

Calendar year	Rate of tax (percent)	
	Individuals	Corporations
1967	3.5	5
1968	10.0	10
1969	5.0	5

In the case of taxpayers who report their income on a fiscal year basis, the rate will be 10 percent for years falling entirely within the effective dates, whereas, in the case of taxable years that straddle either the commencement or termination date, the tax will be prorated depending on the number of days in the taxable year falling within the period the tax is in effect.

Low income exemption.—Subsection (b) of the new section 51 provides an exemption from the surcharge for individuals (other than estates and trusts) whose tax does not exceed that generally applicable to the first two brackets of taxable income. More specifically, the surcharge will not apply to a husband and wife filing a joint return if their tax does not exceed \$290. It will not apply to a head of household whose tax does not exceed \$220, or to a single individual (or a married individual filing a separate return) whose tax does not exceed \$145. In the case of a head of household, the exemption level is determined on the basis of the tax applicable to \$1,500 of taxable income which is midway between the first two tax brackets of a single individual and the first two tax brackets of a married couple filing a joint return.

Tax base on which surcharge is computed.—Subsection (c) of the new section 51 provides that the surcharge shall be computed as a percentage of the tax otherwise imposed by chapter 1 of the Internal Revenue Code, with the exception that it shall not be imposed with respect to the 30 percent tax under section 871 (a) and 881 on nonresident alien individuals and foreign corporations receiving income not effectively connected with a business in the United States. In the case of an elderly person who is eligible for the retirement income credit, the surcharge will be computed as a percentage of his tax liability after subtracting his retirement income credit. Similarly, tax liability shall be reduced by the retirement income credit in determining whether such an individual is eligible for the low-income exemption. This treatment is afforded the retirement income credit in order to give it the same effect on the surcharge as the exclusion for social security benefits. Tax liability would not be reduced by any other credits in computing the amount of the surcharge. On the other hand, once the surcharge has been computed, it may be offset by credits to which the taxpayer is entitled and which are not absorbed by his regular tax liability.

Authority to prescribe composite tax rates and tables.—Subsection (d) of the new section 51 provides that the Secretary of the Treasury or his delegate may compute composite income tax rates incorporating the surcharge and prescribe regulations setting forth modified optional tax tables computed on the basis of such composite rates. The composite rates may be rounded to the nearest whole percentage point. If the Secretary or his delegate exercises his authority under this subsection, he may require taxpayers to use the rates and/or tables he has prescribed.

Moreover, if he prescribes optional tax tables incorporating the surcharge, the usual rule that a taxpayer with less than \$5,000 of income may take the standard deduction only if he uses the optional tax tables will be waived in the case of a taxpayer who is eligible for the retirement income credit. This special rule is to reflect the fact that the effect of the retirement income credit on the surcharge cannot be accurately incorporated into the optional tax tables, with the result that those claiming the retirement income credit will almost universally use the regular tax computation. Under these circumstances, without the special rule, most taxpayers claiming the retirement income credit would be precluded from using the standard deduction.

Estimated tax.—Subsection (e) of the new section 51 contains provisions conforming the estimated tax provisions to the new surcharge tax. Under present law, corporations are required to pay estimated tax only with respect to taxes imposed by section 11 or 1201(a) or subchapter L (relating to insurance companies). The new subsection (e) (1) provides that any surcharge that is attributable to a tax imposed under these sections or subchapter shall, for estimated tax purposes, be treated as a tax imposed under these sections or subchapter and, therefore, subject to estimated tax payments. Paragraphs (2) and (3) of the