[JOINT COMMITTEE PRINT]

SUMMARY OF TESTIMONY
ON
ADMINISTRATION TAX PROPOSALS
BEFORE THE
COMMITTEE ON WAYS AND MEANS

PREPARED FOR THE

COMMITTEE ON WAYS AND MEANS

HOUSE OF REPRESENTATIVES

BY THE STAFF OF THE

JOINT COMMITTEE ON TAXATION

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INTRODUCTION

This pamphlet provides a summary of testimony presented at the Ways and Means Committee hearings on the Administration's 1981 tax proposals. The public hearings were held on March 4–5 (invited witnesses), 24–27 and 30–31, and April 1–3 and 7, 1981. (The Administration testified on February 24–25.) The pamphlet also includes a summary of the written statements submitted for the record.

and that higher tax rates are more associated with deficits than they are with surpluses.

States that current budget deficit projections grossly overstate the size of the Federal deficit from an economic perspective, as inflation reduces the real value of the public debt and therefore a substantial proportion of Federal interest payments actually represent principal repayment rather than debt service. Concludes that the budget, on an economic basis, is already in surplus.

Joseph A. Pechman, Director of Economics, the Brookings Institution

Economic effects of tax reduction proposals

While it is being argued that tax cuts would greatly stimulate work and saving incentives and generate a large increase in economic growth, feels that only a few believe that large tax cuts would more than pay for themselves. States that even the more modest claim that there will be a large supply response is not supported by the evidence. Even using the most generous estimates of the elasticity of total labor supply, contends that tax cuts will not raise output enough to pay for themselves. Indicates that a reduction in dissaving by government (i.e., a reduction in the budget deficit) offers a more certain method of increasing funds for private investment than would tax cuts or tax preferences.

Comments that the evidence does suggest that two tax measures would have reasonably good, though not spectacular, payoffs. First, a reduction in the cost of capital either through an increased investment credit or higher depreciation allowances would stimulate investment, which would, in the long run, result in a modest increase in productivity growth. Second, reductions in the marginal tax rates of married couples with two earners relative to those of single-earner couples might encourage some spouses to work longer hours. Does not think that the economy will falter if the income tax cuts are delayed until October 1, 1981 or January 1, 1982, so that it will be possible to estimate with some degree of accuracy how much room there will be for the cuts.

John Rutledge, Claremont Research Associates

Economic effects of tax reduction proposals

Argues that instead of creating output, demand management policies have given us inflation. States that the principal effect of the Administration's tax cut proposal is to roll back the tax increases which had been programed into the Carter Administration budget, with over half of the cut in tax rates being absorbed in offsetting the bracket creep and tax increases which were already on the books.

Forecasts that the proposed policy changes would result in an increase in the active work force of 1.4 million workers, an increase in employment of 3.2 million workers, and a cumulative increase in investment and capital formation of more than $60 billion greater by year-end 1984 than implied by the policies represented in the Carter budget. This increase in productive resources would result in an additional 6.8 percent in real GNP, or $106 billion (in 1972 dollars) in additional goods and services.

Should the Administration's proposals be adopted as is, believes that the inflation numbers which have been announced by the Administration are well within reach, and even overly pessimistic. While many analysts point to the fact that proposed revenue reductions exceed proposed spending reductions as evidence that the Administration's program would be inflationary, contends that the net effects of the tax and spending cuts are deflationary when properly measured (measured relative to the Carter budget, not relative to the current state of the economy).

March 5

Otto Eckstein, President, Data Resources, Inc., and Paul M. Warburg, Professor of Economics, Harvard University

Tax reduction proposals—in general

While endorsing the President's overall economic program in general concept and its goals, indicate that the primary fault is its net expansionary fiscal effect, i.e., the tax reductions would exceed the expenditure cuts and revenue increases by an estimated $40.7 billion in 1984. State that the high employment budget would remain in very substantial deficit and would enlarge over the period 1982–1986, assuming the projected defense expenditure increases.

Forecast that the economy will not expand as rapidly as the Administration projects. Estimate that the depreciation changes would increase capital formation by 1 percent of GNP, and that an additional 2 million would be employed by 1986 under the President's program. Indicate that as much as 25 percent of the personal tax cuts would be saved during the first year, reducing in later years as people become more accustomed to the higher disposable incomes.

Favor a tighter fiscal policy, of about $30 billion per year, to eliminate the full employment budget deficit. Suggest: (1) phasing in the personal tax cuts on a slower schedule, (2) reducing the revenue cost of depreciation changes, such as by the 1980 Finance Committee approach; and (3) providing specific tax incentives to encourage high technology.

Individual tax reduction

Indicate that the generally proportionate character of the President's proposed tax rate cuts means that those who pay the heaviest taxes would get the largest reductions, which means that the benefits would tend to be concentrated at the upper income levels where the savings propensities are the higheest. On the other hand, note that work disincentives may be heaviest near the middle income level, and that the marriage tax penalty has a distinct disincentive effect because it taxes working wives heavily. Express concern over further complications to the tax code through special credits, exclusions or deduction. Approve the increased incentives to use the "standard deduction" in recent years.

Business tax reduction—capital cost recovery

State that the proposed 10-year depreciation life for structures would encourage new tax shelters and would divert scarce capital from industrial equipment investments to structures. Favor the Finance Committee approach also because it does not have to be phased in, which could induce businesses to delay making investments.

Alan Greenspan, President, Townsend-Greenspan & Co., Inc.

Tax reduction proposals—in general

Endorses the President's overall economic program. Maintains that something needs to be done so that interest (and inflation) rates will come down to avoid worsening the effect on the economy.

Indicates that indexing of the individual income tax would cut static revenues by about $100 billion by fiscal 1984, which is almost the size of the President's proposed tax rate reduction. Favors some form of indexing or its equivalent for capital cost recovery.

Concludes that in view of projected increased defense spending and the needed tax reductions to offset inflation effects, there will need to be further substantial reductions in nondefense budget authority and outlays in order to avoid continued Federal expenditure growth and to reduce the budget deficit.

Felix G. Rohatyn, Senior Partner, Lazard-Freres (and Chairman of the Municipal Assistance Corporation, New York, N.Y.)

Tax reduction proposals—in general

Believes that, although it involves large economic risks, the President's economic program should be given a fair trial. Indicates that the chance of success depends largely on psychology (consumers, investors, the financial markets).

States that the potential for increased inflation and a credit crunch is a severe and unacceptable risk if the tax cuts are not matched by budget cuts. Would favor a year-by-year tax cut program matched budget costs. Stresses that cost-of-living provisions in Federal pensions and Social Security need to be adjusted to prevent runaway budget costs. Indicates that the defense budget should be scrutinized as are social program budgets. Expresses concern that some Federal budget cuts may result in local tax increases.

Feels that if the President's program fails, then the Congress will be faced with the necessity of the following actions, in addition to budget and tax cuts: (1) temporary wage/price freeze; (2) a stiff gasoline tax to close the budget deficit gap, reduce oil imports, and to bring down interest rates; and (3) an updated version of the Reconstruction Finance Corporation to deal with businesses and industries in difficulty.

Gary Martin Wenglowski, Partner and Director of Research, Goldman, Sachs & Company

Individual tax reduction

Points out that the 30-percent rate reduction over 3 years would be only slightly greater than the inflation effects of bracket creep and expected increases in Social Security taxes, especially for the $16,000–$35,000 income groups where the brackets are relatively narrow. States that significant supply side effects should result from a reduction in the marginal tax rate on investment income. However, indicates that for the majority of the work force, the net tax reduction would appear to be too small to encourage a significant change in labor supply.

Concludes that more assurance that the budget deficit will be reduced is necessary, and that a slower approach on individual income tax reduction relative to expenditure cutbacks would be the best way to increase that assurance.

Business tax reduction—capital cost recovery

Considers the supply side effects of the proposed depreciation changes to be potentially greater than from the personal tax change. States that the magnitude of the stimulus to capital investment depends on three factors: (1) magnitude of the increase in calculated rates of return resulting from acceleration of depreciation deductions; (2) how the increase in returns compares with any increases in the cost of capital to business; and (3) the overall effect of the program on future costs of capital.

Henry Aaron, Senior Fellow, Brookings Institution, and Professor of Economics, University of Maryland

Economic effects of tax and spending cut proposals

Contends that it is a misperception that rapid growth in the Federal budget is the major cause of inflation. Indicates that the public sector in the United States has been growing more slowly than that of any major developed industrial country.

Maintains that budgetary inefficiencies are not confined to the expenditure side of the budget. Asserts that there are several tax code expenditure provisions that could be narrowed or eliminated as well, such as DISC, tax exemption for unemployment compensation and social security benefits, and tax-exempt bonds.

States that there is no empirical evidence that labor supply or investment would change sufficiently in response to the proposed tax changes to recoup the revenue loss.

Does not believe that the Administration's program will lead to a rapid decline in inflation by changing expectations. Cautions against large tax reductions preceding reductions in spending. Otherwise, monetary policy will again bear the brunt of anti-inflation efforts.

Individual tax reduction

Indicates that personal income tax cuts are necessary in order to prevent bracket creep from pushing income taxes higher and higher. Believes that a greater part of tax reductions should be devoted to efforts to stimulate nonresidential investment than would be the case from an across-the-board cut in tax rates.

Suggests that marginal tax rates should be reduced for working wives, such as a deduction for part of the earning of the lesser earning spouse or a tax credit based on earnings of the lesser earning spouse. Maintains that this change would reduce disincentives to work more than any other change likely to be made.

Business tax reduction—capital cost recovery

States that while the 10–5–3 proposal will increase investment incentives, it will provide disproportionate incentives for certain investments and little for other investments, thus reducing the efficiency of new capital stock. Favors depreciation rules that will eliminate inflation distortions, such as indexing or first-year capital cost recovery.

Donald O. Parsons, Professor of Economics, Ohio State University

Economic effects of tax and spending cut proposals

Points out that there has been a significant reduction in the relative participation in the work force by adult males in recent years. Believes that a contributing cause has been an increased attractiveness of not working, which may be attributable to various government income transfer programs, such as unemployment compensation programs, social security disability programs, and welfare programs.

Richard W. Rahn, Vice President and Chief Economist, Chamber of Commerce of the United States

Economic effects of tax and spending cut proposals

Endorses the Administration's proposed spending reductions. Contends that supply-oriented tax reductions are as essential as spending cuts to achieve economic recovery. Believes that supply-oriented tax cuts will lead to higher investment, unemployment and output and at the same time reduce the need for additional government spending on unemployment compensation, trade adjustment assistance and welfare.

Individual tax reduction

Maintains that the Administration's proposed tax reduction would not discriminate against the poor, nor would it be inflationary.

Robert D. Reischauer, Senior Vice President, the Urban Institute

Economic effects of tax and spending cut proposals

Indicates that it would be premature to judge the overall desirability, equity or economic impact of the Administration's proposed spending reductions.

Comments that Congress should give serious consideration to including reductions in selected tax expenditures, which would close the budget deficit gap.

Further, suggests that Congress consider tying the size and timing of the personal tax cut to the magnitude of the savings realized from enacted spending cuts and reduced tax expenditures.

Paul A. Samuelson, Department of Economics, MIT

Economic effects of tax and spending cut proposals

Contends that the evidence cannot support the proposition that recent trends in public-sector expenditures are the sole or primary cause of economic stagflation. Believes that the Administration's economic projections are overly optimistic and that the odds are against the simultaneous attainment of the Administration's predicted economic goals.

B. Public Testimony

March 24

American Federation of Labor and Congress of Industrial Organizations (AFL–CIO), Lane Kirkland, President

In general

Believes the President's tax reduction program is too costly and is unfair because the benefits are tilted toward the upper-income classes. Expresses concern about the business tax cuts, because of the lack of benefits for labor-intensive firms. Recommends refundable tax credits equal to 20 percent of a worker's social security tax payments (5 percent for employers) and specifically targeted business tax cuts. Agrees that something should be done about bracket creep and the marriage tax penalty.

Savings/investment tax incentives

Claims that the Administration program will have minimal effect on savings and investment. Favors adjusting IRA limits from time to time, but opposes proposals to allow individuals in qualified plans also to have IRAs. Believes that security in retirement should be the thrust of any savings tax incentives.

Americans for Democratic Action, Leon Shull, National Director

Individual tax reduction

Opposes the Administration's tax cut proposal because it skews benefits in favor of upper-income individuals. Believes that only a progressive cut would be fair. Would support a refundable social security tax credit, and increases in the personal exemption, zero bracket amount, and earned income credit.

Business tax reduction

States that there is no proof that ACRS will help business.

Chamber of Commerce of the United States, Edwin S. Cohen, Chairman, Taxation Committee

In general

Supports the President's tax reduction program. Urges that business cuts be effective as of January 1, 1981. Believes that a second tax bill should reduce corporate tax rates, address problems of small business, provide further savings tax incentives, improve the tax treatment of Americans working abroad, and reduce the marriage penalty.

Business tax reduction—capital cost recovery

States that the present useful life system is ineffective because it depends in part on past lives. Indicates that there might be problems with respect to "R and D" property, utility property, and real estate that need to be worked out. Further, expresses concern that the auto industry might be hurt because the depreciable lives of some of its property would increase from 3 to 5 years.

Consumer Federation of America, Steve Brobeck, Executive Director

In general

Asserts that the Administration's tax reduction proposal directs too much benefit to the upper-income classes; that the tax cuts will not stimulate savings or investment to any significant extent; and that ACRS will benefit those companies with the least need.

National Association of Manufacturers, Thomas McHugh, Chairman, Taxation Committee

Business tax reduction—capital cost recovery

Endorses the Administration proposal. Believes that depreciation revision should have a January 1, 1981, effective date. Indicates, further, that depreciable lives should not be mandatory, and that depreciation should be allowed as assets are paid for rather than when placed in service.

National Retired Teachers Association; National Association of Retired Persons, James Hacking, Assistant Legislative Council

In general

Believes that tax cuts should be moderate. Would support increased interest exclusion and expanded IRAs. Recommends reducing "wasteful" tax expenditures, as well as enacting government spending reductions.

National Association of Realtors, Jack Carlson, Executive Vice President and Chief Economist

Individual tax reduction

Believes that across-the-board personal tax cuts should be limited to 5 percent annually over the next 3 years.

Savings tax incentives

Supports increasing the dividend and interest exclusion and increased IRA limits.

Business tax reduction—housing

Expresses concern that the depreciation proposal could have a harmful impact on rental housing. Recommends immediate expensing for construction period interest and taxes and removal of the $10,000 investment interest limitation.

Citizens for Tax Justice, Robert McIntyre, Director for Federal Tax Policy

In general

Criticizes distribution of proposed tax cuts. Urges elimination of wasteful tax expenditures. Feels new savings tax incentives should be avoided. Opposes Administration's capital cost recovery proposal. Would support a capital cost recovery system based on real economic depreciation.

Indicates support for targeted investment incentives, as proposed by the AFL–CIO, and a payroll tax credit.

Communications Workers of America, Glenn E. Watts, President

In general

Opposes Administration tax reduction program. Would prefer tax cuts to be focused on middle- and lower-income working families. Believes that investment incentives, if adopted, should be targeted as suggested by AFL–CIO.

March 25

Hon. Hugh L. Carey, Governor, State of New York

In general

Proposes a comprehensive tax package as an alternative to the President's proposal: Adopt the First-Year Capital Cost Recovery System (phased in over 5 years); exempt from taxation all capital gains on investments held more than 5 years; integrate the corporate and personal income tax; repeal the present investment tax credit and enact special targeted tax credits (R&D, credit for employing economically disadvantaged, credit to encourage low-income housing construction, credit as part of targeted job development program for distressed areas); exempt from income tax that portion of savings which reflects inflation; repeal consumer interest deductions; and remove all income eligibility restrictions for social security and tax the benefits.

Hon. Edward Koch, Mayor, New York City

Individual tax reduction

Supports the broad concepts of the Administration's program but expresses reservations about the size and shape of the proposed personal income tax reductions, i.e., tax cut too large, carries a high risk that it will prove inflationary, and emphasizes reducing the tax burden of upper-income taxpayers.

Urges the Committee to (1) reduce the size of the three-year tax reduction; (2) include an offset for increased social security payments; (3) adopt indexing; and (4) include specific savings incentives.

Business tax reduction—capital cost recovery

Endorses "10–5–3" depreciation revisions if certain changes are made: include leased industrial property in the 10-year class; make no distinction between real property used in manufacturing and real property used in service industries; set different depreciation rates for new plants, as compared to rehabilitations or expansions. Also, requests consideration of a liberalized investment tax credit for rehabilitation.

L. Stanton Williams, Chairman of the Board, PPG Industries, Inc., on behalf of the Business Roundtable

In general

Endorses the President's spending and tax reduction proposals. Supports the "two track" approach to tax cuts, with structural problems regarding disincentives to savings and investment to be addressed in a second tax bill.

Individual tax reduction

Asserts that the across-the-board reduction in marginal tax rates will mitigate some of the adverse effects of "bracket creep" and will stimulate productive effort, savings, and investment.

Business tax reduction—capital cost recovery

Believes that current depreciation procedures are not responsive to today's economic environment and act as a deterrent to capital investment. Urges enactment of Accelerated Capital Cost Recovery, effective January 1, 1981.

Leon Taub, Chief Economist, Washington Chase Econometrics

In general

Argues that one potential defect of the President's economic package is that it will increase the "poverty barrier" (i.e. disincentives to working poor as inflation pushes income into higher tax brackets). Indicates that the size of the tax cut is not unreasonable in view of recent tax increases.

The Tax Council, Wallace J. Clarfield, Chairman of the Tax Policy Committee

Individual tax reduction

Supports the proposed 3-year across-the-board reduction in marginal tax rates. Asserts that this is long overdue, as top rates have not been reduced since 1964–1965.

Business tax reduction—capital cost recovery

Endorses the proposed accelerated cost recovery system, to be effective no later than March 11, 1981. Believes that ACRS is the best approach to provide a climate for increased productive investment.

Public Citizens' Congress Watch, Jay Angoff, Staff Attorney

Individual tax reduction

Opposes the President's proposed individual tax cut proposal. Does not believe that it will cause people to work more or to save more. Indicates that it would not be a real tax reduction for those with $20,000 and less income after the effect of inflation on personal exemptions, zero bracket amounts, and earned income credit is taken into account. Favors, instead, the Gephardt proposal to cut taxes by allowing a 10-percent credit for social security taxes. Also, would support adjusting the zero bracket amount, personal exemptions, and the earned income credit for inflation.

Business tax reduction—capital cost recovery

Opposes "10–5–3" and the President's depreciation proposal. Asserts that this proposal goes beyond expensing and would provide negative tax rates. Contends that there would be significant tax shelter possibilities and that the proposal would create greater tax distortions among assets, industries, and regions. Supports first-year cost recovery system as having a neutral tax effect for industries.

Tax expenditures

Recommends elimination of certain tax expenditures such as the oil depletion allowance and the deduction for intangible drilling costs. Also, opposes DISCs, IDBs, tax credit for corporations receiving income from doing business in U.S. possessions, step-up in basis of property at death, and consumer interest deduction. Suggests limiting the mortgage interest deduction and the charitable contributions deduction.

National Taxpayers Union, James Dale Davidson, Chairman

Individual tax reduction

In addition to the 30-percent personal income tax rate reduction, proposes that capital gains taxes be reduced or eliminated entirely. Recommends taxing savings income separately, starting at the lowest tax rate. Would exclude a certain percentage of interest and dividend income from tax. Also, suggests a tax-free rollover of dividend and interest income as an alternative.

Supports elimination of the marriage tax penalty by allowing married taxpayers to file separate returns as if they were single (H.R. 1700). Further, urges indexing the personal income tax (similar to H.R. 247).

Business tax reduction—capital cost recovery

Supports depreciation revision, but believes that the 10–5–3 proposal would introduce new distortions in the tax laws. States that the first-year cost recovery system would eliminate the distortions of inflation by allowing deduction of the full present value of depreciation in the first year.

American Institute of Certified Public Accountants, Herbert J. Lerner, Chairman, Tax Policy Subcommittee of the Federal Tax Division

Individual tax reduction

Recommends indexing for individual income tax brackets, exemptions, deductions, exclusions and limitations, and the basis of most assets.

Business tax reduction—capital cost recovery

Believes that a revised capital cost recovery system should be an indexed system based on pooled accounts, and also should provide for the end of the concept of useful life and determination of salvage value.

Albert B. Ellentuck, National Tax Partner, Laventhol & Horwath, CPAs

Individual tax reduction

Endorses the thrust of the President's program to spur productivity and savings by eliminating some of the disincentives to work and invest which are built into the present tax system. However, feels that individual income tax cuts should be phased in and triggered by the economy's reaching specified levels of performance by specified dates. Individually or in combination, existing measures of economic performance (e.g., gross national product, productivity, savings and investment) should be used as barometers of performance.

Jon E. Bischel, Professor of Law, Syracuse University and University of Florida

Believes that emphasis must be placed on three areas:

(*1*) *Research and development*—Section 861 regulations governing allocation and apportionment of research and development expenditures constitute a major disincentive to research and development activities in the United States. Endorses H.R. 2473 to allocate R&D

costs totally to the income from the country in which the costs are incurred. Indicates that the United States also should provide tax incentives for R&D in addition to present law deductions or credits.

(*2*) *Depreciation*—Suggests that the Jorgenson-Auerbach first-year depreciation plan should be given serious consideration. Rejects the 10–5–3 proposal because it is still locked into historical costs, and the proposal creates a potential distortion, especially between owner-occupied buildings and residential investment property.

(*3*) *Savings*—Proposes an exclusion of up to $1,000 of interest income in excess of previous year's interest income.

Gerald Moran, Visiting Professor of Law, William and Mary College

In general

Believes that the Administration proposals continue a trend that leaves individuals paying too great a share of the cost of government (through income and social insurance taxes) and business paying too little. Asserts that government willingness to make business tax cuts to stimulate investment and for narrower business purposes has created a business mood that seeks government help at the slightest economic pinch. Proposes a return to use of the tax system to raise revenues and to allocate the costs of government, rather than to regulate the economy or bring about social changes.

Individual tax reduction

Suggests that the proposed individual cuts should provide an equal percentage point reduction in marginal tax rates; estimates that 8 percentage points across the board would cost as much as Kemp-Roth. Argues that, for lower- and middle-income taxpayers, this would provide a significant offset to the increasing social insurance tax increases.

Alan L. Feld, Professor of Law, Boston University School of Law

Individual tax reduction

Recommends a substantial increase in the personal exemption in addition to whatever reductions are made in individual income tax rates.

Herman I. Liebling, Professor of Economics and Business, Lafayette College

Individual tax reduction

Believes that tax cuts are needed to encourage investment, productivity and work effort, but all of this would be jeopardized if Federal deficits add to congested capital markets.

Generally endorses the President's program—specifically reduced spending and the individual income tax cuts. However, is not optimistic about the program's being successful as quickly as the Administration predicts and warns that tax cuts should not be made if matching expenditure cuts are not enacted.

March 26

National Savings and Loan League, Raleigh W. Greene, III, Vice Chairman, Committee on Taxation

Business tax reduction—capital cost recovery

Generally supports the Administration proposal on capital cost recovery, but believes that additional incentives should be provided for multi-family rental real estate. Proposes allowing savings and loan associations the full investment tax credit.

Saving tax incentives

Favors expansion of individual retirement accounts (IRAs) by increasing the amount of deductible contributions, expanding eligibility to all wage earners, and modifying the spousal account accordingly. Urges repeal of Rev. Rul. 80–274 (relating to the treatment of wraparound annuities).

Other business tax provisions

Recommends elimination of the bad debt deduction of banks and savings and loan associations as a tax preference item. Proposes reversal of IRS regulations relating to the effect of net operating loss carrybacks on the bad debt deductions of savings and loan associations.

National Automobile Dealers Association (NADA), George W. Lyles, First Vice President

Individual tax reduction

Favors allowing individuals a tax credit for the purchase of an automobile, similar to H.R. 146 (Brodhead).

Business tax provisions

Urges changes in inventory accounting (LIFO and *Thor Power*) and clarification of tax treatment of open end leasing of automobiles and trucks.

Truck excise taxes

Proposes certain changes in the truck excise tax. Notes that the American Truck Dealers Division of NADA favors repeal of the 10-percent excess tax on trucks and the 8-percent excise tax on truck parts. Recognizes that this may not be feasible at the present time.

In the meantime, advocates changing the point of tax collection to the time of the first retail sale of the vehicle and/or part. Points out that this would allow the dealer to purchase the truck and parts from the manufacturer without having to first pay the tax. In doing this, suggests recomputing the tax liability on 90 percent of the actual retail sales price of the vehicle and on 75 percent of the actual retail price of the parts (as in H.R. 2936, Pickle).

Stockholders of America, Inc., Margaret Cox Sullivan, President

Individual tax reduction

Favors generally the Administration proposal on rate reduction.

Business tax reduction—capital cost recovery

Generally supports the Administration proposal on capital cost recovery.

Investment tax incentives

Urges that there be no tax on capital gains. Favors allowing credit to stockholders for pro-rata amount of taxes paid by corporations. In addition, supports adoption of H.R. 654 (relating to dividend reinvestment plans), H.R. 63 (relating to tax credit for purchase of stock), and H.R. 7 (relating to increasing the capital gains deduction to 70 percent).

National Foreign Trade Council, Albert R. Doyle, Chairman, Tax Committee

Business tax reduction—capital cost recovery

Supports the Administration proposal on capital cost recovery, but believes that more should be done to encourage research and development. Believes that it is important to separate recovery of plant and equipment costs from a useful life concept.

Alex Zakupowsky, Partner, Deloitte, Haskins & Sells, CPAs

Investment tax incentives

Favors generally the Administration proposal as a means of increasing investment. Believes that significant reductions in the tax rates would result in additional savings.

Business tax reduction—capital cost recovery

Generally supports the Administration proposal on capital cost recovery.

Securities Industry Association, Edward I. O'Brien, President

Business tax reduction—capital cost recovery

Generally favors the Administration proposal on capital cost recovery, but believes that it will not be sufficient to encourage investment in small business.

Savings/investment tax incentives

Proposes increases in the capital gains deduction to 70 percent, and reduction in the maximum rates of tax on investment income to 50 percent. Favors some expansion of the exclusion of interest and dividend income.

Investment Company Institute, David Silver, President, and William M. Tartikoff, Tax Counsel (testimony by Matthew Frank, General Counsel)

Savings/investment tax incentives

Recommend adoption of H.R. 1250 to increase the interest and dividend exclusion to $500/$1,000 for the taxpayers age 65 and over and make the $200/$400 exclusion permanent. H.R. 2350 also would expand the IRA system by (1) increasing the deductible limit to $2,000 per year (with $2,000 per year nondeductible contributions), (2) removing the prohibition against use of IRAs by persons who are "active participants" in a qualified employer plan, and (3) permitting limited withdrawals from IRAs without the 10-percent penalty tax if used to purchase a first home or to pay for higher education or vocational training of children.

Thomas F. Ruhm, Assistant General Counsel, Bessemer Securities Corporation

Investment tax incentives

Favors increases in the capital gains deduction to 70 percent and a reduction in the maximum tax on investment income to 50 percent, for a top capital gains tax rate of 15 percent.

March 27

Aircraft Owners and Pilots Assoc., W. Lawrence Graves, Vice President

Aviation excise taxes

Requests that the Ways and Means Committee take no action on aviation-related taxes until after the Trust Fund authorization levels are set by the Public Works and Transportation Committee. Suggests that the Administration's revenue estimates regarding general aviation fuels taxes be reviewed. Maintains that the sharp increase in the fuels taxes will have a definite negative impact on general aviation. States that the existence of the Trust Fund balance indicates that aviation taxpayers are being overtaxed in relation to the programs being funded from the Trust Fund. Questions the need and value of an aviation trust fund. Suggests that the trust fund concept be reevaluated.

National Business Aircraft Assoc., Robert A. Cooke, Assistant to the President (Government Relations & Energy)

Aviation excise taxes

Agrees with user charges for direct benefits received by users of transportation systems. Disagrees, however, with Administration proposal to increase the fuels taxes as overburdensome to general aviation. Maintains that the national public interest benefit from the aviation system should be ascertained before determining the appropriate user charge. Recommends the $8\frac{1}{2}$-cents-a-gallon fuels tax for noncommercial aviation approved last year by the Ways & Means and Finance Committees.

Helicopter Association International, Robert A. Richardson, Executive Director

Aviation excise taxes

Believes that direct user taxes on civil aviation should not be levied until first determining the amount of aviation expenditures allocable to the national public benefit. Maintains that the fuels taxes should be no more than 5-cents-a-gallon until the Trust Fund uncommitted balance is reduced to $500 million, after which time the tax should be no more than 7-cents-a-gallon. Recommends that there be no differentiation in the tax rate per gallon on aviation gasoline and jet fuel. (Likewise, proposes that the air passenger ticket tax not be more than 5 percent until the Trust Fund balance reaches the $500 million level.)

In lieu of the above proposals, would not object to a return to the aviation tax structure and rates in effect on September 30, 1980, except recommends that certain helicopter operations (energy resource and timber operations) be exempt from the fuels taxes (as in the 1980 Finance Committee amendment).

Urges that the Trust Fund be removed from the unified budget, and that Trust Fund monies be used *only* for ADAP programs, airway facilities and equipment, and research and development projects (i.e., *not* for operations and maintenance expenditures). Suggests that Trust Fund monies be available to provide investment incentives (or user tax credits) to encourage civil aviation users to acquire advanced airborne air traffic control equipment.

General Aviation Manufacturers Assoc., Edward W. Stimpson, President

Business tax reduction—capital cost recovery

States that the accelerated capital cost recovery proposal should be helpful to the general aviation industry by encouraging purchase of new capital equipment for the manufacture of aircraft.

Aviation excise taxes

Contends that the Administration proposal to increase general aviation fuels taxes will have an adverse effect on the industry. Indicates that general aviation aircraft deliveries dropped by more than one-third in 1980, and has declined even further in 1981. Endorses an 8½-cents-a-gallon tax rate, applicable to aviation gas and jet fuel.

Disagrees with the 1973 DOT Aviation Cost Allocation Study methods and results regarding allocating general aviation's share of aviation system costs. Suggests that a final decision on aviation tax levels be postponed until the Trust Fund authorization levels are set by the Public Works Committee.

American Waterways Operators, Inc., Ralph E. Van der Naillen, Chairman of the Board of Directors

Waterway excise taxes/user charges

Objects to increased user fees for the inland waterways system. Proposes, instead, a uniform tax on all transportation modes. Contends that forcing commercial navigation to support the entire waterways system would render it noncompetitive with the railroad industry. At a minimum, urges deferring any tax increase until the study on the impact of waterway user charges mandated by P.L. 95-502, which enacted the current waterway user taxes, is received by Congress in September 1981.

National Tax Limitation Committee, William H. Shaker, Executive Vice President

Individual tax reduction

Supports the President's tax reduction proposals. States that across-the-board reductions would benefit the lower income brackets more than the higher brackets (by 1984, a 30-percent reduction for the $8,000-$10,000 bracket, as opposed to a 20-percent cut for the over $200,000 bracket). Also, argues that to weight the tax cut more heavily in favor of the lower brackets or to enact less than a three-year tax cut would fail to encourage necessary capital formation.

George E. Barnes, Senior Partner, Wayne Hummer & Co. (Chicago)

Investment tax incentives

Opposes taxing "unearned" income at higher rates than the maximum rate applied to "earned" income. Indicates that if both categories are taxed as "income," they should be taxed at the same rates. Recommends, however, that gains and losses on sales of property be eliminated from any "income" category and subjected instead to a separate 10-percent tax on such gains (net of losses).

Ira T. Wender, A. G. Becker, Inc., on behalf of E. F. Hutton, Merrill-Lynch, Rotan Mosle, and Underwood, Neuhaus

Business tax reduction—"at risk" rules

Objects to the Administration's proposal to apply "at-risk" rules to the investment credit allowed under ACRS. Predicts difficult financial problems for ship construction, oil and gas drilling rigs, transportation equipment, and energy research and development equipment if this is done. Points out that these activities normally are financed through the use of limited partnerships, in which deductions exceed the limited partners' "at-risk" amounts.

March 30

Honorable Charles A. Vanik, former Member of Congress

Individual tax reduction

Indicates that the proposed tax cut program is illusory because it will shift the tax burden from Federal to State levels. States that the blame for inflation must be spread over a broad sector of our economy, and not just Federal policies. Believes that budget cuts without a tax cut would curb inflation and reduce the deficit and interest rates, benefiting all equally. Indicates that if an individual cut is considered necessary, a commitment to more than a 1-year cut is risky.

Business tax reduction

Contends that a tax cut for business should be targeted at high technology equipment.

L. William Seidman, Vice Chairman, Phelps Dodge Corporation

Business tax reduction—capital cost recovery

Expresses general support for ACRS. However, indicates that a mandatory cost recovery system may provide little immediate benefit for companies that do not have sufficient earnings to utilize increased amounts of depreciation and investment credit.

Advocates the following: (1) Permit taxpayers the flexibility to utilize depreciation deductions at any time ("banking"), and (2) allow a "reinvestment" refundable investment tax credit (i.e., if an additional amount equal to the refunds is first invested in equipment used in the primary business whose acquisitions gave rise to the investment credit).

Air Transport Association of America, Paul Ignatius, President and Chief Executive Officer

Business tax reduction

Indicates that while ACRS will do much to improve the economy in general the proposal would be of little direct benefit to the airline industry or other industries with cyclical profitability or low earnings. Maintains that a refundable investment tax credit would provide the necessary direct benefit.

Prime F. Osborn, Chairman, CXS Corporation

Business tax reduction—capital cost recovery

Expresses support for ACRS. However, indicates that many railroads have insufficient income to fully utilize the investment credit. States that a refundable investment credit would be of benefit until the railroads return to a condition of profitability.

National Federation of Independent Business, Director of Federal Legislation, James W. McKevitt

Individual tax reduction

Advocates a social security tax credit, such as Congressman Gephardt's proposal, that would (1) reduce the cost of labor and (2) increase the return to the laborer.

Business tax reduction—capital cost recovery

Endorses H.R. 1053, including (1) "banking" of depreciation, (2) uniform treatment of commercial real property, and (3) a rule permitting depreciation for qualified progress expenditures to be taken at any time when a payment is made.

Small business tax provisions

Indicates that small business would benefit by (1) raising the top corporate tax bracket from the $100,000 level to $250,000 and (2) reducing the rate for the first $25,000 of income to 12 percent.

States that because FIFO inventory methods cause problems in inflationary times and LIFO is complex, small business would be better off with a cash accounting method.

Also suggests the following: (1) raise the minimum accumulated earnings credit ceiling from $150,000 to $200,000; (2) raise the used property investment credit from $100,000 to $200,000; and (3) revise subchapter S provisions.

Savings tax incentives

Advocates (1) expanded IRAs and (2) gradual elimination of tax on dividends and interest.

Estate taxes

Contends that estate tax reform is necessary to prevent sales of small businesses upon death of the owner, and reduce life insurance costs incurred to provide cash to satisfy estate taxes

Small Business Legislative Council, William D. Barth

Individual tax reduction

Advocates a tax credit equal to increases in social security taxes.

Business tax reduction—capital cost recovery

With respect to real property, recommends the following: (1) 25% credit for rehabilitation of buildings; (2) 15-year writeoff for all real property; (3) 10-year period for owner-operated buildings; and (4) 40% ADR variance for public utility property.

With respect to equipment, suggests the following: (1) $25,000 expensing provision; and (2) increase used property investment tax credit and permit carryover of any denied cost. Also, proposes a 25% R&D credit.

Targeted jobs tax credit

Recommends extending targeted jobs credit provision to make it a general credit available to small firms.

Small business tax provisions

Advocates small business tax proposals similar to those contained in S. 395, such as incentive stock options, revision of subchapter S, and corporate rate reduction.

Savings/investment tax incentives

Proposes expansion of IRAs and reduction of capital gains tax.

Estate tax

Recommends reduction in the estate tax, similar to S. 395.

Independent contractors

Suggests clarification of independent contractor tax status issue.

Southeastern Lumber Manufacturers Association, Wilbur S. Doyle

Small business tax provisions

Advocates targeting the tax cuts to small business. Proposes the following: (1) corporate rate reduction and bracket widening; (2) allow sale of small business participating debentures; (3) "rollover" of gain on sale of small business; (4) increase minimum accumulated earnings credit from $150,000 to $250,000; (5) increase number of subchapter S shareholders from 15 to 25; (6) allow reserve for broker-dealer marketmaking activities; (7) authorize employee incentive stock options; and (8) increase the investment tax credit limitation for used property.

Investment tax incentives

Recommends increase in capital gains exclusion from 60 to 70%, reduction in alternative corporate rate on capital gains from 28% to 20%, and reduction in the top alternative minimum tax rate from 25% to 20%.

Estate tax

Urges the following changes in the estate and gift tax laws: (1) increase estate tax exemption from $175,000 to $600,000; (2) raise gift tax exclusion to $6,000; (3) provide unlimited gift and estate tax marital deduction; (4) permit special use valuation rules for farmland and closely-held businesses; (5) valuations for gifts within 3 years of death at date of gift rather than date of death; and (6) permit 5-year deferral/10-year installment election for payment of estate taxes if 35% of gross estate or 50% of taxable estate is a closely held business.

Small Business National Unity Council, Durwood Alkire

Small business tax provisions

Recommends the following changes to the Administration's bill: (1) exclude from gross income up to $100,000 of gain on sales of small business interests held at least 5 years by an individual 55 years old; and (2) reform LIFO accounting rules to make them more readily available to small business.

Investment tax incentives

Proposes increasing the capital gains deduction from 60% to 80%.

Small Business United, Edward H. Pendergast

Business tax reduction—capital cost recovery

Supports some form of simplified cost recovery that would include (1) expensing of the first $25,000 of depreciable assets, (2) an increase in the limit of used property eligible for the investment credit, and (3) an R&D tax credit.

Small business tax provisions

Advocates the following to help small business with capital formation problems: (1) Graduate corporate tax rates on a steeper basis with the maximum rate taking effect at a considerably higher threshold; (2) Permit deferred payment (rollover) of capital gains reinvested in a small business within a fixed period of time, or eliminate capital gains tax for new capital investments; (3) Authorize a new financial instrument such as a small business participating debenture; (4) Authorize granting of employee incentive stock options; (5) Increase the permissible number of Subchapter S shareholders; and (6) Increase the accumulated earnings credit.

Estate tax

Maintains that estate tax reform is overdue. Indicates that scarce cash is being used by family-oriented businesses to pay for insurance to assure business continuity upon the principal's death.

American Bus Association, Norman Sherlock, Executive Vice President

Business tax reductions—depreciation/jobs tax credit

Advocates expensing of $100,000 of depreciable property. Also endorses job training tax credits to increase the number of skilled workers and increase in used property investment credit.

Small business tax provisions

States that the following would benefit small business operations: (1) "rollover" of gain on sale of small business; (2) increasing the amount of accumulated earnings credit to $300,000; (3) expansion of shareholders in subchapter S corporations to 25; (4) authorize Small Business Participating Debentures (SBPD), which would be a new debt obligation bearing a fixed rate of interest; and (5) a 10-percent tax credit for investment in new stock issues of small businesses.

Fuels excise taxes

Recommends allowing intercity bus operations to take advantage of their exemption from 4 cents a gallon diesel fuel tax without having to pay the tax and file for a refund.

Energy tax credit for buses

Advocates expansion of energy credit for buses to include replacement buses; claims that smaller companies cannot afford to increase their bus capacity.

Estate tax

Urges estate tax changes, including increase in the estate tax exemption and the annual gift tax exclusion.

National Association of Wholesaler-Distributors, John H. Fitch. Jr., Vice President for Government Relations

Business tax reductions generally

Supports Administration bill. For a "second" bill, recommends: (1) Corporate rate reductions along the lines of S. 360, S. 394, or H.R. 2245; (2) Increase credit for rehabilitation to 25%; and (3) Increase used property investment credit.

Small business tax provisions

Asserts that steps should be taken to simplify LIFO for small businesses, so that procedural complexities do not penalize these companies. Supports H.R. 2319, S. 578, and S. 360.

Estate tax

States that estate tax reform is essential for continued existence of family owned wholesale-distributors. Recommends increasing estate tax exemption, revision of estate tax brackets, easing of the payment requirements, and tax-free inheritance of family business by surviving spouse.

Machinery Dealers National Association, Sidney Lieberstein, Vice President

Business tax reduction—investment tax credit

Urges elimination of limitation on investment credit for used property. As an alternative, suggests raising limitation in phases to $500,000 by 1985. Any cost denied would be carried back 3 years and carried forward 7 years.

Jobs tax credit

Also, endorses a skilled jobs credit to help solve the shortage of skilled labor in critical industries.

National Machine Tool Builders' Association, Craig R. Smith, Chairman

Individual tax reduction

Supports the Administration bill. Contends that lower marginal rates will reduce emphasis on tax shelters and encourage productive activities. States that even if higher-income taxpayers would benefit more under the bill, those taxpayers are more able to invest tax cut dollars. Asserts that the increase in savings will have a feedback effect for the economy as a whole. Believes that a full 3-year cut is necessary to achieve all objectives.

Business tax reduction—capital cost recovery

Endorses the Administration bill. Indicates that the 1980 Senate Finance Committee bill retains some complexities of present law, such as ADR.

Also, maintains that second- and third-tier suppliers, which are often small businesses, would be helped significantly by enactment of the Administration bill.

National Tooling and Machining Association, Ted Arneson

Business tax reduction—capital cost recovery/jobs tax credit

Expresses support for Administration bill, but suggested the following modifications: (1) Eliminate phase-in of depreciation for up to $1,000,000 of small business assets; (2) Increase used property investment credit to $250,000; and (3) Permit a skilled jobs credit in lieu of the WIN and targeted jobs credit.

March 31

National Coal Association, Carl E. Bagge, President

Business tax reduction—capital cost recovery

Supports the President's ACRS proposal, but is concerned that the lack of flexibility in the system (no "banking," mandatory) may cause reduced percentage depletion deductions for coal properties because of the "10 percent of gross income but not exceeding 50 percent of taxable income" cost percentage depletion limitation.

Makes the following additional comments: (1) expresses concern that adjacent land improvements (e.g., parking lot) may have a different recovery period than an owner-occupied warehouse; (2) objects to the required daily proration of the allowable first-year and last-year allowances for real property with audit proof lives; suggests use of the half-year convention or a monthly proration of the allowance; (3) states that, under present law, foreign assets are allowed a 10-year accelerated write off while only 10 years straight line would be allowed under ACRS.

National Forest Products Association; American Paper Institute, Norma Pace, Senior Vice President and Chief Economist

Individual tax reduction

Supports the President's individual tax cuts.

Business tax reduction—capital cost recovery

Supports ACRS, but suggests that it be modified to allow the taxpayer to deduct less than the allowable amount of depreciation and carry over the rest to a subsequent year ("banking").

National Association of Furniture Manufacturers, Frederick L. Williford, President

Business tax reduction—capital cost recovery

States that a simplified accelerated depreciation system which departs from the "useful life" concept is the most critical tax relief needed.

Southern Furniture Manufacturers Association, Lawrence W. Whalen, Jr. (President, Berkline Corporation)

Individual tax reduction

Endorses the Administration's tax proposals.

Business tax reduction—capital cost recovery

Supports ACRS.

Machinery and Allied Products Institute, Charles W. Stewart, President

Individual tax reduction

Endorses the President's proposals.

Business tax reduction—capital cost recovery

Supports ACRS, but suggests that the following also be considered: (1) include "banking" concept for depreciation deductions; (2) provide a "useful life" election for taxpayers who want to assume burden of demonstrating that their assets have lives shorter than applicable recovery periods; and (3) remove two-year construction period requirement for depreciation and ITC on qualified progress expenditures.

Cast Metals Federation, Loren E. Gerber (Vice President and Controller, Auto Specialties Manufacturing Co.)

Individual tax reduction

Endorses the President's proposals.

Business tax reduction—capital cost recovery

Supports ACRS, but states that, during the proposed phase-in period, capital recovery periods should be increased for many foundry assets because, presently, ADR schedules are not used and depreciation deductions are taken on a useful life or negotiated basis with the IRS.

Recommends the following: (1) elimination of the phase-in period for 5-year class assets; (2) accelerated phase-in over 3 years of $1,000,000 of 5-year class assets; (3) inclusion of government-mandated equipment in 3-year class; and (4) increase of ITC carryback to 7 years rather than extension of the carry-over.

Alliance of Metalworking Industries, James W. M. Monde, Vice Chairman

Business tax reduction—capital cost recovery

Supports ACRS and H.R. 1053. Suggests simplifying the phase-in for 5-year class property because many small businesses do not use ADR. Proposes raising the amount of used equipment eligible for the investment tax credit from $100,000 to at least $250,000.

American Trucking Associations, Inc., Roger Burbage (Vice President, O'Boyle Truck Lines, Rockville, Md.)

Business tax reduction—trucking operating rights

Urges a legislative solution to problems created for the trucking industry by the decrease in value of motor carrier operating rights. Supports H.R. 1964 and S. 702; which would permit an ordinary loss deduction. Suggests that Congress may want to spread the deduction over 3 years to lesesn fiscal year revenue losses.

American Iron and Steel Institute, Robert Peabody, President

Business tax reduction

Supports the President's proposals. Urges prompt action on ACRS, with an effective date of January 1, 1981.

National Apartment Association, Stanley Taube, President

Individual tax reduction/savings incentives

Generally endorses individual income tax cuts but believes that a portion of the cuts should be directed to encourage increased savings by (1) expanding IRA eligibility to individuals covered by employer sponsored retirement plans; (2) increasing IRA contribution limits; and (3) expanding the interest and dividend exclusion. Supports same maximum tax rate on all income whether earned or investment income.

Business tax reduction—rental housing

Contends that rental housing production would evaporate if audit-proof lives for residential property in the President's proposals are enacted. Maintains that residential housing needs favored treatment; having the same lives and tax benefits as other buildings will not help.

Recommends the following tax incentives: (1) allow 10-year straight line depreciation for new rental housing and 15-year straight line depreciation for used rental housing; (2) extend 5-year writeoff of rehabilitation expenditures to residential housing; (3) allow taxpayers to elect the audit-proof lives or use present law depreciation rules; (4) allow immediate deduction of construction period interest and taxes; and (5) allow deduction of expenses from the time construction of a rental project begins.

National Multi-Housing Council, Allen Cymrot, Vice President

Business tax reduction—rental housing

Believes that the Administration's proposed elimination of accelerated depreciation for housing and its granting of favored treatment to commercial and office buildings over residential buildings, coupled with proposed budget cuts in housing programs, would virtually eliminate the incentive that remains to produce rental housing today.

Proposes, instead, that (1) rental housing be allowed 15-year audit-proof accelerated depreciation; (2) repeal of Code section 189 (relating to capitalization of construction period interest and taxes), or make the section inapplicable to rental property; (3) continuation of favored treatment, such as accelerated schedules and eased recapture rules, for low-income housing.

National Association of Retail Grocers of the United States, James A. Stoll, Chairman-Elect

Business tax proposals

Supports the principle of the President's proposal, but more specifically supports the Capital Cost Recovery Act, H.R. 1053. Urges simplification of inventory accounting for small businesses.

International Council of Shopping Centers, Wallace R. Woodbury, Chairman of the Tax Subcommittee of the Government Affairs Committee

Business tax reduction—capital cost recovery

States that H.R. 2400 will accomplish most of the depreciation reforms which they believe necessary, but maintains that any legislation must eliminate penalties and biases against real estate investment. Proposes (1) establishment of audit-proof recovery periods for all real property with retention of present law section 1250 recapture; (2) a 15-year recovery class for all real estate, except low-income housing; (3) repeal of section 189; (4) removal of limitation on interest on real estate investment indebtedness; (5) current deductions of amounts paid or incurred in connection with, or during the period of, the acquisition, development, construction or erection of all real property, unless it should be properly capitalized.

Makes the following additional suggestions: (1) believes that the tax preference for leased recovery property, other than recovery real property, should apply to all taxpayers, and suggests that the period over which the tax preference is calculated should be the lesser of twice the recovery period or the ADR life, to avoid increasing the amount of tax preference; (2) provide for an unlimited net operating loss in lieu of the 10-year carryover in H.R. 2400; (3) no adjustment should be required to be made to earnings and profits with respect to depreciation deductions on real property with audit-proof lives.

Food Marketing Institute, Harry Sullivan, Senior Vice President and General Counsel

Business tax reduction—capital cost recovery

States with favor that most of the Conable-Jones 10-5-3 depreciation concepts are included in the President's bill. Expresses concern that an owner-occupied building will be treated differently from an identical leased building; believes that depreciation based on occupancy is inequitable and unfair.

Council of State Housing Agencies, John Ritchie, Jr., Chairman, Tax and Securities Committee (Executive Director, Virginia Housing Development Authority)

Business tax reduction—housing

Recommends 15-year depreciation for all residential real estate other than low- and moderate-income housing and 12-year depreciation for low- and moderate-income housing; making permanent the 60-month amortization for rehabilitation of low- and moderate-income housing and increasing the maximum amount per unit to $30,000; deleting the 5-year rapid amortization for rehabilitation expenses from the minimum tax preference; and allowing both tax-exempt financing and energy tax credits to a property owner.

National Housing Partnership, Thomas M. Tweel, Vice President, Tax Operations

Business tax reduction—housing

Recommends 15-year accelerated depreciation for low-income housing; deleting the 5-year amortization for rehabilitation expenses from the minimum tax; allowing continued expensing of construction period interest and taxes for low-income property; making permanent the 5-year amortization of low-income housing rehabilitation and increasing the maximum amount to $40,000 per unit; clarifying that start-up expenses may be amortized when construction begins; and extending the definition of low-income housing to include projects in which at least 20 percent of the units are occupied by persons receiving certain Government subsidies.

National Leased Housing Association, Philip Kieffer, President

Business tax reduction—housing

Supports shorter, audit-proof recovery lives for real estate. Proposes that all residential housing be given a 15-year life, and accelerated depreciation be allowed for low- and moderate-income housing without the depreciation being treated as a tax preference.

Coalition for Low- and Moderate-Income Housing, William J. Langelier, Chairman

Business tax reduction—housing

Favors shorter, audit-proof lives, but recommends that real estate be depreciated over 15 years. In addition, suggests that low- and moderate-income housing be allowed accelerated depreciation, with no minimum tax. Also, proposes continued expensing of construction period interest and taxes for low- and moderate-income housing.

National Low-Income Housing Coalition, Cushing N. Dolbeare, President

Housing

Supports imposing limits on homeowner tax preferences, and converting deductions to credits to benefit those not itemizing. Contends that homeowner tax preferences contribute to inflation in the housing market and have hindered rental housing production and encouraged condominium conversions.

April 1

Hon. Charles B. Rangel, Member of Congress (N.Y.), on behalf of the Congressional Black Caucus

Individual tax reduction

Criticizes the Administration program as unjustly benefitting those in the higher tax brackets. Claims that it will increase welfare recipients and shift burden to State governments. Favors increasing zero bracket amounts, earned income credit, and providing a 10-percent tax credit for social security tax.

Business tax reductions

Rejects the Administration proposal. Claims that the proposal would result in a subsidy for investment. Recommends adoption of a phased-in First-Year Capital Cost Recovery System. Also, favors a 10-percent tax credit for employers for social security taxes. In addition, supports targeted investment incentives for economically-distressed areas; a 25-percent rehabilitation tax credit; a 25-percent credit for new structures; elimination of the $100,000 limitation on used equipment; and increase targeted jobs tax credit to 65-percent on a $10,000 wage base.

Tax expenditures

Proposes limiting or eliminating certain tax expenditures in lieu of reductions in certain social programs: such as limiting business meal deductions to 50 percent and eliminating other entertainment deductions; eliminate capital gains treatment of certain timber and agricultural income; eliminate DISC; disallow foreign tax credits on oil and gas extractions; discontinue intangible drilling cost deductions and percentage depletion for oil and gas firms; limit the deduction on home mortgages to $10,000; eliminate the tax allowance for controlled foreign corporations; and reduce the tax benefit of commodity tax straddles.

Hon. Don Fuqua, Member of Congress (Florida): Chairman of Committee on Science and Technology

Business tax reduction—R&D

Urges action on H.R. 1864 (Shannon), which provides a 25-percent R&D credit and a deduction for contributions to fund university research.

Hon. Richard L. Ottinger, Member of Congress (N.Y.)

Energy

Believes that the government should recoup increased profits of oil companies. Asserts that oil companies are using increased profits to diversify and need no incentives for additional exploration and development. States that the deduction for intangible drilling and development costs and percentage depletion should be abolished or reduced. Urges a review of all energy-related tax subsidies.

Recommends a refundable credit for oil users in order to relieve hardship for both consumers and businesses in oil-consuming States and to ease imbalance vis-a-vis oil-producing States.

Charitable contributions

Proposes allowing a nonrefundable tax credit of one-half of charitable contributions up to $500 maximum ($1,000 for a joint return). Also, cosponsors the Conable-Gephardt above-the-line charitable deduction but indicates that a deduction would give relatively greater tax benefit to higher bracket taxpayers.

Tuition tax credit

Does not favor a tuition tax credit.

Hon. Parren J. Mitchell, Member of Congress (Maryland)

Individual tax reductions

Contends that the Administration's proposal would only exacerbate the rate of inflation and would favor the higher income taxpayer. Recommends postponing consideration of the 30-percent tax rate reduction. Proposes expansion of the earned income credit and increasing the zero bracket amount.

Business tax reductions—depreciation

Concurs in the need to reform the present depreciation laws to simplify depreciation and to stimulate capital formation and economic growth. Disagrees that Accelerated Cost Recovery is the most viable method of depreciation for small business and the economy in general.

Expresses concern regarding the proposed 5-year phase-in of the proposal, the nonneutrality of the proposal, and the revenue cost of the proposal.

Business tax reduction—targeted incentives

Proposes a refundable targeted tax credit for job training costs in "distressed economic areas," waiver of employer's share of the social security taxes for one year, accelerated depreciation and refundable investment tax credit for certain structural rehabilitation costs, tax-exempt IDBs (Government guaranteed), and tax incentives (special bad debt deduction and tax credits) for financial institutions aiding new small businesses in a distressed economic area. Also, recommends a 2-year extension of the present targeted jobs tax credit.

Tax expenditures

Believes that tax expenditures have become an uncontrollable element of the Federal budget. Favors more oversight and control of tax expenditure items. Asserts that large businesses receive the bulk of tax expenditure benefits.

Hon. John B. Breaux, Member of Congress (Louisiana)

Shipping

Urges adoption of H.R. 2456, which provides 5-year amortization for U.S. flag vessels, starting with year of expenditure and applicable to existing vessels. Recapture would apply if it becomes foreign flag vessel.

Hon. James L. Oberstar, Member of Congress (Minnesota)

Individual—adoption deduction

Requests consideration of H.R. 5096, allowing a deduction for costs of adoption of children through State-approved agencies. In answer to a question, agrees that consideration should be given to a greater deduction for older, harder-to-place children.

Hon. Virginia Smith, Member of Congress (Nebraska)

Individual tax reduction

Endorses the Administration's proposal for a 3-year, 10-percent per year tax reduction. In addition, recommends elimination of the "marriage tax" penalty and indexation of individual tax rates and exemptions.

Business tax reductions

Supports the Administration's proposed accelerated cost recovery system.

Energy—windfall profit tax

Urges consideration of repeal of the windfall profit tax as it applies to small royalty owners.

Estate and gift taxes

Recommends revision of the estate and gift taxes to encourage family farming and ranching (as in H.R. 917).

Hon. Leon E. Panetta, Member of Congress (California)

Individual tax reductions

Believes that the Administration's proposal would negate the effect of spending cuts and fuel inflation through higher deficits and increased consumption. Proposes that the tax cut should be a part of the reconciliation package and should not exceed spending cuts.

Savings incentives—housing

Requests consideration of H.R. 1490, which would allow establishing of a special savings account for first home purchases. A graduated credit for contributions to the account would be allowed, along with tax-free accumulation of interest on the account.

Estate tax

Proposes (in H.R. 1819) an exemption of $750,000 as an alternative to special use valuation (with a partial exemption for farm property valued up to $2,505,000).

Other

Recommends requiring income tax withholding for most agricultural employees, which would provide a first-year revenue gain of over $300 million and additional increases of $15–20 million per year. Further, urges consideration of drastic simplification of the tax laws.

Hon. Jerry Solomon, Member of Congress (New York)

Individual tax reduction

Maintains that without the Administration's proposed tax reduction there will be a $93 billion tax increase. Objects to a one-year only tax reduction.

Hon. Donald Joseph Albosta, Member of Congress (Michigan)

Business tax reduction—capital cost recovery

Expresses concern that the Administration's proposal, with its generous writeoff for new buildings, would result in further deterioration of the Northeast and Midwest regions.

Recommends H.R. 3, which would provide a $40,000 first-year writeoff for capital costs, a 2–4–7–10 recovery rule with open end accounting (20 years for real property, except 15 for low-income housing and owner-occupied commercial buildings), and one-year writeoff for Federally-mandated equipment expenditures. Also, favors liberalizing the rehabilitation credit.

Energy

Proposes (in H.R. 3) tax incentives for investment in energy conservation and renewable energy. H.R. 3 would allow qualified energy property to be depreciated faster than the general rule (the class with the next shorter recovery period than otherwise). H.R. 3 also would make the investment credit refundable for qualified energy property.

Targeted jobs tax credit

Favor a refundable targeted jobs tax credit (in H.R. 3).

Hon. Byron L. Dorgan, Member of Congress (North Dakota)

Individual tax reduction

Maintains that the current Federal income tax system needs to be made simpler and fairer in order to encourage taxpayer faith and compliance. Claims that the Administration's proposal would benefit primarily higher income taxpayers. Favors indexing of individual tax rates.

Business tax reduction—capital cost recovery

Contends that the Administration proposal (and 10–5–3) favors big business. Believes that relief should be directed toward smaller businesses which need it. Does not feel that the oil industry needs further tax relief. Endorses simpler depreciation rules, such as the Jorgenson-Auerbach first-year recovery system.

Estate tax

Believes that the tax cut bill should include estate tax relief for farmers and small businesses.

Tax expenditures

Urges consideration of elimination of "wasteful" tax expenditures: gives as examples, DISC, deferral, capital gains for nonfarmers that speculate in farmland, and for gold and silver speculators.

Tax administration

Disagrees with proposed cutbacks in IRS enforcement resources.

International Association of Machinists and Aerospace Workers, William W. Winpisinger, President

Individual tax reduction

Maintains that the Administration's proposed tax cuts will go primarily to higher income taxpayers and leave most taxpayers with net real tax increases after inflation effects and social security tax increases.

Supports tax reductions to offset inflation and higher payroll taxes. Recommends payroll tax credits as the best real across-the-board tax cut.

Business tax reduction—capital cost recovery

Opposes the Administration proposal. Contends that 10–5–3 discriminates in favor of long-lived assets and will benefit primarily oil. petrochemicals, and utilities. Believes a proposal needs to be adopted to encourage research and development in the United States.

Tax expenditures

Proposes repealing "wasteful" tax subsidies which divert resources away from productive uses in the American economy. Lists the tax areas recommended for repeal: (1) tax breaks for foreign investment ("tax havens") and multinational corporations (including DISC, tax credit for corporations investing in U.S. possessions, foreign deferral); (2) percentage depletion and intangible drilling costs for oil and gas; (3) capital gains deduction for "unproductive" investments (such as speculation in commodities, metals, coins, antiques and art); (4) as tax shelter abuses (such as commodity tax straddles); and (5) IDBs.

Donald V. Seibert, Chairman, J. C. Penney Company

Individual tax reduction

Endorses Administration's full three-year tax reduction.

Business tax reduction—capital cost recovery

Supports Administration proposal in H.R. 2400, with January 1, 1981, effective date. Urges allowing buildings a recovery rate comparable to rate for equipment. Recommends allowing taxpayer election to deduct all, part, or none of depreciation in a particular year. Also proposes that retail property be eligible for five-year investment credit rate.

Daniel K. O'Connell, Executive Vice President, Ryder System, Inc.

Business tax reduction—capital cost recovery

Urges larger investment credit for assets with replacement cycles shorter than three years. Recommends allowing taxpayer to elect longer cost recovery period with larger investment credit. Suggests that investment credit recapture be graduated at intervals no greater than one year.

National Food Brokers Association, Charles F. Haywood, Vice President

Individual tax reduction

Supports reducing individual rates by 10 percent a year for next three years.

Business tax reduction—capital cost recovery

Supports Administration proposals in H.R. 2400, but recommends making 100 percent of automobiles' cost eligible for investment credit.

Business tax reduction—corporate rates

Urges reduction in corporate tax rates and increase in corporate surtax exemption in two stages, from $100,00 to $150,000, and later, to $200,000.

Warren Avis, Avis Enterprise, Inc.

Individual tax reduction

Because of inflationary effects of tax cuts, would support 10-percent reduction in each of three years only as second step in overall tax reduction process after adoption of business cuts.

Business tax reduction—capital cost recovery

Proposes alternative to depreciation revision: current expensing of American-made machinery and equipment costs in excess of taxpayer's average expenditures for machinery and equipment in five prior years. The plan would be effective for five years with taxpayers entitled to claim deduction in one year or spread over five years, with present law depreciation to be phased-out over five years. Government would issue non-interest bearing trust certificates for expenses not deducted. Taxpayer would have to claim deduction for trust amount within five years.

Chairman for Effective Capital Recovery, George A. Strickman, Chairman (Chairman of the Board, Colt Industries, Inc.)

Business tax reduction—capital cost recovery

Supports the Administration's cost recovery proposal. Favors, however, the original 10–5–3 proposal with respect to flexibility in claiming recovery deductions and commencement of the recovery period.

Dale Jorgenson, Professor of Economics, Harvard University

Business tax reduction—capital cost recovery

Maintains that the objective should be to achieve a uniform effective corporate tax rate, for large and small taxpayers and for different sections of the country. Indicates the present effective rate is now about 25 percent, but varies greatly among taxpayers and in different industries. Projects that the Administration's proposal would produce a 46-percent reduction with the present level of inflation, or a negative effective rate (minus 16 percent). States that the tax benefit would increase if inflation comes down (because interest rates would come down and the discounted value of the rapid recovery of capital costs would increase).

Contends that the first-year cost recovery system would be simple and achieve a uniform effective rate of taxation. Indicates that the useful lives (33 classes that could be compressed into 12) were derived from the results of the 10-year study by the Office of Industrial Economics in the Internal Revenue Service and the deduction for any asset merely requires consulting a table. Notes that the effective tax rate would be 46 percent without an investment credit, and that the invesment credit to achieve a uniform lower effective rate would vary with the asset's classification by useful life and could be established by table also, to produce any effective rate desired.

Association of American Railroads, William H. Dempsey, President

Business tax reduction—capital cost recovery

Generally supports depreciation revisions, but opposes changes in H.R. 2400 for depreciating rail track structures. Urges retention of present retirement-replacement-betterment (RRB) depreciation method.

Edison Electric Institute, Sherwood Smith, Chairman (President and Chief Executive Officer, Carolina Power and Light Company)

Business tax reduction—capital cost recovery

Supports Administration depreciation proposals in H.R. 2400, with the following modifications: (1) maintain full investment credit and TRASOPs by using investment credit before taking depreciation; (2) match depreciation deductions and revenue from related properties by allowing depreciation for construction work in progress only to extent such construction is included in rate base for ratemaking purposes; and (3) retain present normalization rules. Recommends extending TRASOP credits beyond 1983.

Also, proposes current deduction for nuclear plant decommissioning and for spent fuel expenses.

Investment tax incentives

Supports dividend reinvestment plans.

Energy

Urges repeal of limitations on energy credits for utilities.

Also, proposes expanding tax-exempt bonds for certain pollution control and energy conversion facilities.

United States Independent Telephone Association, Theodore F. Brophy (Chairman of the Board and Chief Executive Officer, General Telephone and Electronics Corporation)

Business tax reduction—capital cost recovery

Generally supports Administration proposal in H.R. 2400, but proposes excluding telephone property from definition of public utility property, so that telephone property has five-year, instead of ten-year, recovery period. Opposes changes in investment credit accounting rules for utilities.

American Telephone and Telegraph, Robert N. Flint, Vice President and Comptroller

Business tax reduction—capital cost recovery

Generally supports H.R. 2400, but opposes changes in investment credit accounting rules for utilities. Urges five-year, not ten-year, recovery period for regulated telecommunications utilities property.

American Gas Association, John W. F. Faircloth (Vice President, Taxes, Columbia Gas System Service Corporation)

Business tax reduction—capital cost recovery

Supports principles of H.R. 2400, including requiring normalization method of accounting in order to qualify for accelerated cost recovery and mandatory annual deduction for accelerated depreciation. Supports recovery periods set by Administration proposal. Proposes expanding carryforward period for investment credit.

Investment tax incentives

Supports proposal for tax-deferral for dividend reinvestment (in H.R. 654).

Building Owners and Managers Association International, Gardner S. McBride, Executive Vice President

Business tax reduction—capital cost recovery

Generally supports H.R. 2400, but proposes all real property have 15-year recovery, except for low-income housing which would have faster write-off.

Recommends repeal of section 189 to allow current expensing of construction period interest and taxes.

Proposes current deduction for all ordinary business expenses incurred during investigatory and start-up phase of business prior to realization of income.

Investment tax incentives

Recommends repealing section 163(d) ceiling of $10,000 plus net investment income on the individual deduction for investment interest.

National Realty Committee, Inc., Alan J. B. Aronsohn, Tax Counsel

Individual tax reduction

Supports three-year program of rate reductions in H.R. 2400.

Business tax reduction—capital cost recovery

Generally supports Administration proposals in H.R. 2400, except for certain provisions applicable to real property. Opposes preferential treatment of owner-occupied, rather than rental, commercial facilities and proposes making rapid recovery period for owner-occupied manufacturing facilities available also to owner-lessors. Urges all other depreciable realty have single, longer life with elective accelerated depreciation subject to present law recapture.

Opposes allowing shorter recovery period for investment with tax shelter potential, such as construction of office buildings, shopping centers, hotels and warehouses, while giving low-income housing longer recovery period designed for residential property.

Favors more flexible depreciation deductions than 10-year carryover of net operating losses.

Opposes flat 30-year recovery period for all buildings for determining corporate earnings and profits and urges retention of present law.

National Association of Industrial and Office Parks, James M. Miller, President (Managing Partner, Mid-States Development Company, Dayton, Ohio)

Business tax reduction—capital cost recovery

Opposes distinction in H.R. 2400 between owner-occupied and lessee-occupied buildings. Believes that all buildings should have same recovery schedule.

Belz Investment Company (Memphis, Tenn.), Jimmie D. Williams, Vice President and Chief Financial Officer

Business tax reduction—Capital cost recovery

Generally supports accelerated depreciation proposal. However, opposes distinction in rate and recovery period between owner-occupied and lessee-occupied buildings. Urges same depreciation for developers and owner-occupants.

Proposes less favorable depreciation for potential "tax-shelter" sector, including closely-held businesses, corporate developers, and general partnerships.

Maritime Institute for Research and Industrial Development (MIRAID), W. J. Amoss, Chairman (President, Lykes Brothers Steamship Company), and Julian Singman, President

Sea-Land Industries, Inc., Peter J. Finnerty, Vice President, Public Affairs

Committee of U.S. Liner Operators, Albert E. May (Executive Vice President, Council of American Flagship Operators)

Business tax reduction—capital cost recovery (shipping)

Generally support H.R. 2400, provided provisions in H.R. 2456 are added for maritime industry (5-year writeoff for U.S. flag vessels).

Propose that maritime industry be allowed to depreciate vessels or shipyard facilities beginning in year expenditures are made; to implement new depreciation schedule immediately, without phase-in; to use flexible, longer recovery period; to apply new depreciation schedule to existing vessels. Recommend that penalties be imposed on taxpayers who depreciate vessels under new schedules and then transfer such vessels to foreign flags.

April 2

U.S. League of Savings Associations, Rollin Barnard, President (President, Midland Federal Savings and Loan Association, Denver, Colorado)

Savings/investment tax incentives

Supports retention of the $200 dividend/interest exclusion, and its expansion to $1,000; tax-deferred rollover for reinvested interest on savings accounts; and the creation of a new investment certificate with tax-exempt interest to be available from regulated depository institutions.

Also, favors increased eligibility and contributory limits for IRAs.

Business tax provisions—financial institutions

Proposes changes in the net operating loss carryback rules applicable to thrift institutions to modify a 1978 IRS ruling to allow a full carryback.

Recommends adjustments in the definition of "domestic building and loan associations" to reflect the provisions of Public Law 96–221.

Also, asks that the 50-percent limitation for the investment tax credit for thrift institutions be removed.

Credit Union National Association, Inc., Paul Dickerson, Vice Chairman (General Manager, U.S. Postal Service Federal Credit Union)

Savings/investment tax incentives

Supports expansion of the dividend/interest exclusion to $2,000.

Proposes expansion of IRAs, with the following changes:

(1) an increase in the $1,500 maximum contribution;

(2) elimination of the "active participant" requirement (H.R. 1250);

(3) allow additional nondeductible contributions (H.R. 1250);

(4) improvements to spousal IRAs;

(5) elimination of the 15-percent-of-income limit;

(6) changes to the withdrawal rules; and

(7) no adoption of recordkeeping obligations on the institution as to an individual's qualification.

National Association of Federal Credit Unions, Vincent Lascara, Chairman, Legislative Committee (President, Navy Federal Credit Union)

Savings/investment tax incentives

Supports increasing the dividend/interest exclusion and making it permanent.

Proposes the IRA expansion provisions of H.R. 1250.

National Association of Home Builders, Herman Smith, President, and Robert D. Bannister, Senior Staff Vice President for Governmental Affairs

Business tax reduction—housing

Support special depreciation rules for multifamily housing (as in H.R. 752), i.e., audit proof 10-year life (8 years for low-income housing).

Also, urge repeal of restrictions on current deduction of construction period interest and taxes.

Savings/investment tax incentives

Support increasing the interest exclusion to $10,000 (H.R. 608); tax-free interest on deposits used for residential mortgages (H.R. 1005); individual housing savings accounts (H.R. 178); and expansion of IRAs (H.R. 1250), without early withdrawal penalty if used for home purchases.

Other—tax credit for home purchases

Recommend a 5-percent tax credit for the purchase of an unsold new home.

Committee for Capital Formation Through Dividend Reinvestment, Herbert B. Cohn, Chairman

Investment tax incentives—dividend reinvestment

Supports deferral of taxation on dividends reinvested in original issue stock of company having a qualified dividend reinvestment plan (H.R. 564).

Argues that such tax deferral would stimulate significant increases in external capital formation, capital investment and productivity, would encourage savings, and would help counter inflation. States that dividend reinvestment proposal complements capital cost recovery proposals, which are intended to increase internal generation of capital. Estimates that, taking into account "feedback" revenue gains, proposed tax deferral would result in net revenue loss of $350 million in first full year, a wash in the second year, and net revenue gain of $600 million in subsequent years.

Commonwealth Edison Company, James J. O'Connor, Chairman and President

Investment law incentives—dividend reinvestment

Supports tax deferral for dividend reinvestment (H.R. 654) on behalf of Commonwealth Edison and the Edison Electric Institute (national association of investor-owned electric utilities). States that electric utility industry has substantial capital needs for construction of power facilities. Asserts that sufficient funds cannot be raised internally, and that there are difficulties in external financing. Claims that tax deferral for dividend reinvestments would double amount reinvested by shareholders of Commonwealth Edison.

International Union of Operating Engineers, Jay C. Turner, President

Investment tax incentives—dividend reinvestment

Expresses support of several unions in the electric utilities industry for H.R. 654. Contends that tax deferral on dividend reinvestments would encourage retirement savings by union members.

Inco United States, Inc., Samuel Goldberg, Vice President for Public Affairs

Investment tax incentives—dividend reinvestment

Supports basic policies of H.R. 654 (tax deferral on dividend reinvestment). Suggests that the bill be modified to cover dividend reinvestment plans of certain companies incorporated outside the United States if the company has significant investments and operations within the United States. Argues that so extending the bill to qualified foreign corporations would prevent discrimination against their U.S. shareholders but would not confer unintended benefits on foreign shareholders. Notes that Canadian tax law provides for deferral where shareholders elect to receive new issue stock as dividends, in lieu of cash, whether or not the corporation is Canadian.

Brent D. Wilson, University of Virginia

Investment tax incentives—dividend reinvestment

Supports tax deferral for dividend reinvestments to stimulate capital formation and encourage savings by small investors.

Semiconductor Industry Assoc., Electronic Industries Assoc., Scientific Apparatus Makers Assoc., and Computer and Business Equipment Manufacturers Assoc., Robert N. Noyce (Vice Chairman, Intel Corporation)

Business tax reduction—capital cost recovery (R&D)

Generally supports Administration proposals for depreciation reform to stimulate increased investment in new plant and equipment, but asserts that proposed treatment for R&D equipment (three-year recovery period, with six-percent investment credit) would not be adequate to accomplish purpose of encouraging technological innovation. Notes that depreciation on R&D equipment constitutes a small percentage of total R&D costs. Also, states that under Administration proposals, depreciation for assets held by foreign branches of U.S. corporations would be less favorable than present law in the initial years after such assets are placed in service, and that Administration bill would have a similar effect on assets held by foreign subsidiaries.

Proposes that all equipment in present ADR five to seven year category should be depreciable over a shorter period of time (such as three years) with full 10-percent investment credit. Also, urges that assets held by foreign branches and subsidiaries of U.S. companies should be depreciable under present law rules.

Supports H.R. 1539, which would provide a 25-percent income tax credit for incremental R&D expenditures. Also, supports H.R. 1864, which would provide a 25-percent income tax credit for any amounts set aside for use by, or contributed to, universities for research activities. Further, supports H.R. 2473, which would amend Code section 861 to allow all R&D expenditures made in the United States to be allocated to U.S. sources.

Sperry Corporation, Gerald K. Howard, Vice President of Tax Administration

Business tax reduction—capital cost recovery (R&D)

Supports a 25-percent tax credit for incremental R&D expenditures (H.R. 1539), as necessary complement to Administration capital cost recovery proposals. States that intended incentive in proposed depreciation rule for R&D equipment (three-year recovery) would be offset by limited investment tax credit (six percent).

Alliance for American Innovation, Peter Sprague (Chairman, National Semiconductor Corporation)

Investment tax incentives

Supports, in order to expand available venture and equity capital, further reduction in capital gains tax (H.R. 7), plus targeted capital gains tax reduction for investments in certain small businesses that are partially owned by their employees (H.R. 821). Also, urges relief from double taxation of dividends through tax deferral for dividend rollover accounts in the case of small technology companies.

Business tax reduction—capital cost recovery (R&D)

Supports a 25-percent credit for incremental R&D expenditures (H.R. 1539); 25-percent tax credit to encourage businesses to fund university research; and reinstatement of restricted stock options.

Association of American Universities, Paul Gray (President, MIT)

Business tax reduction—capital cost recovery (R&D)

Support tax incentives to stimulate increased R&D, including H.R. 1864, a 25-percent tax credit for amounts set aside for use by, or contributed to, universities for research activities, and H.R. 2472, increasing the charitable contribution deduction for equipment contributed to universities for use for educational purposes or research and experimentation.

National Association of Small Business Investment Companies, Barry M. Davis, Chairman (President, Alliance Business Investment Co., Tulsa, Okla.)

Individual tax reduction

Supports the Administration's proposals, but with additional tax cuts for investment income. Recommends elimination of distinctions between earned and unearned income.

Investment tax incentives

Favors reduction or elimination of taxes on capital gains. Proposes a rollover of gain reinvested in small companies. Urges reinstitution of restricted stock options. Suggests allowing regulated investment companies to be treated as conduits for tax purposes if they meet the requirements of the Small Business Investment Incentive Act.

American Electronics Association, Herbert Dwight (President and Chief Executive Officer, Spectra-Physics, Mountain View, Calif.)

Business tax reduction—capital cost recovery (R&D)

Supports a 25-percent incremental credit for R&D (H.R. 1539) and for R&D contributions to universities (H.R. 1864).

Investment tax incentives

Proposes eliminating tax on capital gains that are reinvested in new companies. Recommends restoration of restricted stock options.

Opposes capital gain distinctions on the basis of whether the asset is "productive."

National Venture Capital Association, Morton Collins, Executive Vice President (General Partner, DSV Associates)

Investment tax incentives

Urges creation of incentive stock options (H.R. 2797 and S. 639) to assist small business in attracting qualified management personnel.

Recommends eliminating or reducing taxes on capital gains. Claims that this would stimulate venture capital formation and investment in small businesses. Cities data for venture capital increases after the 1978 capital gains tax reduction.

ERISA Industry Committee, Jerry L. Oppenheimer, Counsel, and on behalf of American Council of Life Insurance, American Society of Pension Actuaries, Association of Private Pension and Welfare Plans, National Association of Life Underwriters, National Automobile Dealers Association, and Profit-Sharing Council of America

Savings tax incentives—retirement savings

Supports H.R. 2207, allowing an active participant in a private qualified pension plan a deduction for contributions to the plan or to an individual retirement account, annuity, or bond (IRA). Maintain that the maximum deduction allowed to an active plan participant should be the same amount as that allowed to an individual who is not covered by a qualified plan and should be allowed for mandatory, as well as voluntary, contributions to a qualified plan. Believes that self-employed individuals covered by a qualified plan should be allowed the deduction for contributions to the plan or to an IRA on the same basis as a plan participant who is not self-employed.

Opposes (1) requiring private qualified plans to accept deductible contributions by plan participants, (2) permitting IRAs to be used for other than retirement savings (e.g., educational expenses or a home purchase), and (3) allowing a tax credit for retirement savings.

ESOP Association of America, Luis L. Granados, Legislative Counsel

Savings tax incentives—retirement savings

Favors various proposals intended to broaden stock ownership under qualified employee stock ownership plans (ESOPs) of private employers. Supports (1) making permanent certain additional tax credits allowed to employers for contributions to certain ESOPs, (2) allowing employers a tax credit of one percent of participants' compensation for contributions to certain ESOPs, (3) allowing employers a deduction for dividends paid on stock held by an ESOP if the dividends are paid to the plan participants, (4) allowing a charitable deduction for gifts and bequests of employer stock to an ESOP, (5) excluding from current taxation a portion of a lump sum distribution from an ESOP, (6) allowing an individual who sells small business stock to an ESOP to reinvest the gain, tax-free, in another small business, (7) permitting an ESOP to assume estate tax liability in return for employer stock from the estate, (8) increasing the contribution limits for employer contributions to an ESOP, and (9) permitting in some cases a "cash-out" of ESOP benefits without the participant having a right to demand stock.

Klose Associates, Inc. (Philadelphia, Pa.), Edwin A. Klose, President

Savings tax incentives—retirement savings

Supports allowing active participants in private qualified pension plans or government retirement plans a deduction for contributions to an individual retirement account, annuity, or bond (IRA). Maintains that the deduction limit should be raised to the first $2,000 of earned income and that an equal deduction should be allowed for a nonworking spouse or a spouse having lower earnings. Believes that nondeductible IRA contributions of up to $8,000 ($2,000 in any one year) should be permitted and that withdrawals for educational expenses and the purchase of a new home should be allowed.

Ad Hoc Committee on Individual Annuity Taxation, Norse L. Blazzard; and

Investment Annuities Institute, Inc., W. Thomas Kelly, President

Savings tax incentives—retirement savings (investment annuities)

Believe that Internal Revenue Service rulings, under which earnings on assets invested in an investment annuity contract or a "wraparound" annuity contract are taxed currently to the individual owning the contract, are contrary to present law. Maintain that such earnings should not be taxed until benefits are paid to the individual under the contract. Urge passage of H.R. 743 and H.R. 567.

April 3

Hon. John Y. Brown, Governor, State of Kentucky

Investment tax incentives

Places emphasis on incentives for entrepreneurs and small business in any finally adopted tax package. Contends that taxes now kill incentive for entering business. Suggests the following specific changes: (1) eliminate $3,000 ceiling on capital losses deductible against ordinary income; (2) reduce the tax on capital gains to 20 percent or lower; (3) end double taxation of dividends; (4) permit business to give employees tax-free stock options, (5) lower the top tax rate on investment income to 50 percent immediately.

Business tax reduction

Small business.—Recommends a capital gains rollover provision (as in S. 360) for reinvestment in small businesses and increasing the maximum subchapter S shareholders to 100.

Corporate tax rate.—Believes that the top tax rate should apply only for income over $500,000.

Capital cost recovery.—States that the President's proposal would be simpler than the present ADR system. Indicates that few small businesses have elected ADR.

United Automobile, Aerospace and Agricultural Implement Workers (UAW), Howard Young, Special Consultant to the President

Individual tax reduction

Opposes the President's tax proposals. Urges individual tax relief, but less than the President proposes. Contends that the combined effect of social security and income taxes needs special attention. Recommends a refundable income tax credit equal to a percentage of social security tax, effective for the January 1, 1981 social security tax increase.

Business tax reduction—capital cost recovery

Urges rejection of the President's capital cost recovery proposal in favor of more targeted, less costly incentives. Indicates that 10–5–3 would be disadvantageous to the auto industry, and would be of little or no benefit to the auto companies. Maintains that 10–5–3 is biased in favor of plants and structures. Suggests making the investment credit refundable, and a higher, refundable credit for certain investments used to produce motor vehicles.

Other—credit for auto purchases

Requests consideration of a tax credit for the purchase of a new car.

Michael K. Evans, Evans Economics, Inc.

Savings tax incentives—retirement savings

Maintains that stimulation of personal savings should be the aim of any tax cut. Urges expansion of individual retirement account availability to all employees. Also, purposes raising annual IRA exclusion amount and permitting a special $10,000 lifetime bonus exclusion amount. States that this change would produce more revenue than that lost within 5 years.

Council of State Chambers of Commerce, Albert H. Cohen, Member of the Federal Finance Committee (Partner, Price Waterhouse), and Eugene F. Rinta, Consultant on Federal Fiscal Issues

Individual tax reduction

Urges quick enactment of the Administration's tax reduction proposal. Believes that Congress should have a clear policy goal of reducing the top tax on investment income to 50 percent to end the discriminate taxation of income from capital.

Business tax reduction—capital cost recovery

Endorses the Administration's proposed new capital cost recovery system. States that this proposal will provide greater incentive for capital formation than present law, improve cash flow, and be simpler to use for small businesses than ADR.

American Federation of State, County and Municipal Employees (AFSCME), Marcia Caprio, Director for Economic Affairs of the Department of Public Policy

Individual tax reduction

Considers the Administration's proposal to be inequitable. Indicates that the top 5 percent of taxpayers would get 30 percent of relief under a 10-percent across-the-board tax cut, while the 60 percent of taxpayers with less than $20,000 income receiving 18 percent of the tax cut. Urges structuring tax cut bill more to low- and middle-income persons and including a refundable income tax credit for social security taxes. Contends that the Administration's 3-year proposal would be inflationary. Believes that it would be more prudent to approve a one- or two-year tax cut of a moderate size, with further consideration later in light of the then economic conditions. Asserts that the proposed tax cut would have relatively little effect on work effort nor would it greatly increase savings.

Business tax reduction—capital cost recovery

Opposes the Administration's cost recovery proposal (ACRS) as benefitting the largest firms, distorting investment decisions, and encouraging expansion of tax shelters. Believes ACRS is unnecessary, would be too costly, would be inefficient in generating new capital investment, and would do little to reverse the post-1973 slowdown in productivity growth.

Business tax reduction—Social Security tax credit

Believes that the bulk of a 1981 tax cut should consist of a reduction in social security taxes, such as a refundable tax credit for employers and employees. Asserts that this would help offset the "fiscal drag" of the 1981 social security tax increase, the windfall profit tax, and inflation-induced income tax increases. Indicates that this also would maintain the financial integrity of the social security tax system and provide some financial relief to State and local governments as employers.

Tax expenditures

Recommends repeal of DISC, deferral of taxes on foreign income, tax credit for U.S. possessions, expensing of intangible drilling costs, and percentage depletion allowances.

Charls E. Walker Associates, Inc., James E. Smith, President

Individual tax reduction

Supports the Administration's proposed tax reduction.

Business tax reduction

Capital cost recovery.—Favors prompt action on the Administration's capital cost recovery proposal.

Minimum tax on corporations.—Urges repeal of the minimum tax on corporations. Contends that this tax dilutes the impact of other tax incentives for capital investment. Indicates that this tax falls primarily on a few industries (mining and steel manufacturing).

Chemical Manufacturers Association, Robert A. Rowland, President

Individual tax reduction

Urges passage of the Administration proposals as a unitary package. Asserts that a one-year tax cut would not sufficiently stimulate the economy.

Business tax reduction—capital cost recovery

Endorses the Administration's ACRS, which contains most provisions of 10–5–3. Believes that ACRS is a better system than the Finance Committee's 2–4–7–10 system, as ACRS removes the link between cost recovery and useful lives and ACRS has fewer categories. States that improved capital cost recovery will have a positive effect on U.S. exports.

Recommends an additional provision in ACRS allowing unlimited carryover/carryback of net operating losses. Also, contends that ACRS should permit deductions when costs are paid rather than when the property is placed in service.

American Petroleum Refiners Association, Terry P. Gallagher, President; statement presented by William D. Narva (Senior Vice President, Asamera Oil U.S., Inc.)

Business tax reduction—capital cost recovery

Asserts that current tax law encourages overseas refining. Recommends (1) accelerating the effective date of the ACRS to January 1, 1981, with a 5-year life for refining assets; and (2) permitting expensing (rather than amortization) of the cost of government-mandated pollution control equipment (in H.R. 711, H.R. 1862 and S. 169).

Energy tax credits

Proposes an additional investment credit for energy-efficient equipment and for crude oil conversion equipment (in H.R. 2640).

Independent Fuel Terminal Operators Association, John G. Buckley (Vice President, Northeast Petroleum Industries, Inc., Boston)

Business tax reduction—capital cost recovery

Objects to ACRS use of current law equipment depreciation categories to set the ACRS writeoff period. States that these categories would discriminate against independent terminal operators because storage tanks would not be 5-year property unless used "in connection with manufacturing, producing, or furnishing transportation." Indicates that use in connection with marketing, the independent operators' normal use, would not qualify, while storage tanks of refiners would always qualify as 5-year property.

Government Research and Development Corporation (Blanco, Tex.), Jim Jones, Managing Director

In general

Urges repeal of the current "net income" tax system and replacing it with a "gross income" tax on both corporations and individuals. Contends that this would allow much lower tax rates and a much simpler tax system.

Council for a Competitive Economy, Joe Cobb, Director of Economic Analysis

Business tax reduction—corporate tax

Recommends repeal of the corporate income tax, maintaining that repeal would free that amount of money for savings and investment. States that accelerated depreciation proposals are only a cautious, half-way measure for business.

April 7

Congressional Steel Caucus, Hon. Joseph M. Gaydos, Member of Congress (Pennsylvania), Chairman and Hon. Ralph S. Regula (Ohio), Vice Chairman

Business tax reduction—capital cost recovery

Maintain that other exporting nations tax steel less heavily than the U.S. Indicates that in Sweden, Italy, and France, 75 percent of capital expenditures are recovered in 3 years—compared to 57 percent in the U.S. Also, in Canada, the writeoff period is two years for steel equipment compared to 12 years in the U.S.

Hon. Adam Benjamin, Jr., Member of Congress (Indiana), on behalf of the Congressional Steel Caucus

Business tax reduction—capital cost recovery

States that steel industry assets probably have the longest guideline depreciable lives in American industry. Asserts that products that compete with steel have shorter tax lives. Believes that 10–5–3 would make American steel more competitive throughout the world. Indicates that a more effective short-term provision would be a refundable investment credit. Estimates that the steel industry has accumulated over $800 million in earned but unused investment credits due to insufficient tax liability. Proposes an additional 10-percent investment credit to firms making investments in economically depressed regions.

Hon. Henry J. Nowak, Member of Congress (New York): Chairman, Subcommittee on Access to Equity Capital and Small Business, Committee on Small Business

Individual tax reduction

Expresses concern that the proposed 30-percent, 3-year tax cut will be inflationary and have an adverse effect on interest rates, which would further burden small businesses.

Business tax reduction—capital cost recovery

Asserts that the bulk of the benefit under ACRS would go to large businesses.

Small business tax provisions

Advocates tax incentives for small business. Proposes H.R. 2949, which would make the following changes: (1) increase the corporate surtax exemption from $100,000 to $250,000, with rates graduated from 12 percent (on first $25,000 or income) to 46 percent over $250,000; (2) deferral of capital gains tax on sale of an asset when proceeds are invested in an equity of a small business corporation within 12 months; (3) increase the investment credit limit for used equipment to $200,000; (4) cash accounting for small businesses (less than $500,000 gross sales per year); and (5) modification of LIFO inventory provisions.

Also, recommends H.R. 2319, which provides for revision of LIFO inventory requirements and repeal of section 403(b) of the Crude Oil Windfall Profit Tax Act of 1980.

U.S. and Overseas Tax Fairness Committee, Inc., Maurice Mosier (President, National Constructors Association) and Ben Brown, Vice President

Foreign earned income

Maintain that the present tax treatment of U.S. citizens working abroad is detrimental to U.S. trade and employment. Indicates that no other country taxes the income earned by its citizens employed in foreign markets. Recommend removing the tax on U.S. employees abroad. Contend that Treasury's estimated revenue cost of this proposal is greatly overstated.

Council of American Chambers of Commerce—Europe and Mediterranean, A. Edward Gottesman (President, American Chamber of Commerce, United Kingdom), and Connie Borken Hagen, Special Project Coordinator

Foreign earned income

Propose that Americans working abroad be exempt from U.S. tax on that income, limited only by safeguards to prevent U.S. citizens from abusing the exemption by taking up temporary residence abroad. Suggest total exemption for those residing abroad for more than 3 consecutive years, and a substantial exclusion for temporary residents of a foreign country. Also, recommend that any exclusion also exclude that income from compulsory U.S. social security tax.

American Constituency Overseas, George E. Fischer, Chairman

Foreign earned income

Favors elimination of tax on U.S. citizens employed abroad. Considers H.R. 1924 to have the best residency rule requirement.

Dresser Industries, Inc., Carswell H. Cobb, Corporate Tax Director (Chairman, Tax Committee, Petroleum Equipment Suppliers Association)

Foreign earned income

Endorses H.R. 911, to provide a reasonable exclusion level, with separate treatment for housing costs.

Richard P. Godwin, President, Bechtel Civil and Minerals, Inc., on behalf of Bechtel Group, Inc., Caterpillar Tractor Co. and M. W. Kellogg Co.

Foreign earned income

Maintains that the Foreign Earned Income Act of 1978 has had an adverse effect on U.S. trade and employment overseas. Favors removal of U.S. tax on income earned abroad (such as in H.R. 913). If that approach is not feasible, recommends as large an exclusion as possible, with an appropriate housing deduction (as in H.R. 911).

American Citizens Abroad, Robert Angarola, Washington Representative

Foreign earned income

Supports efforts to amend Code sections 911 and 913 to bring the U.S. into conformity with the tax practices of our major competitor nations.

Global Van Lines, Donald Heydlauff, Chairman of the Board

Urges tax relief legislation for Americans working overseas. Cites the 1981 GAO report on the adverse impact of current U.S. tax law.

Foster Wheeler Energy Corporation, Charles V. Shedd, Director of International Personnel

Foreign earned income

Maintains that for U.S. companies to compete abroad, the foreign earned income exclusion needs to be raised to $600,000–$75,000, or higher. Also, contends that special allowances for education, housing costs and other excess living costs should not be treated as taxable income.

American Mining Congress, George B. Monroe, Chairman, Capital Formation Committee (Chairman and President, Phelps Dodge Corp.)

Business tax reduction—capital cost recovery

Supports the Administration's bill even though many in the industry will not receive direct or immediate benefits. Recommends two modifications: (1) permit an option to deduct less than the full recovery allowance, and (2) include foreign assets in the cost recovery system or, at least, allow use of present law without change.

Business tax reduction—other

After the first tax package, wants the Congress to consider (1) changes in the tax treatment of Federally-mandated expenditures (e.g., pollution controls), including a credit therefore and certain definitional changes, (2) extension of the energy tax credit to energy saving expenditures in mining and processing facilities, (3) repeal of the minimum tax on corporations, and (4) making the investment credit refundable.

American Business Conference, Melvyn N. Klein, Chairman, Task Force on Taxes (President and Chief Executive Officer, Altamil Corp.)

In general

Supports the Administration's proposals. In addition, favors an increase in the capital gains deduction.

William R. Schulz, Phoenix, Arizona

Individual tax reduction

Recommends a tax package for a 5-year program: (1) reduce the top rate on investment income to 50 percent, (2) set capital gains at one-half the ordinary rates, and (3) over the second through the fifth years, reduce the rates proportionately to achieve a top rate of 40 percent.

Ad Hoc Committee for Increased Child and Dependent Care Tax Relief:

Nona Weeks, Director, Graduate Program in Day Care Administration, Bank Street College, New York, N.Y. (presented statement of Richard R. Ruopp, President)

Robert Benson, President, Children's World, Evergreen, Colorado

Kathleen Murray, Attorney, Bay Area Child Care Law Project, San Francisco, Calif.

John Kyle, Chariman, Steering Committee of the National Campaign for Child Daycare for Working Parents

Phoebe Carpenter, Administrator, Community Coordinated Child Care for Central Florida, Inc., Orlando, Fla.

Craig Coelen, Daycare Economist, Abt Associates, Cambridge, Mass.

Michelle Seltzer, Co-Director, School Age Child Care Project, Women's Center, Wellesley College, Wellesley, Mass.

Jan Yocum, Executive Director, Daycare Council of America

Child and dependent care credit

Urge enactment of H.R. 1894, Dependent Care Amendments Act of 1981 (Conable, Shannon, and Moore). The bill would increase the existing child and dependent care credit from 20 percent to a graduated percentage credit (20–50 percent, depending on taxpayer's adjusted gross income). The bill also would make the credit refundable, increase the dollar limits, provide tax exemption for dependent care organizations, and certain other technical changes.

Independent Sector, Brian O'Connell, President

Charitable contributions

Supports H.R. 501 (Conable-Gephardt), which would allow all taxpayers to deduct charitable gifts whether or not they itemize deductions. Claims that this would increase charitable giving by more than the loss in revenue to the Treasury. Maintains that the proposal would benefit primarily the lower- and middle-income groups (with almost 60 percent of the benefit to those with incomes under $20,000). Believes that the proposal would enhance the voluntary private sector.

Asserts that the increased use of the "standard deduction" (zero bracket amount) since 1969 has resulted in reduced charitable giving, of more than $1.5 billion in 1980.

Cigar Association, Michael J. Kowalsky, President

Cigar excise tax

Urges passage of H.R. 2256 (Gibbons, Bailey, Schulze and Bafalis), which would change the base for the cigar excise tax and phase out the tax by fiscal year 1984. Recommends changing the base of the tax from the present tax of 8½ percent of the suggested wholesale list price to a tax based on the manufacturers selling price, with a gradual phaseout of the tax over 3 years (6 percent for fiscal year 1982, 3 percent for fiscal year 1983, and no tax thereafter).

Maintains that changing the tax base would eliminate the industry's burden of policing resale prices, would be easier to administer, and would remove potential conflict between the existing cigar tax compliance system and the antitrust laws with respect to resale price maintenance. Points out that the excise taxes on snuff, chewing tobacco and manufactured tobacco were removed in 1965. Asserts that the cigar tax is essentially a World War II-related excise tax that should now be repealed to provide needed tax relief to the declining cigar industry. Projects the revenue reduction from H.R. 2256 at $14 million for fiscal 1982, $27 million for fiscal 1983, and $40 million per year thereafter.

National Investor Relations Institute, Kay S. Breakstone, President

Individual tax reduction

Supports the Administration's proposed across-the-board reduction in individual income taxes. Indicates that this is needed to help offset "bracket creep" and increased social security taxes as well as to help stimulate savings and investment. Urges that the tax rate differential on investment income be removed as soon as possible.

Asserts that the present U.S. tax structure is unduly restrictive and has a negative effect on individual investment, which has resulted in a lower rate of U.S. savings and investment compared to other industrialized countries as well as lower productivity.

Business tax reduction—in general

Endorses the Administration's accelerated depreciation proposal. In addition, recommends consideration of the following investment-related tax incentive measures: (1) elimination of double taxation of dividends; (2) increased dividend exclusion ($500 for individuals and $1,000 for joint returns); and (3) tax deferral on reinvested dividends (such as H.R. 654).

George Lenches, Lenches Associates, Washington, D.C.

In general

Presents a statement listing various questions concerning the operation of the U.S. economy for the Congress to consider (no comments regarding specific tax proposals). Recommends that the Ways and Means Committee (and other interested Committees) undertake an in-depth study of the working of the U.S. socio-economic system, with specific comparisons to experiences in the industrial democracies of Western Europe and Japan.

C. Statements Submitted for the Record

Hon. Harrison A. Williams, Jr., U.S. Senator (New Jersey)

Business tax reduction—capital cost recovery (real estate)

Agrees that shorter, audit-proof depreciation should be made available for structures and other capital assets. Believes that the Administration proposal would place rental housing at a relative disadvantage to other realty vis-a-vis present law comparative treatment.

Urges consideration of the provisions of S. 444 (the Real Estate Construction and Rehabilitation Tax Incentives Act) and the companion House bill (H.R. 2053), under which low-income rental housing would be depreciated on a 12-year straight-line basis, other rental housing over 16 years, and all other structures over 20 years. Recommends repeal of Code section 189, the restriction on deductibility of construction period interest and taxes. Believes that Code section 167 (k) should be made available to all rental housing. Proposes that apartment buildings, as well as other commercial, nonindustrial structures, be made eligible for the energy conservation tax credit. Further, recommends increasing the rehabilitation investment tax credit to 25 percent.

Investment tax credit

Suggests consideration of refundability of the investment tax credit, to provide aid to capital intensive industries such as autos and steel.

Capital gains

Asks consideration of further reduction of the capital gains tax rate.

Housing bonds

Requests reexamination of the Mortgage Subsidy Bond Act of 1980 to consider technical changes to make bond issues feasible and to permit greater utilization for multi-family housing.

Hon. Robert H. Michel, Member of Congress (Illinois)

Individual tax reduction

Endorses the Administration's proposal to reduce marginal income tax rates in order to increase incentives to work, save and invest. Believes that increases in personal exemptions and zero bracket amounts are not very cost effective.

Business tax reduction—capital cost recovery

Supports the Administration's proposed Accelerated Cost Recovery System.

Hon. Dan Marriott, Member of Congress (Utah)

Small business tax provisions

Contends that various tax code provisions have biases against small business, such as the Asset Depreciation System, accounting and inventory methods, accumulated earnings tax, ceiling on investment tax credit for used property, and the effect of the estate tax on small businesses.

Asserts that most small businesses would benefit more from reduced corporate tax rates than from 10–5–3 depreciation proposal. Proposes a reduced, graduated corporate rate schedule for the first $200,000 of income. Recommends $25,000 annual expensing provision, increasing the used equipment investment credit limit to $300,000, increasing the number of subchapter S corporation shareholders from 15 to 25, 80 percent capital exclusion for investment in a small business, 20 percent alternative corporate capital gains rate, and a $2 million estate tax exemption when a small business is passed to a qualified heir and held for at least eight years. In addition, endorses the inventory changes in the Nowak proposal.

Savings incentives—interest and dividends

Proposes increasing the interest/dividend exclusion to $2,000 for individuals ($4,000 for joint returns), and making the exemption permanent.

Hon. Jack Kemp, Member of Congress (New York)

Depreciation—shipping

Proposes reducing the current 14½-year depreciation life for U.S. ships and shipbuilding facilities to a 5-year writeoff, effective as soon as ship construction begins rather than when entering service.

Hon. Don Edwards, Member of Congress (California)

R&D tax credit

Recommends a 25-percent credit for increases in research and development spending (in H.R. 3050). Believes that placing research and development equipment in a mandatory 3-year class would penalize such expenditures.

Capital gains

Proposes (in H.R. 3050) reducing capital gains tax to zero where the gain is invested within 12 months in new business operations. Also, the bill would reduce the regular capital gains rate to 20 percent for businesses and individuals.

Small business—stock options

Suggests (in H.R. 3050) establishment of employee stock options.

Foreign earned income

Favors (in H.R. 3050) an exclusion for income earned abroad in select countries.

Individual—marriage tax penalty

Recommends (in H.R. 3050) elimination of the "marriage tax penalty."

Savings incentives—interest and dividends

Proposes (in H.R. 3050) increasing the interest/dividend exclusion to $500 for individuals ($1,000 for married couples). Also, the bill would provide tax-deferred special savings accounts for purchase of a home and a $3,000 annual deduction for such savings accounts.

Tax-based incomes policy

Recommends consideration (as included in H.R. 3050) of a tax-based incomes policy legislative proposal.

Hon. Charles E. Bennett, Member of Congress (Florida)

Deduction for utility costs

Suggests that consideration be given to allowing a personal deduction for part of an individual's residential utility expenses.

Hon. Thomas E. Petrie, Member of Congress (Wisconsin)

Savings tax incentives—interest and dividends

Recommends a 25-percent nonrefundable tax credit for up to $1,000 ($2,000 on a joint return) of interest and dividends (as in H.R. 2968). Maintains that a tax credit gives equal tax treatment for all income levels, while a tax deduction (exclusion) gives more benefit to higher income taxpayers.

Savings tax incentives—IRAs

Proposes (in H.R. 2968) a number of liberalizations for IRAs: (1) make all workers eligible for IRAs; (2) raise the maximum deduction to $2,000 per year; (3) allow an additional $2,000 spousal deduction; (4) allow employees to make voluntary, deductible contributions to an employer-sponsored retirement plan, up to the IRA limits; (5) allow employees exempt from social security to make an IRA deduction; (6) allow lifetime withdrawals (without penalty) of $15,000 for higher education expenses of children or for purchase of a principal residence; and (7) provide bonus payments for IRA contributions by certain lower income taxpayers.

Hon. Carl D. Pursell, Member of Congress (Michigan)

Individual tax reduction

Suggests a 30-percent individual tax reduction, spread over 5 years, followed by indexation of tax rates and personal exemptions starting in 1987.

Hon. James D. Santini, Member of Congress (Nevada)

Savings incentives—IRAs

Believes that present tax code provisions are too restrictive regarding IRAs and limit their use. Suggests allowing individuals presently covered by private or public pension plans to establish an IRA.

Hon. William Lehman, Member of Congress (Florida)

Savings tax incentives—interest and dividends

Proposes (in H.R. 1725) to make permanent the exclusion for interest and dividend income and to increase the exclusion to $500 for individuals and $1,000 for married couples. Also, recommends (in H.R. 1258) allowing senior citizens (age 65 and over) to exclude interest on series E and EE U.S. savings bonds.

Adoption expenses

Suggests consideration of H.R. 2311, which would allow a deduction for certain adoption-related expenses.

Hon. Robert W. Edgar, Member of Congress, (Pennsylvania), and Hon. John F. Seiberling, Member of Congress, (Ohio), on behalf of the Northeast-Midwest Congressional Coalition

Business tax reduction—capital cost recovery

Recommend targeting of the incentives to assist distressed areas. Contend that the Administration's proposed 10-year depreciation schedule for owner-occupied buildings is too generous and could lead to overspeculation in new building construction at new locations. Believe that the 10–5–3 depreciation system would not be equitable across industries or types of assets. Suggest an alternative approach consolidating classes with similar lives into about a dozen asset classes. A second alternative would be the 1980 Finance Committee bill approach of four class lives. Recommend replacing "vintage" accounting with "constant rate" depreciation. Also, suggest consideration of the first-year recovery method, which would deal with the inflation effect.

Endorse Rostenkowski proposal to revise and increase the credit for rehabilitation of industrial and commercial structures. Recommend making the investment credit refundable, as well as increasing the credit for capital investments in economically distressed areas.

Targeted jobs tax credit

Propose that the targeted jobs tax credit be reauthorized and revised.

Hon. Ron de Lugo, Delegate, Virgin Islands

Guam and Virgin Islands "hold harmless" provision

Proposes a "hold harmless" provision be included in the tax bill to offset the impact of any Federal income tax cut on the revenues of Guam and the Virgin Islands due to their "mirror" tax systems.

Governor's Economic Advisory Council, San Juan, Puerto Rico

In general

Supports concept of Administration's tax cut proposals, and notes that Puerto Rico has a similar supply-side tax reduction program. However, states that proposed budget reductions would have a negative effect on Puerto Rico since full offsetting effect of U.S. tax cut would not be available. States that Puerto Rico only participates in selective Federally funded social programs so effect of budget cuts would be more severe than in U.S. proper. Also, maintains that Federal funds are much more important to the Puerto Rican economy than to the national economy as a whole. Urges permitting Puerto Rico to participate in all Federally funded social programs to dilute negative effect to budget cuts.

Martin Feldstein, Professor of Economics, Harvard University

Individual tax reduction

Asserts that spending cuts are necessary to insure that tax cuts are not inflationary, and that taxes and spending thus should be cut at the same time. Suggests that some tax reductions requested for 1982 and 1983 should be postponed to 1984 and 1985.

Argues that multi-year tax cuts give individuals an immediate incentive to change behavior and signal a commitment to lower future spending without large immediate increases in aggregate demand. Believes that marginal rate reductions will lead to a more efficient use of resources, and the top income tax rate should be reduced to 50 percent as soon as possible.

Savings tax incentives—IRAs

States that a targeted savings proposal, such as an increased exclusion for interest and dividend income or expanded eligibility for IRAs and Keoghs, should be substituted for some of the Administration's proposed marginal rate reductions.

Edward F. Renshaw, Professor of Public Finance, State University of New York (Albany)

Individual tax reduction

Recommends indexing of individual income tax rates for inflation until greater progress is made in balancing the budget and in reducing the absorption of half of all net private saving in order to finance the Federal deficit.

Michael J. Boskin, Professor of Economics, Stanford University

Savings tax incentives

Analyzes the economic effects of a series of proposals to liberalize IRAs and to increase the interest-dividend exclusion for taxpayers over age 65 and make it permanent. Estimates that the combined effect of the proposals would increase savings approximately $20 billion per year (in 1976 dollars), half of which would result from expanded coverage of the existing IRAs.

Calvin H. Johnson, Professor of Law, University of Texas at Austin

Business tax reduction—capital cost recovery

Asserts that the Administration proposal will encourage tax shelters because depreciation is accelerated to or beyond the point of expensing while interest expense remains deductible. Concludes that, in general, little income tax would be collected from high-income individuals or corporations, and that wasteful investment and greater economic concentration would result.

William J. Brown, Professor of Law, University of Pittsburgh School of Law

Individual tax reduction

Does not favor the Administration's tax reduction approach. Believes that tax reduction should be based on the following premises: (1) income taxes reduce the net reward for productive behavior and progressive income taxes ultimately discourage more productive behavior; (2) effectiveness of the Federal income tax system depends upon widespread voluntary self-assessment, which in turn requires reasonableness of rates and fairness in the pattern of tax incidence; and (3) for maximum encouragement of productivity and self-assessment, tax burdens must be imposed least upon fruits of the most easily discouraged sorts of behavior, and imposed at relatively higher rates upon profits from virtually automatic economic behavior.

Concludes that the tax rates on earned income should be substantially less than the rates applicable to other types of income.

Savings/investment tax incentives

Believes that the ability and tendency to save would be restored with lowered income tax rates and a concomitant curbing of inflation through reduced government spending.

Favors elimination of the capital gains deduction on the ground of simplification. However, recommends preserving a strong capital investment incentive through allowance of tax-free rollovers of capital gains into other equity investments.

American Iron Ore Association

Individual tax reduction

Favors an across-the-board reduction in marginal tax rates, with the accompanying implied reductions in the maximum tax on unearned income and the effective tax rate on capital gains.

Business tax reduction—capital cost recovery

Suggests modification of Administration's Accelerated Cost Recovery System (1) to permit discretionary use of the maximum allowable deductions, (2) to allow deductions to begin when costs are paid, instead of when the asset is placed in service, and (3) to allow domestic and foreign assets a similar recovery allowance.

Requests consideration of ways to accelerate use of available investment credits (unused because of limitations) for the short-term. For the long-term, believes that increases in the investment credit should be considered.

Favors expensing of pollution control expenditures, with continued eligibility for the investment credit (as with 5-year amortization in present law). Proposes change in definition to include equipment that prevents, as well as controls pollution.

Business tax reduction—minimum tax on corporations

Urges repeal of the minimum tax on corporations.

American Council of Life Insurance

Savings incentives—retirement savings

Endorses H.R. 2207, the Employee Retirement Savings Contribution Act of 1981, which generally would allow an employee a limited deduction for contributions to an employer's pension plan or to an individual retirement account.

Recommends that employees be allowed a deduction for mandatory as well as voluntary pension plan contributions. Also believes that a single deduction limit should apply to both employees covered by a pension plan and to those not covered by such a plan. Objects to providing an income tax credit (rather than a deduction) for individual retirement savings. Also opposes allowing deductible retirement savings to be used for other purposes (e.g., educational expenses or a home purchase).

Contends that expansion of retirement account savings would add substantially to the total savings of individuals.

National Association of Manufacturers, Lawrence A. Fox, Vice President

Foreign earned income

Believes that U.S. tax laws have caused a decline in the number of Americans working abroad, which in turn has caused a decline in U.S. exports. Accordingly, recommends that U.S. tax law be modified to afford greater relief to U.S. citizens working in foreign countries.

American Textile Manufacturers Institute

Business tax reduction—capital cost recovery

Favors faster depreciation, with the full investment tax credit. Indicates that phase-in of the proposal will delay the full impact of the Administration proposal on new investment.

Associated General Contractors of America

Business tax reduction—capital cost recovery

Endorses the Administration proposal without qualification. Believes that depreciation should be accelerated; that the useful life concept, the ADR system, and the facts and circumstances test should be eliminated; and that the full investment tax credit should be maintained.

Association of Private Pension and Welfare Plans

Savings incentives—retirement savings

Endorses H.R. 2207, the Employee Retirement Savings Contribution Act of 1981, and H.R. 2815, both of which generally would allow an employee a limited deduction for contributions to an employer's pension plan or to an individual retirement account.

Recommends that employees be allowed a deduction for mandatory as well as voluntary pension plan contributions. Also proposes that a single deduction limit apply to both employees covered by a pension plan and to those not covered by such a plan. Opposes allowing deductible retirement savings to be used for other purposes (e.g., educational expenses or a home purchase).

American Society of Pension Actuaries, Gerald Facciani, Chairman, Government Affairs Committee

Savings incentives—retirement savings

Supports allowing an active participant in a private qualified pension plan a deduction for retirement savings, whether paid to a qualified plan or to an individual retirement account. Suggests that a uniform deductible limit of $2,500, indexed for future cost-of-living increases, should be applied to all such contributions, without regard to the individual's status as an active participant. Maintains that the deduction should be permitted for both mandatory and voluntary contributions. Supports consideration of the proposal to allow limited withdrawals of deductible employee contributions. Endorses H.R. 2207.

Profit Sharing Council of America

Savings incentives—retirement savings

Favors allowing an active participant in a private qualified pension plan a deduction for retirement savings, whether paid to a qualified plan or to an individual retirement account. Maintains that the maximum deduction allowed to an active plan participant should be equal to that allowed to an individual who is not covered by a qualified plan and should be allowed for both mandatory and voluntary contributions. Opposes requiring private qualified plans to accept deductible employee contributions. Endorses H.R. 2207.

Bureau of Wholesale Sales Representatives, Michael S. Gordon, Counsel

Savings incentives—retirement savings

Supports allowing an active participant in a private qualified pension plan (including employee-only plans maintained by labor organizations) a deduction for retirement savings, whether paid to a qualified plan or to an individual retirement account. Endorses H.R. 2207, with a technical amendment addressed to group retirement trusts maintained by labor organizations.

Financial Executives Institute, D. K. Frick, Chairman, Committee on Taxation

Individual tax reduction

Supports the President's proposed rate reductions. Believes that other proposals to stimulate savings and investment should be addressed immediately after enactment of the tax reductions.

Business tax reduction—capital cost recovery

Expresses approval that the Administration has incorporated into its bill many of the provisions of the 10–5–3 proposal which it supports. Believes that ACRS should be modified to provide for "banking" of depreciation. Also, proposes that expenditures qualify for progress expenditure treatment regardless of the length of the construction period.

National Mass Retailing Institute, David W. Godfrey, Chairman (Chief Executive Officer, Hart Stores, Inc.; Columbus, Ohio)

Business tax reduction—capital cost recovery

Urges enactment of the ACRS system. Supports the 10-year recovery period for owner-user commercial real property and the 5-year life for other business equipment.

National Retail Merchants Association

Individual tax reduction

Favors the President's proposals for reduction of individual tax rates.

Business tax reduction—capital cost recovery

Endorses ACRS, and particularly the 10-year recovery period for certain owner-user buildings and the 5-year recovery period for most machinery and equipment. Favors the January 1, 1981, effective date.

Supports the simplification of depreciation through elimination of the salvage value concept, modification of the placed-in-service requirement, and utilization of the half-year convention rule, in order to make the capital recovery system more fully available to small businesses.

Proposes consideration of modifying the investment credit by expanding the list of businesses under Code section 49(a)(1)(B) to include retailing.

Small business tax provisions

Maintains that small business tax reform should include encouraging capital formation for small business through such provisions as the small business participating debenture, increasing the level of corporate income taxed at rates lower than 46 percent, and reforming the estate and gift tax.

American Horse Council, Inc., Thomas A. Davis, Counsel

Business tax reduction—capital cost recovery

Proposes that used livestock, including horses, be included in the 3-year class of 10–5–3.

Believes that horses used in a trade or business should be eligible for the investment credit on the same terms as other livestock; a limit of $10,000 on the credit for any one horse could be provided. Maintains that the limitation on the amount of used property eligible for the investment credit should be repealed or increased substantially (at least for livestock investments).

Capital gains—cattle and horses

Asserts that the 24-month minimum holding period required for capital gain treatment of cattle and horses (held for draft, breeding, dairy, or sporting purposes) should be reduced to 12 months.

Withholding on gambling

Recommends repeal of required withholding on gambling winnings, or raise the withholding threshold.

Farm expenses

Proposes repeal of the Excess Deductions Account provisions which apply currently only if a taxpayer had excess farming losses from 1970–1975.

National Cattlemen's Association, James L. Powell, Chairman, Tax Committee

Individual tax reduction

Recommends a broad-based income tax reduction approximating the rate of inflation, as well as a reduction in capital gains tax rates. Also, favors indexing tax rates, personal exemptions and deductions.

Fringe benefits

Believes that proprietorships and partnerships engaged in a trade or business should be allowed to claim the same fringe benefits with respect to the owner-operator of the business as do corporations.

Social security tax

Suggests an increase in the amount of wages an agricultural employee may earn before becoming subject to social security tax. Favors allowing retired farmers and ranchers to participate in management and inspection of rental property without the rental income becoming subject to the self-employment tax and without reduction in social security benefits.

Business tax reductions—capital cost recovery

Recommends reform of depreciation that simplifies the classification of property, eliminates the distinction between new and used property, provides shorter depreciation periods, and eliminates the salvage value rule. Contends that the used property limitation under the investment credit should be repealed, that all buildings, structures and facilities used in agricultural production should qualify for the investment credit, and that the investment tax credit should be allowed as an offset to the alternative minimum tax. Maintains that depreciable hogs, sheep and goats should be in the 3-year class in 10–5–3 because the current ADR midpoint is 3 years. Suggests that taxpayer should be allowed to elect the next lower category for used livestock, that is, 5- or 3-year class.

Excise taxes—farm trailers

Proposes that trailers and semitrailers designed for farming purposes or for transporting livestock or horses be exempted from the 10-percent manufacturers excise tax.

Interstate Natural Gas Association, Jerome J. McGrath, President

Individual tax reduction

Generally supports the Administration's individual tax cut proposal, but believes additional cuts aimed at savings are necessary.

Business tax reduction—capital cost recovery

Endorses the Administration bill's cost recovery system, especially (1) fixed recovery percentages, (2) elimination of the salvage value limitation, (3) normalization requirement for public utilities, (4) election out of progress expenditure rules for utilities, and (5) using the 18-year ADR class life as a dividing line for categorizing public utility property as 5-year or 10-year recovery property.

Savings investment tax incentives

Favors (1) increasing the dividends and interest exclusion and (2) increasing the capital gains exclusion ratio.

National Cotton Council of America

Business tax reduction—capital cost recovery

Supports the Administration bill for cost recovery. In addition, recommends extending the investment tax credit to all agricultural structures, rather than just "single purpose" structures.

Investment tax incentives

Suggests (1) elimination or reduction of tax on investment income, especially capital gains, and (2) elimination of the double taxation of corporate dividends.

Estate tax

Favors repeal or modification of the estate tax to ease the burden on farm families due to the impact of inflation on land values.

American Farm Bureau Federation, Vernie R. Glasson, Director, National Affairs Division

Individual tax reduction

Endorses the Administration's individual tax reduction proposal.

Business tax reduction—capital cost recovery

Supports Administration's proposed accelerated depreciation proposal. Believes that farmers and ranchers (and farm suppliers and equipment manufacturers) will benefit from the faster depreciation.

Estate tax

Favors repeal of the Federal estate tax or proposals to reduce the burden of the tax on family farms and businesses.

Transportation Association of America, Paul Tierney, President

Business tax reduction—capital cost recovery

Supports 10–5–3 but asks that present law depreciation be preserved as an option, since 10–5–3 would not benefit some carriers as much as others.

Requests modification of 10–5–3 to permit continuation of RRB method by railroads.

Opposes proposed "at-risk" rule for the investment tax credit. Recommends refundable investment tax credits and permitting a company to transfer or sell investment credits

Normalization.—Urges that Federal regulatory agencies be prohibited from flowing through the investment incentives of Federally regulated transportation companies in the form of reduced regulated rates.

Capital construction fund.—Favors extension of Capital Construction Fund for deepwater carriers to shallow-draft vessels.

Other business tax provisions—motor carrier operating rights

Supports 3-year write-off for adjusted bases of motor carrier operating rights.

Seafarers International Union of North America (AFL–CIO), Frank Drozak, President

Business tax reduction—capital cost recovery (shipping)

Endorses H.R. 2456, which provides a 5-year writeoff for U.S. ships and shipbuilding facilities, effective immediately. It would also allow for depreciation to begin in the year payments are made. It also includes penalties for companies which utilize the provisions and then register their ships under the flag of another country. Maintains that this legislation would provide jobs in the U.S. shipbuilding industry and more investment.

Transportation Institute, Peter Luciano, Executive Director

Business tax reduction—capital cost recovery (shipping)

Recommends provisions of H.R. 2456. Also believes that the full investment credit should be maintained, regardless of the accelerated depreciation schedule. In addition, requests that language be included in the Committee Report to insure that the definition of "vessel" includes containers carried aboard ships and barges, as well as other vessels.

American Institute of Merchant Shipping, Ernest J. Corrado, Assistant to the President

Business tax reduction—capital cost recovery (shipping)

Favors the accelerated depreciation in H.R. 2400, including 5-year depreciation for merchant ships.

Committee for Small Business Exports, Richard C. Fenton (President, Fenton International, Inc.)

Small business tax provisions—export incentives

Recommends including section 5 of H.R. 1600 (Schulze) to liberalize DISC provisions for small businesses. States that export trading company legislation should not be regarded as an alternative to or substitute for the improvement of DISC (in H.R. 1600).

Society of American Florists, Douglas Dillon, President

Business tax provisions—investment tax credit

Criticizes proposed Treasury Regulations 31.48–10(h)(2) ... provide that single purpose agricultural or horticultural st... eligible for the investment credit are section 1250 propert... that if adopted, this position would preclude the use of certai... celerated depreciation methods, e.g., 200-percent declining bal... Indicates that such a position would have adverse effects und... Administration's proposed ACRS, which limits 5-year recovery ... erty to section 1245 property. Thus, special structure buildings ... have a useful life of 8 years, would be in the 10-year recovery ... Argues that single purpose buildings are section 1245 property ... should be eligible for 5-year recovery under ACRS.

American Supply Association, Thomas McDermott, Co... man, Government Affairs Committee

Savings tax incentives

Supports incentives for increasing savings in financial ins... and savings which will be channeled into housing. Specifica... ommends various proposals to expand savings incentives and ... alize IRAs contained in H.R. 2968 (Petri).

Cogeneration Coalition, Inc.

Business tax reduction—capital cost recovery

Supports the Administration's 10–5–3 proposal, but sugges... modifications: (1) place long-lived public utility property asso... with energy efficient improvements in the 5-year class rather than ... 10-year class, and (2) place new business energy efficiency property in ... 3-year class.

Energy tax credit—cogeneration

Suggests eight modifications to the business energy tax credit for cogeneration property. These would include increasing the credit from 10 to 20 percent, making the credit available for cogeneration equipment installed in new facilities, and extending the credit through 1990.

Renewable Fuels Association, David E. Hallberg, President

Business tax reduction—capital cost recovery

Indicates that ACRS generally could be beneficial to the alcohol fuels/renewable fuels industry; however, opposes extension of the at-risk limitations to the investment credit. If the at-risk rules are extended, suggests that they should not apply to investment eligible for the energy tax credit.

Oh-Penn (Ohio-Pennsylvania) Committee, J. Wallace Kelly, CPA, Conneaut Lake, Penn.

Business tax reduction—capital cost recovery

Supports accelerated depreciation legislative proposals. Emphasizes need for quick action.

Republicans Abroad International, Lois Burke Shepard, Chairman

Foreign earned income

Urges legislation to eliminate U.S. taxation of income earned by Americans abroad who are "bona fide residents" of a foreign country (residing abroad for three years or more), and to eliminate all or nearly all taxation in the case of bona fide "temporary residents" (residing abroad for one to three years), except to the extent nonresident aliens are subject to U.S. taxation. Suggests that such legislation should authorize the Treasury Department to determine whether an individual is a bona fide temporary resident or is claiming such status in order to escape U.S. taxation.

United Way of America, Jack Moskowitz, Senior Vice President, Government Relations

Individual tax reduction—charitable contributions

Supports "above-the-line" charitable deduction for nonitemizers in the Gephardt-Conable bill (H.R. 501). Contends that this would increase the charitable contributions base.

National Association for Child Care Management, Carole M. Rogin, Executive Director

Individual tax reduction—child care credit

Endorses H.R. 1894, the Dependent Care Amendments of 1981, which increases the child care credit, adjusts it for income, and makes it refundable.

William C. Freund, Chief Economist and Senior Vice President, New York Stock Exchange (NYSE)

Individual tax reduction—in general

Does not endorse or reject any specific legislative tax proposal. Presents data from recent NYSE study, *U.S. Economic Performance in a Global Perspective*, which focuses on eight industrialized countries. Suggests that U.S. saving and investment levels are related to tax policies and that reducing the tax burden would encourage saving, investment and economic growth.

Robert R. Nathan, Chairman, Robert R. Nathan Associates, Inc.

Investment tax incentives—dividend reinvestment

Urges enactment of H.R. 654, providing for tax deferral for qualified dividend reinvestment plans. H.R. 654 limits the tax benefit by establishing a "cap" on qualified dividends of $1,500 for a single return and $3,000 for a joint return.

Estimates that this would, by the third year, about double the dollar volume of participation in qualified reinvestment plans, would increase business fixed investment by about $1 billion annually, increase GNP by about $2.7 billion annually, add about 50,000 jobs, and involve a net revenue loss of $350 million the first year, a wash in the second year, and a net revenue gain of $600 million in the third and each succeeding year (including the economic "feedback" effect on revenue).

Business tax reduction—capital cost recovery

Indicates that the Administration's capital cost recovery proposal would be a step in the right direction. Maintains, however, that additional, targeted incentives are needed, such as for R&D expenditures.

J. Thomas Pearson, Vice President-Taxation, Standard Brands Inc.

Business tax reduction—capital cost recovery

Favors adoption of the Administration's capital cost recovery proposal with several modifications. First, urges removal of the provisions providing for separate calculation of depreciation in determining earnings and profits and replacement with a calculation using the straight-line method and the capital cost recovery period. Requests clarification of the Administration's proposal to insure that the earnings and profits of foreign corporations can be computed using accelerated depreciation methods. Further, suggests modifications of the Administration's proposal to include the mass asset rule, repair allowance, and extraordinary retirement rule of the present ADR system.

Other business tax provisions

LIFO inventory rules.—Urges adoption of H.R. 2319 (relating to the repeal of the LIFO conformity requirements).

Dividend reinvestment plans.—Recommends enactment of H.R. 654 (relating to dividend reinvestment plans).

W. M. Read, Senior Vice President, Atlantic Richfield Co.

Savings incentives—retirement savings

Endorses H.R. 2207, the Employee Retirement Savings Contribution Act of 1981, which generally would allow an employee a limited deduction for contributions to an employer's pension plan or to an individual retirement account.

Recommends that employees be allowed a deduction for mandatory as well as voluntary pension plan contributions. Also, proposes that a single deduction limit apply to both employees covered by a pension plan and to those not covered by such a plan. Opposes allowing deductible retirement savings to be used for other purposes (e.g., educational expenses or a home purchase).

Walter L. Crowley, President, G.I.C. Financial Services

Business tax reduction—"at-risk" limitation

Points out that G.I.C. Financial Services Corporation (G.I.C.) and its affiliates are closely held for purposes of Code section 465, and that G.I.C. is an equipment leasing subsidiary which will finance substantial portions of its equipment purchases with nonrecourse financing. Indicates that because G.I.C. was not organized until 1980, it cannot satisfy the current and two preceding taxable years test of section 465 so as to qualify for exclusion from the "at-risk" rules separately from the affiliated group.

Suggests that section 465 be amended to permit leasing members of a controlled group to qualify for the exception separately where the leasing member satisfies the requirements for the exception from the time it commenced business where that is less than the preceding two taxable years.

Cargill Leasing Corporation

Business tax reduction—"at-risk" rules

Believes that the at-risk rules should not apply to privately-held firms actively engaged in equipment leasing. Expresses concern that the language in the Administration's bill (sec. 203(g)(1)) could be interpreted to have the investment credit limitation imposed on certain taxpayers who are not subject to the at-risk limitation of Code section 465.

Ronald L. Platt, Vice President, Public Affairs, Burger King Corporation

Business tax reduction—capital cost recovery

Asserts that the distinction between owner-user depreciable real property and investor-owned real property under H.R. 2400 is unwarranted and creates inequities for small businesses. If the distinction is retained, suggests that premises occupied by a licensee operating a franchised business should be classified as "owner-user" where the building is owned by the licensor who supervises performance standards under the licensing agreement. This alternative suggestion would be applicable where the business utilizes the licensor's trademark and the license agreement covers the applicable cost recovery period.

David Fischer, President, Farwest Steel Corporation

Business tax reduction—capital cost recovery

Urges that any accelerated cost recovery system be made retroactive to January 1, 1981. Also suggests that there should be a rule requiring disclosure to the public of depreciation schedules being used for tax purposes.

Investment tax incentives—stock options

Maintains that there would be a long-range beneficial effect on the formation of capital if stock acquired through the exercise of options were entitled to beneficial tax treatment if, to the extent stock does not have to be sold to finance the acquisition, the taxpayers were required to hold the stock for 10 years or until death.

James R. Stites, Senior, Senior Vice-President, Republic Geothermal, Inc.

Business tax reduction—capital cost recovery

Generally supports the Administration's cost recovery proposals, but opposes extension of the at-risk rules to the investment tax credit or the energy tax credit.

James W. Riddell, H. Lawrence Fox, James K. Jackson, on behalf of The Kellogg Company

Individual tax reduction

Support adoption of the Administration's proposals on individual rate cuts.

Business tax reduction—capital cost recovery

Favor a capital cost recovery system that is equal to or faster than the Administration's proposal. Support additional tax incentives for expenditures incurred to rehabilitate or retrofit existing facilities, and additional tax benefits for research and development. Further, request Committee Report language to clarify the classification of special purpose facilities as "equipment" and not as buildings for accelerated depreciation and investment tax credit purposes.

Tax-exempt bonds

Urge adoption of the provisions of S. 169 (relating to the definition of pollution control facilities and solid waste disposal facilities for financing by tax-exempt bonds). Recommend increasing the small issue IDB limit from $1 million to $3 million.

Alvin W. Vogtle, Jr., President, The Southern Company

Business tax reduction—capital cost recovery (public utilities)

Proposes modifications of H.R. 2400 as it applies to the electric utility industry.

Urges that H.R. 2400 be modified to permit the deferral of recovery allowances, increasing tax liability, until investment credits have been fully utilized.

Requests modification of H.R. 2400 to require that construction work in progress (CWIP) be included in utility rate base in order to be eligible for QPE depreciation. Notes that CWIP normally is not included in rate base nor otherwise taken into account in ratemaking until construction is completed and the property is placed in service.

Objects to section 203(d) of the bill, which would revise the investment credit normalization rules by permitting an increased flow-through of capital cost savings.

Investment tax incentives—dividend reinvestment plans

Supports H.R. 654, which provides for tax-deferred dividend reinvestment. Claims that dividend reinvestment would double (from 25 percent to 50 percent participation) if taxes on reinvested dividends were deferred.

J. M. Quigley, Financial Vice President and Secretary, NICOR, Inc. (Naperville, Illinois)

Investment tax incentives—dividend reinvestment plans

Favors tax deferral for dividend reinvestment on the grounds that it would increase the rate of individual savings and investment, aid in the formation of capital, create a stronger base for economic growth, help reduce inflation, increase employment, and boost the American economy.

Robert W. Carithers, Vice President, Public Affairs, Lifemark Corporation (Houston, Texas)

Investment tax incentives—dividend reinvestment plans

Supports tax-free dividend reinvestment, as embodied in H.R. 654, because it would: (1) provide substantial, direct, and immediate help in the formation of new capital in most capital-intensive companies where it is urgently needed; (2) eliminate, in whole or in part, the double tax on corporate dividends at the stockholder level; (3) provide fairness and equity for the participating stockholder as compared with the recipient of a conventional stock dividend; (4) encourage individual savings to provide supplemental income for retirement; (5) help materially in financing essential energy facilities; and (6) act as an anti-inflationary measure.

Joseph A. McElwain, Chairman, The Montana Power Company (Butte, Montana)

Investment tax incentives—dividend reinvestment plans

Recommends that tax deferral with respect to dividend reinvestment be a part of any tax legislation enacted in 1981. Believes that the economic benefits therefrom would result in eventual revenue gains for the government.

Richard D. Mollison, Chairman, Texasgulf, Inc.

Investment tax incentives—dividend reinvestment plans

Supports legislation to defer taxation on reinvested dividends (H.R. 654) under programs such as that in effect at Texasgulf, Inc.

Houston Lighting & Power Company

Investment tax incentives—dividend reinvestment plans

Urges adoption of H.R. 654 (relating to dividend reinvestment plans). Believes that this would encourage shareholders to reinvest dividends directly with the company and thus permit the company to finance more of its capital needs through retained earnings instead of debt financing.

New York State Electric & Gas Corporation

Investment tax incentives—dividend reinvestment plans

Supports enactment of H.R. 654 (relating to dividend reinvestment plans). States that increased stockholder participation in dividend reinvestment plans would benefit consumers through lower cost of capital.

W. S. White, Jr., Chairman of the Board, American Electric Power Company, Inc. (Columbus, Ohio)

Investment tax incentives—dividend reinvestment plans

Recommends adoption of H.R. 654, providing for dividend reinvestment plans.

George N. Biggs, III, American Society of Corporate Secretaries

Investment tax incentives—dividend reinvestment plans

Urges adoption of H.R. 654, providing for dividend reinvestment plans.

Edward A. Crooke, Vice President and Secretary Baltimore Gas and Electric Co.

Investment tax incentives—dividend reinvestment plans

Supports adoption of H.R. 654 providing for dividend reinvestment plans.

Robert E. La Blanc, Vice-Chairman, Continental Telephone Corporation

Investment tax incentives—dividend reinvestment plans

Recommends enactment of H.R. 654, providing for dividend reinvestment plans.

William D. Web, Assistant Vice President, Federal Affairs, Kansas City Power & Light Company

Investment tax incentives—dividend reinvestment plans

Requests adoption of H.R. 654, providing for dividend reinvestment plans.

Thomas H. O'Brien, Senior Vice President-Finance, Long Island Lighting Company (Mineola, N.Y.)

Investment tax incentives—dividend reinvestment plans

Urges passage of H.R. 654, providing for dividend reinvestment plans.

Rohm and Haas Company, J. Lawrence Wilson, Vice President, and John T. Subak, Vice President and General Counsel

Business tax reduction—capital cost recovery

Support ACRS but indicates that assets with current useful lives of from 7 to 9 years would receive only minimal benefit in the first year of the phase-in period. The recovery periods would not be much shorter than present law (e.g., 8.5 years under ADR compared to 8-year recovery period) and, unlike assets with useful lives of less than 7 years, there would be no increase in investment credit. Recommend a reduction from current useful lives for these assets of at least 1 year.

Also propose extending the progress expenditure rules for depreciation and the investment credit to property with a 1-year (instead of 2 years) construction period.

Tax-exempt bonds

Recommend a technical amendment to the IDB provisions (Code sec. 104(b)(4)(E) and (F)) to ensure the availability of tax-exempt financing for air and water and hazardous waste control facilities in a manner similar to that provided by S. 169 (introduced by Senator Heinz).

William H. Parks, Professor, University of Idaho, on behalf of Northwest River Supplies, Inc.

Business tax reduction—capital cost recovery

Favors an alternative cost recovery proposal, such as the 1980 Senate Finance Committee bill ("2–4–7–10" scheme), that produces less revenue loss while achieving basically the same objectives. Although determination of the appropriate recovery period is slightly more complex than ACRS because of the necessity of referring to ADR guidelines, feels that the "open" account system would simplify accounting for depreciation.

Small business tax provisions

Proposes reducing corporate rates and widening brackets to benefit small businesses.

Fred B. Crandall, Vice President, T. D. Williamson, Inc. (Tulsa, Okla.)

Foreign—boycott law

Urges change in tax restrictions of Foreign Corrupt Practices Act and Boycott Laws. Asserts that the laws make competition with foreign manufacturers impossible.

William W. Aultman, Chairman, James M. Montgomery Consulting Engineers, Inc. (Pasadena, Calif.)

Foreign earned income

Urges modification of Code section 911 to provide relief for U.S. citizens working overseas.

H. Norman Eagleton, President, Eagleton Engineering Co. (Houston, Tex.)

Foreign earned income

Considers Code sections 911 and 913 to be "punitive to American citizens working overseas." Contends that overhaul of these actions is imperative to enable American firms to compete for overseas business.

A. M. Bodford, Vice President, Colonial Motor Freight Line, Inc. (High Point, N.C.)

Other business provisions—motor carrier operating rights

Recommends deduction for motor carrier operating authority but does not favor H.R. 1964. Requests a fair market value formula to determine the amount of the deduction.

Ken Kivett, Comptroller, Central Transport, Inc. (High Point, N.C.)

Other business tax provisions—motor carrier operating rights

Supports deduction for motor carrier operating rights but disagrees with provision of H.R. 1964 that generally limits deduction to basis in right. Recommends deduction for fair market value.

W. Jeff Singleton, the Singleton Co. (Irving, Tex.)

Small business tax provisions—real estate depreciation

Suggests allowing a 10-year depreciation schedule for small buildings (20,000 square feet or less) to encourage small businesses to purchase or build rather than rent.

Walter L. Rothschild, Walter L. Rothschild Co. (New York, N.Y.)

Tax on net worth

Proposes an annual tax on individual net worth to replace individual and corporate income taxes.

Loren C. Krumwiede, Sun City, Arizona

Individual and corporate tax revision—in general

Makes four proposals to revise the Federal tax structure:

(1) exempting from taxation corporate cash dividends paid from earnings accumulated after the effective date of the tax change;

(2) applying the existing corporate tax rate schedule to both individuals and corporations;

(3) allowing interest on new debt instruments to be tax-free, at the election of the issuer, and disallowing interest deductions with respect to such debt instruments; and

(4) enactment of consumption taxes to replace revenues lost from making corporate cash dividends and interest on new debt instruments tax exempt and from restructuring individual tax rates with the rates now applicable to corporations.

Paul Sauers, Atlantic City, New Jersey

In general—Income tax constitutionality

Urges enactment of the Administration's tax reduction proposals on the following grounds: (1) our current income tax system is based upon irredeemable currency or unlawful money; (2) the individual income tax is void for want of uniformity; (3) the income tax system violates the two limitation rules applicable to Federal taxation; (4) the income tax is used to pay the interest on the national debt to a private conglomerate for its own profit known as the "Federal Reserve System"—not to pay lawful debts, provide for the common defense, and general welfare of the United States; (5) the tax system takes property illegally; and (6) the income tax is misapplied in statutory legislation and in its application to the individual contrary to the intent and purpose of the Sixteenth Amendment to the United States Constitution.

John S. Sturgeon, Northridge, Calif.

Individual tax reduction

Endorses full Kemp-Roth individual tax cuts. Urges action to stop tax evasion in the "underground economy." Identifies, as the "real culprit in the inflation program," actions of past Congresses in "bailing out various groups at the expense of the general taxpayer," including failing businesses and various industries.

United Way of Ashtabula County, Ashtabula, Ohio

Business tax reduction—capital cost recovery

Endorses the Capital Cost Recovery Act (H.R. 1053).

David J. Romenesko, Midland, Mich.

Investment tax incentives

Suggests removal of tax from dividends and interest income, and to eliminate the tax on capital gains.

Anghel N. Rugina, Jamaica Plain, Mass.

Individual tax reduction

Maintains that unless inflation is controlled, the benefits of the proposed 30-percent individual tax cut will eventually be eroded by price increases.

Miles Storfer

Excise taxes

Proposes a progressive consumption (expenditure) tax.

Abram Eisenman, Savannah, Ga.

Individual tax reduction

Opposes the Administration's proposed 3-year, 30-percent tax cut for individuals.

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