

(2) The term "earned income deductions" means such deductions as are allowed by section 214 for the purpose of computing net income, and are properly allocable to or chargeable against earned income.

INCOME TAX.
"Earned income deductions."

(3) The term "earned net income" means the excess of the amount of the earned income over the sum of the earned income deductions. If the taxpayer's net income is not more than \$5,000, his entire net income shall be considered to be earned net income, and if his net income is more than \$5,000, his earned net income shall not be considered to be less than \$5,000. In no case shall the earned net income be considered to be more than \$20,000.

"Earned net income."

Maximum.

(b) In the case of an individual the tax shall, in addition to the credits provided in section 222, be credited with 25 per centum of the amount of tax which would be payable if his earned net income constituted his entire net income; but in no case shall the credit allowed under this subdivision exceed 25 per centum of his tax under section 210 plus 25 per centum of the tax which would be payable under section 211 if his earned net income constituted his entire net income.

Individual allowed credit on normal tax for earned income.

Limitations.

(c) In the case of the members of a partnership the proper part of each share of the net income which consists of earned income shall be determined under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary and shall be separately shown in the return of the partnership and shall be taxed to the member as provided in section 218.

Application to partnerships.

PART II.—INDIVIDUALS

Individuals.

NORMAL TAX

Normal tax.

SEC. 210. (a) In lieu of the tax imposed by section 210 of the Revenue Act of 1924, there shall be levied, collected, and paid for each taxable year upon the net income of every individual (except as provided in subdivision (b) of this section) a normal tax of 5 per centum of the amount of the net income in excess of the credits provided in section 216, except that in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such excess amount shall be 1½ per centum, and upon the next \$4,000 of such excess amount shall be 3 per centum;

In lieu of former rates.
Vol. 43, p. 264.

Exception for citizens or residents.

(b) In lieu of the tax imposed by subdivision (a), there shall be levied, collected, and paid for each taxable year upon the net income of every nonresident alien individual, a resident of a contiguous country, a normal tax equal to the sum of the following:

Aliens, residents of contiguous countries.

(1) 1½ per centum of the amount by which the part of the net income attributable to wages, salaries, professional fees, or other amounts received as compensation for personal services actually performed in the United States, exceeds the credits provided in subdivisions (d) and (e) of section 216; but the amount taxable at such 1½ per centum rate shall not exceed \$4,000;

On compensation for personal services in United States.

Maximum.

(2) 3 per centum of the amount by which such part of the net income exceeds the sum of (A) the credits provided in subdivisions (d) and (e) of section 216, plus (B) \$4,000; but the amount taxable at such 3 per centum rate shall not exceed \$4,000; and

Additional if exceeding family credits and \$4,000.

(3) 5 per centum of the amount of the net income in excess of the sum of (A) the amount taxed under paragraphs (1) and (2), plus (B) the credits provided in section 216.

If in excess thereof.

SURTAX

Surtax.

SEC. 211. (a) In lieu of the tax imposed by section 211 of the Revenue Act of 1924, but in addition to the normal tax imposed

Additional to normal tax on incomes exceeding \$10,000.