

PRESS RELEASE

THE STAFF OF THE

JOINT COMMITTEE ON INTERNAL REVENUE
TAXATION

INVITES COMMENTS

IN CONNECTION WITH ITS STUDY OF THE RENEGO-
TIATION ACT OF 1951



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PRESS RELEASE

JOINT COMMITTEE ON INTERNAL
REVENUE TAXATION, U.S. CONGRESS,
1015 LONGWORTH HOUSE OFFICE BUILDING,
Washington, D.C., June 11, 1975.

STAFF OF JOINT COMMITTEE ON INTERNAL REVENUE TAXATION INVITES COMMENTS IN CONNECTION WITH ITS STUDY OF THE RENEGOTIATION ACT OF 1951

The staff of the Joint Committee on Internal Revenue Taxation invites written comments from anyone interested in the renegotiation process and the activities and operation of the Renegotiation Board. The staff is conducting a study of the renegotiation process, pursuant to Public Law 93-368, which is to be submitted to Congress no later than September 30, 1975. In order for the comments to receive timely consideration in the staff study, the comments should be received by July 15, 1975.

Public Law 93-368 instructs the staff of the Joint Committee to determine if the Renegotiation Act of 1951 should be extended beyond December 31, 1975, and, if so, how the administration of the Act can be improved. The staff is specifically instructed to consider whether the exemption criteria and the statutory factors for determining excessive profits should be changed to make the Act "fairer and more effective and more objective." Further, the staff is to consider whether the Renegotiation Board should be restructured.

In conducting the study, the staff of the Joint Committee is directed by Public Law 93-368 to consult with the staffs of the Renegotiation Board, the General Accounting Office, the Cost Accounting Standards Board, and the Joint Economic Committee. In addition, the staff of the Joint Committee intends to consult with other governmental agencies covered by the Renegotiation Act (as well as those not presently covered), other congressional committee staffs that may have jurisdiction over agencies covered by the Act, the Office of Management and Budget (including the new Office of Federal Procurement), the Department of Justice (with regard to settlements of appeals and court cases), and those outside the Federal Government who are familiar with the renegotiation process.

Any individual, corporation, or organization with an interest in the operation of the Renegotiation Board, or with experience in the renegotiation process, is invited to submit written comments, giving their thoughts and recommendations of the major issues to be covered in the staff study listed below. (Other areas may be commented upon also, such as the administrative procedures used by the Board, assign-

ment of cases to the field, court proceedings, etc.) These comments are to assist the staff of the Joint Committee in conducting its study.

The staff requests that five (5) copies of each statement be sent to: Joint Committee on Internal Revenue Taxation, 1015 Longworth House Office Building, Washington, D.C. 20515.

Renegotiation Issues on Which Comments and Recommendations (Including Reasons) Are Requested for Joint Committee Staff Study

1. *Extension of Act.*—(a) Extend—permanent or temporary (how long); (b) not extend (e.g., is renegotiation needed today).

2. *Coverage of Act.*—(a) No change; (b) cover additional agencies; (c) delete certain agencies; (d) extend to all Government agencies.

3. *Statutory factors.*—(a) Leave as is (and develop written guidelines); (b) minor revision (with written guidelines); (c) major revision (such as greater emphasis on return on net worth or capital employed, setting more objective criteria for the factors, etc.)

4. *Accounting standards.*—(a) Continue tax standards for allowability; (b) adopt Armed Services Procurement allowability standards; (c) follow financial accounting standards; (d) applicability of Cost Accounting Standards Board rules to renegotiable contracts.

5. *Exemptions.*—(a) Leave as is; (b) modify existing exemptions; (c) examine waiver of exemption provision; (d) remove certain exemptions, such as for (i) standard commercial articles and services, (ii) new durable productive equipment, (iii) competitively-bid construction contracts, (iv) oil and other minerals, (v) timber and certain other raw materials, (vi) certain subcontracts, (vii) other types of contracts, including stock items and certain permissive exemptions (such as for leases and for contracts performed outside the U.S.); (e) add new exemptions, such as for advertised fixed-price contracts or certain incentive-type contracts.

6. *Classification of contractor sales.*—(a) Leave as is (on an aggregate fiscal year basis); (b) product line renegotiation; (c) contract-by-contract (over some minimum amount).

7. *Floor level.*—(a) Leave floor at \$1,000,000 (\$25,000 for brokers); (b) raise the floor; (c) lower the floor.

8. *Minimum refund level.*—(a) Whether justified; (b) if so, at what level.

9. *Board structure.*—(a) Keep as is in Executive; (b) make it a more independent executive agency; (c) make it a congressional agency (similar to GAO).

10. *Board organization and membership.*—(a) Leave as is; (b) set terms for members, with limitation on number from any political party; (c) require some relevant experience; (d) provide more administrative authority for Chairman; (e) set some specific conflict-of-interest requirement.

11. *Board budget and staffing.*—(a) Adequacy of existing staff (such as in the screening and review processes); (b) need for additional staff; (c) development of research and planning staff.

12. *Board field organization.*—(a) Leave as is; (b) have field offices for contractor contact (audits and information gathering) but leave determination to National Office (similar setup as the SEC).

13. *Penalties for failure to make timely reports.*—(a) Provide for civil penalties; (b) modify or increase criminal penalties.

14. *Subpoena power.*—Provide for subpoena power.

15. *Interest charged on redeterminations.*—Assess interest where reports were filed late and excessive profits are determined.

16. *Contractor appeals procedure.*—Adequacy of present procedure.

17. *Justice Department settlements.*—Differences between Justice Department settlements and Board determinations.

18. *Court jurisdiction.*—(a) Leave under Court of Claims; (b) return to Tax Court; (c) other considerations (such as the bond requirement).

19. *Carryback of losses.*—Whether to allow.

20. *Averaging of profits.*—Whether to average profits over more than one year.

21. *Review and report by GAO.*—Whether to require annual review and report by the GAO of the activities and operations of the Board.

