

[COMMITTEE PRINT]

DESCRIPTION OF S. 1471,
LISTED FOR A HEARING
BY THE
SUBCOMMITTEE ON TAXATION AND
DEBT MANAGEMENT
OF THE
COMMITTEE ON FINANCE
ON MAY 19, 1977

PREPARED FOR THE USE OF THE
COMMITTEE ON FINANCE
BY THE STAFF OF THE
JOINT COMMITTEE ON TAXATION



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I. INTRODUCTION

The bill described below (S. 1471) has been scheduled by the Subcommittee on Taxation and Debt Management of the Committee on Finance for a hearing on May 19, 1977.

In connection with this hearing, the staff of the Joint Committee on Taxation has prepared a description of the bill. The description indicates the present law treatment, the issue involved, an explanation of what the bill would do, the effective date of the bill, and the bill's revenue effect.

II. DESCRIPTION

S. 1471—Mr. Packwood (for himself, Mr. Baker, Mr. Nunn, Mr. Talmadge, and Mr. Moynihan)

Contributions to Candidates for Public Office

Present law

Under present law, an individual is allowed, in the alternative—

(1) a nonrefundable *credit* (sec. 41) against income tax of 50 percent of his or her political contributions and newsletter fund contributions made during the taxable year, with a maximum credit of \$25 (\$50 in the case of a joint return). or

(2) a *deduction* (sec. 218) for his or her political contributions and newsletter fund contributions, up to \$100 (\$200 on a joint return). This deduction is allowed only if the taxpayer itemizes deductions ("below the line").

Eligible recipients of political contributions include political parties and individuals who are candidates for nomination or election to any Federal, State, or local elective public office.

Issue

The bill presents several related issues, as follows:

First, whether there should be an increase in the rate and maximum amount of the income tax credit allowable for political contributions to United States Senatorial candidates.¹

Second, in the case of political contributions to U.S. Senatorial candidates, whether (1) there should be a choice between a credit or a deduction, or (2) only a credit should be allowed.

Explanation of bill

The bill would increase the 50-percent credit for political contributions to 75 percent in the case of political contributions to candidates² for nomination or election to the United States Senate. Also, the maxi-

¹ The bill would apply only to U.S. Senatorial candidates in order to make it comparable to S. 926, relating to the public financing of U.S. Senate campaigns.

² The bill is intended to apply to political contributions to committees, associations, and organizations exclusively for U.S. Senatorial candidates, as well as to political contributions to the candidates themselves.

imum credit for all political contributions would be increased to \$100 (\$200 on joint returns), of which not more than \$25 (\$50 on joint returns) would be allowable for contributions other than political contributions to Senate candidates.

In addition, the bill would deny the alternative deduction for political contributions to candidates for nomination or election to the U.S. Senate.

Effective date

The bill would apply to taxable years beginning after December 31, 1976.

Revenue effect

It is estimated that the bill would reduce revenues by \$16.5 million annually.

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