

## Income Tax Return

This is the second of a series of articles prepared in cooperation with the Pennsylvania Institute's Committee of Taxation to assist taxpayers with their 1969 income tax returns.

Although the Tax Reform Act of 1969 contained no general tax rate changes for the ordinary income of individuals, every individual taxpayer will be affected by at least one of several changes which were made in the tax burden.

Affecting all taxpayers are increases in the personal and dependency exemptions. Formerly \$600 each, they are scheduled to increase to \$625 for 1970, \$650 for 1971, 700 for 1972, and \$750 for 1973 and subsequent years.

Another change of large general interest is the increase in the percentage standard deduction. Presently 10% with a maximum of \$1,000, it is scheduled to increase to 13% with a maximum of \$1,500 for 1971, 14% and \$2,000 for 1972 and 15% and \$2,000 for 1973 and subsequent years. These increases will have the effect of reversing a trend under which an increasing number of individuals were discontinuing the standard deduction in favor of itemizing deductions.

Accompanying the increases in the percentage standard deduction is a new low income allowance, the effect of which is to provide a tax exemption for low income taxpayers which is even larger than that afforded by the percentage standard deduction. After a phasing in process, the low income allowance will be \$1,000 in 1972 and following years, so that in 1972 a single person will pay no tax on his first \$1,700 of income (\$1,000 low income allowance, plus \$700 personal exemption). In 1973 and

son will pay no tax on his first \$1,750 of income.

For those who have large amounts of earned income, there will be a maximum tax rate on earned income. The maximum rate is 60% for 1971, and 50% for 1972 and subsequent years. The maximum rate will apply to that top segment of earned income which otherwise individual tax rate of 70%. It is anticipated that this provision will make the earning of ordinary income more

popular and will result in a corresponding decrease of interest in deferred compensation arrangements, efforts to secure capital gains, and tax shelters generally.

Commencing in 1971 a new tax rate schedule will apply to single

persons. At that time there will be four tax tables. From the least costly to the most costly, these tables will be for (1) married individuals filing joint returns (including "surviving spouses"); (2) heads of house-

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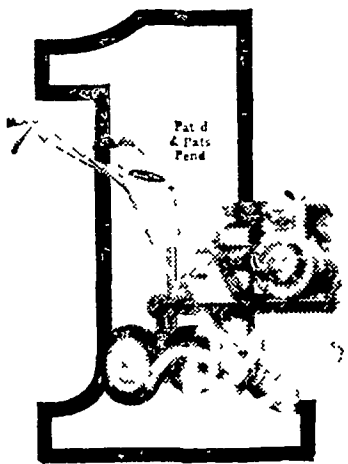
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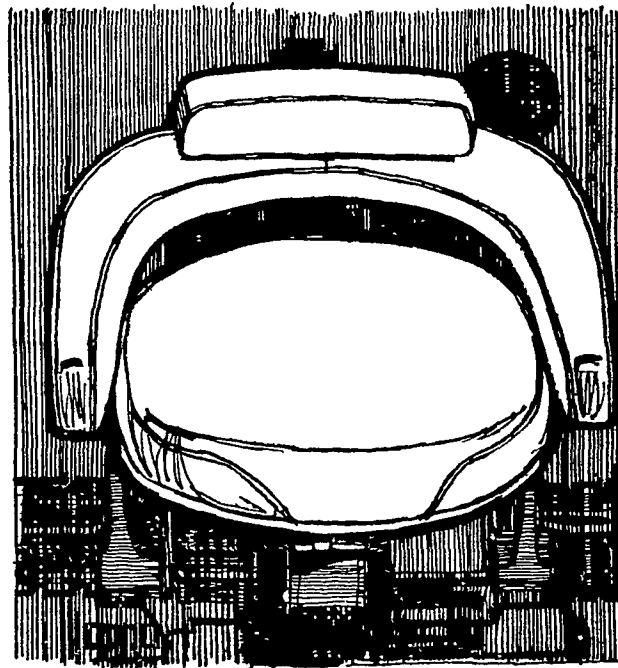
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