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Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>1. Refund of 1976 individual income taxes.</p> <p>(Secs. 101, 102, 103 and 104 of the House bill.)</p>	None	<p>Provides a \$50 refund of 1976 individual income taxes for each taxpayer and dependent.</p> <p>Phaseout between \$25,000 and \$30,000 of adjusted gross income.</p> <p>Refund may exceed tax liability for recipients of the earned income credit and certain others.</p> <p><u>Effective date.</u>--Date of enactment.</p> <p><u>Revenue effect.</u>--In fiscal year 1977, revenue loss of \$8.6 billion, of which \$1.3 billion represents refunds in excess of tax liability.</p>	No provision.	
<p>2. Special payments.</p> <p>(Secs. 111, 112 and 113 of the House bill.)</p>	None	<p>Provides a \$50 payment to beneficiaries of social security, SSI, railroad retirement, state-supplements to SSI, black lung, VA pensions and compensation and AFDC.</p> <p>Prohibition of double payments, except between AFDC and tax refund and under waiver by Secretary of the Treasury where elimination of double payments would delay payments unduly.</p> <p><u>Effective date.</u>--Date of enactment.</p> <p><u>Revenue effect.</u>--Outlays of \$1.8 billion in fiscal year 1977.</p>	No provision.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>3. Standard deduction: change in tax rates and tax tables to reflect change in the standard deduction and conforming changes in the definition of taxable income.</p> <p>(Secs. 201 and 202 of the House bill.)</p> <p>(Secs. 101 and 102 of Senate bill.)</p>	<p>The standard deduction is 16 percent of AGI with a minimum of \$1,700 and \$2,100 and a maximum of \$2,400 and \$2,800 for single and married taxpayers, respectively.</p> <p>Heads of households are treated as single persons.</p> <p>Taxpayers with taxable income of \$20,000 or less compute their taxable income and look up tax before credits in a tax table. The tax rates begin at 14 percent on the first dollar of taxable income.</p>	<p>Increases the present standard deduction to a flat amount of \$2,400 for single persons and \$3,000 for joint returns.</p> <p>No provision.</p> <p>Simplification of returns:</p> <p>Bases the tax table on AGI and number of exemptions with the general tax credit built in.</p> <p>Itemizers must subtract itemized deductions in excess of the new standard deduction to obtain "tax table" income. (Conforming changes are made to the Code references to taxable income.)</p> <p>Changes the tax rates to apply above a "zero bracket amount" equal to the new standard deduction amount.</p> <p>Makes the \$35 per capita tax credit available for the extra age and blindness exemptions and limits married individuals filing separately to the \$35 per capita credit.</p>	<p>Standard deduction set at \$2200 for single persons and \$3200 for joint returns.</p> <p>Heads of households have same standard deduction as joint returns.</p> <p>Same as House bill, with technical, clerical and conforming amendments.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
Standard deduction, etc. (continued)	General tax credit is allowed against all "Chapter I" taxes including the minimum tax.	No provision.	Floor amendment by Senator Long (accepted by voice vote) limits general tax credit to regular income tax and denies it against other Chapter I taxes	
		<u>Effective date.</u> --Applies to taxable years beginning after December 31, 1976.	<u>Effective date.</u> --Same as House bill.	
		<u>Revenue effect.</u> --Loss of \$1.4 billion in fiscal year 1977, \$7.1 billion in fiscal year 1978, and \$5.2 billion in fiscal year 1979 (assuming June 1, 1977, withholding).	<u>Revenue effect.</u> --Loss of \$1.5 billion in fiscal year 1977, \$8.1 billion in fiscal year 1978, and \$6.0 billion in fiscal year 1979. Of this, \$52 million in fiscal year 1977, \$680 million in fiscal year 1978, and \$624 million in fiscal year 1979 results from making the joint return standard deduction available to heads of households.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>4. Extension of 1975-1977 individual tax cuts.</p> <p>(Sec. 203 of the House bill.)</p>	<p>The general tax credit equals the greater of \$35 per person or 2 percent of the first \$9,000 of taxable income, and applies through 1977.</p>	<p>Extends general tax credit through 1978.</p>	<p>Same as House bill.</p>	
<p>(Sec. 103 of the Senate bill.)</p>	<p>The earned income credit equals 10 percent of the first \$4,000 of earned income and is phased out as income rises from \$4,000 to \$8,000, and applies through 1977.</p>	<p>Extends earned income credit through 1978.</p>	<p>Same as House bill.</p>	
		<p>Authorizes appropriations to pay for refunds attributable to extension of earned income credit.</p>	<p>No provision.</p>	
	<p>The earned income credit is available only to families who provide more than half the support for a household with their child. AFDC payments count as support provided by someone other than the parent.</p>	<p>Modifies the support test so that AFDC payments are disregarded in determining eligibility for the earned income credit.</p>	<p>No provision.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
Extension of 1975-1977 individual tax cuts (continued)		<p>Revenue effect.--The extension of the general tax credit will cause a revenue loss of \$6.8 billion in fiscal 1978 and \$3.9 billion in fiscal 1979.</p> <p>The extension of the earned income credit will result in a revenue loss of \$1.3 billion in fiscal 1979.</p> <p>The disregard of AFDC payments will have no or only a negligible revenue effect.</p> <p>The total revenue loss from the general tax credit and the earned income credit extensions will be \$6.8 billion in fiscal year 1978 and \$5.2 billion in fiscal year 1979.</p>	<p>Revenue effect.--Same as House bill.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>5. Filing requirements.</p> <p>(Sec. 204 of the House bill.)</p> <p>(Sec. 104 of the Senate bill.)</p>	<p>The income level at which a tax return must be filed is \$2,450 for a single person and for a head of household and \$3,600 for a joint return.</p>	<p>Increases the filing level to \$3,150 for a single person and a head of household and to \$4,500 of a joint return due to the increased "standard deduction" amounts.</p> <p><u>Effective date.</u>--Applies to taxable years beginning after December 31, 1976.</p>	<p>Increases the filing level to \$2,950 for a single person, to \$3,950 for a head of household, and to \$4,700 for a joint return due to the increased "standard deduction" amounts.</p> <p><u>Effective date.</u>--Same as House bill.</p>	
<p>6. Withholding changes.</p> <p>(Sec. 205 of the House bill.)</p> <p>(Sec. 105 of the Senate bill.)</p>	<p>The present law standard deduction is reflected in the withholding rates.</p>	<p>Requires the Secretary to modify the withholding rates after April 30, 1977, to reflect the changes in the "standard deduction" and, after 1978, to further modify them to reflect the expiration of the general tax credit.</p> <p><u>Effective date.</u>--The first withholding change applies after April 30, 1977, and the second after December 31, 1978.</p>	<p>Same as House bill except:</p> <p>Withholding changes are to take effect after May 31, 1977.</p> <p>A head of household may claim an additional exemption to reflect most of the higher "standard deduction."</p> <p><u>Effective date.</u>--The first withholding change applies after May 31, 1977, and the second after December 31, 1978, as in the House bill.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>7. Extension of corporate tax reductions</p> <p>(Sec. 301 of the House bill.)</p> <p>(Sec. 201 of the Senate bill.)</p>	<p>Prior to the Tax Reduction Act of 1975, corporate income was subject to a tax of 22 percent on the first \$25,000 of taxable income and 48 percent on income above \$25,000.</p> <p>Through 1977, the corporate tax rate is 20 percent on the first \$25,000 of taxable income, 22 percent on the second \$25,000, and 48 percent in excess of \$50,000 (the "surtax exemption").</p>	<p>The present corporate tax rates (and surtax exemption) are extended for one year, or through 1978.</p> <p><u>Effective date.</u>--Applies to taxable years ending after December 31, 1977, and before January 1, 1979.</p> <p><u>Revenue effect.</u>--Reduces revenues by \$1.0 billion in fiscal year 1978 and \$1.3 billion in fiscal year 1979.</p>	<p>Same as House bill.</p> <p><u>Effective date.</u>--Same as House bill.</p> <p><u>Revenue effect.</u>--Same as House bill.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>8. Increased investment credit or new jobs tax credit. (Sec. 202 of the Senate bill.)</p>	<p><u>Investment credit</u>,--Provides a permanent investment credit of 7 percent (4 percent for certain public utility property) for qualified investment. The credit is increased temporarily to 10 percent through 1980. Also, an additional 1-1/2 percent investment credit is allowed for an ESOP through 1980.</p>	<p>No provision.</p>	<p>Increases the investment credit by 2 percent (to 12 percent plus the ESOP credit) through 1980. For 1977 and 1978, the additional credit is allowed only if the new jobs tax credit is not elected.</p>	
<p>(Sec. 302 of the House bill.)</p>	<p><u>Jobs credit</u>,--No provision.</p>	<p>Provides a new jobs tax credit. The maximum credit for each net new employee in 1977 or 1978 is \$1,680 (40 percent of the first \$4,200 of wages paid to net new employees).</p>	<p>Same as House bill, except that-- The maximum credit for each net new employee is \$2,100 (50 percent of the first \$4,200 of wages paid to net new employees). A floor amendment by Senator Haskell, (adopted 48 to 41), increased the credit from \$1,050 (25 percent of the first \$4,200 of wages) which was in the Finance Committee amendment.</p>	
		<p>No provision.</p>	<p>The deduction for wages must be reduced by the amount of the credit claimed.</p>	
		<p>The credit is based on FUTA wages (the first \$4,200 of an employee's wages) paid by an employer during the year in excess of 103 percent of FUTA wages paid during the preceding year. Wages on which the credit is based are limited to total wages paid during the year in excess of 103 percent of total wages paid during the previous year.</p>	<p>The total wage limitation requires an increase over 105 percent of total wages paid during the previous year.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
Jobs credit (cont'd.)		No provision.	Under a floor amendment by Senator Chafee, (adopted 58 to 35), the 103-percent FUTA wage limitation and the 105-percent total wage limitation are each reduced to 101 percent for a year for States with unemployment rates of 7-1/2 percent or more for the previous year.	
		Any employer dismissing an employee in order to secure the credit loses an amount of credit equal to twice the amount that otherwise would have been gained by the dismissal.	No provision.	
		For any year, the credit for a taxpayer or employer is limited to \$40,000.	Provides \$100,000 limitation. (Floor amendment by Sen. Haskell (59 to 29).)	
		An additional 10-percent credit is allowed for increased employment of handicapped workers over the number employed in the previous year. The \$40,000 limit does not apply to the additional credit for the handicapped.	An additional 10-percent credit is provided for all new employees hired (without regard to the number employed in the previous year) in the following categories: (1) handicapped workers, (2) Vietnam era veterans under age 27 and disabled veterans, and (3) low-income persons who are unemployed 15 or more weeks or who are AFDC recipients. The special 10-percent credit is limited to one-fifth of the 50-percent credit which	

Item	Present Law	House Bill	Senate Amendment	Conference Action
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Jobs credit
(continued)

No provision.

Revenue effect.--Loss of \$0.7 billion in fiscal year 1977, \$2.4 billion in fiscal year 1978, and \$1.7 billion in fiscal year 1979.

(continued)
would have been allowed before applying the \$100,000 limitation. (Floor amendment by Sen. Cranston, adopted by voice vote.)

To limit the credit available to a new or rapidly expanding business, wages on which the credit is based are limited to 50 percent of FUTA wages for the year.

Revenue effect.--Loss from the new jobs tax credit is \$0.7 billion in fiscal year 1977, \$2.5 billion in fiscal year 1978, and \$1.8 billion in fiscal year 1979.

Loss from additional investment credit is \$0.5 billion in fiscal year 1977, \$1.3 billion in fiscal year 1978, \$1.6 billion in fiscal year 1979, \$2.0 billion in fiscal year 1980, and \$1.3 billion in fiscal year 1981.

Loss from both tax credits is \$1.2 billion in fiscal year 1977, \$3.8 billion in fiscal year 1978, \$3.4 billion in fiscal year 1979, and \$2.0 billion in fiscal year 1980, and \$1.3 billion in fiscal year 1981.

Item	Present Law	House Bill	Senate Amendment	Conference Action
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9. Sick pay
(Sec. 301 of the Senate bill.)

Sick pay revisions made by the Tax Reform Act of 1976 apply to taxable years beginning after December 31, 1975.

Prior law was repealed and a weekly maximum exclusion, i.e. \$5200 a year, was provided for retirees under age 65 who are permanently and totally disabled.

This exclusion is reduced dollar-for-dollar for adjusted gross income in excess of \$15,000.

No provision.
[H.R. 1828, as passed by House (404-0), contains substantive provisions identical to the Senate amendment.]

Generally postpones effective date one year to taxable years beginning after December 31, 1976.

However, taxpayers preferring revisions made by Tax Reform Act of 1976, may elect to file 1976 returns under the new law.

Revenue effect.--One-time revenue loss of \$327 million in fiscal 1977.

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>10. Exclusion for income earned abroad. (Sec. 911) (Sec. 302 of the Senate bill.)</p>	<p>(1) For taxable years beginning after December 31, 1975, the Tax Reform Act reduced the annual exclusion from \$20,000 to \$15,000 (from \$25,000 to \$20,000 in the case of employees of exempt organizations) for individuals who are (i) bona fide residents of a foreign country or countries for the full taxable year or (ii) who are overseas for 17 out of 18 months.</p>	<p>No provision.</p>	<p>Delays the effective date for the changes made by the Tax Reform Act of 1976 to taxable years beginning after December 31, 1976.</p>	
	<p>The Act also made the following changes:</p>			
	<p>(2) The exclusion is of income from the lowest rate brackets; additional income is taxed at the rates which would apply if the excluded income were also taxed.</p>		<p><u>Revenue effect.</u> The one-year delay in the effective date of the changes made by the Act would result in a one-time decrease in budget receipts of \$45 million resulting from the delay in the effective date of the changes to the earned income exclusion (paragraphs 1-4), and an increase in budget receipts of \$7 million resulting from the delay in the effective date of the provision allowing individuals electing the standard deduction to claim the foreign tax credit (paragraph 5).</p>	
	<p>(3) The foreign tax credit is not allowed for foreign taxes allocable to the excluded amount.</p>			
	<p>(4) the exclusion is not available for income which is received outside of the country in which earned in order to avoid tax in that country.</p>			
	<p>(5) Individuals electing the standard deduction may also claim the foreign tax credit.</p>			

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>11. Relief from interest, additions to tax, and penalties attributable to application to 1976 of provisions of the Tax Reform Act of 1976.</p>	<p>Additions to tax computed at 7-percent per annum are imposed for corporate and individual underpayments of quarterly estimated tax liabilities.</p> <p>Interest at 7-percent per annum is charged for underpayments of tax liability from last date for filing return and paying tax.</p>	<p>No provision.</p> <p>[H.R. 1680, as passed by voice vote in the House and H.R. 1828, as passed by unanimous consent contain provisions identical to the Senate amendment.]</p>	<p>Relieves individual taxpayers for periods prior to April 16, 1977, and corporations for periods prior to March 16, 1977, from additions to tax and interest attributable to changes in law made applicable to 1976 by the Tax Reform Act of 1976.</p> <p>Employers are relieved of liability for failures to withhold on income paid before January 1, 1977, and made taxable by 1976 Act.</p>	
<p>(Secs. 303, 304 and 305 of the Senate bill.)</p>	<p>Employers are subject to 5-percent addition to tax for late deposit of taxes withheld from employees' wages and a 100-percent penalty for willful failure to withhold.</p>		<p>Revenue effect.--Revenue loss of \$10 million in fiscal 1977.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>12. Business use of residence for day care services.</p> <p>(Sec. 306 of the Senate bill.)</p>	<p>Generally, no deduction is allowable for business expenses attributable to the use of a personal residence except for a portion used exclusively and on a regular basis for business purposes. If the exclusive use test is satisfied, the deductible business expenses attributable to the residence are limited to the amount by which the gross income from the business activity exceeds deductions which are allowable in any event, e.g., property taxes and interest.</p>	<p>No provision.</p> <p>[H.R. 3340 passed by the House on April 18, 1977, would provide an exception to the exclusive use test for a residence used to provide day care services to individuals.]</p> <p>[H.R. 3340--Deductible business expenses would be limited to the gross income in excess of the allocable portion of property taxes, mortgage interest, etc., which are deductible in any event.]</p> <p>[H.R. 3340--No special rule is provided to allocate expenses to the business use.]</p> <p>[H.R. 3340--After the first day of the first month beginning more than 90 days after enactment, the exception to the exclusive use test applies only if the day care services comply with applicable State licensing, certification, or approval requirement.]</p>	<p>The exclusive use test would not apply in the case of a residence used to provide day care services to children, handicapped individuals, and the elderly.</p> <p>The deductible business expenses would be limited to the gross income in excess of the allocable portion of property taxes, mortgage interest, etc., which are deductible in any event.</p> <p>The expenses allocable to the business activity would be determined on the basis of the space used to furnish the services and on the basis of the time the portion is used to provide the service as compared to the total time available for all uses.</p> <p>No requirement is imposed for State licensing, certification or approval.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
Business use of residence for day care services (continued)		[H.R. 3340-- <u>effective date</u> .--Applies to taxable years beginning after December 31, 1975.]	<u>Effective date</u> .--Applies to taxable years beginning after December 31, 1975.	
		[H.R. 3340-- <u>revenue effect</u> .--Loss of \$40 million in fiscal 1977, \$30 million in fiscal 1978, \$25 million in fiscal 1979.]	<u>Revenue effect</u> .--Loss of \$20 million in fiscal 1977, \$17 million in fiscal 1978, \$17 million in fiscal 1979.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>13. State legislators' travel expenses</p> <p>(Sec. 307 of the Senate bill.)</p>	<p>The Tax Reform Act of 1976 provided that for taxable years beginning before January 1, 1976, a State legislator can elect to have his place of residence within the legislative district he represents as his tax home. If an election is made, the legislator is treated as having expended for living expenses an amount equal to the daily per diem allowed U.S. Government employees multiplied by the number of days the State legislature was in session or the legislator was formally recorded at a committee meeting when the legislature was not in session.</p> <p>Otherwise, the tax home of a State legislator is determined by taking into account a number of factors, such as: (a) the total time ordinarily spent by the taxpayer at each location, (b) the degree of business activity at each location, (c) the amount of income ordinarily spent by the taxpayer at each location, etc.</p>	<p>No provision.</p> <p>[H.R. 1828, as passed by unanimous consent in the House contains provisions identical to the Senate amendment.]</p> <p>[H.R. 4007, as passed by the House on May 2, 1977, provides that the tax home for a State legislator is his residence in the district represented by him.]</p> <p>[H.R. 4007 also provides special rules for travel expenses covered by a reimbursement arrangement. If a State legislator elects to have the special rules apply, the legislator is treated as having expended the reimbursement for away from home travel expenses. However, the amount eligible for the election cannot exceed the number of days covered by the reimbursement multiplied by the greater of \$50 or the maximum Federal per diem for the State capital. In addition, the amount eligible for the election cannot exceed \$9,000 for a year.]</p> <p>Effective date.--Applies [H.R. 4007 to taxable years beginning after December 31, 1975, and before January 1, 1978.]</p>	<p>Extends the election provided by the Tax Reform Act of 1976 to taxable years beginning in 1976.</p> <p>Effective date.--Applies to taxable years beginning in 1976.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
State legislators' travel expenses (continued)		Revenue effect.--[H.R. 4007 would reduce budget receipts by \$2.7 million for fiscal 1977, and \$2.9 million for fiscal 1978.]	Revenue effect.--This provision will decrease revenues by \$3 million in fiscal year 1977.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>14. Minimum tax preference for intangible drilling costs. (Sec. 308 of the Senate bill.)</p>	<p>For individuals, intangible drilling costs are a minimum tax preference to the extent they exceed the amount deductible if those costs were amortized. Effective for taxable years beginning after December 31, 1975.</p>	<p>No provision.</p>	<p>The existing minimum tax preference for intangible drilling costs is reduced by an individual's income from oil and gas properties. (Floor amendment by Sen. Bentsen, agreed to by voice vote, after defeat of a motion to table (33-50)).</p> <p><u>Effective date.</u>-- Taxable years beginning after December 31, 1976.</p> <p><u>Revenue effect.</u>-- Annual loss of about \$30 million beginning with calendar year 1977.</p>	
<p>15. Charitable contributions of conservation easements. (Sec. 309 of the Senate bill.)</p>	<p>Under provisions added by the Tax Reform Act of 1976, deductions are allowable for charitable contributions exclusively for conservation purposes of (1) easements of at least 30 years' duration; and (2) remainder interests in real property, if contributed before June 14, 1977.</p>	<p>No provision.</p>	<p>Deductions are allowable for charitable contributions exclusively for conservation purposes of (1) easements of at least 30 years' duration, and (2) remainder interests in real property, if the transfers are made prior to June 14, 1981. (Floor amendment by Sen. Mathias, agreed to by voice vote.)</p> <p><u>Revenue effect.</u>--Less than \$5 million decrease in receipts for each of the fiscal years 1977, 1978, and 1979.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>16. Studies on impact of bill by government agencies.</p> <p>(Sec. 401 of the Senate bill.)</p>	No provision.	No provision	<p>Requires the Department of the Treasury, Council of Economic Advisers, Congressional Budget Office and Federal Reserve Board to study impact of major provisions of the bill on the economy. Each is required to provide forecasts of the bill's impact on the growth rate of GNP, inflation rate, and unemployment rate over the period July 1977 to July 1979; and to later submit reports on the accuracy of these forecasts.</p>	
<p>17. Increased authorization for the Work Incentive (WIN) program.</p> <p>(Sec. 501 of the Senate bill.)</p>	<p>The Work Incentive (WIN) Program is designed to assist families on welfare to become independent through training, placement, and other services. Federal funds pay 90 percent of the cost of the program. The administration has included \$365 million in the 1978 budget for the Work Incentive Program.</p> <p>Present funding levels allow full participation in the program by one-fourth of WIN registrants. Seventy-five percent of the current 2.2 million persons registered during a given year receive no services other than registration and appraisal.</p>	No provision.	<p>Authorizes an additional \$435 million in each of fiscal years 1978 and 1979 for employment and supportive services for welfare recipients, with no requirement for State matching funds.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>18. Five-year amortization for expenditures by an employer for child care facilities at his trade or business.</p> <p>(Sec. 502 of the Senate bill.)</p>	<p>Section 188 of the Code, which expired at the end of 1976, provided that an employer may elect to amortize expenditures for child care facilities over a 5-year period instead of using other depreciation methods. The provision applied to buildings and equipment, or portions of them, actually used for the provision of child care services in which children received such personal care, protection and supervision as would be required to meet their needs in the absence of their parents. This included a room or rooms, or play equipment and materials particularly suited to the needs of children being cared for during the day.</p> <p>Amounts amortized under this provision have been a preference for purposes of the minimum tax.</p>	<p>No provision.</p>	<p>Restores section 188 as of January 1, 1977, for a five-year period through December 31, 1981.</p> <p><u>Effective date.</u>-- Applies to qualifying expenditures made after December 31, 1976, and before January 1, 1982.</p> <p><u>Revenue effect.</u>--The decrease in revenues from this amendment is expected to be less than \$5 million in each fiscal year 1977 through 1982.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>19. Retirement income credit election. (Sec. 503 of the Senate bill.)</p>	<p>The Tax Reform Act of 1976 generally increased and simplified the 15-percent retirement income credit for taxable years beginning after December 31, 1975, for taxpayers age 65 and over. (Under special rules, added to the Act as a Senate floor amendment, public retirees under age 65 may also claim the credit.) The maximum amount of the credit base was increased from \$1,524 to \$2,500 for single persons and from \$2,286 to \$3,750 for married persons. These maximums are reduced by certain exempt income. The credit is phased out by \$1 for every \$2 of adjusted gross income in excess of \$7,500 for a single person and \$10,000 for a joint return. (The AGI phaseout does not apply to public retirees under age 65.)</p>	<p>No provision.</p>	<p>Allows taxpayers to elect the credit for 1976 under the 1976 Act revision or under prior law. (Floor amendment by Sen. Church adopted 97-1). <u>Revenue effect.</u>--One-time loss of \$30 million.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
20. Tax credit for providing home for aged dependents. (Sec. 504 of the Senate bill.)	<p>A taxpayer may claim a \$750 personal exemption for each dependent.</p> <p>A taxpayer age 65 or over, who files his own return, may claim two \$750 personal exemptions.</p>	No provision	<p>Provides a nonrefundable \$250 income tax credit for individual taxpayers who maintain a household which includes one or more dependents 65 years of age or older. (Floor amendment by Senator Domenici (44-31).)</p> <p><u>Effective date.</u>--Applies to taxable years beginning after December 31, 1976.</p> <p><u>Revenue effect.</u>--Revenue loss of \$52 million in fiscal year 1977, and \$350 million each year in fiscal years 1978 through 1982.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>21. Accrual accounting method for certain farm corporations</p> <p>(Sec. 505 of the Senate bill)</p>	<p>The 1976 Act generally requires a corporation engaged in farming to use the accrual method of accounting and to capitalize pre-productive period expenses. The Act provided the following exceptions:</p> <ul style="list-style-type: none"> (1) subchapter S corporations, (2) family corporation with one family owning at least 50 percent of the stock, (3) nursery, and (4) corporation with annual gross receipts under \$1 million. <p>These rules apply to taxable years beginning after December 31, 1976.</p>	<p>No provision.</p>	<p>Postpones the effective date of the required accrual accounting provision until taxable years beginning after December 31, 1977, for any farm corporation if either--</p> <ul style="list-style-type: none"> (a) 2 families own at least 65 percent of the stock, or (b) 3 families own at least 50 percent of the stock and substantially all the rest of the stock is owned by employees, their families, or exempt pension, etc., trusts. (Floor amendment by Sen. Bumpers (85 to 11).) <p><u>Revenue effect.</u>-- Less than \$5 million decrease in receipts for each of the fiscal years 1977, 1978, and 1979.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>22. Tax liens on residences. (Sec. 506 of the Senate bill.)</p>	<p>Generally, a federal tax lien is not valid against purchasers and holders of certain other interests until notice of the lien is filed.</p> <p>The 1976 Tax Reform Act provided that the notice is not treated as filed unless the filing is recorded in a public index at the IRS district office.</p>	<p>No provision.</p>	<p>The requirement of an IRS public index is repealed.</p> <p>However, a filed Federal tax lien on a residence (containing not more than 4 dwelling units) will be discharged against an individual purchaser if the lien was not properly recorded at the appropriate office where the notice of lien is filed when the individual purchased the property.</p> <p>Administrative and judicial remedies are provided to obtain a discharge of an unrecorded tax lien against a purchased residence. A suit must be started within 6 years after the notice of lien is filed. (Floor amendment by Sen. Helms, adopted by voice vote.)</p> <p><u>Effective dates:</u> Applies generally to any lien imposed under the 1954 Code. The 6-year statute of limitations on discharge suits does not apply to suits started before December 31, 1977.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>23. Withholding on certain gambling winnings. (Sec. 507 of the Senate bill.)</p>	<p>The 1976 Tax Reform Act requires the withholding of 20 percent of certain gambling winnings, including winnings of more than \$1,000 from a wager placed in a wagering pool. However, the Internal Revenue Service has postponed enforcement of this provision on racetrack winnings until May 18, 1977; then, the Service has announced it will enforce withholding as provided in the Senate amendment.</p>	<p>No provision. [However, the House unanimously passed H.R. 1828, relating to sick pay, as amended by the Senate to include provisions identical to the Senate amendment.]</p>	<p>Modifies the withholding provision with regard to parimutuel pools involving horses, dogs, and jai alai to provide that withholding is required on proceeds of more than \$1,000, but only if the amount of the proceeds is at least 300 times as large as the amount wagered. (Floor amendment by Sen. Huddleston, agreed to by voice vote.)</p> <p><u>Effective date.</u>--Applies to payments made after April 30, 1977.</p> <p><u>Revenue effect.</u>--Decrease of receipts of \$4 million in fiscal year 1977, \$7 million in fiscal year 1978, and \$5 million in fiscal year 1979.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
24. Canadian tax impact on United States broadcasters (Sec. 508 of the Senate bill.)	No provision.	No provision	Expresses sense of the Senate that, in view of the special relationship between the United States and Canada, the President should discuss with the Canadian Government the impact of recent Canadian Tax Code provisions on U.S. broadcasters in order to ad- just differences. (Floor amendment by Sen. Moynihan, adopted by voice vote.)	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>25. Termination of 1975 special payments to social security recipients</p> <p>(Sec. 509 of the Senate bill.)</p>	<p>The Tax Reduction Act of 1975 had no termination date for making the \$50 special payments to social security recipients. These payments are still being made in a few cases where a nonresident individual who received social security benefits in 1975 later returns to the United States and applies for the 1975 payment.</p>	<p>No provision.</p>	<p>Terminates 1975 special payments to social security recipients.</p> <p><u>Effective date.</u>--Date of enactment.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
26. Payments to Governments of Virgin Islands, American Samoa and Guam. (Sec. 510 of the Senate bill.)	No general provision, but P.L. 94-392 authorized \$8.5 million appropriation for Virgin Islands to reimburse it for lost tax revenues resulting automatically from the Tax Reduction Act of 1975.	Authorizes an appropriation to Virgin Islands, American Samoa and Guam to compensate for rebate and standard deduction increase.	Authorizes appropriation to these same possessions to compensate for standard deduction increase.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
28. Investment annuities. (Sec. 512 of the Senate bill.)	<p>Under a 1965 Rev. Rul. and numerous private letter rulings which followed the Rev. Rul, a taxpayer could transfer an asset to an insurance company pursuant to an investment annuity contract. Under the contract, the asset was held in a custodial account and invested, pursuant to the taxpayer's control, in a savings account, listed stocks, bonds, mutual funds, or other investments permitted by the insurer. The taxpayer could surrender (or partially surrender) the contract at any time before annuity benefits began and receive the amount held in the account.</p> <p>The Rev. Rul, held that the usual rules for taxation of variable annuities applied to investment annuities. Accordingly, income credited to the invested assets was not taxed to the insurance company. Capital gain on invested assets was taxed to the insurance company, (unless the contract qualified for special treatment under the Code e.g., a contract owned by a qualified pension plan). The tax on investment earnings on the account was deferred until benefits were paid. The annuity benefits were taxable as ordinary income to the extent they exceed the amount paid for the contract by the taxpayer.</p> <p>In 1977, the I.R.S. changed its position on the taxation of investment annuities. Under Rev. Rul. 77-85, earnings on assets first invested under an investment annuity contract after March 9, 1977 (the date the ruling was released), are taxed to the policyholder currently, without deferral of the tax until benefits are paid under the contract.</p>	No provision.	<p>The effective date of Rev. Rul. 77-85 is postponed until March 9, 1978. (Floor amendment by Senator Allen adopted by voice vote, after defeat of motion to table (26-57).)</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>29. Certain Social Security Act Amendments</p> <p>Clarification of Garnishment Provisions.</p> <p>(Sec. 601 of the Senate bill.)</p>	<p>Child support legislation enacted in Public Law 93-647 provides for the garnishment of Federal payment for purposes of child support and alimony.</p>	<p>No provision.</p>	<p>(1) Specifically authorizes the issuance of regulations by the three branches of Government charged with administering the garnishment law; (2) specifically includes the District of Columbia under the garnishment provisions; (3) provides specific conditions and procedures to be followed under the garnishment provisions relating to service of legal processes; (4) defines the terms used in the garnishment provisions; and (5) sets a limit of 50% on the amount of wages subject to garnishment for child support and alimony for a person supporting a second family and 60% for a person who is not (plus an additional 5% in each situation if there are outstanding arrearages under 12 weeks old).</p>	
<p>b. Bonding of State and Local Employees</p> <p>(Sec. 602 of the Senate bill.)</p>	<p>No provision.</p>	<p>No provision.</p>	<p>(1) Requires bonding of all State and local employees, or employees of contractors used by agencies, who handle the collection of child support payments; (2) provides that persons handling cash be separate from those in the accounting function.</p>	

Item	Present Law	House Bill	Senate Amendment	Conference Action
c. Incentive Payments to States and Localities (Sec. 603 of the Senate bill.)	If a political subdivision of a State or if another State collects the child support payment it is entitled for the first 12 months of collections to 25% of the amount retained by the State in which the recipient family lives and to 10% of the amount retained after the first 12 months. These amounts are paid from the Federal share.	No provision.	Sets the incentive payment at 15% of the amount retained by the State in which the recipient family lives, regardless of when collected.	
d. Reporting Requirements (Sec. 604 of the Senate bill.)	Requires that the Secretary of Health, Education, and Welfare submit an annual report to the Congress on all activities under the child support program on June 30 of each year.	No provision.	(1) Lists the specific kinds of information to be included in the annual report; (2) requires that an annual report be submitted to the Congress within 3 months of the end of each fiscal year; and (3) requires a special supplemental report on fiscal year 1976 and the transitional quarter by June 30, 1977.	
e. Certain AFDC payments (Sec. 605 of the Senate bill.)	Specifies the treatment of child support collections for purposes of reimbursement.	No provision.	Validates a letter of exception by the Department of Health, Education, and Welfare to Georgia dated January 22, 1976 permitting that State until the end of calendar year 1976 to work out a problem of interpretation concerning the treatment of child support collections for purposes of reimbursement.	

Item	Present Law	House Bill	Senate Amendment	Conference Action
<p>30. Counter-cyclical revenue sharing</p> <p>(Secs. 701-708 of the Senate bill.)</p>	<p>Under current law, funds are set aside for State and local governments when the national, quarterly unemployment rate exceeds 6 percent. The amount set aside per quarter equals \$125 million plus \$62.5 million times the number of half percentage points by which the unemployment rate exceeds 6 percent. An unemployment rate of 7 percent would create \$250 million.</p>	<p>No provision</p>	<p>Provides up to \$1 billion additional in fiscal 1977. Authorizes up to \$2.25 billion in fiscal 1978. Payments authorized to Puerto Rico and the Virgin Islands; they were not previously in program. Formula is technically improved to rely on more recent data. National amount triggered is modified to depend on tenths of unemployment percentages rather than 1/2 percentage points. (Floor amendment by Sen. Muskie, as modified by Sen. Curtis (64-17).)</p>	
	<p>One-third of the money is set aside for State governments, and two-thirds for counties, cities and townships. Allocation among State governments is based on two factors: (1) the extent to which their unemployment rates exceed 4.5 percent, and (2) their general revenue sharing payment in FY 1976. The product of these two factors is compared to the sum of these products for all States (or all localities in the case of the allocation of the 2/3 amount) in order to determine the actual payment.</p>			
	<p>Over the five quarters of the current authorization, a total of \$1.250 billion could be distributed. By the end of the April quarter, all of the \$1.250 billion will have been allocated.</p>			

EFFECT OF THE HOUSE AND SENATE VERSIONS OF H.R. 3477, THE TAX REDUCTION AND SIMPLIFICATION ACT OF 1977

(billions of dollars)

	HOUSE BILL				SENATE AMENDMENT			
	Fiscal Year			Calendar Year	Fiscal Year			Calendar Year
	1977	1978	1979	1978 Liability	1977	1978	1979	1978 Liability
I. Refund of 1976 individual income taxes; payments to recipients of certain benefits								
Refund of 1976 individual income taxes	-8.6							
Special payments	-1.8							
Total	-10.4	(a)						
II. Reduction and simplification of individual income taxes								
Extension of 1975-1977 individual income tax cuts								
General tax credit		-6.8	-3.9	-10.7		-6.8	-3.9	-10.7
Earned income credit			-1.3	-1.3			-1.3	-1.3
Change in tax rates and tables to reflect change in the standard deduction and conforming changes in the definition of taxable income								
	-1.4 ^b	-7.1 ^b	-5.2	-5.1	-1.5 ^b	-8.1 ^b	-6.0	-5.9
Total	-1.4	-13.9	-10.4		-1.5	-14.9	-11.3	

^aLess than \$50 million.^bWith withholding change applicable to wages paid after May 31, 1977; as passed by the House, with the withholding change applicable to wages paid after April 30, 1977, the House bill figures were \$1.8 billion for fiscal year 1977 and \$6.7 billion for fiscal year 1978.

	HOUSE BILL				SENATE AMENDMENT			
	Fiscal Year Budget Effect			Calendar Year	Fiscal Year Budget Effect			Calendar Year
	1977	1978	1979	1978 Liability	1977	1978	1979	1978 Liability
III. Reduction in business taxes								
Extension of certain corporate income tax reductions	-	-1.0	-1.3	-2.3	-	-1.0	-1.3	-2.3
New jobs credit	-0.7	-2.4	-1.7	-2.4	-0.7	-2.5	-1.8	-2.4
Investment credit	-	-	-	-	-0.5	-1.3	-1.6	-1.4
Total	-0.7	-3.4	-3.0	-4.7	-1.2	-4.9	-4.7	-6.1

	HOUSE BILL				SENATE AMENDMENT				
	Fiscal Year Budget Effect			Calendar Year	Fiscal Year Budget Effect			Calendar Year	
	1977	1978	1979	1978 Liability	1977	1978	1979	1978 Liability	
IV. Provisions relating to effective dates									
One-year postponement of effective date for changes made by the Tax Reform Act of 1976 to the exclusion for income earned abroad									(-a)
One-year postponement of effective date of sick-pay revisions made by the Tax Reform Act of 1976									-0.3
Relief from interest, additions to tax and penalties attributable to application to 1976 of provisions of the Tax Reform Act of 1976									(-a)
Deduction for legislators' travel expenses away from home									(-c)
Eliminating exclusive use test in the case of residences used to provide day care services	(-a)	(-a)	(-a)	(-a)	(-a)	(-a)	(-a)	(-a)	(-a)
Total	(-a)	(-a)	(-a)		-0.4	(-a)	(-a)		

^aLess than \$50 million.

^cLess than \$5 million.

	HOUSE BILL				SENATE AMENDMENT			
	Fiscal Year Budget Effect			Calendar Year	Fiscal Year Budget Effect			Calendar Year
	1977	1978	1979	1978 Liability	1977	1978	1979	1978 Liability
V. Miscellaneous								
Rapid amortization of child care facilities					(-c)	(-c)	(-c)	(-c)
Retirement income credit election					(-a)			
Tax credit for providing home for aged dependents					-0.1	-0.4	-0.4	-0.4
Withholding on certain gambling winnings					(-c)	(-a)	(-c)	(-c)
Investment annuities					(-d)	(-d)	(-d)	(-d)
Extension of termination dates for charitable contributions of conservation easements					(-c)	(-c)	(-c)	(-c)
Exclusion of intangible drilling costs from minimum tax base						(-a)	(-a)	(-a)
Postponement of effective date in accounting rules for certain family farms					(-c)	(-c)	(-c)	(-c)
Total					-0.1	-0.4	-0.4	
Grand Total	-12.6	-17.4	-13.4		-3.2	-20.1	-16.4	

^aLess than \$50 million.

^bWith withholding change applicable to wages paid after May 31, 1977; as passed by the House, with the withholding change applicable to wages paid after April 30, 1977, the House bill figures were \$1.8 billion for fiscal year 1977 and \$6.7 billion for fiscal year 1978.

^cLess than \$5 million.

^dThis item is not included in the totals.

CROSS REFERENCE BETWEEN SENATE AMENDMENTS AND CONFERENCE COMPARISON

<u>Senate Amendment Number</u>	<u>Item Number and Description</u>	<u>Conference Comparison Page Number</u>	<u>Senate Amendment Number</u>	<u>Item Number and Description</u>	<u>Conference Comparison Page Number</u>
	The following is a list of the substantive Senate amendments. The technical, conforming and clerical amendments are listed en bloc at the end of the table:				
1A	1. Refund of 1976 individual income taxes.	1	73	18. Five-year amortization for child care facilities.	20
	2. Special payments.	1	74	19. Retirement income credit election.	21
4, 5, 12, 15, 16	3. Standard deduction.	2	75	20. Tax credit for providing home for aged dependents.	22
30-31	4. Extension of 1975-77 individual income tax reduction.	4	76	21. Accrual accounting for certain farm corporations.	23
41	6. Withholding changes.	6	77	22. Tax liens on residences.	24
58	8. Increased investment credit or new jobs credit.	8	78	23. Withholding on certain gambling winnings.	25
60	9. Sick pay.	11	79	24. Canadian tax impact on United States broadcasters.	26
61	10. Exclusion from income earned abroad (sec. 911).	12	80	25. Termination of 1975 special payments to Social Security recipients.	27
62-64	11. Relief from interest, etc. attributable to the Tax Reform Act of 1976.	13	81	26. Payments to Governments of Virgin Islands, American Samoa, and Guam.	28
65	12. Business use of residence for day care services.	14	82	27. County income or employment tax withholding from Federal employees.	29
66	13. State legislators' travel expenses.	16	83	28. Investment annuities.	30
67	14. Minimum tax preference for intangible drilling costs.	18	84	29. Certain Social Security Act Amendments.	31
68	15. Charitable contributions of conservation easements.	18	85	30. Countercyclical revenue sharing.	33
70	16. Studies on impact of bill by government agencies.	19		The following are clerical, conforming and technical amendments not described in the Conference Comparison: 1-3, 6-11, 13-14, 17-29, 32-40, 42-57, 59, 69 and 71.	
72	17. Increased authorization for the Work Incentive (WIN) Program.	19			