

income families—such as four-person families with gross incomes below \$5,000—would be exempt from the surcharge.

A family with a tax liability of \$301, would apply the surtax rate to \$1 instead of to the full \$301 amount. Another family, with a liability of \$700 would apply the surtax rate to \$400.

Each single individual taxpayer would similarly deduct \$150 from his tax liability before applying the surtax. The effect would be similar to what I have just described for families filing joint returns.

All taxpayers, except those with low incomes, would pay the same surtax rate. However, with the deduction of \$300 for joint returns and \$150 for single individual taxpayers, the burden of the surtax would be much more equitably based on ability to pay.

Let us take the example of an 8-percent surtax on a family of four. At a gross income of \$5,000 or less, there would be no surcharge. At \$6,000, the surcharge would be \$12 or 2.6 percent of the regular tax liability. At \$10,000, the surcharge would be \$65 or 5.8 percent of the regular tax. The surcharge would reach 7.2 percent of the tax liability, or \$229, at \$20,000 of gross income.

SURCHARGE ON FAMILY OF 4

Gross income	Present tax	8-percent surtax after \$300 deduction from tax liability	Surcharge as percent of present tax
\$5,000	\$290	0	0
6,000	450	\$12	2.6
10,000	1,114	65	5.8
15,000	2,062	141	6.8
20,000	3,160	229	7.2

Note: See apps. I, II, and III for detail.

If this much fairer and more equitable method of applying a temporary surtax on personal income is adopted, the following approximate amounts of money could be raised over a full year:

Surtax rate and approximate additional revenue:

6 percent, \$2.8 billion.

8 percent, \$3.9 billion.

10 percent, \$4.9 billion.

We urge you to adopt this method of raising additional revenue from the individual income tax, combined with a corporate surtax rate that is at least twice as great as the rate on personal incomes.

THE ABILITY-TO-PAY PRINCIPLE REQUIRES TAXATION OF EXCLUDED INCOME

Tax loopholes of special privilege for wealthy families and corporations are numerous and notorious.

In 1964, for example, 482 tax returns reported adjusted gross incomes of \$1 million or more—after excluding interest from State and local bonds, half of capital gains, and so on. Yet, 19 of these millionaires paid no tax at all on their 1964 incomes—not 1 single cent.

Personal capital gains from the sale of stock, real estate, and other property are in the neighborhood of \$20 to \$24 billion per year in recent years. However, only half of these profits are even listed as income, subject to taxation. The top tax rate on personal capital gains is very special—it is 25 percent. In addition, the story is closely similar for the approximately \$7 to \$8 billion of capital gains of corporations.