

We don't penalize a fellow just because he happens to pay \$1 more taxes than somebody else does by charging him \$29 more.

Mr. SURREY. We do in this sense. There are about 15 million taxable returns using the so-called optional tax table. Those people under \$5,000 if they want the standard deduction they must use these tables. These tables are so constructed that they are based upon the midpoint of the bracket. The brackets are \$50 wide.

If your income increases by \$1 under these tables your tax can jump up by \$9, \$10, or \$12.

The CHAIRMAN. I understand all of that.

Mr. SURREY. And people have been filing this way for years.

The CHAIRMAN. But not by \$29.

Mr. SURREY. Not by \$29, which is the maximum for a married person. But up to \$12, and it has been done for years and apparently no one has objected to it.

The CHAIRMAN. By the time we get around to wanting it, you had better be developing some kind of notch arrangement, don't you think?

Mr. SURREY. For the year 1967 the notch of course is much lower than \$29.

The CHAIRMAN. Maybe we can get by without a notch in 1967 but maybe we can have a notch in 1968.

Mr. SURREY. That is something we can explore with the committee if they want to explore it.

The CHAIRMAN. You can begin to think about it.

Tell me about some of the other provisions insofar as they deal with the individual person. Is that the only thing we have to bear in mind on the low-income exemption?

Mr. SURREY. I think so.

The CHAIRMAN. Do you have any complications with respect to the tax base on which the surcharge is computed?

Mr. SURREY. The only point there that is taken account of is that we thought that the committee would want to keep the present value of the retirement income credit and consequently we did make an adjustment for that.

People having the retirement income credit would not lose their treatment compared with social security. This retirement income credit as you know creates a great many complications. This is another one that has to be added to the story of the difficulties of the retirement income credit. But as long as we have it this is something we had to take account of.

The CHAIRMAN. What have you done with respect to the retirement income credit itself?

Mr. SURREY. We said that the tax would be imposed on the tax liability after reduction by the retirement income credit. That will leave people having retirement income credit in the same relative position as those who have their social security income excluded.

The CHAIRMAN. You have some type of optional tax table provision?

Mr. SURREY. The Secretary is given in the draft we submitted to you the authority to determine and require the use of tables incorporating the tax imposed by this measure if he feels that is the best way of handling it on the tax return.

The CHAIRMAN. Is he permitted to round upward and downward?