

Joint Committee on Taxation
June 23, 1984
JCX-30-84

The attached items were provided for the information of the conferees only and do not necessarily reflect any decisions made in the conference.

June 23, 1984 03:14 AM

Possible Compromise on Various Proposals

6. Modification of excise tax rates.

(a) Cigarettes--House recedes.

(b) Distilled spirits--House recedes with an amendment providing an effective date of September 30, 1985, and with clarifications to the regulatory authority granted the Treasury Department to establish the due date for the floor stocks tax and to exempt certain small businesses from that tax. The clarification is as follows:

Subject to the exception noted below, all distilled spirits on which tax had been paid previously will be subject to a floor stocks tax equal to the amount of the increase in the tax rate. This tax will be due on the date which is six months after the date of the increase.

Exception.--A de minimis exception is provided for small and medium size wholesale and retail dealers as follows:

(1) All persons will be required to conduct a liquid volume inventory on the effective date of the increase.

(2) Dealers whose inventory is less than 500 liquid gallons will be exempt from tax.

(3) Dealers with an

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inventory of 500 liquid gallons or more will be required to pay the tax, but will receive a credit against tax in an amount equal to the floor stocks tax on 400 proof gallons (approximately 500 liquid gallons)

(4) All dealers whose gross sales from all products in the preceding calendar year did not exceed \$500,000 will be permitted to pay the floor stocks tax in three installments rather than on the otherwise established due date (noted above). These installments will be due as follows:

(a) One-third on the due date six months after the increase in tax is effective;

(b) One-third on the date nine months after the increase in tax is effective; and

(c) The balance on the date twelve months after the increase in tax is effective.

7. Modification of time and manner of paying cigarette and alcohol excise taxes (p. 16)

(a) Time of payment--Senate recedes.

(b) Method of payment--House recedes with 9/30/84 effective date.

Enterprise Zones

159 to 167. Enterprise Zones

Senate recedes.

Highway Taxes

185. Diesel fuel tax (p. 274)

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| (a) Tax rate | (a) House recedes with amendment that effective date is 8/1/84. |
| (b) Rebate of extra tax | (b) Senate recedes with amendment that rebate amount be adjusted for 6-cent differential. |
| (c) Bus exemption | (c) 3-cent tax. |
| 187. Partial exemption for methanol fuels (p. 276) | House recedes. |
| 188. Increase in excise tax exemption for alcohol fuels mixtures (p. 276) | House recedes with amendments limiting additional exemption to 1 cent per gallon, effective 1/1/85, and deleting floor stocks refunds. |

Employee Stock Ownership Plans

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| 224. Employee stock ownership provisions | |
| (a) Tax-free rollover on sale to employees | House recedes. |
| (b) Deductions for dividends paid on ESOP stock | House recedes. |
| (c) Partial exclusion of interest earned on ESOP loans | House recedes. |
| (d) Reduced tax rate for sales of stock to certain corporations with employee ownership | Senate recedes. |
| (e) Extension of time for payment of estate tax liability where liability assumed by ESOP | House recedes. |
| (f) Estate tax exclusion for sales to employees | Senate recedes. |

- (g) Charitable contributions to ESOPs Senate recesses.
- (h) Freeze of increase in ESOP credit Senate recesses with an amendment providing a grandfather rule for certain completed transactions.

Earned Income Tax Credit

- 236. Earned income tax credit House recesses with an amendment increasing the rate of credit to 11%, increasing the phaseout range to between \$6,500 and \$11,000 of income, and eliminating the credit for taxpayers subject to the alternative minimum tax.

Capital Gains and Losses

- 245. Decrease in capital loss offset against ordinary income (p. 348)
 - (a) \$3,000 limit (a) Senate recesses with an amendment that repeals the exemption from the wash-sale rules for noncorporate securities traders.
 - (b) Pre-1970 losses (b) House recesses with an amendment that terminates the transition rule for pre-1970 losses after 1986.
- 246. Holding period for long-term capital gain House recesses with the following amendments:
 - (a) Retain one-year holding period for assets purchased after 1987.
 - (b) Suspend holding period during any period in which taxpayer has written a covered call.
 - (c) Effective date is assets purchased after date of conference action.

(d) Increase holding period for dividends-received deduction and deduction of short-sale expenses from 15 days to 45 days.

Miscellaneous Items

Sec. 81. Treatment of trust property distributed in kind

Delay effective date from March 1 to June 1.