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| --- | --- | --- | --- | --- | --- |
| [1] Personal exemption amounts were deducted at different points in the tax computation, depending on the tax year. For some of the earlier years, they were deducted only from the | | | | | |
| statutory “net income” subject to the basic “normal tax,” for other years, only from the “net income” subject to the “surtax,” and, for still other years, from the “net income” subject | | | | | |
| to both normal tax and surtax. (Footnote 2, below, includes a description of “normal tax” and “surtax.”) For more recent years, personal exemptions have been deducted in | | | | | |
| computing “taxable income,” the current tax base for “regular” tax purposes. | | | | | |
| [2] Tax rates shown in this Table 23 for the “regular” income tax, i.e., for “normal tax” and “surtax,” applicable to U.S. citizens and residents. Therefore, the rates exclude provisions | | | | | |
| unique to nonresident aliens. Tax rates exclude the effect of tax credits (which reduce the tax liability), except as noted, and several specific add-on or other taxes applicable to | | | | | |
| all or some tax years. Excluded are the “war excess profits tax” (1917), “victory tax” (1942-1943), Social Security “self-employment tax” (starting with 1951), tax under the | | | | | |
| “income averaging” provisions (1964-1986) and under the farm income averaging provisions (starting with 1998), and the “recapture taxes” resulting from having to recompute | | | | | |
| and pay back certain tax credits in later years (starting with 1963), the “maximum tax” on “earned income” or on “personal service income”(1971-1981), the “minimum tax” on | | | | | |
| “tax preferences” (1970-1983), and the “alternative minimum tax” on “tax preferences” (starting with 1979). Also excluded are such other taxes as the tax on recipients of | | | | | |
| accumulation distributions of trusts (starting with 1954) and the “special averaging tax” or “multiple recipient special averaging tax” on recipients of lump-sum distributions from | | | | | |
| qualified retirement plans (starting with 1974). In addition, Table 23 excludes the taxes associated with the preferential treatment of capital gains, starting with 1922 (although certain | | | | | |
| gains received preferential treatment as early as 1918). At various times, these treatments have taken the form of special tax rates; special definitions; different asset holding | | | | | |
| periods; ceilings on taxes; and exclusions from income. Included among these special treatments were “alternative tax” (1938-1986) and its variations for the earlier years, | | | | | |
| although all of these taxes were in some way tied to the a structure for regular tax. Until 1948, a single set of tax rates applied to all taxpayers, regardless of marital or filing | | | | | |
| status, and married couples filing joint returns were taxed on the combined income of each spouse. However, a second, lower set of rates was introduced, starting with 1948, | | | | | |
| for married couples filing jointly. (To simplify the Table 23 presentation for these more recent years, only the lowest and highest tax rates for married persons filing jointly are | | | | | |
| shown.) Under this change, the combined tax of husband and wife became twice the combined tax that would have applied if their combined “taxable income” (“net income” for | | | | | |
| years before 1954) were cut in half. Thus, taxpayers using the joint return filing status “split” their incomes for tax purposes, in effect doubling the width of their taxable income | | | | | |
| (or net income) size “brackets.” The lowest and highest tax rate brackets shown in columns 4 and 6 in Table 23 are, therefore, the brackets for married couples filing jointly | | | | | |
| that result from taking into account this doubling of the bracket widths. Starting with 1952, a third set of rates was introduced (not shown) for “heads of household,” i.e., for | | | | | |
| unmarried individuals who paid over half the cost of maintaining a home for a qualifying person (e.g., a child or parent), or for certain married individuals who had lived apart | | | | | |
| from their spouses for the last 6 months of the tax year. This filing status was liberalized, starting with 1970, and provides approximately half the advantage of the | | | | | |
| income-splitting described above. Starting with 1954, the full benefits of income-splitting allowed married couples filing jointly (i.e., the same tax rates and taxable income | | | | | |
| brackets) were extended to a new, fourth filing status, “surviving spouse” (i.e., individuals widowed for 1 to 2 years following the death of a spouse, provided they had a dependent | | | | | |
| child and had not remarried). The remaining filing status was for “single persons,” who used the rates formerly applicable to taxpayers in general. However, these latter | | | | | |
| rates were moderated, starting with 1969, by limiting the tax so that it would not exceed 20 percent more than the tax on married couples filing jointly. One result of the 1969 | | | | | |
| law change was that certain married couples filing jointly had to pay more tax than they would have paid if each spouse had filed separately. To help mitigate this effect, a | | | | | |
| special deduction in computing adjusted gross income was allowed for 1982-1986 for two-earner couples filing jointly. This deduction was initially 5 percent of the lesser of | | | | | |
| $30,000 or the “earned income” of the spouse with the lesser earnings. The percentage was increased to 10 percent, starting with 1983. The deduction provision was repealed, | | | | | |
| starting with 1987, when new, lower rates and a reduced number of tax brackets began. For tax years preceding 1954, the lowest tax rate, as shown in Table 23, was either | | | | | |
| the rate for the basic “normal tax” (if there was just one rate for normal tax) or the lowest of the several rates for “normal tax” (if there was more than one rate for normal tax). | | | | | |
| The highest tax rate was the sum of the uppermost of the graduated rates (if any) for normal tax, plus the uppermost of the additional, graduated “surtax” rates, provided that | | | | | |
| both rates were applied to the same income. For example, for 1932, there were two graduated rates for normal tax, 4 percent (on the first $4,000 of income) and 8 percent | | | | | |
| (on all income over $4,000), and graduated rates for “surtax” that ranged from 1 percent to 55 percent. In Table 23, the lowest rate for 1932 is, therefore, shown as 4 percent | | | | | |
| (the lower of the two normal tax rates) and the highest rate as 63 percent (the sum of the 8-percent higher, graduated rate for normal tax on income over $4,000, plus 55 percent, | | | | | |
| the highest of the graduated, surtax rates, on income over $1 million.). As another example, for 1941, there was just one rate for normal tax, 4 percent, but it applied to all income. | | | | | |
| The lowest of the surtax rates, 6 percent, was applied to all income under $2,000, so that income under $2,000 was taxed at both the 4-percent normal tax rate and the | | | | | |
| 6-percent surtax rate. Therefore, the lowest rate shown in Table 23 for 1941 is 10 percent, the sum of these two tax rates. The highest rate is the sum of the 4-percent normal | | | | | |
| tax on total statutory “net income,” plus the highest graduated surtax rate, 77 percent on income over $5 million, so that income over $5 million was taxed at 81.0 percent, | | | | | |
| the sum of the two rates. For tax years starting with 1954, normal tax and surtax rates were, in effect, combined into a single rate structure. | | | | | |
| [3] The definition of the income base (and, thus, the tax “bracket” boundaries) to which the tax rates were applied differs over the years, depending on how the following were | | | | | |
| determined and figured: statutory adjustments to or exclusions from income; personal exemptions; itemized deduction expenditures, which were sometimes described as | | | | | |
| income “credits”; standard deductions; the various thresholds and ceilings; and statutory “taxable income” (and its predecessor “net income”). Therefore, the lowest and highest | | | | | |
| taxable income amounts, as shown in Table 23, are not comparable for all years, and the amounts described as for statutory taxable income for tax years preceding | | | | | |
| 1954 are actually for statutory net income. (Statutory net income was income after subtracting deductions but, for most years, was before subtracting personal exemptions. | | | | | |
| Statutory taxable income was after subtracting both deductions and personal exemptions. Taxable income is the tax base for recent years. Net income required certain adjustments | | | | | |
| to arrive at the tax base, depending on whether the income was subject to normal tax, surtax, or both). See also footnote 2, above.   |  |  | | --- | --- | | [28] For 1977-1986, in order to help preserve the conceptual comparability of the amounts shown with those for earlier and later years, the lowest tax rates in column 4 and the lowest | | | “taxable income” amounts in column 5 exclude the so-called “zero tax rate” and the “zero bracket amount,” which were unique to the tax computation for these 10 years. |  | | | | | | |
| [31] Starting with 1985, tax “bracket” boundaries (columns 5 and 7) were indexed for inflation, using the U.S. Department of Labor Consumer Price Index (as described in footnote 30). | | | | | |
| [35] For 1988-1990, the 15-percent tax rate (column 4), which applied to the first $29,750 of statutory “taxable income” (column 5), gradually increased to the top “brackets” rate, | | | | |
| 28 percent (column 6), when taxable income (included in column 7) reached between $71,900 and $149,250. This was the range at which the 15-percent rate was phased out | | | | |
| for certain high-income taxpayers, all of whose incomes were then effectively taxed at the higher 28-percent rate through use of the “temporary” 33-percent rate (see footnote 34, | | | | |
| above, for additional information). The boundaries of the phaseout range were adjusted for inflation for 1989-1990, although the top tax rate on the taxable income above that | | | | |
| covered by the phaseout range remained 28 percent. Therefore, the top taxable income and top tax bracket rate shown in Table 23 for 1988-1990 do not take into account the | | | | |
| higher, 33-percent, “temporary” phaseout rate. |  |  |  |  |