forms of nontaxable incomes are included in the survey concept, but are excluded from adjusted gross income: these are the tax-exempt income from State and local bonds, a \$50 dividend credit for tax computations, and various types of social security benefits.