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Income Averaging Under the Revenue Act of 1964

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INCOME AVERAGING UNDER THE REVENUE ACT OF 1964

by

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This independent study report submitted by John R. Borland in partial fulfillment of the requirements for the Degree of Master of Science in the University of North Dakota is hereby approved by the Committee under whom the work has been done.

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ABSTRACT

The Revenue Act of 1964 contains a new provision for income averaging. Income averaging is an attempt to level out income which has been earned at an uneven rate and to tax it as if it were earned at a constant level. The 1964 provision replaces the 1939 and 1954 provisions and, unlike its predecessors, applies one simple formula to all taxpayers and generally to all types of ordinary income. The new provision for averaging defines the terms relating to averaging, explains its limitations, determines eligibility, and provides the procedure for computation of the tax.

While this provision has received much praise from many persons, others feel it increases the inequities of the old provisions because it reserves the election of averaging to the taxpayer with the large increase in income, and because it provides no relief to the taxpayer who has had several high income years followed by several low income years.

I feel that this provision should provide relief only to those taxpayers who have fluctuations of income in excess of normal and that the limitation to those with a large increase is justified. At the same tim I feel that if the taxpayer with the large increase is going to rece special treatment, then equity requires similar treatment to th with a large decrease in income.

CHAPTER I

INTRODUCTION

Reason for the New Income Averaging Provision

The Revenue Act of 1964 contains a provision allowing income averaging to most taxpayers and applies generally to all types of ordinary income, except wagering income and some income from gifts and devises. This provision is a radical departure from the previous "spreading back" provision which was very complex and limited in coverage.

In his 1963 Tax Message to Congress the late President Kennedy supporting the new change said it would:

> . . . provide fairer tax for those who receive in a single taxable year unusually large amounts of income as compared to their average income for previous years. [The new income averaging provision would] . . . go beyond the narrowly confined and complex provisions of present law and will permit their elimination from the Internal Revenue Code. It will provide one formula of general application to those with wide fluctuations in income. This means fairer tax treatment for authors, professional artists, athletes, as well as farmers, ranchers, fishermen, attorneys, architects and others.[1]

Under the old law, which granted relief to only a limited number of taxpayers, an individual whose income fluctuated greatly over the

[1]Joel Kauffman, "Bunching of Income--A New Approach to a Larger Problem," Taxes, Vol. XLII (November, 1964), p. 761.

years paid a higher tax than individuals whose income remained constant. A number of the sections of the code are considered inequitable, but this one has had almost universal disapproval of tax experts.[2] This inequitable tax burden resulted from the interaction of factors in our tax structure.

Theoretical Background

One factor of the inequitable tax burden is the progressive tax rate which increases the percent of tax payable as income rises. The taxpayer with fluctuating income will pay a greater total tax during a given number of years then the taxpayer who has had the same average income, but whose income was earned at a constant rate. This inequity exists because earnings above the average are taxed on increasing marginal rates which are not offset by decreasing marginal rates that determine the tax on income below the average. The result is an extra tax paid in above average years which is greater than the tax reduction in below average income years.

Another factor of the inequitable tax burden is the moderate fluctuation in tax rates. If an individual has low earnings during a period of high tax rates and high income during a period of low tax rates, he will pay less tax than the individual who is in the opposite situation.

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[2] Ibid.

Unused exemptions and deductions resulting from periods of low income are also a factor in the inequitable tax burden. If a taxpayer is unable to use all of his deductions and exemptions in one year, they are lost forever. He cannot pick them up in a later year despite the fact that he has a high income year and will be taxed at a marginal rate above the rate at which he would be taxed in a year of average earnings.

The last factor in this inequitable tax burden is the inability of the taxpayer to carry over losses. The importance of this factor has been greatly diminished, however, because of the net operating loss carryover.[3]

To eliminate this inequity caused by fluctuations in income there are several methods of averaging income which can be used--simple average, moving average, or cumulative average.

The simple average combines income for a specified period of years and divides by that number. The taxpayer then recomputes his tax as if his income for each year were average. The most common number of years used for this purpose is five.

The moving average differs from the simple average in that the taxpayer averages his income over a period of years, dropping the first and adding the current year. The big problem with this method is that in years of declining income the taxpayer can have a tax bill that is larger

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[3] Ibid., p. 762.

than his income for that particular year. There are some persons who advocate using the moving average only to set the rate, then taxing the entire income for the year on that rate. This, they say, would eliminate the tax payment lag problem.[4]

One author feels that although the cumulative average is the most difficult to explain, it is the simplest in operation. He explains it as follows:

> The basic method used is to: 1) compute the cumulative income since averaging started; 2) based on the figure in No. 1 and the number of years one has been averaging, find the total tax due if cumulative income had been averaged over a number of years; 3) compute the present value of all past income taxes paid; 4) subtract No. 3 from No. 2 and that is the tax due.[5]

England, the State of Wisconsin, and Australia have all at one time adopted a moving average method of determining income tax payable. All had to drop it during the 1930's because of the tax payment lag.[6]

The simple average has received the most favor, for it determines the tax due on past income, not on an undeterminable income to be earned some time in the future. A taxpayer may look back over a period of years, average, recompute his tax, and then apply for a refund or

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[4]Robert J. Wade, Jr., "New Simple-Moving Average of Income Under the Internal Revenue Code," Taxes, Vol. XLII (May, 1964), p. 310.

[5]*Ibid*.

[6]Kauffman, Taxes, Vol. XLII, p. 762.

credit if he has been overtaxed.

The 1964 provision does not fit into any of the standard averaging methods. It is a combination of the simple and the moving averages. In theory it is a moving average because a taxpayer may use it any year that he meets the requirements. In practice, however, it is actually a simple average since there is a practical limit to the number of times the taxpayer will have enough increase to qualify.[7]

[7]Wade, _Taxes_, Vol. XLII, p. 311.

CHAPTER II

THE NEW INCOME AVERAGING PROVISION

Dissatisfaction with the 1939 and 1954 Provisions

The Internal Revenue Code of 1939 contained the first of a series of income-averaging provisions which have been added over the years. The 1939 provision was limited to compensation received for personal services that extended over a period of time in excess of five calendar years. Ninety-five percent of such compensation must have been received during the present calendar year and after the completion of the services.

In 1942 the 95% requirement was reduced to 80% and the five-year period of performance was reduced to 36 months. In that year, the requirement concerning completion prior to receipt was removed.

Sections 1301-1307 of the 1954 Code were substantially the same as Section 107 of the 1939 Code. In addition to the old provision the 1954 provision extended relief to income earned from an invention or artistic work, income from back pay, and damages received as a result of a patent infringement, breach of contract or antitrust suit.[8]

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[8]Kauffman, _Taxes_, Vol. XLII, p. 763.

The 1954 provision with its extensions was so limited that just a very few taxpayers who were entitled to relief could qualify. Even when a particular individual was expressly mentioned in the Code, he was not sure he was covered. The complexity of the law made the determination of who was covered and who was not extremely confusing. This confusion was responsible for a good deal of litigation to determine when the taxpayer's income was earned, when he had started to work, and how much of the income was earned in the present tax year. The 1939 and 1954 provisions also required the recomputation of prior year's tax based on redetermination of prior year's income.[9]

The 1964 Provision

The 1964 amendment to the Internal Revenue Code of 1954 presents the new rules for income averaging in Sections 1301-1305.[10] The rules are relatively straightforward, operating over a five-year period. The taxpayer who has income in the present year which is 133 1/3% greater than his average income for the preceding four years is eligible for averaging, provided that amount exceeds $3,000. There are special rules for taxpayers with special income and in special

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[9]Bernard J. Long, Jr., "Fluctuating Income and the Revenue Act of 1964," Virginia Law Review, Vol. L (June, 1964), pp. 747-748.

[10]Charles A. Werner, "1964 Act: Income Averaging--What Every Practitioner Should Know," The Journal of Taxation, Vol. XX (May, 1964), p. 272.

situations. These will be discussed below. The average taxpayer, however, may apply this formula to calculate a substitute tax on income from any source. The provision is designed to operate solely in the current year, thus avoiding recomputation of prior year's tax.[11]

Explanation of Sections 1301-1305

Section 1301 provides for the substitute method of computing tax payable, if the taxpayer has averageable income in excess of $3,000. Averageable income, or the excess subject to averaging, is defined in section 1302 as the amount of taxable income for the computation year, subject to certain adjustments, which exceeds 133 1/3% of the average base period income plus the average base period capital gain net income. The computation year is the year that the taxpayer has elected to average his income. Average base period income is one-fourth of the sum of the taxable income for the four years immediately preceding the computation year. Average base period capital gain net income is one-fourth of the sum of the capital gain net income for the four years immediately preceding the computation year.

It is important to note in section 1301 that, although averaging is not allowed unless the averageable income exceeds $3,000, the $3,000 figure is merely a test for eligibility, and the entire excess is averageable. The $3,000 figure was determined because it is felt that under the

[11] Long, Virginia Law Review, Vol. L, p. 749.

present tax structure the taxpayer would receive little or no benefit from averaging a lesser amount.

The limitation of 133 1/3% of the average base period income was added for two reasons. First, it was felt that because of the administrative problems foreseen the number of cases applicable in the beginning should be limited. Second, the greatest need for averaging exists in those cases involving wide fluctuations in the level of income.

Section 1302 defines the terms relating to averaging. After defining averageable income as above, this section further provides that if capital gain net income is less than the average base period capital gain net income, the averageable income must be reduced by that amount.

Adjusted taxable income or computation year income is the taxable income for the computation year decreased by the following amounts:

(1) Any net income attributable to property received by the taxpayer as a gift, devise, etc., during the computation year or any of the four years immediately preceding the computation is excluded. Net income of this type is the gross income attributable to the property less expenses allocated to the property with no capital gain or loss taken into account. However, where the total net income from such sources is less than $3,000, no adjustment is necessary. No adjustment is required when the gift or devise is between a husband and wife who file a joint return, or when a surviving spouse files as such during the computation year.

Since in some cases it is difficult to determine the exact amount of income from a particular gift or devise, the statute assumes earnings equal to 6% of the fair market value of the property unless the taxpayer can prove a lesser amount.

(2) Capital gain net income is excluded because of its preferred treatment. Any further relief for this type of income seems unnecessary.[12]

(3) Any net gain from wagering must be excluded from adjusted taxable income. The nature of this type of income is understandably the reason for this limitation.

(4) Any penalty income of owners-employees in the case of self-insured pension plans is excluded. This type of income is dealt with in section 72 (m) (5).

The base period is the four years immediately preceding the computation year. A base period year is any year that falls in the base period. Base period income is the sum of the taxable income for the base period, adjusted (but not below zero) by the following items:

(1) Add income excluded under section 911, because it was earned from sources outside the United States.

(2) Add income excluded under section 931, because it was earned from a source within a possession of the United States.

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[12]Kauffman, Taxes, Vol. XLII, p. 765.

(3) Deduct capital gain net income.

(4) Deduct income from gifts or devises.

(5) Deduct wagering income.

(6) Deduct penalty income from self-employed pension funds.[13]

The average base period income is the total base period income for all the base period years divided by four. Capital gains net income for averaging purposes is 50% of the excess of net long-term capital gains over short-term capital losses.

Section 1303 is included in the law to assure that only taxpayers who have been part of the United States work force and subject to its taxes may benefit from averaging. If the taxpayer was a resident alien or citizen of the United States for all the base period years as well as the computation year, he is eligible for income averaging with several exceptions stated below.

If a joint return is filed, both the husband and wife must qualify for averaging in order for them to be eligible to elect averaging. Also, there can be no exclusion for foreign income claimed during the computation year.

In addition to the above requirements an individual must have provided more than 50% of his own support during the computation and base period years. Likewise, if a joint return is filed, the individual and his

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[13] Werner, The Journal of Taxation, Vol. XX, p. 272.

spouse must have provided over 50% of their support during the computation and base period years. There are three exceptions to the above rule which may allow the individual to average even though he has not been self-supporting.

The rule does not apply to any computation year, (1) if the year ends after the taxpayer has reached the age of 25, and if during at least four of the taxable years after the taxpayer reached the age of 21 and ending with the computation year, the taxpayer was not a full-time student, (2) if more than 50% of the taxpayer's adjusted taxable income for the computation year was earned to a substantial degree in two or more of the four base period years, and (3) if an individual was not self-supporting during the computation and/or base period years but filed a joint return with an eligible individual, and if during the computation year the non-self-supporting individual earned less than 25% of the couple's adjusted gross income for the computation year.[14]

Section 1304 is entitled "Special Rules" and seems to pick up odds and ends that do not fit into the previous sections. The first special rule states that the taxpayer must elect to average. He can do so anytime before the Statute of Limitations has run out for collecting the refund.

This section also provides that if a taxpayer elects to average,

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[14] Kauffman, Taxes, Vol. XLII, p. 766.

certain sections of the code other than Sections 1301-1305 do not apply. The taxpayer may not use the optional tax tables provided in section 3 for individuals earning less than $5,000. The taxpayer may not take advantage of section 72 (n) (2) which relates to a limitation of tax for self-employed persons. Sections 911 and 931 which relate to income earned outside the United States and within United States possessions do not apply, so the taxpayer must include all income earned outside the United States for averaging purposes.[15]

If a husband and wife file a joint return during the computation year and have filed joint returns during the base period years, no special problems arise if the couple elects to average. Likewise, no problems arise if the taxpayer files separately in both the base period years and the computation year. But if the taxpayer has filed jointly during one year and individually or with a different spouse in another year of the base period or in the computation year, the application of the law becomes more complicated.[16] The taxpayer must then make certain adjustments so that his gross income properly reflects the comparison required in Section 1301.[17]

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[15] Ibid., p. 767.

[16] Charles A. Werner, "Income Averaging Regs Adopted: Problems in Gift Income and Marital Areas," The Journal of Taxation, Vol. XXV (August, 1966), p. 67.

[17] Kauffman, Taxes, Vol. XLII, p. 768.

If the taxpayer is required to compute his individual income for a base period year to make this comparison, his income is determined to be the greatest of: (1) his actual income, (2) 50% of the combined income of the taxpayer and his spouse for the year, or (3) 50% of the combined income of the taxpayer and his spouse for the computation year.

If married couples intend to file jointly in the computation year but did not file jointly during any of the base period years, their base period year's income is the total of their separate incomes for that year.

If a taxpayer files jointly in the computation year with a spouse other than the spouse that he filed jointly with during one of the base period years, he must recompute his income as an individual for the base period year, and then combine it with that of his new spouse as described in the above paragraphs.

Capital gains net income is adjusted similarly to the procedures described in the preceding paragraphs. If an individual is filing an individual return he must take the greater amount of his own capital gains net income or 50% of the combined capital gains net income of him and his spouse for that year or the computation year. This amount is then combined with the taxpayer's gross income for that year.[18]

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[18]Sheldon Richman, "Income Averaging--Tax Relief for the High Income Year," The Journal of Accountancy, Vol. CXVII (May, 1964), p. 40.

CHAPTER III

COMPUTING THE TAX

The following example uses, in part, an example provided by Harry S. Gross in "Short Cuts to Income Averaging." While the rate of taxation has been updated, his example has been used so that a comparison can later be made between the Internal Revenue Code's method of computing the tax and Gross' short cut method.

It should also be noted, that while we are going to use an individual return in our example, the procedures would be the same for a married taxpayer filing a joint return if the taxable income were the same. If the joint return is filed, only the rate of taxation would differ.

In computing the tax then, we will make several factual assumptions. The taxpayer is filing an individual return, he is unmarried, his 1966 income includes $5,000 of income from a gift, and his taxable income from 1962 to 1966 is as follows:

	Ordinary Income	Long Term Capital Gains	Taxable Income
1962	$ 2,000	$12,500	$ 8,250
1963	4,000	7,500	7,750
1964	3,500	8,000	7,500
1965	2,500	12,000	8,500
1966	49,000	20,000	59,000

In order to determine whether or not the individual may elect to average, we must make the following computations:

(1) Adjusted taxable income for 1966:

Taxable income		$59,000
Less: Computation year capital gains net income	$10,000	
Income from gifts	5,000	15,000
Adjusted taxable income		$44,000

(2) Average base period income (1962-1965):

1962	$ 2,000
1963	4,000
1964	3,500
1965	2,500
Total base period income	$12,000
Less: Income from gift or devise	none
Total	$12,000
Average base period income: ($12,000 ÷ 4)	3,000

(3) Average base period capital gains net income:

1962	$ 6,250
1963	3,750
1964	4,000
1965	6,000
	$20,000
Average base period capital gains net income ($20,000 ÷ 4)	5,000

(4) Averageable income for 1966:

Adjusted taxable income	$44,000
Less: 133 1/3% of average base period income ($3,000 x 4/3)	4,000
Averageable income	$40,000

		Taxable income in tier	Cumulative taxable income	Cumulative tax	Tax on separate tiers
(1)	4/3 x average base period income	$ 4,000	$ 4,000	$ 690	$ 690
(2)	Average base period capital gains net income	5,000	9,000	1,910	1,220
(3)	20% of averageable income	8,000	17,000	4,750	2,840
(4)	Net income attributable to property received by gift or devise, or wagering income	5,000	22,000	7,030	2,280
(5)	Capital gains net income for the computation year in excess of average base period capital gains net income	5,000	27,000	9,560	2,530
(6)	Income subject to Section 72 (m) (5)				
(7)	Other special items of income				
(8)	4 x item (3)	32,000			11,360
(9)	Total Taxable Income	59,000			
(10)	Total tax on separate tiers (column total)				20,920
(11)	Ordinary tax on $59,000 ($23,830 + 62% of $7,000 or $4,340)				28,170

Since the averageable income is greater than $3,000 the taxpayer is eligible to elect averaging.[19] The schedule used for computing the tax was designed to coincide with the new schedule G of form 1040. The schedule is set up so the taxpayer can easily see the order of computing the tax on separate tiers of income as provided for in the Code.

An alternative tax may be computed when the taxpayer has average base period capital gain net income in excess of his computation year capital gain net income. The alternative method assures the taxpayer that his capital gains are not taxed at more than 25%.[20]

The following computation of the tax uses the same example as the above illustration, but takes advantage of Mr. Gross' short cut to arrive at the same tax payable:

(1)	Tax on nonaverageable income, 1/5 of averageable income, current capital gains and gift income. ($4,000 + 8,000 + 10,000 + 5,000 or 27,000)	$ 9,560
(2)	Plus: 4 times tax on nonaverageable income, average base period capital gains and 1/5 averageable income. ($4,000 + 5,000 + 8,000 or 27,000) (4 x $4,750)	19,000

[19] Harry S. Gross, "Short Cuts to Income Averaging," Taxes, Vol. XLIII (March, 1965), p. 172.

[20] Herman M. Schneider, "Many Problems Under Income Averaging Unresolved; New Schedule G Illustrated," The Journal of Taxation, Vol. XXII (January, 1965), p. 46.

(3) Less: 4 times tax on nonaverageable income and base period capital gains ($4,000 + 5,000 or 9,000) (4 x 1910) — (7,640)

TAX PAYABLE — 20,920

A different short cut may be used if there is no income from gift or devise and no excess of computation year capital gains over average base period capital gains. Using the same figures as in the preceding illustration, the code would figure the tax as follows:

	Taxable income in tier	Separate tax
(1) 4/3 average base period income	$4,000	$ 690
(2) Average base period capital gains	5,000	1,220
(3) 20% of averageable income	8,000	2,840
(4) 4 x No. 3		11,360
TAX PAYABLE		16,610

Mr. Gross' short cut method:

(1) 5 x tax on nonaverageable income, 1/5 averageable income, and average base period capital gains ($4,000 + 8,000 + 5,000 or 17,000) (5 x $4,750) — $23,750

(2) Less: 4 x tax on nonaverageable income and average base period capital gains ($4,000 + 5,000 or 9,000) (4 x 1,910) — (7,640)

TAX PAYABLE — 16,610[21]

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[21] Gross, <u>Taxes</u>, Vol. XLIII, p. 174.

CHAPTER IV

CONCLUSION

Evaluating the New Provision

The new income averaging provision incorporated into the 1964 tax law has received much praise from persons of all walks of life. Many have favored a more liberal law but agree that the 1964 provision is an important first step.[22]

Congress had three main objectives in mind when it initiated the income averaging provision. The first objective was to eliminate the excessive tax burden caused by the bunching of large amounts of income in relatively short periods of time. Second, Congress wanted a method of averaging which was simple, both for the taxpayer and the Treasury Department. Third, Congress wanted a provision which would apply equally to all persons, regardless of income or employment. In short, they wanted to replace the old law which was unsatisfactory to both taxpayer and Treasury with a satisfactory law.

The 1964 provision does align itself with these objectives. It does give relief to taxpayers who receive large amounts of income in

[22] Wade, Taxes, Vol. XLII, p. 315.

short periods of time. Its application is simple and, unlike its predecessor, it does not require amendment of prior returns. All the computation is done on schedule G of the current year's return. This feature requires far less checking on the part of the Treasury than does the previous method. All taxpayers have an equal opportunity to qualify for averaging without discrimination to the type of employment or the amount of the income.[23]

Another advantage of the present provision is that the loss of revenue to the United States Treasury during the first year of operation was estimated to be only 40 million dollars. The limitations placed upon application of the provision are largely responsible for the small loss. The threat of a large loss in revenue has conceivably been the reason for the delay in eliminating this inequity from our tax law.[24]

The law, then, seems completely equitable on the surface, but further investigation reveals the opinion of some tax experts that the inequities are increased.

While the new provision reduces the tax burden for many taxpayers who would not be entitled to relief under the old law, it only benefits those taxpayers whose income rises sharply. No relief is provided for taxpayers whose income gradually increases or for those who have

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[23]Long, Virginia Law Review, Vol. L, p. 767.

[24]Wade, Taxes, Vol. XLII, p. 316.

several high income years followed by several low income years.[25]

The taxpayer with a \$1,000 - \$3,000 increase will not qualify for relief because he will not be able to satisfy the 133 1/3% requirement of the new law.[26] The other deficiency could have been corrected by a plan presented to Congress by the Taxation Committee of the American Institute of Certified Public Accountants which provided for averaging if the taxpayer sustained several low income years following several high income years.[27] Rather than being more equitable, then, the new provision seems to increase the inequity by singling out certain taxpayers and allowing them special treatment.

Theoretically, the taxpayer can average every year. Practical application of the provision, however, limits its benefits to every five years or so because of the requirement that the current year's income must increase by 133 1/3% over the average base period income. The taxpayer then must choose which years to elect averaging. If he has made the wrong decision there is no provision in the law for sympathy.[28]

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[25] Arthur L. Goldberg, "Income Averaging Under the Internal Revenue Act of 1964," Yale Law Journal, Vol. LXXIV (January, 1965), p. 148.

[26] Wade, Taxes, Vol. XLII, p. 316.

[27] Richman, The Journal of Accountancy, Vol. CXVII, p. 37.

[28] Wade, Taxes, Vol. XLII, p. 316.

Recommendations

The main dissatisfactions with the new law are the large increase needed to qualify and the failure of the law to provide relief to persons who sustain a low income year after several high income years.

I am not convinced that the limitations placed upon the averaging provision are bad. Congress recognized that certain fluctuations of income were normal. Accordingly, the new provision is designed to give relief only when income fluctuates in excess of normal. The normalcy standard is determined by the four-year average base period income immediately preceding the current year.[29]

The new provision allows for fluctuations which are in excess of normal if the excess is a result of increased income, but makes no provision if the fluctuations are caused by decreased income. If our averaging provision is ever going to be truly equitable, this situation must be corrected. Congress apparently rejected the plan of the American Institute of Certified Public Accountants because it would result in a larger number of taxpayers being entitled to relief. This would mean more returns to check and an added loss in revenue for the Treasury.

Now that everyone has had a chance to become familiar with the new provision as it stands, and the Treasury has had ample time to

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[29]Richman, The Journal of Accountancy, Vol. CXVII, p. 37.

for the five years determined. The tax on this average figure would be computed and multiplied by five. The tax based on the five-year average would then be subtracted from the tax payable without averaging. If the tax based on the five-year average is larger, the taxpayer will receive no benefit from averaging and should not make the election. If the tax payable without averaging is larger, then the difference will be the taxpayer's credit for the computation year. The amount of the tax due, however, would never go below zero, because any excess of credit over the tax payable for the computation year would be picked up in the following year if warranted.

Total income (1962-1966)	$130,000
Five-year average	26,000
Tax on five-year average	9,030
	x 5
Tax based on five-year average	45,150
Tax payable without averaging	47,230
1966 tax credit	2,080
Tax on 1966 income	2,190
1966 tax credit	2,080
TAX PAYABLE	110

The taxpayer, using the above method for computing his tax, would pay tax on his income as if it were earned equally over a five-year period. No attempt has been made to determine what effect special income items such as capital gains would have on this plan. I have very simply tried to show how the 1964 provision could be amended to include both increasing income and decreasing income. At the same time, I have tried to limit its application to persons who have income fluctuations in excess of normal, to limit the amount of checking by the Treasury, and to limit the Government's loss of revenue.

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