

SUPPLEMENT TO
DESCRIPTION OF TECHNICAL AND
MINOR BILLS
HEARD BY THE
SUBCOMMITTEE ON
MISCELLANEOUS REVENUE MEASURES
OF THE
COMMITTEE ON WAYS AND MEANS
ON SEPTEMBER 7 AND 9, 1977

PREPARED FOR THE USE OF THE
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INTRODUCTION

This pamphlet supplements the August 31, 1977, pamphlet which describes the technical and minor bills heard by the Subcommittee on Miscellaneous Revenue Measures of the Ways and Means Committee on September 7 and 9, 1977.

The testimony presented to the subcommittee (including the statements submitted for the record and received by September 15, 1977) is summarized bill-by-bill in bill number order.

This material was prepared with the assistance of John Karr, Analyst in Taxation, Economics Division of the Congressional Research Service, Library of Congress.

SUMMARIES OF TESTIMONY, ETC.

I. H.R. 112 (Messrs. Burleson of Texas, Armstrong, and Jones of Oklahoma)

Tax Treatment of Private Foundations Operating Long-Term Care Facilities

Summary of testimony

Hon. James R. Jones, Member of Congress, Oklahoma (September 7)

Supports bill, citing his previous attempts to exempt fraternal charitable organizations from private foundation status. States that bill would represent original Congressional intent with respect to the tax on net investment income of operating foundations. States that the tax has had a substantial impact on orphanages, and that H.R. 112 would provide additional funds for private foundations that operate orphanages. Suggests amending this bill to reduce tax to 2 percent for all private foundations, stating that reducing the tax rate to 2 percent would make an additional \$30 million available per year for charity.

Charles E. Chamberlain and William J. Lehrfeld, representing Sand Springs Home (September 7)

Supports H.R. 112 but suggests that the condition that the foundation qualify as an operating foundation be removed. Also supports H.R. 3255, making all fraternal charities exempt from private foundation taxes, as currently are charities supervised by unions and business leagues. Notes that a similar proposal had been supported by the Treasury Department in 1973.

David C. Crowley, Executive Vice-President of the American Association of Homes for the Aging (September 7)

Supports H.R. 112, which would be of benefit to over 100 homes for the aging which are classified as private operating foundations. Also supports S. 728, which reduces required payout rate for private operating foundations, and includes provisions which would exempt operating foundations from the 4-percent excise tax. Maintains that homes for the aging should not be treated the same as private grant-making foundations, as current tax law does. Asserts that the 4-percent excise tax has adversely affected care for the aging, and that the Subcommittee on Foundations of the Senate Finance Committee has found that a 2-percent tax is enough to cover IRS administrative costs of supervising exempt organizations, which was original intent of Congress in enacting the 4-percent excise tax.

Hon. Dewey F. Bartlett, U.S. Senator, Oklahoma (written statement)

Supports the bill, claiming it is a step in the right direction towards reducing the auditing tax for all foundations. Describes original pur-

pose of the excise tax on investment income and maintains that a 4-percent tax is excessive. Notes that Ways and Means reported favorably on a similar bill last year. Also supports legislation (H.R. 3255) which would exempt fraternal charities from the private foundation excise tax, noting that, several years ago, Treasury had supported that proposal. Indicates that CBO estimates that the revenue loss resulting from H.R. 112 would be negligible.

II. H.R. 810 (Mr. Conable)

Treatment of Payment or Reimbursement by Private Foundations for Expenses of Foreign Travel by Government Officials

No testimony was received on this bill.

III. H.R. 1337 (Mr. Steiger)

Constructive Sale Price for Excise Tax on Certain Articles

Summary of testimony

John A. Hazelwood and David Brenner, representing Brenner Tank, Inc. (September 7)

Supports H.R. 1337, asserting that the bill would simplify and make more certain manufacturer's excise tax amounts on tanks. States that the current IRS "cost floor doctrine" is regressive and unworkable and not the intent of Congress. Believes that H.R. 1337 would reduce administrative costs, and that by changing the percentage of actual retail selling price as the basis for excise tax calculations, no revenue would be lost. Notes that an identical bill H.R. 11134 was favorably reported out by Ways and Means last year.

The Signal Companies, Frank Sanders, Vice President (written statement)

States that enactment of H.R. 1337 will remove a major inequity and clarify the present unsettled statutory application relating to constructive prices for excise taxes on certain trucks, tractors, etc. Requests clarification of two points in the committee report on this amendment: (1) assure that the new rule for constructive price is available to manufacturers who sell at retail and wholesale not just for those selling "only" at retail; and (2) have the report state that no inference is to be drawn from this legislation with regard to the present law "cost floor" rule in view of the court proceedings challenging the IRS position.

Truck Trailer Manufacturers Association, Charles J. Calvin, President (written statement)

Supports H.R. 1337. States that the bill will provide for a more efficient administration of the tax laws by reducing controversies between the Service and taxpayers which use the "constructive price method" to compute excise taxes on trailers. Suggests that the committee report language from last year be modified to state that the bill would be applicable to any manufacturer using the constructive sales price method, as contrasted to only those which sell exclusively at retail. Indicates that it is the Association's assumption that the IRS will survey the trailer industry to assure that the percentage used for the tax base in the future will be more reflective of the current pricing levels of the sales distribution practice prevalent in the trailer industry.

Truck Equipment and Body Distributors Association, James D. Carney, Executive Director and Frank J. Hasselman, President, The La Hass Corp. (written statement)

Support H.R. 1337. State that the bill will benefit small truck body manufacturers who sell at retail, and will clarify the administration of the truck excise tax. Indicate that the truck excise and its many interpretative rules and regulations pose a burden on the small manufacturer.

Truck Body & Equipment Association, Inc. (written statement)

Supports enactment of H.R. 1337. Indicates that the computation and collection of the manufacturers excise tax on trucks has become more complex, has increased the cost of doing business, and results in competitive advantages to some manufacturers and distributors while disadvantaging others. Believes that the bill would simplify the application of the tax.

IV. H.R. 1920 (Mr. Waggoner)

Repayment of Alcohol Taxes and Duties After Loss Due to Disaster or Damage

Summary of testimony

Abraham Tunick, Counsel for Wine and Spirits Wholesalers of America (September 7)

Supports H.R. 1920, claiming that the extension of tax and duty refunds it offers is fair and equitable. States that Congress had determined previously that the tax and duty on liquors should be refunded if the tax-paid liquors are destroyed or lost while being held for resale. Believes that situations other than Presidentially-declared major disasters should qualify for refund treatments and that the extension H.R. 1920 offers would not be hard to administer. Estimates that the bill would save the industry over 50 percent of insurance premiums paid for that type of coverage on distilled spirits, but would entail minimal revenue losses. States that an identical bill, H.R. 1143, was favorably reported by Ways and Means last session.

V. H.R. 2028 (Mr. Conable)

Excise Tax Treatment of Home Producers of Beer or Wine

Summary of testimony

Fran Reibman, representing Vynox Industries Inc. (September 9)

Strongly supports H.R. 2028. Notes Justice Department and Treasury Department support for the bill. States that present Code regarding home production of beer as anachronistic. Cites contradiction of legality of home beer brewing kits, but not the brew. Also cites legality of home winemaking. Notes small, hobby nature of the activity, and foresees negligible revenue losses.

Hon. Les AuCoin, Member of Congress, Oregon (written statement)

Supports H.R. 2028, and similar measures H.R. 7689 and H.R. 5898. Believes granting privilege of home-winemaking only to heads of

households is absurd and discriminatory. Notes that Ways and Means reported favorably on similar legislation last year. Believes it to be a simple and logical change.

Additional information

The Justice Department report on H.R. 2028 dated April 7, 1977, indicates that that Department has no objection to enactment of the bill.

VI. H.R. 2714 (Mr. Jones of Oklahoma)

Employee Contributions to Pension, Etc., Plans Used as Loan Security

Summary of testimony

John W. Armand, President, Red Crown Federal Credit Union (September 9)

Strongly supports H.R. 2714, claiming it would reverse the negative effects of Technical Information Release 1422 barring the use of certain savings plan accounts as collateral for third-party loans. States that the Release has increased the costs of handling some loans and forced the credit union to deny loans to some individuals because of insufficient collateral. Describes increased administrative burdens brought about by the Release, and mentions other negative effects of the Release. Believes that approval of H.R. 2714 will restore to credit union members the right to use their nonforfeitable interest in their savings plan account as collateral for third-party loans.

Warner M. Henrickson, representing Standard Oil of Indiana (September 9)

Supports the bill, claiming that 31,000 Standard Oil employees have lost the use of \$500 million of loan collateral because of change in the way their accounts in the company's savings plan are viewed by Treasury Department. Describes history of the company's savings plan and previous use of accounts as collateral for loans. States that the Treasury Department views legislation as the only possible solution to the question, and that prior to ERISA, no problem existed. Explains the decision not to switch to a plan trustee-employee loan program. Suggests amending H.R. 2714 to allow secured borrowing from banks and credit unions on the employee's full vested account.

Andrew Pavlo, President, Local 7-1 Inc., Oil, Chemical and Atomic Workers International Union, also President of Indiana Council of Oil, Chemical and Atomic Workers International Union (September 9)

Supports H.R. 2714, believing that proposed Treasury regulations would place a burden on savings plan participants, going beyond the intent of Congress. States that all the union's members are in a pension plan and almost all are in a savings plan. Explains operation of savings plan and assignment of individual plan accounts as collateral for third-party loans. Calls regulations unfair and unwarranted, and urges their withdrawal.

Hon. James R. Jones, Member of Congress, Oklahoma (written statement)

Urges adoption of H.R. 2714. Notes that H.R. 2714 is identical to H.R. 14717 that was reported out by the Committee last year. States that H.R. 2714 would permit a certain amount under a profit-sharing, stock bonus, or money purchase pension plan to be used by

the borrower as collateral for a loan from a bank or a Federally-insured credit union without regard to the requirements of present law. Suggests two changes in H.R. 2714 as introduced: (1) broaden the definition of credit unions to include State-chartered or State-insured credit unions and (2) provide that the employer's matching, nonforfeitable contributions to the plan be considered in the amount that could be used as collateral for the loans.

Florida Steel Corporation (written statement)

Supports H.R. 2714. Recommends adding vested portion of employer contributions to employee-contributed amounts because utilization of employee portion alone would not generally provide sufficient funds for collateral. Strongly objects to existing law. Describes successful operation of borrowings on savings plan accounts until release of Technical Information Release 1430. Describes large amount of withdrawals from the savings plan since the Release. Believes expansion of H.R. 2714 to include vested amounts would benefit thousands of employees in securing third-party loans.

VII. H.R. 2852 (Mr. Pickle)

Exemptions From Aircraft Use and Fuel Excise Taxes for Aerial Crop Sprayers

Summary of testimony

Hon. J. J. Pickle, Member of Congress, Texas (September 7)

Supports H.R. 2852, which he introduced. Cites need for reduction of costs of agricultural aerial applications. Maintains that exemption from the aircraft use tax for agriculturally operated aircraft is warranted by their limited use of Federally funded airports. States need for technical amendment to second section of bill, allowing the buyer of aviation fuel to claim exemption from excise taxes on fuels used for farming purposes. Claims the bill will entail a revenue loss of only \$1 million, and that it would hold down food costs.

Don Holmes, President, National Agricultural Aviation Association (September 7)

Supports H.R. 2852 as a bill which would correct an inequitable situation. Claims that the aviation fuel tax revenues collected do not benefit the agricultural aviator. States that the paperwork imposed on small business persons engaged in agricultural aviation by the IRS as a result of the tax are an unnecessary burden and not the intent of Congress. Believes that the amount of the tax paid by agricultural aviators should be refunded to them. Describes the nature of the business he and others are engaged in, and voices support for any bill that is submitted on their behalf.

Hon. Bill Alexander, Member of Congress, Arkansas (written statement)

Favors H.R. 2852, having sponsored a similar bill, H.R. 2957. States the total aviation excise tax amount on the agricultural aviation industry is about \$4,740,000 per year. Claims the burden is passed on to the farmer, adding as much as 3 percent to the total cost of application. States that a Transportation Department study shows that agricultural aviators do not generally use the air facilities that they are taxed to support. Cites large projected surplus and current surplus in

airways trust funds, stating that passage of H.R. 2852 will not hinder the development of public airports. Asks that Congressional intent be clarified with regard to the taxing of aviation fuel used agriculturally.

VIII. H.R. 2984 (Messrs. Duncan of Tennessee and Pickle)

Exemptions From Excise Tax on Farm, Horse, or Livestock Trailers and Semitrailers

Summary of testimony

Hon. John J. Duncan, Member of Congress, Tennessee (September 7)

Supports H.R. 2984, which he introduced with Rep. Pickle. Asserts that it would end discriminatory excise taxes on certain trailers. States that the IRS, through various administrative procedures, has frustrated the original intent of Congress to exempt certain farm and ranch trailers from excise taxes. States that the bill's requirement that the trailer be suitable for use with light-duty trucks is sufficient to preclude exemption's use by larger, commercial trailers. Claims that present law is inadministrable and discriminatory, resulting from strained and technical IRS rulings. Estimates revenue losses resulting from H.R. 2984 to be about \$1,430,000 annually.

Honorable J. J. Pickle, Member of Congress, Texas (September 7)

Supports H.R. 2984. Maintains that bill's enactment is needed in order to override erroneous administrative interpretation of existing law.

Samuel P. Guyton, representing National Livestock Tax Committee (written statement)

Supports H.R. 2984. Claims it to be appropriate and equitable to extend the exemption from excise taxes of certain farm-use trailers to other similarly used trailers.

IX. H.R. 3050 (Mr. Corman)

Tax Treatment of Periodicals Sold for Display Purposes

Summary of testimony

Hon. James C. Corman, Member of Congress, California (September 7)

Supports H.R. 3050, stating that the bill recognizes effects of accrual method of accounting on periodical industry. Describes the effect of the accrual method on income statements for publishers. States that the language of the bill has been twice approved by Ways and Means. Recommends the bill as providing special relief to magazine and periodical industry. Asserts that Treasury Department's suspense account proposal is not appropriate for magazine and periodical industry.

Robert A. Klayman, representing the Association of American Publishers, the National Association of Recording Merchandisers, and the Recording Industry Association of America (September 7)

Urges adoption of H.R. 3050, *provided* that relief the bill grants to magazine publishers is granted to paperback book and recording industries as well. Claims that bill was held up in Senate last year due to lack of provisions for paperback and recording industries. Notes

Treasury support for the measure. States that paperback and recording industries are in need of same relief as magazine industry. Claims annual \$5 million revenue loss would be spread over 10 years. Suggests "suspense account" to defer impact of one-year adjustment.

Thomas H. Kuchel, representing Petersen Publishing Co. (September 7)

Supports H.R. 3050. Describes Petersen's method of magazine distribution and tax problems posed by the accrual method of accounting. Explains how H.R. 3050 would change current procedures for determining taxable income. Cites support from Treasury and Magazine Publishers Association, and from last Congress' Ways and Means Committee and the House of Representatives on this bill. Notes that bill should apply beginning in 1977, not 1976.

Phillip E. Trimbach, Vice President for Finance, Petersen Publishing Co. (September 7)

Supports H.R. 3050. Maintains that section 451 of the Code needs to be amended to allow for special circumstances of magazine industry. Describes current treatment of income received by publishers of magazines, and how the bill would correct that situation.

National Association of Recording Merchandisers and The Recording Industry Association of America, Inc. (written statement)

Urge enactment of the bill, provided that the relief the bill grants to the magazine industry is extended to taxpayers in the sound recording and paperback book industries as well. State that these taxpayers face the same problems brought about by the accrual method of accounting as do periodical industry taxpayers. Describe the problem H.R. 3050 would alleviate. Propose extending the cut-off date for the receipt of returns from 2½ months to 4½ months after the close of the taxable year. Suggest minimizing the bill's revenue impact by spreading the adjustments required over a ten year period. Do not believe a "suspense account" policy is needed or justified, but would rather see the bill enacted with "suspense account" provisions than to have the bill not be enacted.

X. H.R. 3630 (Mr. Andrews of North Dakota)

Tax-Exempt Status of Mutual or Cooperative Telephone Companies

Summary of testimony

Hon. Mark Andrews, Member of Congress, North Dakota (September 7)

Supports the bill and H.R. 7605 (identical to H.R. 3630), which he introduced to provide that certain income from a nonmember telephone company is not to be taken into account in determining the tax-exempt status of a cooperative telephone company. Claims IRS rulings have subverted intent of Congress, and that the rulings will undermine telephone service to the public. Emphasizes potential hardship telephone cooperatives face in light of IRS rulings, in the absence of the bill. Claims that the bill will correct inequity faced by rural Americans by clarifying telephone cooperatives' tax-exempt status. Agrees to the Treasury Department's proposed revision of the bill, except that passive investment income from the cooperative's capital assets should not be taxed.

David Cosson, Staff Counsel, National Telephone Cooperative Association (September 7)

Strongly supports H.R. 3630, claiming that it would clarify Congressional intent and overrule erroneous IRS revenue decisions which are causing certain telephone cooperatives to be in jeopardy of losing tax-exempt status. Explains history of Congressional exemption of certain cooperatives from income taxation, and how the IRS appears to have misconstrued Congressional intent and misunderstood the workings of the telephone system. Claims that enactment of H.R. 3630 will not entail significant revenue losses to the Treasury, and will not result in a new exemption for telephone cooperatives but will simply protect the exemption Congress had originally intended.

Hon. Les AuCoin, Member of Congress, Oregon (written statement)

Supports H.R. 3630 on behalf of the 18,000 individuals in Oregon who are members of telephone cooperatives. Describes original Congressional intent with respect to the tax-exempt status of telephone cooperatives. States that the Internal Revenue Service, via unfortunate rulings, has thwarted Congressional intent. Urges amendment to bill making it retroactive to all years beginning after Dec. 31, 1972. Calls the bill vitally important to thousands of rural citizens.

XI. H.R. 3633 (Messrs. Breaux, Oberstar, Santini, Roe, Corrada, Price, Scheuer, Dent, Hubbard, Bowen, Forsythe, Leggett, Downey, Treen, Hawkins, Emery, Duncan of Tennessee, and Holland)

Excise Tax on Ammunition Component Parts

Summary of testimony

Michael E. Berger, Assistant Conservation Director, National Wildlife Federation (September 7)

Supports H.R. 3633. Claims that it would help to assure that money will continue to be available for wildlife management. States that mandatory hunter education and target range programs provisions of the bill are necessary and desirable. Notes that 25 States now have mandatory hunter education programs and 24 States have voluntary programs. Asserts that the bill would increase funds available for wildlife restoration projects by at least \$600,000.

Hon. John B. Breaux, Members of Congress, Louisiana (September 7)

Supports H.R. 3633. States that the bill would add the remaining logical items of sporting equipment to those already being taxed to provide funds to State wildlife agencies. States that the only significant change that title I of the bill makes in current law is to mandate a full 50 percent of tax receipts from handguns, archery equipment, and ammunition components to be used for hunter education programs. Believes the bill represents a reasonable compromise among all affected parties.

Noelle Cabello, Chairman, Suffolk County Rifle and Pistol Clubs League, Inc. (September 7)

Strongly supports H.R. 3633. This support is conditioned on there being no change to the bill as written, especially the provision for

a 50-50 split between revenues gathered from long guns (which go for conservation) and revenues gathered from hand guns (which go to hunter safety programs).

Bernard Fensterwald, Jr., Counsel, Committee for Humane Legislation (September 7)

Opposes H.R. 3633 and hunting in general. Claims that there no longer is any need for hunting for food or clothing, and that wildlife is fast disappearing in this country. Notes that although there are about 20 million hunters in this country, there are roughly 200 million nonhunters. Argues that the bill's provision for funding target ranges goes contrary to national policy of trying to discourage the use of handguns. Objects to the bill's mandating that States use half of certain funds for target ranges, etc. Believes that the State should continue to have flexibility in using the funds as they choose for wildlife restoration. Views the various uses of specified tax revenues under the Pittman-Robertson Act to be a "piecemeal" operation, with the addition of new tax sources in 1970, 1972, and now as proposed under the bill. Urges a complete review of the funding provisions to try to achieve a unified system of taxation for the funding of wildlife restoration.

Hon. Edwin B. Forsythe, Member of Congress, New Jersey (September 7)

Supports H.R. 3633, citing its importance through past accomplishments of the program. States that the bill would produce vital new revenues for State wildlife agencies. Cites broad support among hunters and State wildlife agencies. Notes that the tax on component parts of ammunition included in the bill is not a second tax, but an expansion of existing tax.

John S. Gottschalk, Executive Vice-President, International Association of Fish and Wildlife Agencies (September 7)

Supports H.R. 3633 because of its contributions to wildlife conservation efforts, hunter education, and sporting safety. Believes 50-50 split of revenues to be a reasonable accommodation of all interests. Cites critical need for better hunter education and the willingness of those who hunt to finance hunter education efforts. Claims that funds generated under H.R. 3633 will provide a sound financial base for hunter education programs. Has an understanding with the Committee on Merchant Marine and Fisheries that that committee will review the effects of the mandatory 50-50 split provision five years after the first funds become available.

Lynn A. Greenwalt, Director, U.S. Fish and Wildlife Service, Department of the Interior (September 7)

Recommends enactment of H.R. 3633 with 2 amendments. Does not believe the States' discretionary power over amount of funds to be used for hunter education programs and wildlife restoration should be restricted by mandatory 50-50 rule. Does not favor an additional two-year period of availability to the States of unobligated hunter education and target range funds. Describes the present status of the program and cites the need for additional funds for hunter education programs.

Hon. Robert L. Leggett, Member of Congress, California (September 7)

Supports H.R. 3633, citing its support among conservationists, hunters, and various other organizations. States that the bill will

provide more funds for wildlife management at no cost to the Federal Government. Urges an amendment to change the effective date of the tax (title II of the bill) to October 1, 1978, from October 1, 1977, recognizing an estimated lead-time of about 6 months before the legislation can be implemented. Plans to offer same amendment to postpone effect of implementing provisions (title I of the bill).

Hon. Abner J. Mikva, Member of Congress, Illinois (September 7)

Objects to the provisions of title I of the bill to mandate for the first time that 50 percent of certain funds must be spent on hunter safety and target ranges, including the acquisition of land for target ranges. Indicates that these target ranges are operated in conjunction with private organization, and would involve a direct involvement of the National Rifle Association and its affiliates in the use of the tax funds. Questions the proposed change in policy to mandate what the States do with the funds rather than leaving it to their option to spend on target ranges and hunter safety programs. Asks, if hunter safety is the concern, then why not require that the States have hunter safety programs and remove the provision relating to target ranges. Maintains that the bill would make less funds available to some States for their wildlife restoration programs. Urges rejection of H.R. 3633.

Daniel A. Poole, President, Wildlife Management Institute (September 7)

Supports H.R. 3633. Claims that it would provide money for States to improve hunter education programs and wildlife restoration activities without creating any additional expenses for the Federal Government. Cites widespread support for the measure among wildlife and hunters' organizations. Does not believe criticism of 50-50 revenue split provision is valid. Estimates that if H.R. 3633 had been in effect for fiscal year 1976, wildlife restoration activities would have received about \$100,000 more than they actually did and hunter education and target range programs about \$5.9 million more. Urges review of the 50-50 split after 5 years.

Harry E. Shaver, Jr., North American Association of Hunter Safety Coordinators (September 9)

Supports H.R. 3633, describing objectives of hunter education and public target range programs. Cites importance of hunter education and the need for new funds to encourage growth of hunter education and target range programs. Believes the bill will enable States to require hunter education as a condition for hunting license approval. Believes sportsmen support "paying their own way" and other features of the bill.

Hon. Raymond C. Allmendinger, Councilman, Town of Babylon, N.Y. (written statement)

Endorses H.R. 3633 in its entirety. Calls proposed 50/50 split long overdue and sensible. Urges passage of the bill with no changes.

Salvator Amendola, Wantagh, N.Y. (written statement)

Supports H.R. 3633 as it is written with no changes especially regarding the 50/50 revenue split, which would provide needed funds for shooting ranges and hunter safety.

Alfred S. Baunach, North Lindenhurst, N.Y. (written statement)

Fully supports H.R. 3633 as it is written.

Jude A. Baunach, North Lindenhurst, N.Y. (written statement)

Fully supports H.R. 3633 as it is written.

Hon. John C. Cochrane, Assemblyman, State of New York (written statement)

Supports H.R. 3633, citing need for hunter safety programs in New York and elsewhere. Urges the bill's enactment as written, with no amendments.

Cary Dorsi, Brentwood, N.Y. (written statement)

Supports H.R. 3633 in its entirety, with no changes in the 50/50 provision or any other of its sections. Claims the bill will allow State associations or nonprofit organizations to further implement safety training needs of hunters and target shooters.

George A. Hurst, Associate Professor, Department of Wildlife and Fisheries, Mississippi State University (written statement)

Strongly favors H.R. 3633, stating his belief that shooters whose shooting equipment would be taxed under the bill would not mind "paying their own way" for hunter education, target ranges, and wildlife restoration.

Hon. Owen H. Johnson, State Senator, State of New York (written statement)

Favors passage of H.R. 3633.

John T. Kelly, News Bulletin Editor, Southeast Sportsmen's Club, Chicago, Ill. (written statement)

States that membership of the club supports passage of H.R. 3633 without any crippling amendments.

David Kenney, Director, Illinois Department of Conservation (written statement)

Supports H.R. 3633, stating that it would provide States with the funds to improve wildlife conservation programs and to instruct sportsmen in the safe handling of firearms and basic wildlife conservation needs.

John McGrath, President, Lindenhurst Shooting Club, Inc., Lindenhurst, N.Y. (written statement)

States that the members of the Club unanimously support H.R. 3633 because of its revenue split provisions. Supports the bill in its entirety, with no omissions, deletions, or additions in any of its provisions.

Saul Marcus, President, Ringneck Rod and Gun Club, North Lindenhurst, N.Y. (written statement)

States that the members of the Club unanimously support H.R. 3633 because of its revenue split provisions. Supports the bill in its entirety, with no omissions, deletions, or additions, in any of its provisions.

Nicholas Masi, Lindenhurst, N.Y. (written statement)

Supports H.R. 3633 because of the 50/50 revenue split provisions. Supports the bill only if there are no changes or amendments of any of its provisions.

Hon. Edwyn E. Mason, State Senator, State of New York (written statement)

Fully supports H.R. 3633 with no amendments and no deletions.

Hon. Anthony Noto, Suffolk County Legislator, New York (written statement)

Supports the bill in its entirety, as it was introduced, stating that the bill is a sound piece of legislation that will provide needed funds for wildlife construction and hunter safety in New York and all the States.

Louis R. Perna, Cheyenne, Wyoming (written statement)

Supports the bill, noting its approval last year. Believes the bill is necessary for hunter education and wildlife protection. Agrees with provision for review of the program after five years.

Benjamin D. Rosenblum, Lindenhurst, N.Y. (written statement)

Supports H.R. 3633 as written because of the 50/50 revenue split provision. Would oppose the bill if the revenue split provision were changed.

Hon. Bernard C. Smith, State Senator, State of New York (written statement)

Expresses support for early passage of H.R. 3633. States that bill would provide revenues to the States for vitally-needed hunter safety programs.

Hon. Caesar Trunzo, State Senator, State of New York (written statement)

Supports H.R. 3633 as written, urging no amendments of provisions. Cites need for hunter safety programs, and vital importance of both hunter safety and conservation programs.

Franklin R. Volk, Legislative Director, New York State Rifle and Pistol Association, Inc. (written statement)

Supports H.R. 3633, citing need for hunter education programs and facilities. Claims the "self-supporting" nature of the tax is one of its most attractive features.

XII. H.R. 4030 (Messrs. Guyer and Waggonner)

Excess Business Holdings of a Private Foundation in a Public Utility

Summary of testimony

James E. Weger, President, The Hauss-Helms Foundation, Inc. (September 9)

Supports H.R. 4030, claiming that its passage would not contravene the intent of Congress when Congress chose to limit the amount of public utility stock private foundations may hold without being subject to an excise tax. Describes the Hauss-Helms Foundation, its purpose, and its relationship to the Telephone Service Company. Claims Foundation ownership of Telephone Service Co. stock has meant the provision of excellent phone service to subscribers at low rates, contrasted with the higher rates of surrounding area. Gives reasons for exemption from tax, including contentions that the Foundation's ownership of Telephone Service Co. stock does not represent any of the abuses Congress meant to prevent by enacting the tax.

XIII. H.R. 4089 (Messrs. Ullman, Frenzel, Roncalio, and Udall)

Tax Treatment of Indian Tribes and Alaskan Native Villages

Summary of testimony

Ernest Clark, Chairman Finance Committee, Colville Confederated Tribes (Washington) (September 7)

Supports H.R. 4089. Describes need for economic development of American Indian tribes and tribal lands. Describes untapped resources on tribal lands. Explains interest on the part of American Indian tribes in developing the lands to alleviate tribal poverty and unemployment, but lack of capital with which to undertake the development. Claims that allowing tribes to issue tax-free development bonds will allow American Indians to develop tribal lands for the benefit of tribal employment and welfare, while reducing Federal supervisory administrative burdens. Urges enactment of H.R. 4089 to facilitate development of energy resources, in particular, hydroelectric projects and nuclear plants within the Colville reservation and coal resources on other reservations such as those of the Northern Cheyenne and the Crow Indians. Includes list of specific amendments to the bill and explanations.

Robert Pirtle, General Counsel, Colville, Confederated Tribes

Supports the statements of William E. Sudow and Owen Panner (see below). Believes that provisions in H.R. 4089 will alleviate the reluctance of American capital to invest so as to develop the natural resources of Indian tribal reservations.

Owen M. Panner, representing The Confederated Tribes of the Warm Springs Reservation of Oregon (September 7)

Supports H.R. 4089, considering the bill vital to the continued operation of the Tribe. Maintains that tribal governments, despite Congressional and Executive intent to strengthen them, are adversely affected by arbitrary and discriminatory tax provisions of the Internal Revenue Code. States that H.R. 4089 will benefit Tribal members, surrounding communities, States, and the Federal Government by assisting Tribal governments. Urges deletion of the word "substantial" on lines 1 and 2 of page 7 of the bill. Supports amendments proposed by William E. Sudow (see below).

William E. Sudow, representing Oglala Sioux tribe (S. Dak.), Cheyenne River Sioux Tribe (S. Dak.), Rosebud Sioux Tribe (S. Dak.), Seneca Nation (N.Y.), Nez Perce Tribe (Idaho), Pueblo of Laguna N. Mex.), Micosukee Tribe (Fla.), Metlakatla Indian Community (Alaska), Salt River Pima-Maricopa Indian Community (Ariz.), Hualapai Tribe (Ariz.), and Association on American Indian Affairs, Inc. (September 7)

Supports H.R. 4089 and several technical amendments to the bill. Claims that Indian tribal governments are treated inequitably by the tax code vis-a-vis other State and local governments. Describes how the bill will alter the discriminatory tax treatment Tribal governments now face. Suggests amendments which (1) would allow the proceeds of the tax-exempt industrial development bonds to be used on certain tribal lands set aside by the Secretary of the Interior (in particular, the lands of the Choctaw, the Coushatta, and the Micosukee tribe in Florida) and (2) would allow single-purpose tribal governmental

entities the same tax treatment nontribal governments receive. Does not foresee a significant revenue loss brought about by the bill.

Charles E. Trimble, Executive Director, National Congress of American Indians (written statement)

Supports H.R. 4089, citing different tax treatment among Tribal governments and State and local governments. States present tax treatment of Tribal governments is incompatible with policy to encourage Tribal self-government. Claims that recognizing tax-exempt status of Tribal governments is consistent with Congressional intent. Cites governmental services performed by tribes, and the need for tax-exempt status similar to other governmental entities.

Dave Bordner, Acquisition Forester, Quinault Indian Nation (Washington) (written statement)

Supports H.R. 4089. States that many reservation land-owning individuals are willing to gift-deed the land back to the Quinault Nation, if there was some tax advantage available to them in the transaction. Believes that the bill would provide that tax advantage and would help the Tribe in achieving its goal of sustained yield timber management for the benefit of future generations.

The Navajo Nation, Robert Shorty, Jr., Chairman of the Navajo Tax Commission (written statement)

Indicates support for H.R. 4089. Considers the bill to be a major step forward in recognizing the sovereign status of Indian Tribal Governments. Urges, however, that section 4(a)(2) of the bill be deleted.

Terry L. Pechota, representing the Rosebud Sioux Tribe South Dakota (written statement)

Urges passage of H.R. 4089, since tribal governments perform the same functions as State and local governments. States that passage of the bill would be a strong stimulus for economic development on the Rosebud Indian reservation.

R. Anthony Rogers, Washington, D.C., Counsel for The National Congress of American Indians, the Arapahoe Tribe of the Wind River Reservation (Wyoming), the Confederated Salish and Kootenai Tribes of the Flathead Reservation (Montana), the Three Affiliated Tribes of the Fort Berthold Reservation (North Dakota), and the Hoopa Valley Tribe of Indians of the Hoopa Valley Reservation (California) (written statement)

Expresses strong support for H.R. 4089. Maintains that Indian tribes merit like recognition for Federal income taxation as for other governmental units. Indicates that the most important feature of the bill is the amendment of section 103(a) of the Code to extend tax exemption to interest earned on obligations, including commercial and industrial development bonds issued by Indian tribal governments. Recommends amendment of section 3(a) of the bill by deleting the word "substantial", as it relates to the provision of governmental functions by an Indian tribe.

Buffalo Tiger, Chairman, Miccosukee Tribe of Indians of Florida (written statement)

Strongly supports H.R. 4089, but suggests a change in wording which would make the bill's provisions applicable to the situation of the Tribe. Recommends inserting in sec. 4(b)(8)(A) the phrase "or the Secretary of the Interior."

S. Stephanie Tripp, Reservation Attorney, Quinault Indian Nation (Washington) (written statement)

Supports H.R. 3089 as a means of achieving fairness in the Federal tax treatment of tribal taxpayers which does not now exist. Describes the Quinault Department of Revenue and the Tribe's attempts to move away from total dependence on the Federal government. States that passage of H.R. 4089 would permit equal Federal tax treatment among businesses paying Tribal taxes and businesses paying taxes to State and local governments.

Cecil Williams, Chairman, Papago Tribal Council (written statement)

Includes a resolution passed by the Papago Tribal Council stating unqualified support for the bill. The resolution recognizes the governmental functions of the tribes, and the discriminatory and inequitable treatment the tax code affords tribal governments relative to non-tribal governments.

Hon. Don Young, Member of Congress, Alaska (written statement)

Supports H.R. 4089, feeling that it would eradicate the tax inequity among Native tribal governments and other Federally-recognized forms of government. Notes favorable action by Ways and Means last year. Estimates revenue losses associated with the bill to be \$5 million per year.

XIV. H.R. 4458 (Messrs. Rostenkowski and Waggonner)

Distilled Spirits

Summary of testimony

John F. McCarren, General Counsel, Distilled Spirits Council of the United States, Inc. (September 7).

Supports H.R. 4458. States that the bill would simplify and encourage the exportation of distilled spirits and liberalize the removal of samples for research or testing and would relax existing requirements for the mingling and blending of distilled spirits in bond. States that the bill will entail no revenue loss to the Treasury. Urges adoption of the bill in order to improve the United States export position in all fields.

XV. H.R. 5103 (Messrs. Conable and Rostenkowski)

Excise Tax Refunds for Tire Warranty Adjustments

Summary of testimony

Malcolm R. Lovell, Jr., President, Rubber Manufacturers Association (September 7).

Strongly recommends adoption of H.R. 5103 as best solution to the problem of excise tax adjustments in connection with tire warranty adjustments. Notes that a similar bill received approval of the Senate Finance Committee, the House, and the Joint Tax Committee, and was not objected to by the Treasury Department last session. Claims that proposed IRS procedures for determining excise tax adjustments are unnecessary, yet would cause tire manufacturers to revise their warranty adjustment policies, accounting procedures, dealer contracts, etc., without providing any new benefits to consumers. States that the

bill would continue existing administrative procedures which yield manufacturers and consumers the optimal consideration. Prefers that no modification in the bill be made but does not object to Treasury Department's proposed modification. Asserts that H.R. 5103 is in line with Congressional intent when excise tax was originally enacted in 1932.

Philip P. Friedlander, Jr., General Manager, National Tire Dealers & Retreaders Association, Inc. (written statement)

Supports H.R. 5103. Describes excise tax adjustment procedures. Describes new IRS regulation as grossly unfair, claiming it puts tire dealers in a disadvantageous position with respect to customers and manufacturers alike. States the bill is the only equitable solution. Describes how retreaders would benefit from the bill, claiming both new tires and tread rubber will be treated the same as far as excise tax adjustments are concerned. Notes also that the private tire brand dealer who handles his own warranty adjustments will be able to get a credit for the share of the tax on returned tires that he is not now allowed under the Treasury regulations.

XVI. H.R. 6635 (Mr. Pickle)

Interest Rate Adjustments on Retirement Plan Savings Bonds

Summary of testimony

Hon. J. J. Pickle, Member of Congress, Texas (September 7)

Supports the bill, noting its approval by Ways and Means last session. Claims that it would provide an equitable investment for persons setting up retirement plans. States that the bill would increase rate of return on retirement plan bonds to the yield offered by Series E savings bonds, making the retirement plan bonds a more attractive investment, yet having no deleterious effects on the market. Estimates revenue effect to be less than \$5 million by 1981. Disagrees with Treasury amendment regarding rates of newly issued and outstanding retirement bonds, but agrees with other two Treasury proposals.

XVII. H.R. 6853 (Messrs. Jones of Oklahoma, Burleson of Texas, and Vander Jagt)

Time for Payment of Excise Tax on Fishing Equipment

Summary of testimony

Hon. David F. Hales, Deputy Assistant Secretary for Fish and Wildlife and Parks, U.S. Department of the Interior (September 9)

Opposes enactment of H.R. 6853, claiming that the change in the timing requirements for collection of the fishing tackle excise tax would result in an irrecoverable loss of funds for State conservation agencies. Describes the excise tax and use of funds collected by the tax. Cites current need for more funds to provide for future fishery conser-

vation programs, and explains the potential impact of loss of funds entailed by passage of H.R. 6853 on several State fishery programs. Sympathetic to problems of industry, and suggests expanding number of items taxed to make up for revenue losses should the timing requirements be changed.

Richard J. Kotis, President, American Fishing Tackle Manufacturers Association (September 9)

Supports H.R. 6853, citing the fishing tackle industry's historical support for fishing tackle excise taxes which are earmarked for the Federal Aid in Fish Restoration Program. Describes problems to industry of having to pay the tax at time of shipment of fishing tackle as opposed to time of receipt of payment for the tackle. Explains seasonal nature of industry and need for grant of dating terms to vendees to maintain steady production. Claims that current excise tax schedule causes substantial cash-flow problems for the industry. States that H.R. 6853 would provide an equitable compromise between maintaining a strong Federal fish restoration program while providing needed relief to small manufacturers enabling them to expand and stabilize production. Estimates a first year revenue deferral of \$4-\$5 million, but notes that the actual amount of excise tax owed would not change.

Hon. James R. Jones, Member of Congress, Oklahoma (written statement)

Notes that he is a cosponsor of H.R. 6853 with Congressmen Burleson (Texas) and Vander Jagt. Claims that the present payment provision with respect to the 10-percent excise tax on fishing tackle creates a serious cash flow problem for small tackle manufacturers. Points out that if the liability for the tax exceeds \$2,000 in any month in the preceeding calendar quarter, these manufacturers must deposit such tax amounts on a semi-monthly basis within 9 days after the close of the period involved. Indicates that this coincides closely with the date of shipment of the tackle although the company normally does not receive payment from the dealer until later, thus requiring the manufacturer to finance the payment of the excise tax in the meantime. States that H.R. 6853 would permit the fishing tackle manufacturers to deposit their excise tax at the end of the quarter immediately following the quarter in which shipment is made rather than following the quarter when manufactured.

Vaughn L. Hilty, National Sales Manager, Trimarc (written statement)

Supports H.R. 6853, stating that it is not the tax, but the payment schedule which is at question. Asserts that the current payment schedule imposes a burden on small manufacturers.

Additional information

On reexamination, the staff has concluded that the bill is likely to result in a revenue loss of \$7 million during the year after enactment, and about \$1 million for the subsequent years. (The August 31 pamphlet had set forth an estimated loss of \$8 million during the year after enactment and about \$1 million for the subsequent years.)

XVIII. H.R. 7003 (Messrs. Bevill, Mann, Holland, and Flowers)

Private Foundation Leasing of Business Assets to Disqualified Persons

Summary of testimony

Hon. Tom Bevill, Member of Congress, Alabama; Hon. Ken Holland, Member of Congress, South Carolina; and Hon. Walter Flowers, Member of Congress, Alabama (September 7)

Recommend adoption of H.R. 7003. State that the bill puts three operators of small newspapers in South Carolina and Alabama back in the same position they were in prior to the Tax Reform Act of 1969. Note that the Senate Finance Committee has approved the bill and indicate that it is approved by Treasury. Believe that the 1969 Act was not intended to cover these cases.

Lyman G. Friedman, Counsel, Public Welfare Foundation (September 7)

Believes that the 1969 Tax Reform Act's provisions dealing with self-dealing restrictions on private foundations was not intended to cover a case such as this foundation's situation. Indicates that Treasury agrees with their suggested amendment to the definition of the term "substantial contributor." Notes that this amendment has been reported by the Senate Finance Committee in S. 1514. Endorses the specific language in S. 1514.

XIX. H.R. 8535 (Mr. Conable)

Child Care Credit for Amounts Paid to Certain Relatives

Summary of testimony

Andrew Billingsley, President, Morgan State University (September 7)

Supports H.R. 8535, which he believes represents a step towards a comprehensive pro-family national policy. States that the bill would strengthen the family, as well as remove a barrier to persons in middle and low income families seeking employment. Cites cases where relatives provide important childcare services enabling low-income persons to work, and thereby support their families.

Additional information

The bill is estimated to result in a decrease in budget receipts of \$33 million in fiscal 1978, \$35 million in fiscal 1979, and \$37 million in fiscal 1980. The original estimate (i.e., a decrease of \$10 million in fiscal 1978, \$11 million in fiscal 1979, etc.) was based on the assumption that under present law the only taxpayers who were not eligible for the child care credit were currently married taxpayers who make payments to their parents for providing child care services in the *taxpayer's home*. The additional \$23 million decrease in budget receipts of fiscal 1978 is based on the assumption that present law also does not permit a child care credit to taxpayers who make payments to their parents for providing child care services in the *taxpayer's parents' home*.

XX. H.R. 8811 (Messrs. Ullman and Conable)

Revocability of Elections To Receive Tax Court Judge Retirement Pay*Summary of testimony*

Hon. C. Moxley Featherston, Chief Judge, United States Tax Court (September 7)

Supports H.R. 8811, believing it to be in the public interest and that it would provide more equitable treatment for certain Tax Court judges. Does not believe the provision regarding the election of Tax Court judicial retirement system or Civil Service retirement system should be an irrevocable decision. Points out that current tax law provisions regarding retirement benefits may prevent Tax Court judges from accepting other public positions. Believes that Congressional intent will not be undermined by the bill. States that there is no reason to expect that costs of changes of retirement systems could not be handled under the Court's regular budget. Suggests further that section 7447(i)(3)(D) of the Code be amended to allow judges who revoke their elections be allowed a refund for contributions made under section 7448.

XXI. H.R. 8857 (Mr. Jacobs)

Treatment of Sales of Corporate Assets in Certain Liquidations*Summary of testimony*

Russell J. Ryan, Jr., representing Consolidated Office Building, Inc., Indianapolis, Indiana (September 9)

Supports H.R. 8857. States that a similar bill was approved in 1968 by Ways and Means, the House, Senate Finance Committee, and the Senate. Explains historical development of section 337, and how the "collapsible-corporation" provision has resulted in hardships for certain cases. Discusses provisions of section 333 relating to "collapsible corporations" and concludes that the failure to give similar relief was simply an unintentional oversight. Has no comment on other sections of the bill but feels that they are appropriate to conform H.R. 8857 to the bill passed in 1968 by the Ways and Means Committee.