Derivation of the individual income tax base from Department of Commerce estimates of personal income, 1965 [1]—Continued

	Billions
9. Equals: Net income of taxable individuals	$346.2
10. Deduct: Personal exemptions of taxable individuals	91.9
11. Equals: Taxable income of individuals	254.3

Source: United States Department of Commerce, Office of Business Economics and United States Treasury Department.

[1] Items (1) through (5) were obtained from the Office of Business Economics, Department of Commerce, based on 1966 personal income estimates. A table incorporating 1967 revisions of the personal income estimates is expected to be published in the near future. Items (7) through (11) will appear in the Internal Revenue Service publication, Statistics of Income, 1965, Individual Income Tax Returns.

[2] Noncash items such as imputed interest and rental value of owner-occupied homes.

[3] Includes inventory items, interest accruals on United States savings bonds, interest on State and local obligations, depletions allowances, income of tax-exempt organizations, income retained by fiduciaries, tax-exempt military pay and allowances, as well as allowable exclusions for sick pay, dividends, business and moving expenses, etc.

[4] Employee contributions for social security, railroad retirement, Government pensions, etc.

[5] Includes taxable pensions and annuities, net operating loss deduction and miscellaneous sources of income.

Mr. VANIK. Are your records in such a condition that you can tell us, for example, how many people hold a hundred thousand dollars of such bonds, how many would hold $10,000 or less, how many would hold $500,000 of such bonds or over a million dollars?

Mr. SURREY. I don't think our records would show that because the holding of tax-exempt bonds is not reported on tax returns. We would make estimates based upon whatever other general information we have and we could have a figure on the overall amount of interest that is involved and its impact on the tax system.

Mr. VANIK. Then today you would not be able to tell us whether any taxpayers or how many taxpayers would compare to the case of the Dodge widow who had $5 million of annual income tax free? You could not tell us anything about that?

Mr. SURREY. We could not tell you with that precision; no. We will try to see if we have anything on that based on State income tax returns. We will check on that.

Mr. VANIK. Is there not some way that your office should be looking into these areas? I can see the special reasons for having tax-exempt bonds. I am not questioning that. But perhaps we have come to a time when we ought to put a ceiling limit on the amount of such tax-free income that any one individual taxpayer can have. Otherwise, it puts that taxpayer in a completely special class.

I think if we are going to sell our people on a tax increase, and I believe we must, we have to show that we are making some reasonable effort to develop a greater degree of justice in our tax system. If some people can make $5 or $10 million a year and pay not a penny in taxes, certainly something is wrong and ought to be corrected before we enact any new taxes on our people.

Mr. SURREY. The Secretary went into that point.

Mr. VANIK. I don't recall he went into this point.