

Public Law 94-164
94th Congress

An Act

Dec. 23, 1975
[H.R. 9968]

To change certain income tax provisions of the Internal Revenue Code of 1954, and for other purposes.

Revenue
Adjustment Act
of 1975.
26 USC 1 note.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Revenue Adjustment Act of 1975".

SEC. 1A. DECLARATION OF POLICY.

26 USC 1 note.

(a) Congress is determined to continue the tax reduction for the first 6 months of 1976 in order to assure continued economic recovery.

(b) Congress is also determined to continue to control spending levels in order to reduce the national deficit.

31 USC 1301
note.

(c) Congress reaffirms its commitments to the procedures established by the Congressional Budget and Impoundment Control Act of 1974 under which it has already established a binding spending ceiling for the fiscal year 1976.

(d) If the Congress adopts a continuation of the tax reduction provided by this Act beyond June 30, 1976, and if economic conditions warrant doing so, Congress shall provide, through the procedures in the Budget Act, for reductions in the level of spending in the fiscal year 1977 below what would otherwise occur, equal to any additional reduction in taxes (from the 1974 tax rate levels) provided for the fiscal year 1977: *Provided, however*, That nothing shall preclude the right of the Congress to pass a budget resolution containing a higher or lower expenditure figure if the Congress concludes that this is warranted by economic conditions or unforeseen circumstances.

SEC. 2. INDIVIDUAL INCOME TAX REDUCTIONS.

(a) **LOW INCOME ALLOWANCE.**—

26 USC 141.

(1) **INCREASE.**—Subsection (c) of section 141 of the Internal Revenue Code of 1954 (relating to low income allowance) is amended to read as follows:

"(c) **LOW INCOME ALLOWANCE.**—

"(1) **IN GENERAL.**—The low income allowance is—

26 USC 6013.

"(A) \$2,100 in the case of—

"(i) a joint return under section 6013, or

"(ii) a surviving spouse (as defined in section 2(a)),

"(B) \$1,700 in the case of an individual who is not married and who is not a surviving spouse (as so defined), or

"(C) \$1,050 in the case of a married individual filing a separate return.

"(2) **APPLICATION OF 6-MONTH RULE.**—Notwithstanding the provisions of paragraph (1), the following amounts shall be substituted for the amount set forth in paragraph (1)—

"(A) '\$1,700' for '\$2,100' in subparagraph (A),

"(B) '\$1,500' for '\$1,700' in subparagraph (B), and

"(C) '\$850' for '\$1,050' in subparagraph (C)."

26 USC 6012.

(2) **CHANGE IN FILING REQUIREMENTS TO REFLECT INCREASE IN LOW INCOME ALLOWANCE.**—Paragraph (1) (A) of section 6012(a) of such Code (relating to persons required to make returns of income) is amended—

(A) by striking out "\$2,350" in clause (i) of such paragraph and inserting in lieu thereof "\$2,450";

(B) by striking out "\$2,650" in clause (ii) of such paragraph and inserting in lieu thereof "\$2,850"; and

(C) by striking out "\$3,400" in clause (iii) of such paragraph and inserting in lieu thereof "\$3,600".

(b) PERCENTAGE STANDARD DEDUCTION.—

(1) INCREASE.—Subsection (b) of section 141 of such Code (relating to percentage standard deduction) is amended to read as follows: 26 USC 141.

"(b) PERCENTAGE STANDARD DEDUCTION.—

"(1) GENERAL RULE.—The percentage standard deduction is an amount equal to 16 percent of adjusted gross income but not to exceed—

"(A) \$2,800 in the case of—

"(i) a joint return under section 6013, or

26 USC 6013.

"(ii) a surviving spouse (as defined in section 2(a)),

"(B) \$2,400 in the case of an individual who is not married and who is not a surviving spouse (as so defined), or

"(C) \$1,400 in the case of a married individual filing a separate return.

"(2) APPLICATION OF 6-MONTH RULE.—Notwithstanding the provisions of paragraph (1) of this subsection, the following amounts shall be substituted for the amounts set forth in paragraph (1)—

"(A) '\$2,400' for '\$2,800' in subparagraph (A),

"(B) '\$2,200' for '\$2,400' in subparagraph (B), and

"(C) '\$1,200' for '\$1,400' in subparagraph (C)."

(2) CONFORMING AMENDMENTS.—Section 3402(m) of such Code (relating to withholding allowances based on itemized deductions) is amended— 26 USC 3402.

(A) by striking out "\$2,600" in paragraph (1) (B) and inserting in lieu thereof "\$2,800", and

(B) by striking out "\$2,300" in such paragraph and inserting in lieu thereof "\$2,400".

(c) EARNED INCOME CREDIT.—Subsections (a) and (b) of section 43 of such Code (relating to earned income credit) are amended to read as follows: 26 USC 43.

"(a) ALLOWANCE OF CREDIT.—

"(1) GENERAL RULE.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 10 percent of so much of the earned income for the taxable year as does not exceed \$4,000.

"(2) APPLICATION OF 6-MONTH RULE.—Notwithstanding the provisions of paragraph (1), the term '5 percent' shall be substituted for the term '10 percent' where it appears in that paragraph."

"(b) LIMITATION.—

"(1) GENERAL RULE.—The amount of the credit allowable to a taxpayer under subsection (a) for any taxable year shall be reduced (but not below zero) by an amount equal to 10 percent of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds \$4,000.

"(2) APPLICATION OF 6-MONTH RULE.—Notwithstanding the provisions of paragraph (1), the term '5 percent' shall be substituted for the term '10 percent' where it appears in that paragraph."

26 USC 43 note. (d) **DISREGARD OF REFUND.**—Any refund of Federal income taxes made to any individual by reason of section 43 of the Internal Revenue Code of 1954 (relating to earned income credit) shall not be taken into account as income or receipts for purposes of determining the eligibility, for the month in which such refund is made or any month thereafter which begins prior to July 1, 1976, of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds, but only if such individual (or the family unit of which he is a member) is a recipient of benefits or assistance under such a program for the month before the month in which such refund is made.

26 USC 42 note. (e) **EXTENSION OF CERTAIN LOW-INCOME ALLOWANCE, PERCENTAGE STANDARD DEDUCTION, AND TAX CREDIT PROVISIONS.**—The last sentence of section 209(a) of the Tax Reduction Act of 1975 is amended to read as follows: "The amendments made by section 201(a) and 202(a) shall cease to apply to taxable years ending after December 31, 1975; those made by sections 201(b), 201(c), and 203 shall cease to apply to taxable years ending after December 31, 1976."

26 USC 43 note. (f) **EXTENSION OF EARNED INCOME CREDIT.**—Section 209(b) of the Tax Reduction Act of 1975 (relating to effective date for section 204) is amended by striking out "January 1, 1976," and inserting in lieu thereof "January 1, 1977."

26 USC 42 note. (g) **EFFECTIVE DATE.**—The amendments made by this section apply to taxable years ending after December 31, 1975, and before January 1, 1977.

SEC. 3. TAXABLE INCOME CREDIT.

(a) TAXABLE INCOME CREDIT.—

26 USC 42. (1) **IN GENERAL.**—Section 42 of the Internal Revenue Code of 1954 (relating to credit for personal exemptions) is amended to read as follows:

"SEC. 42. TAXABLE INCOME CREDIT.

"(a) ALLOWANCE OF CREDIT.—

"(1) **IN GENERAL.**—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the greater of—

"(A) 2 percent of so much of the taxpayer's taxable income for the taxable year as does not exceed \$9,000; or

26 USC 151. "(B) \$35 multiplied by each exemption for which the taxpayer is entitled to a deduction for the taxable year under subsection (b) or (e) of section 151.

"(2) **APPLICATION OF SIX-MONTH RULE.**—Notwithstanding the provisions of paragraph (1) of this subsection, the percentage "1 percent" shall be substituted for "2 percent" in subparagraph (A) of such paragraph, and the amount "\$17.50" shall be substituted for the amount "\$35" in subparagraph (B) of such paragraph.

"(b) **APPLICATION WITH OTHER CREDITS.**—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year. In determining the credits allowed under—

26 USC 33. "(1) section 33 (relating to foreign tax credit),

26 USC 37. "(2) section 37 (relating to retirement income credit),

26 USC 38. "(3) section 38 (relating to investment in certain depreciable property),

“(4) section 40 (relating to expenses of work incentive programs), and 26 USC 40.

“(5) section 41 (relating to contributions to candidates for public office), 26 USC 41.

the tax imposed by this chapter shall (before any other reductions) be reduced by the credit allowed by this section.

“(c) SPECIAL RULE FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—

“(1) IN GENERAL.—Notwithstanding subsection (a), in the case of a married individual who files a separate return for the taxable year, the amount of the credit allowable under subsection (a) for the taxable year shall be equal to either—

“(A) the amount determined under paragraph (1)(A) of subsection (a); or

“(B) if this subparagraph applies to the individual for the taxable year, the amount determined under paragraph (1)(B) of subsection (a).

For purposes of the preceding sentence, paragraph (1) of subsection (a) shall be applied by substituting ‘\$4,500’ for ‘\$9,000’.

“(2) APPLICATION OF PARAGRAPH (1)(B).—Subparagraph (B) of paragraph (1) shall apply to any taxpayer for any taxable year if—

“(A) such taxpayer elects to have such subparagraph apply for such taxable year, and

“(B) the spouse of such taxpayer elects to have such subparagraph apply for any taxable year corresponding, for purposes of section 142(a), to the taxable year of the taxpayer. 26 USC 142.

Any such election shall be made at such time, and in such manner, as the Secretary or his delegate shall by regulations prescribe.

“(3) MARITAL STATUS.—For purposes of this subsection, the determination of marital status shall be made under section 143. 26 USC 143.

“(d) CERTAIN PERSONS NOT ELIGIBLE.—This section shall not apply to any estate or trust, nor shall it apply to any nonresident alien individual.”.

(2) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by striking out the item relating to section 42 and inserting in lieu thereof the following:

“Sec. 42. Taxable income credit.”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years ending after December 31, 1975. Such amendments shall cease to apply to taxable years ending after December 31, 1976. 26 USC 42 note.

SEC. 4. CORPORATE TAX RATES AND SURTAX EXEMPTION.

(a) CORPORATE NORMAL TAX.—Section 11(a) of the Internal Revenue Code of 1954 (relating to corporate normal tax) is amended to read as follows: 26 USC 11.

“(b) NORMAL TAX.—

“(1) GENERAL RULE.—The normal tax is equal to—

“(A) in the case of a taxable year ending after December 31, 1976, 22 percent of the taxable income, and

“(B) in the case of a taxable year ending after December 31, 1974, and before January 1, 1977, the sum of—

“(i) 20 percent of so much of the taxable income as does not exceed \$25,000, plus

“(ii) 22 percent of so much of the taxable income as exceeds \$25,000.

“(2) SIX-MONTH APPLICATION OF GENERAL RULE.—

“(A) CALENDAR YEAR TAXPAYERS.—Notwithstanding the provisions of paragraph (1), in the case of a taxpayer who has as his taxable year the calendar year 1976, the normal tax for such taxable year is equal to the sum of—

“(i) 21 percent of so much of the taxable income as does not exceed \$25,000, plus

“(ii) 22 percent of so much of the taxable income as exceeds \$25,000.

“(B) FISCAL YEAR TAXPAYERS.—Notwithstanding the provisions of paragraph (1), in the case of a taxpayer whose taxable year is not the calendar year, effective on July 1, 1976, paragraph (1) shall cease to apply and the normal tax shall be 22 percent.”.

26 USC 11.

(b) CORPORATE SURTAX.—Section 11(c) of such Code (relating to surtax) is amended to read as follows:

“(c) SURTAX.—

“(1) GENERAL RULE.—The surtax is 26 percent of the amount by which the taxable income exceeds the surtax exemption for the taxable year.

“(2) SPECIAL RULE FOR 1976 FOR CALENDAR YEAR TAXPAYERS.—Notwithstanding the provisions of paragraph (1), in the case of a taxpayer who has as his taxable year the calendar year 1976, the surtax for such taxable year is—

“(A) 13 percent of the amount by which the taxable income exceeds the \$25,000 surtax exemption (as in effect under subsection (d) (2)) but does not exceed \$50,000, plus

“(B) 26 percent of the amount by which the taxable income exceeds \$50,000.”.

(c) SURTAX EXEMPTION.—Section 11(d) of such Code (relating to surtax exemption) is amended to read as follows:

“(d) SURTAX EXEMPTION.—

“(1) GENERAL RULE.—For purposes of this subtitle, the surtax exemption for any taxable year is \$50,000, except that, with respect to a corporation to which section 1561 or 1564 (relating to surtax exemptions in case of certain controlled corporations) applies for the taxable year, the surtax exemption for the taxable year is the amount determined under such section.

“(2) SIX-MONTH APPLICATION OF GENERAL RULE.—Notwithstanding the provisions of paragraph (1)—

“(A) CALENDAR YEAR TAXPAYERS.—In the case of a taxpayer who has as his taxable year the calendar year 1976, the provisions of paragraph (1) shall be applied for such taxable year by substituting the amount ‘\$25,000’ for the amount ‘\$50,000’ appearing therein.

“(B) FISCAL YEAR TAXPAYERS.—In the case of a taxpayer whose taxable year is not the calendar year, effective on July 1, 1976, paragraph (1) shall be applied by substituting the amount ‘\$25,000’ for the amount ‘\$50,000’ appearing therein, and such substitution shall be treated, for purposes of section 21, as a change in a rate of tax.”.

(d) TECHNICAL AND CONFORMING CHANGES.—

(1) Section 1561(a) (1) of such Code (relating to limitations on certain multiple tax benefits in the case of certain controlled corporations) as such section is in effect for taxable years ending after December 31, 1975, is amended by striking out “\$25,000”.

26 USC 1561,
1564.

Section 962(c) of such Code (relating to surtax exemption for individuals electing to be subject to tax at corporate rates) as such section is in effect for taxable years ending after December 31, 1975, is amended by striking out "\$25,000" and inserting in lieu thereof "the surtax exemption". 26 USC 962.

(2) Section 21(f) of such Code (relating to increase in surtax exemptions) is amended— 26 USC 21.

(A) by striking out "INCREASE" in the caption and inserting "CHANGE" in lieu thereof, and

(B) by inserting after "Tax Reduction Act of 1975" the following: "and the change made by section 3(c) of the Revenue Adjustment Act of 1975".

(e) EFFECTIVE DATES.—The amendments made by subsections (b), (c), and (d) apply to taxable years beginning after December 31, 1975. The amendment made by subsection (c) ceases to apply for taxable years beginning after December 31, 1976. 26 USC 11 note.

SEC. 5. WITHHOLDING; ESTIMATED TAX PAYMENTS.

(a) WITHHOLDING.—

(1) IN GENERAL.—Section 3402(a) of the Internal Revenue Code of 1954 (relating to income tax collected at source), as amended by section 205 of the Tax Reduction Act of 1975, is amended by inserting after the second sentence thereof the following: "The tables so prescribed with respect to wages paid after December 31, 1975, and before July 1, 1976, shall be the same as the tables prescribed under this subsection which were in effect on December 10, 1975." 26 USC 3402. Ante, p. 32.

(2) TECHNICAL AMENDMENT.—Section 209(c) of the Tax Reduction Act of 1975 is amended by striking out "January 1, 1976" and inserting in lieu thereof "July 1, 1976". Ante, p. 35. 26 USC 3402 note.

(b) ESTIMATED TAX PAYMENTS BY INDIVIDUALS.—Section 6153 of such Code (relating to installment payments of estimated income tax by individuals) is amended by adding at the end thereof the following new subsection: 26 USC 6153.

"(g) SIX-MONTH APPLICATION OF REVENUE ADJUSTMENT ACT OF 1975 CHANGES.—In the case of a taxpayer who has as his taxable year the calendar year 1976, the amount of any installment the payment of which is required to be made after December 31, 1975, and before July 1, 1976, may be computed without regard to section 42(a)(2), 43(a)(2), 43(b)(2), 141(b)(2), or 141(c)(2).". 26 USC 42, 43, 141.

(c) ESTIMATED TAX PAYMENTS BY CORPORATIONS.—Section 6154 of such Code (relating to installment payments of estimated income tax by corporations) is amended by adding at the end thereof the following new subsection: 26 USC 6154.

"(h) SIX-MONTH APPLICATION OF REVENUE ADJUSTMENT ACT OF 1975 CHANGES.—In the case of a corporation which has as its taxable year the calendar year 1976, the amount of any installment the payment of which is required to be made after December 31, 1975, and before July 1, 1976, may be computed without regard to sections 11(b)(2), 11(c)(2), and 11(d)(2).". 26 USC 11.

SEC. 6. ROLLING STOCK.

(a) EXCLUSION FROM INCOME.—Section 883(a) of the Internal Revenue Code of 1954 is hereby amended by adding at the end thereof the following new paragraph: 26 USC 883.

"(3) RAILROAD ROLLING STOCK OF FOREIGN CORPORATIONS.—Earnings derived from payments by a common carrier for the use on a temporary basis (not expected to exceed a total of 90 days in any taxable year) of railroad rolling stock owned by a corporation of

a foreign country which grants an equivalent exemption to corporations organized in the United States.”

26 USC 883 note. (b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to payments made after November 18, 1974.

SEC. 7. CERTAIN IRRIGATION FACILITIES.

26 USC 103. (a) **IN GENERAL.**—Section 103 of the Internal Revenue Code of 1954 (relating to interest on certain governmental obligations) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

“(e) **CERTAIN IRRIGATION DAMS.**—A dam for the furnishing of water for irrigation purposes which has a subordinate use in connection with the generation of electric energy by water shall be treated as meeting the requirements of subsection (c) (4) (G) if—

“(1) substantially all of the stored water is contractually available for release from such dam for irrigation purposes, and

“(2) the water so released is available on reasonable demand to members of the general public.”.

26 USC 103 note. (b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.

Approved December 23, 1975.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 94-531 (Comm. on Ways and Means).

SENATE REPORT No. 94-570 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 121 (1975):

Oct. 6, considered and passed House.

Dec. 19, considered and passed Senate, amended; House concurred in Senate amendment with an amendment; Senate concurred in House amendment.