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Tax News

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TAX NEWS

By LOUISE A. SALLMANN, C.P.A., Oakland, California

Although this article will appear in the February, 1956 edition of *The Woman C.P.A.*, the date of writing is January 1, 1956. The "Happy New Year" holds some promise for tax reductions by reason of its political implications as well as a hope for a balanced Federal budget.

As to *Corporations*—the current law provides for an automatic decrease in the normal tax rate from 30% to 25% as of April 1, 1956. However, from all indications the 1956 program for tax legislation will make some adjustment to current corporate tax rates but no cut in the present 52% rate (30% normal, 22% surtax), is anticipated. The Democrats have proposed an increase in the surtax exemption from \$25,000 to \$30,000 in 1956 and annual increases of \$5,000 until the exemption totals \$50,000.

Individuals may be more optimistic in looking forward to some tax relief during the new year, as proposals made during the past two years may receive more active consideration during a political year. The \$100 to \$200 increase in the personal exemption for each taxpayer and each dependent is again under review. However, some proponents would limit the effect of the increase to the first tax bracket which would limit the tax saving to \$20 for each exemption.

Various proposals for a reduction in tax rates are also under consideration, such as a flat 10%, a flat 5% and a fairly new approach to lessening the tax burden in the lower income brackets by subdividing the current lowest bracket. Instead of a 20% rate on the first \$2,000 of taxable income, it would be taxed as follows:

- 1% — \$1.00 to \$200
- 7% — \$200 to \$400
- 10% — \$400 to \$500
- 17% — \$500 to \$2,000

One of the most understandable objections to the foregoing plan is the difficulty it would present in the present withholding tax system.

Another proposal would be to eliminate exemptions entirely and provide for a direct credit against the tax. This of course would

decrease taxes in the lower brackets and increase them in the higher brackets.

It would seem that the thinking behind current tax legislation is to equalize benefits of tax reductions in the future. State legislative bodies have for many years realized that exemptions provided under gift and inheritance tax laws should be taken by all taxpayers at the same tax rates. Since a greater number of individuals are affected by income tax laws, it would certainly be a more equitable tax structure if this same approach would be taken in the treatment of exemptions for income tax purposes.

Your Tax Editor hastens to state that the foregoing opinion is purely a personal one which has existed for several years and has been the subject of more than a few letters addressed to the Congress in past years. During 1956, there seems to be some hope that letters concerning this subject may receive more favorable attention.

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reviewed." From the report of the Comptroller General, ". . . . we have concluded there should be no blanket exclusion and will modify our practices accordingly. Women applicants, of course, will be required to meet our high qualification standards.

"This change will be reflected in our Civil Service Announcements as rapidly as possible."

* * *

Our mailbox has been full of hints that the forthcoming regional conferences are going to be the best ever. If you haven't set aside the dates yet, do so NOW.

EASTERN—

Atlanta, Georgia, May 18-20, 1956

WEST COAST—

San Francisco, California, June 8-10, 1956