The proposal would make the surcharge effective October 1, 1967 for individuals and effective July 1, 1967 for corporations. The President has recommended that the surcharge remain in effect until June 30, 1969, or continue so long as the unusual expenditures associated with our efforts in Vietnam require higher revenues.

Under this proposal:

—A family of four with an income of $10,000, now ordinarily paying a tax of about $1,100, will pay at most an added tax of $9.25 a month.

—Those American families whose incomes are below $10,000—3 out of every 4—will pay less than this amount.

—The 16 million taxpayers in the two lowest income brackets would be completely exempt from the surcharge. For example, a married couple with 2 children, with an income of less than $5,000 a year, would pay no surcharge.

—The one out of every four American families who now pay no income tax would be unaffected by the surcharge.

INDIVIDUALS

This is how the surcharge would apply to individuals:

—Since the surcharge would be effective on October 1, 1967 and thus be effective for only one-fourth of the year 1967, the rate of the surcharge for that year would be 2.5 percent of the tax for the entire year. If the tax on an individual for 1967 would be $1,000 under present law, for the income of the entire year the surcharge would raise this tax by $25, to $1,025.

—Since the surcharge would be in effect for all of the calendar year 1968, the surcharge due on calendar 1968 tax liability would be the full 10 percent. On a tax of $1,000 which the individual would otherwise owe, the surcharge would come to $100 or 10 percent.

Exemption

The *exemption* from the surcharge covers taxpayers whose *taxable income* falls *entirely* within the first two brackets of the individual income tax. Generally speaking this exemption would exclude from the surcharge all single persons with taxable incomes of $1,000 or less after deductions and exemptions and all married persons with taxable incomes of $2,000 or less after deductions and exemptions.

In terms of specific tax liabilities, single returns having $145 or less tax, joint returns having $290 or less tax, and head of household returns having $220 or less tax would be exempt.

As an example, married couples with two children with *earnings* of less than $5,000 per year and single people with *earnings* of less than $1,900 per year would not be subject to the surcharge, assuming the use of the minimum standard deduction.

The exemption will cover about 16 million taxpayers, or approximately one-sixth of the 98 million total of all taxpayers. Of the 16 million who will not be subject to the surcharge, approximately 5 million are single individuals and 11 million are married taxpayers.

CORPORATIONS

This is how the surcharge would apply to corporations:

—For calendar year 1967, the surcharge for corporations would be higher than for individuals because of the earlier effective date, July 1—for corporations.

—For corporations whose taxable year coincides with the calendar year, the surcharge for calendar year 1967 will be 5 percent of the tax for the entire year (as against 2½ percent for individuals) since the surcharge would be effective as of July 1 and thus would apply for half of the calendar year.

—The full 10 percent surcharge would apply for 1968.

—For corporations whose taxable year does not coincide with a calendar year, the rate of the surcharge would be determined on the basis of the number of days in the corporations' fiscal years that fall within the period during which the surcharge is in effect (July 1, 1967 to June 30, 1969).

The liability to which the surcharge applies is the tax liability before allowance of the investment credit and the foreign tax credit.

A calendar year corporation with profits before tax of $100,000 will pay an additional *$2,075* in 1967, and an additional *$4,150* in 1968.