

## INTERNAL REVENUE CODE OF 1954

## REPORT

OF THE

## COMMITTEE ON WAYS AND MEANS

## HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. R. 8300

A BILL TO REVISE THE INTERNAL REVENUE LAWS  
OF THE UNITED STATES

MARCH 9, 1954.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

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First, the taxpayer must compute his tax before the credit, as follows:

Adjusted gross income.....	\$2,600
Less standard deduction.....	230
Less personal deduction.....	1,200
Taxable income.....	1,140
	×20%
Tax before any credit.....	228
Less dividends received credit under sec. 34.....	35
Tax before retirement income credit.....	193

Next, the taxpayer must compute his retirement income credit, as follows:

Retirement income includes—	
Dividend income.....	\$700
Rental income.....	600
Total retirement income.....	1,300

But the limitation in subsection (d) provides that this amount must be reduced as follows:

Retirement income.....	\$1,200
Less railroad retirement pension.....	600
Less earned income in excess of \$900.....	400
	200
	×20%
Retirement income credit.....	40

Therefore, the correct tax is \$193 less \$40, or \$153.

This section will not apply if the taxpayer elects to use the "short form" return and have the tax computed by the Commissioner under section 6014.

### Section 39 Overpayments of tax

Section 38 of the bill contains cross reference to section 6401, relating to credit against tax imposed by this subtitle for overpayment of tax.

## SUBCHAPTER B—COMPUTATION OF TAXABLE INCOME

### PART I—DEFINITIONS

#### Section 61. Gross income defined

This section corresponds to section 22 (a) of the 1939 Code. While the language in existing section 22 (a) has been simplified, the all-inclusive nature of statutory gross income has not been affected thereby. Section 61 (a) is as broad in scope as section 22 (a).

Section 61 (a) provides that gross income includes "all income from whatever source derived." This definition is based upon the 16th Amendment and the word "income" is used in its constitutional sense. Therefore, although the section 22 (a) phrase "in whatever form paid"

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REPORT

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

TO ACCOMPANY

H. R. 8300

A BILL TO REVISE THE INTERNAL REVENUE LAWS  
OF THE UNITED STATES



June 18, 1954.—Ordered to be

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But the limitations in subsection (d) provide that this amount must be reduced as follows:

Retirement income.....	\$1,200
Less railroad-retirement pension.....	600
Less earned income in excess of \$900.....	600
	400
	200
	X20%
	40

Retirement income credit..... 40

Therefore, the correct tax is \$205.20 less \$40, or \$165.20.

This section will not apply if the taxpayer elects to use the "short form" return and have the tax computed by the Commissioner under section 6014.

*Section 58. Overpayments of tax*

This section, which is identical with section 39 of the House bill, contains a cross-reference to section 6401, relating to credit against tax imposed by this subtitle for overpayments of tax.

SUBCHAPTER B—COMPUTATION OF TAXABLE INCOME

PART I—DEFINITIONS

*Section 61. Gross income defined*

This section corresponds to section 61 of the bill as passed by the House, except that one clarifying change has been made in section 61 (a) (13) in order to conform that section with section 702 (c), which provides that in any case where it is necessary to determine the gross income of a partner, such amount shall include his distributive share of the gross income of the partnership.

This section corresponds to section 22 (a) of the 1939 Code. While the language in existing section 22 (a) has been simplified, the all-inclusive nature of statutory gross income has not been affected thereby. Section 61 (a) is as broad in scope as section 22 (a).

Section 61 (a) provides that gross income includes "all income from whatever source derived." This definition is based upon the sixteenth amendment and the word "income" is used as in section 22 (a) in its constitutional sense. It is not intended to change the concept of

income that obtains under section 22 (a). Therefore, although the section 22 (a) phrase "in whatever form paid" has been eliminated, statutory gross income will continue to include income realized in any form. Likewise, no change is effected by the elimination of the specific reference to compensation of the President and judges of courts of the United States, and the compensation of such individuals will continue to be taxed in the same manner as that of other taxpayers. In view of the fact that certain types of income are excluded from gross income by other sections of the income tax subtitle of the new code, section 61 (a) contains a clause excepting such income from the general definition of gross income.

After the general definition there has been included, for purposes of illustration, an enumeration of 15 of the more common items constituting gross income. It is made clear, however, that gross income