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The Personal Exemptions
in the Income Tax



NATIONAL BUREAU OF ECONOMIC RESEARCH

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**The Personal Exemptions
in the Income Tax**

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*(Resolution adopted October 25, 1926, and revised February 6, 1933,
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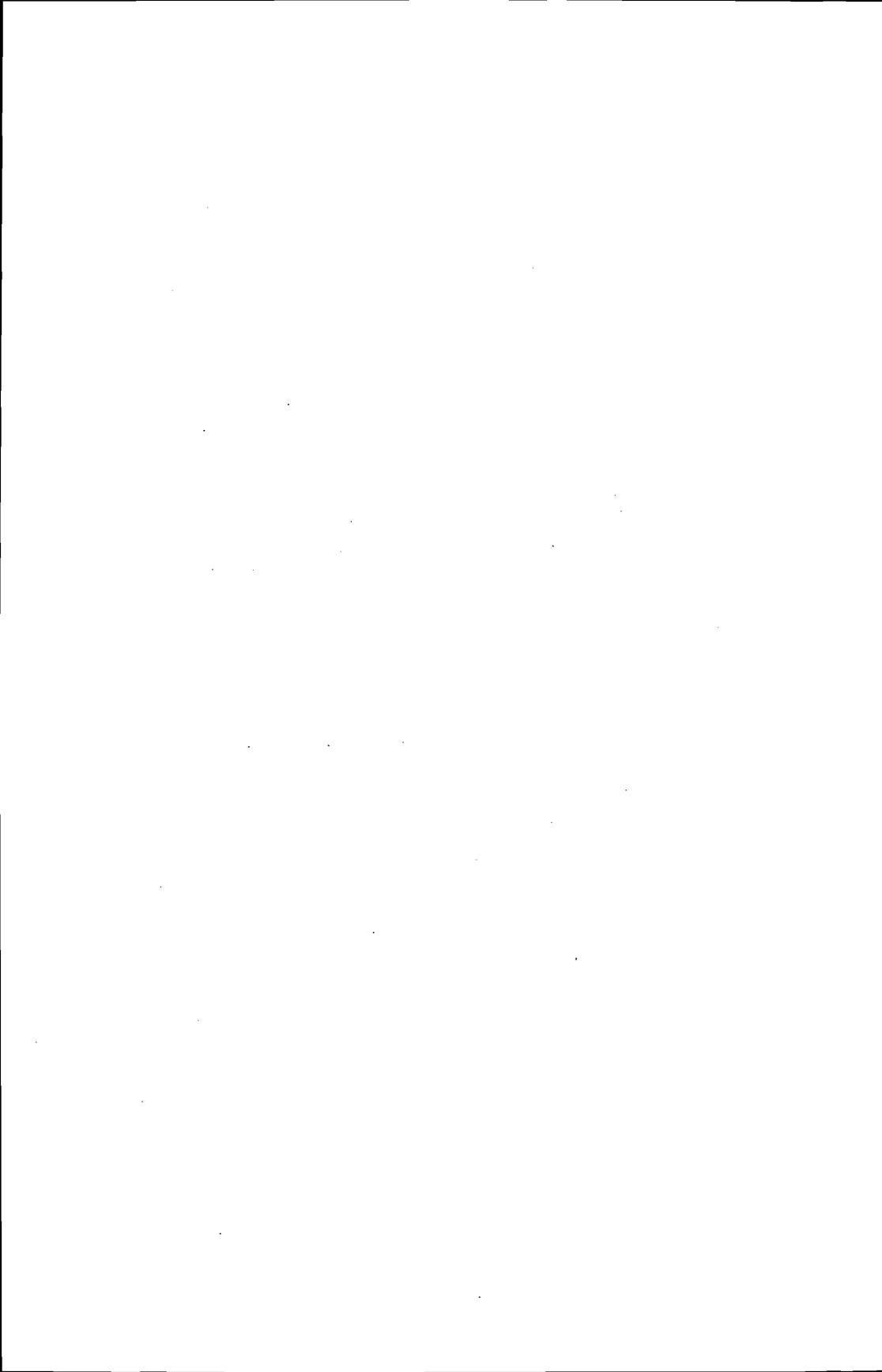
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Foreword

This volume completes a series of studies undertaken under my general direction at the National Bureau of Economic Research with the objective of developing a firm factual understanding of various aspects of the federal individual income tax. The previous studies include: *The Nature and Tax Treatment of Capital Gains and Losses*, by Seltzer (1951); *Interest as a Source of Personal Income and Tax Revenue*, by Seltzer (1955); *The Income-Tax Burden on Stockholders*, by Holland (1958); *Personal Deductions in the Federal Income Tax*, by Kahn (1960); *Dividends Under the Income Tax*, by Holland (1962); *Business and Professional Income Under the Personal Income Tax*, by Kahn (1964); and *Employee Compensation Under the Income Tax*, by Kahn (1968).

The focus of this series of studies—the federal income tax on individuals—is of major significance in federal fiscal policy because, among other things, it dwarfs any other source of tax revenue in the United States. The personal exemptions in that tax invite critical examination, in turn, because they exclude from tax not far from one-fourth of all net income reported by taxable persons, as well as significant amounts of income received by those freed from the tax altogether by the exemptions and nonbusiness deductions. The personal exemptions therefore greatly influence the amount of tax revenue and the level and distribution of tax rates. Moreover, they are the most important means by which the law takes account of differences in family responsibilities. Since the basic facts concerning the personal exemptions and the large role they play are not widely known, they provide a fitting subject for the eighth and concluding volume of this series. It need hardly be added that the completion of the present series leaves abundant room for other studies of this major instrument of federal fiscal policy.

LAWRENCE H. SELTZER



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The major statistical data underlying the present study were obtained from the annual volumes of *Statistics of Income*, prepared by the Statistics Division of the Internal Revenue Service from the information furnished by taxpayers on their income tax returns. I am grateful to Vito Natrella, Director of the Division, the late Ernest J. Engquist, Jr., his predecessor, and Helen F. Demond, of their staff, for exceptional courtesy in supplying additional detail and explanation.

I have benefited, too, from a mimeographed study of tax exemptions issued by the Treasury Department's Division of Tax Research in 1947, and from an unpublished paper on the subject not long after by James A. Maxwell. My thanks are also due to a number of statistical assistants at the National Bureau: Arnold Oliphant, Kathryn S. Marin, Irving Miller, Bettina Gibson, and, most of all, Phyllis M. Lusher. The charts were skillfully drawn by H. Irving Forman. Joan R. Tron edited the manuscript to its advantage.



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